

# LINCOLN CHARITABLE TRUST

## Of, By, and For the People™

### Report of Trust Assets and Liabilities & Receipts and Disbursements

#### Notice to Beneficiaries pursuant to the Pennsylvania Uniform Trust Code

This annual report of the Trustee of the Lincoln Charitable Trust constitutes a Notice under the Pennsylvania Uniform Trust Code, 20 Pa.C.S. §§ 7701-7799 to all Beneficiaries, including all registered voters, political party committees and elected officeholders, who shall be informed as follows:

(1) A trust has been created October, 4, 2007 in and of the City and County of Philadelphia, to which you are a Beneficiary thereto and accordingly, have certain rights and privileges under law.

(2) The Settlor (the party bequeathing the trust) is the 59th Republican Ward Executive Committee, Philadelphia PA. The Co-Settler is the late John Templeton, Jr., M.D., Lower Merion, PA.

(3) The name of the Trustee is Hon. Peter J. Wirs, P.O.Box 1776, Philadelphia, PA 19105-1776. 717-584-1776. Trustee@LincolnCharitableTrust.org.

(4) All Beneficiaries of record are entitled to a copy of the trust agreement.

(5) All Beneficiaries of record are entitled to receive not less than annually, a written report of the trust's assets and their market values if feasible, the trust's liabilities and the trust's receipts and disbursements since the date of the last such report.

*It is a violation of the Civil Rights Act of 1957, Pub. L 85-315, 71 Stat. 637, 52 U.S.C. § 10101(b) for any person, whether acting under color of law or otherwise, to intimidate, threaten, coerce, or attempt to intimidate, threaten, or coerce any other person for the purpose of interfering with the right of such other person to vote or to vote as he may choose, or of causing such other person to vote for, or not to vote for, any candidate for the office of President, Vice President, presidential elector, Member of the Senate, or House of Representatives, at any general, special, or primary election held solely or in part for the purpose of selecting or electing any such candidate. The definition of vote within the Civil Rights Act of 1957 includes your beneficiary rights under the Trust Agreement.*

The Trustee of the Lincoln Charitable Trust, an *inter vivos* active charitable trust, files the following Report of Trust Assets and Liabilities pursuant to the Pennsylvania Uniform Trust Act, 20 Pa.C.S. § 7780.3(i)(5) in addition to return required by the Internal Revenue Code, 26 U.S.C. § 6033(d).

† represents a one-time charge which reserves are not required under IOP Rule 5(c). ‡ represents that reserve requirements will not be same as the current year expenditure. \* represents estimate due to unavailability of invoicing.

#### I. Trust Assets and Principal

1. Trust Property . . . . .	\$30,000.00
<b>Authority:</b> 20 Pa.C.S. §§ 7731, Trust Agreement ¶ 4.	
2. Advances made or pledged against Arbitration Award (less Five Percent Payout obligations under IRC § 4942(a)(1) . . . . .	\$215,407,646.71
Including Five Percent Payout obligation under IRC § 4942(a)(1) . . . . .	\$308,553,821.41
<b>Authority:</b> 20 Pa.C.S. §§ 7769(a), 7772(h)(5), 7780.6(a)(7) 20 Pa.C.S. §§ 7769; 7780.6(a)(7), (a)(9), Trust Agreement ¶ 8(E), ¶ 22(A),(D).	
<b>Total</b> . . . . .	<b>\$338,553,821.41</b>

#### II. Trust Liabilities

1. Trustee's annual base compensation, plus 30% for benefits (pension and healthcare insurance) and taxes from January 1, 2020 through end of year. See Item No. 13 for compensation prior to 2020. . . . .	\$247,500.00
<b>Authority:</b> 20 Pa.C.S. § 7778; Trust Agreement ¶ 19	\$321,750.00
2. Staff salaries, benefit & tax expenses . . . . .	\$981,500.00
Chief of Staff to the Trustee . . . . .	\$150,000.00
Executive Assistant to the Trustee . . . . .	\$150,000.00
General Counsel . . . . .	\$150,000.00
Administrative Assistant . . . . .	\$ 65,000.00
Webmaster . . . . .	\$ 85,000.00
Data Manager . . . . .	\$ 80,000.00
Managing Editor . . . . .	\$ 80,000.00
<b>Total</b> . . . . .	<b>\$755,000.00</b>

**Authority:** 20 Pa.C.S. § 7775; Trust Agreement ¶ 15,19.

3.	Legal fees for General Counsel (less salary for General Counsel under Section 2)	\$150,000.00
	<b>Authority:</b> 20 Pa.C.S. § 7777(a); Trust Agreement ¶ 20.	
4.	Legal fees for Special Counsel	<i>Not to exceed</i>
	<b>Authority:</b> 20 Pa.C.S. §§ 7771, 7772, 7774, 7777(a), 7780.6(a)(4); Trust Agreement ¶ 20.	\$500,000.00
5.	Legal fees (Special counsel as may be determined from time to time by the Trustee)	<i>Not to exceed</i>
	<b>Authority:</b> 20 Pa.C.S. §§ 7771, 7772, 7774, 7777(a), 7780.6(a)(4); Trust Agreement ¶ 20.	\$150,000.00†
6.	Accounting fees (Treasurer) William P. St. Clair, CPA and auditing fees (Independent Auditor) Eisner Amper.	\$50,000.00
	<b>Authority:</b> 20 Pa.C.S. § 7777(a); Trust Agreement ¶ 20.	
7.	General & Administrative Expenses	\$75,000.00
	<b>Authority:</b> 20 Pa.C.S. §§ 7774, 7775	
8.	Annual servicing expenses for National Conference Call incurred by Tele-Town Hall, LLC	\$386,400.00
	<b>Authority:</b> 20 Pa.C.S. §§ 7774, 7775; Trust Agreement ¶ 5, IOP Rule 7(e)-(j). The National Conference Calls are a revenue-generating service supplementing the Trust Property.	
9.	Office rent	\$115,000.00
	<b>Authority:</b> 20 Pa.C.S. § 7775; Trust Agreement ¶ 26.	
10.	Public relations, promotion, advertising and also contributions to other 501(c)(3) organizations required by Section 4947(a)(1) of Internal Revenue Code and accompanying IRS regulations	\$2,500,000.00†
	<b>Authority:</b> 20 Pa.C.S. § 7775; Trust Agreement ¶ ¶ 15,19; IRC 4947(a)(1).	
11.	Five Percent Contributions to 501(c)(3) nonprofit entities per IRC § 4942 requirements. See Notes to Financial Statements regarding IRS determination whether payment is or will not be required	(\$5,514,174.90)
	<b>Authority:</b> 26 U.S.C. (IRC) § 4942.	
12.	Software Development (reprogramming code for <i>We the People Today</i> ™ software: Political Technology, LLC, Pittsburgh, PA; Aristotle International, Inc., Atlanta, GA and 11Online, Albuquerque, NM)	<i>Not to exceed</i>
	<b>Authority:</b> 20 Pa.C.S. §§ 7771, 7775; Trust Agreement ¶ ¶ 2, 8, 22; IOP Rule 2.	\$655,000.00‡ (range from \$250,000 to \$655,000)
13.	Software Development (list compilation and management of HAVA voter files into <i>We the People Today</i> ™ software)	\$385,866.60‡
	<b>Authority:</b> 20 Pa.C.S. §§ 7771, 7775; Trust Agreement ¶ ¶ 2, 8, 22; IOP Rule 2.	
<b>Subtotal</b>		<b>\$11,985,446.54</b>
	Subtotal less Five Percent Contributions under IRC § 4942(a)(1)	\$ 6,471,266.60

14. Trustee's compensation in arrears, computing from Oct. 4, 2007 through January 1, 2017, including sums for benefits and payroll taxes otherwise required to have been paid in the course of business and 6% legal interest and medical expenses incurred by Trustee under Medicaid Estate Recovery regulations and outstanding obligations.	\$5,789,359.38
<b>Authority:</b> 20 Pa.C.S. §§ 7769(a)-(b), 7772(h)(5), 7780.6(a)(7); Trust Agreement ¶¶ 19.	
15. Former Trustee's compensation in arrears, computing from respective date of service for Hon. H. Paul Senft of Florida and 6% legal interest	\$439,500.00
<b>Authority:</b> 20 Pa.C.S. §§ 7769(a)-(b), 7772(h)(5), 7780.6(a)(7); Trust Agreement ¶¶ 19.	
16. Former Trustee's compensation in arrears, computing from respective date of service for Fred W. Hess III, and 6% legal interest	\$439,500.00
<b>Authority:</b> 20 Pa.C.S. §§ 7769(a)-(b), 7772(h)(5), 7780.6(a)(7); Trust Agreement ¶¶ 19.	
17. Legal fees incurred by the Trust for itself and related 501(c)(3) projects undertaken by the Trust as required under IRC 4947(a)(1) in arrears plus 6% legal interest (see List of Claims per entity)	\$1,499,993.46
<b>Authority:</b> 20 Pa.C.S. §§ 7769(a)-(b), 7772(h)(5), 7780.6(a)(7); Trust Agreement ¶¶ 19.	
18. Accounting fees, William P. St Clair, CPA and St. Clair CPA Solutions in arrears plus 6% legal interest	\$263,392.15
<b>Authority:</b> 20 Pa.C.S. §§ 7769(a)-(b), 7772(h)(5), 7780.6(a)(7); Trust Agreement ¶¶ 19.	
19. Professional fees for multiple vendors in arrears plus 6% legal interest	\$6,031,887.09
<b>Authority:</b> 20 Pa.C.S. §§ 7769(a)-(b), 7772(h)(5), 7780.6(a)(7); Trust Agreement ¶¶ 19.	
20. IRC § 4947(a)(1) contributions in arrears <b>less</b> 6% legal interest	\$93,683,101.50
<b>Authority:</b> 26 U.S.C. (IRC) § 4947(a)(1)	
<b>21. Subtotal</b>	<b>\$201,226,280.93</b>
22. Reserve for Trustee's compensation	\$3,146,000.00
<b>Authority:</b> 20 Pa.C.S. §§ 7774, 7779, 7780.6(a)(1),(6); Trust Agreement ¶¶ 22(E), IOP Rule 5(c).	
23. Legal fees (General and special counsel)	\$9,000,000.00
<b>Authority:</b> 20 Pa.C.S. §§ 7774, 7779, 7780.6(a)(1),(6); Trust Agreement ¶¶ 22(E), IOP Rule 5(c).	
24. Accounting and auditor fees	\$500,000.00
<b>Authority:</b> 20 Pa.C.S. §§ 7774, 7779, 7780.6(a)(1),(6); Trust Agreement ¶¶ 22(E), IOP Rule 5(c).	
25. General and administrative expenses	\$750,000.00
<b>Authority:</b> 20 Pa.C.S. §§ 7774, 7779, 7780.6(a)(1),(6); Trust Agreement ¶¶ 22(E), IOP Rule 5(c).	
26. Office Rent	\$150,000.00
<b>Authority:</b> 20 Pa.C.S. §§ 7774, 7779, 7780.6(a)(1),(6); Trust Agreement ¶¶ 22(E), IOP Rule 5(c).	

27. Software updating, reprogramming, website hosting, cloud hosting. list upgrades. . . . .	\$3,864,000.00 \$3,985,666.00 \$6,550,000.00
<b>Authority:</b> 20 Pa.C.S. §§ 7774, 7779, 7780.6(a)(1),(6); Trust Agreement ¶ 22(E), IOP Rule 5(c).	
32. Public relations, donations to other charitable organizations. . . . .	\$25,000,000.00
<b>Authority:</b> 26 U.S.C. § 4947(a), 20 Pa.C.S. §§ 7774, 7779, 7780.6(a)(1),(6); Trust Agreement ¶ 22(E), IOP Rule 5(c).	
28. Five Percent Contributions to 501(c)(3) nonprofit entities per IRC § 4942 requirements See Notes to Financial Statements regarding IRS determination whether payment is or will not be required. . . . .	\$93,683,101.50
<b>Authority:</b> 26 U.S.C. (IRC) § 4942.	
29. Reimbursement of co--beneficiary and Commonwealth of PA losses less 6% legal interest. . . . .	\$30,000,000.00
<b>Authority:</b> <i>DuPlaine's Estate</i> , 185 Pa. 332, 334-335, 39 A. 947, 948 (1898); Restatement (Third) of Trusts § 104 (2012)	
30. Reserves for Operating Expenses (10 years) . . . . .	\$64,712,666.00
<b>Authority:</b> 20 Pa.C.S. §§ 7705(a), 7779, Trust Agreement ¶ 15(D)	
<b>Grand Total (including Co-Beneficiary Losses) . . . . .</b>	<b>\$214,870,719.90</b>

### III. List of Outstanding Claims

1. Hon. Peter J. Wirs, Trustee The Lincoln Charitable Trust Philadelphia, PA 19105-1776 . . . . .	\$5,789,359.38
2. Hon. H. Paul Senft, Senior Trustee Haines City, FL 33845 . . . . .	\$439,500.00
3. Fred W. Hess, Senior Trustee Delran, NJ 08075 . . . . .	\$439,500.00
4. Strassheim Graphics Philadelphia, PA 19102 . . . . .	\$27,873.80
5. Victor A. Young, Esq. Obermayer Rebmann Maxwell & Hippel LLP Philadelphia, PA 19103-1895 . . . . .	\$146,500.00
6. William P. St. Clair, CPA St. Clair CPA Solutions Merchantville, NJ 08109 . . . . .	\$263,392.15
7. Charles Rothfeld, Esq. Mayer Brown Washington, DC 20006-1101 . . . . .	\$259,329.83
8. Mary E. Kohart, Esq. Elliot Greenleaf Blue Bell, PA 19422 . . . . .	\$116,792.32
9. James Sargent, III, Esq. Lamb McErlane West Chester PA 19381 . . . . .	\$190,623.05
10. The Honorable James Gardner Collins Thomas Wilkinson, Esq. Cozen O'Conner Philadelphia, PA 19103 . . . . .	\$20,538.88
11. Greg R. Cartwright Denton US, LLP (formerly SNR Denton) Chicago, IL 60606-6404 . . . . .	\$225,895.46

12.	Lawrence M. Otter, Esq. Silverdale, Bucks County, PA 18962	.....	\$9,587.50
13.	J. Matthew Wolfe, Esq. Philadelphia, PA 19104	.....	\$49,626.82
14.	Thomson Reuters (Westlaw) Eagan, MN 55123	.....	\$15,988.25
15.	Mark Bursic Political Technology, LLC Rural Ridge, PA 15075	.....	\$209,594..03
16.	Don Nissim Heritage Direct, Inc. Oakhurst, NJ 07755	.....	\$112,558.29
17.	Thomas Millman, Account Executive Vocus, Inc. Beltsville, MD 20705	.....	\$33,286.09
18.	Shaun Thompson, Vice President, Government Relations Tele-Town Hall, LLC Arlington, VA 22203	.....	\$2,930,245.09
19.	Jeri Stumpf, Principal Jeri Stumpf & Associates, Inc. Willow Street, Pennsylvania 17584	.....	\$186,145.21
20.	Mary Werner DeNadai, FAIA John Milner Architects Chadds Ford, PA 19317	.....	\$46,099.00
21.	Tom Scott, Principal 82North, Inc. Wilmington, Delaware 19807	.....	\$8,443.46
22.	Multiple contractors to 501(c)(3) CDC guaranteed by the Trust including new charge in 2018 re Craig Tillman Inspections,	.....	\$12,000.00
23.	TD Bank, NA 32 Chestnut Street Lewistown ME 04243	.....	\$2,150.00
23.	Robert A. Creo, Esq. 1151 Freeport Rd. Suite 347 Pittsburgh, PA 15238-3103	.....	3,735..00
24.	Multiple 501(c)(3) 5% Payout receipts	.....	\$93,683,101.50
25.	Benjamin L. Ginsberg, Esq. Patton Boggs Washington, DC 20037	.....	<i>Disputed</i> \$25,000.00
26.	James Bopp, Jr., Esq. Bopp, Coleson & Bostrom Terre Haute, IN 47807	.....	<i>Disputed</i> \$5,000.00
27.	David R. Gardy, Chairman/CEO TV WorldWide Chantilly, VA 20151	.....	<i>Disputed</i> \$2,842.50
28.	Secondary Surcharge imposed weekly by Arbitration Award MUR 2018-1 2018 WL 7568871 against Republican National Committee for breach of co-fiduciary duty denying access to raise Levin Fund campaign contributions for Democratic and Republican state, county and municipal (local) party committees from date of imposition until June 30, 2020.	.....	\$359,692,052.00

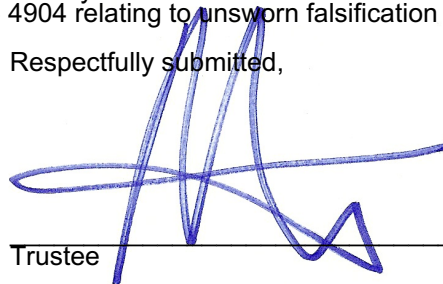
**IV. Miscellaneous Disbursements by Trustee or Settlor**  
No matter reported

**VERIFICATION**

Now comes, the Honorable Peter J. Wirs, Trustee of the Lincoln Charitable Trust, who hereby declares he has fully and faithfully discharged the duties of his office; that the foregoing Report of Trust Assets and Liabilities & Receipts and Disbursements is true and correct and fully discloses all significant transactions occurring during the accounting period; that all known claims against the Trust which have not been paid in full are fully itemized herein; that, to his knowledge, there are no additional claims heretofore not listed which now outstanding against the Trust; and that all taxes presently due from the Trust have been paid. This statement is made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.

Dated: July 1, 2020

Respectfully submitted,



Trustee

This statement is qualified by and shall be read in conjunction with the Notes and Management's Discussion of Results appearing below.

**Note 1 — Summary of Significant Accounting Policies**

(A) *Description* — The Lincoln Charitable Trust (the "Trust") was established by a October 4, 2007 trust instrument pursuant to the Pennsylvania Uniform Trust Act ("UTA"), 20 Pa.C.S. § 7701-7799. The Trust is administered by a trustee who has the statutory authority under UTA to appoint co-trustees in respective jurisdictions. 20 Pa.C.S. § 7780.6(a)(32). The Trustee has adopted Internal Operating Procedures ("IOPs") which in addition to the Trust Instrument, is available on the Trust's website.

The Trust is a charitable trust under the Internal Revenue Service regulations, 26 CFR § 1.501(c)(3)-1(d)(2), as the Trust's charitable purpose is defense of civil liberties secured by law. Section 4947(a)(1) of the Internal Revenue Code provides that the Trust is a non-exempt charitable trust, specifically it is exempt notwithstanding it is not required to seek exemption as a nonprofit corporation is required to obtain under Section 501(c)(3) of the Internal Revenue Code.

The Trust's accounting and reporting policies are in accordance with U.S. generally accepted accounting principles, and they conform to general practices within the applicable industries. Consolidated financial statements include the accounts of the Trust and includes any nonprofit organizations or undertakings which obligations the Trust has guaranteed. In consolidation, all significant internal accounts and transactions are eliminated. The Trustee has made a number of estimates and assumptions relating to the reporting of assets and liabilities in preparation of consolidated statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from these estimates.

(B) *Trust Res (Property)* — The Trust Res (Property) consists of (1) the **Pre-Election Trust Property**, a constituent relations management online software program primarily for use by registered voters and their elected precinct party representatives also available to current beneficiaries (elected officeholders and IRC 401(c)(4) and 527 organizations) (2) the **Post-Election Property**, the National Conference of Public Officials, Inc., a nonprofit standards development body registered under National Cooperative Research and Production Act, Pub. L. 103-42, § 3(b)-(c), 107 Stat. 117, 118, 15 U.S.C. 4301 *et seq.*, as published in 72 *Federal Register* 3416 (Jan. 25, 2007), and (3) intellectual property rights to the trademark and tradename "Poor Richard" originally belonging to Benjamin Franklin, succeeded by David T. Hall, succeeded by The Poor Richard Club, and succeeded by The Poor Richard Corporation, which donated aforesaid intellectual property rights and all interest therein to the Trust.

(C) *Applicability of FAS 117* — The Trust, to the fullest extent reasonably possible, complies with the FASB Statement of Financial Accounting Standards (FAS) No. 117 governing Financial Statements for Nonprofit Organizations (originally published June 1993) in addition to and when not in conflict with requirements imposed by the UTA and court rules. FAS No. 117 applicability is utilized to the extent to allow for comparisons, notwithstanding that a trust is not a juristic entity.

(D) *Cash and Cash Equivalencies* — Cash and cash equivalencies includes cash and due from banks, interest-bearing bank balances and federal securities purchased. Generally, cash and cash equivalencies have maturities of three months or less, and accordingly, the carrying amount of these instruments are deemed to be a reasonable estimate of market value.

(F) *Securities* — Securities are classified as of the date of commitment or purchase as trading or as available for sale securities. The fair value of securities is based on quoted market prices, or if not available, then the fair value is estimated using quoted market prices for similar securities, pricing models or discounted cash flow analysis. Of this Report, the Trust does not possess securities or bonds of any corporate or governmental entity. Once the Reserve is reimbursed by the surcharge imposed on the Republican National Committee in Arbitration Award MUR 2018-1, 2018 WL 7568871, possession of bonds and securities for

investment purposes to generate interest will be governed by the Trust's Investment Policy Statement, Trust IOP Rule 8.

### **Note 2 — Revenues**

Revenues are primarily fees earned for processing campaign Levin Fund political contributions raised pursuant to 11 CFR § 300.31 and disbursed pursuant to 11 CFR § 300.32, one-time registration fees for the National Party Conference Calls, and Trust Res license fees charged of Current Beneficiaries (candidates for public office). Qualified beneficiaries (political party committees) and beneficiaries (registered voters) are not charged license fees. Additional revenues are anticipated from online advertising for Poor Richard once publication resumes. The Trustee has yet to determine whether subscriptions (paywall) will be instituted.

The Trust is a non-exempt charitable trust under IRC § 4947(a)(1); certain contributions to the Trust are deductible under IRC § 170(c)(2)(B), when made, used, and limited to exempt purposes. IRC § 4947 is one of the private foundation rules enacted under the Tax Reform Act of 1969, Pub.L. No. 91-172, 83 Stat. 487, to extend to private foundations the rules governing nonprofit corporations under IRC § 501(c)(3). In that the Trust's assets are permanently dedicated to the accomplishment of charitable purposes as that term is described in IRC §§ 170 and 501(c)(3) and the regulations thereunder, the Trust is a charitable trust under IRC § 4947(a)(1), even so the Trustee is not required to apply for recognition of exemption under IRC § 501(c)(3). See IRS Reg. § 1.508-1 (a)(3)(d) which states that solely for purposes of IRC §§ 507, 508(d)(1), 508(d)(2)(A) and 508(d)(3), 508(e), 509 and Chapter 42, a trust described in IRC § 4947(a)(1) does not have to file the notice described in IRC § 508(a). Nonetheless, the Trustee anticipates filing application to be recognized as exempt from taxes under IRC § 501(c)(3) as soon as judgment is enforced or otherwise financed as discussed *infra* Note 5, per the IRS recommendations.

As Pennsylvania is the situs of Trust, 20 Pa.C.S. § 7708, the Trustee ruled Pennsylvania campaign finance law will govern acceptance of campaign and Levin Fund campaign contributions. 2 U.S.C. § 453, 11 CFR 108.7, even so the Trust is only acting as a conduit. 52 U.S.C. § 30116(a)(8) and 11 CFR § 110.6. Accordingly, contributions from corporations, banks, foreign nationals, agents, or anonymously will not be accepted, 25 P.S. §§ 3253-3254; and contributions in excess of \$250 in a calendar year must disclose occupation and employer. 25 P.S. § 3246(b)(1).

### **Note 3 — Expenditures**

(A) *Trust Property Administration* — The significant expenditure is the ongoing (1) development and maintenance of the Trust Property on behalf of Qualified Beneficiaries (political party county and state committees) and Current Beneficiaries (all other grass-roots oriented social advocacy entities, i.e. MoveOn or Tea Party) (2) the National Party Conference Calls, of which ongoing fees includes data set processing; (3) promulgation of model codes, standards and advisory opinions regarding governmental ethics, accountability and productivity, and (4) editorial staff for Poor Richard.

(B) *Legal and Accounting Fees* — The Trustee expects to incur legal fees in 2020 in the ordinary course of business, which includes in addition to ongoing general counsel, trust and tax counsel.

(C) *Endowment* — The Trustee is required by the Trust Agreement, ¶ 22(E), to set aside a portion of proceeds raised for investment purposes to maintain an endowment ("reserve") for the Trust's benefit to assure the Trust is self-perpetual. Reserves are required to equal ten years of operating expenses. *Id.*

(D) *Trustee's Compensation* — The Trust Agreement, ¶ 19, requires the Trustee to be compensated at a sum 10% greater than the compensation of the highest paid national party chairman or not less than \$150,000 per year. Currently, one of the national party chairs is paid \$220,000 annually, accordingly, the Trustee's annual compensation is set at \$242,000 per year. The Trust Agreement, ¶ 19, the Trustee is prohibited from earning any other fees, honorariums, in the discharge of his official duties.

(E) *Federal Income Tax Consequences*. Because the Trust is governed by IRC § 4947(a)(1), five percent (5%) of income not applied to the Trust's charitable purposes, including the reserves required by the Trust Agreement, ¶ 22(E) for protection against deficiencies, may be required under IRC § 4942(a) to fund other IRC § 501(c)(3) charitable organizations. This is known as the 5% Payout Rule. However, the Trustee believes that the Trust is exempted from the 5% Payout Rule by reason of IRC § 4947(j)(3) being a "operating foundation"(A) which makes qualifying distributions (within the meaning of paragraph (1) or (2) of subsection (g)) directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated equal to substantially all of the lesser of— (i) its adjusted net income (as defined in subsection (f)), or (ii) its minimum investment return; and (B) (i) substantially more than half of the assets of which are devoted directly to such activities or to functionally related businesses (as defined in paragraph (4)), or to both, or are stock of a corporation which is controlled by the foundation and substantially all of the assets of which are so devoted, (ii) which normally makes qualifying distributions (within the meaning of paragraph (1) or (2) of subsection (g)) directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated in an amount not less than two-thirds of its minimum investment return (as defined in subsection (e)), or (iii) substantially all of the support (other than gross investment income as defined in section 509(e)) of which is normally received from the general public and from 5 or more exempt organizations which are not described in section 4946(a)(1)(H) with respect to each other or the recipient foundation; not more than 25 percent of the support (other than gross investment income) of which is normally received from any one such exempt organization; and not more than half of the support of which is normally received from gross investment income.

It is not settled that the ongoing fraud on the court perpetrated by RNC Local Counsel in challenging confirmation of Arbitration Award MUR 2018-1 which results in infliction of tortuous interference of the Trustee negates or otherwise adversely impacts the Trust's standing under IRC § 4947(j)(3).

If the IRS finds that the Trust is not exempt under IRC § 4947(j)(3), the Trustee elects those 501(c)(3) charitable organizations which have synergy with or coincides with the Trust's charitable purposes or by promoting the Trustee's interests in order to elevate public awareness of the Trust as required by IOP Rule 7(o). The 501(c)(3) organizations designated as the contemplated 5% payout recipients are as follows:

University of Pennsylvania Health System, Pennsylvania Hospital, the sum not to exceed **\$25,000,000** for establishment and maintenance of a clinic to treat adult onset mitochondrial disease, to be named after the Wirs-Rosen Adult Mitochondrial Disease Center. This grant may or may not be contingent on matching grants to assure an adequate endowment to maintain the Center. Alternatively, the funds may be applied to the existing Mitochondrial Disease resources at Children's Hospital of Philadelphia ("CHOP") which is already an international epicenter for Mitochondrial Disease research and development.

Temple University or the University of Pennsylvania Fels Institute of Government, the sum not to exceed **\$25,000,000** for establishment of an academic research center relating to government ethics, accountability and productivity, and for providing online academic programming to be named the Peter J. Wirs Center for Government Ethics, Accountability and Productivity. This grant will require ongoing research and editing of the treatise *Government Ethics, Accountability and Productivity* for annual serial subscription renewals.

A portion of this grant may or may not be allocated to the Pennsylvania Bar Association ("PBA") regarding losses incurred by the former Pennsylvania Bar Institute ("PBI"), the PBA's entity responsible for CLE programming.

The Germantown Conservancy, Inc., a 501(c)(3) community development corporation, the sum not to exceed **\$25,000,000** for historical preservation and for establishment of a volunteer fire company providing aerial firefighting capability for Pennsylvania, New Jersey and Delaware, and which is to include the Philadelphia Volunteer Firemen's Relief Association, a 501(c)(3) VFRA established pursuant to subchapter B, Chapter 74 of Title 35, Pa.C.S., 35 Pa.C.S. § 7411-7419.

The Pennsylvania Wrestling Club, Inc., and USA Wrestling, Inc., both being 501(c)(3) amateur sports organizations pursuant to the Ted Stevens Olympic and Amateur Sports Act, Pub. L. 105-225, 112 Stat. 1466, 35 U.S.C. § 220501 *et seq.*, the sum not to exceed **\$25,000,000** restricted to the amateur sport's international federation for amateur sports development. One half of this disbursement may or may not be set aside for two additional 501(c)(3) entities, Drexel University and University of Pennsylvania for a consolidated wrestling and related sports performance facilities to be housed at the Drexel University Recreation Center, Philadelphia, PA which would house the Pennsylvania Wrestling Club and the USA Wrestling's Pennsylvania RTC. A requirement of this grant is that the sport's intellectual property rights be protected by the sport's international federation, United World Wrestling, a Swiss nonprofit entity as well as by USA Wrestling, Inc., enforcement through a Federal Lanham Act action brought against one or more vaudeville producers (commonly known as sports entertainment media entities) for ("dilution by tarnishment") in violation of Section 43(a)(1)(B) and Section 43 (c) of the Lanham Act, 15 U.S.C. §§ 1125(a)(1)(B), (c)(2)(C) and (c)(3), as amended by the Trademark Dilution Revision Act of 2006, ("TDRA") 109 P.L. 312, 120 Stat. 1730, Section 110 of the Ted Stevens Olympic and Amateur Sports Act ("ASA"), Pub. L. 105-225, 112 Stat. 1466, as amended, 36 U.S.C. § 220506, and the Unfair Trade Practices and Consumer Protection Law, ("UTPCPL"), 73 P.S. § 201-4, and the Pennsylvania Trademark Act, 53 Pa.C.S. § 1124 and similar statutes in other states.

Project H.O.M.E., a 501(c)(3) nonprofit corporation providing homeless services, the sum not to exceed **\$1,000,000** with no FAS 117 restrictions.

#### **Note 4 — Trust Assets, Liabilities, Receipts and Disbursements Since Last Report**

(A) *Trust Assets, Market Value* — The Trust's principal asset is the Pre-Election Trust Property and the Post-Election Trust Property (the property bequeathed by the Settlor to the Trust) being (1) the software program, *We the People Today*<sup>™</sup> and its public portal, *Voter Page*<sup>™</sup> of which the market value being the \$17,000 to which the Settlor has already paid in programming development fees to the software developer, Political Technology, LLC (Pittsburgh, PA), plus additional fees thereafter incurred but which remain outstanding; (2) the NCOPO and its two published model codes, the *Model Code of Official Conduct* and the *Model Abandoned and Blighted Property Receivership Act*, the latter commissioned by the Pennsylvania General Assembly; and (3) intellectual property rights of Poor Richard. Once as explained in Note 5 *infra*, the market value will increase once the Trust Property is brought back online.

Also listed as a Trust Asset is the advance under the UTA, 20 Pa.C.S. §§ 7769(a), 7772(h)(5), 7780.6(a)(7) in the form of a surcharge against the Republican National Committee as discussed *infra*, Note 5, is 6% legal interest per annum. The surcharge does not require a court order under 42 Pa.C.S. § 2503, since the Trustee already possess such power to assess damages. See Bogert & Bogert, *Law of Trust and Trustees*, § 191 (2d ed. Rev) (Duties of Beneficiaries); 4 *Scott & Asher on Trusts* § 25.3 Beneficiary's Duties to Other Beneficiaries and authority cited. The surcharge is imposed pursuant to an Arbitration Award MUR 2018-1, 2018 WL 7568871 issued by the Trustee pursuant to his statutory authority under the UTA, 20 Pa.C.S. § 7780.6(a)(3) and the Trust Agreement, ¶ 8(E), which constitutes a binding provision under the UTA, 20 Pa.C.S. § 7705(a) and which further constitutes a Non-Judicial Settlement Agreement ("NJSA") under the UTA, 20 Pa.C.S. § 7710.1(a) (UTC 111).

(B) *Liabilities* — The Trust's liabilities if accounted on an accrual basis, include outstanding obligations to Political Technology, LLC, for website development, and to Tele-Town Hall, LLC and all subcontractors relating to the National Party Conference Calls, plus legal fees and/or retainers due to Obermayer Rebmann Maxwell & Hippel LLP (Philadelphia, PA) (general counsel) and to other counsel as listed in the Report, including legal and contractor fees the Trust underwrites on behalf of the Germantown Conservancy, Inc., a 501(c)(3) community development corporation organized to recover abandoned and blighted property through



judicial receivership; plus compensation due, but not paid to, the Trustee and former Trustees for services rendered. Retainers due other law firms to commence legal representation is a contingent liability, in that no obligation is incurred until payment is rendered.

Two additional charges remain in the current Report in regard to expenses incurred by the Germantown Conservancy, Inc., which are incurred when a third party reneged on its \$10,000 subscription to the Germantown Conservancy, Inc. to fund litigation under Act 135-2008.

Certain creditors or claim holders have not submitted a full statement of their claims to the Trustee, accordingly, the Trustee is reporting his best estimate of such claims, given the protracted nature of the RNC illegal challenge to the mandatory confirmation of Arbitration Award MUR 2018-1 under the Federal Arbitration Act. The Trustee's estimate is purposely extensive to allow for all possibilities. Claims will still be required to formally made in accordance with the Internal Revenue Code. One creditor (Strassham Graphics, Phila. PA appears to no longer be a going concern, nonetheless the obligation continues to be carried by the Trust).

(C) *Receipts, Disbursements* — There have been no significant receipts or disbursements to date, outside of those advances under 20 Pa.C.S. §§ 7769(a), 7772(h)(5), 7780.6(a)(7). those additional disbursements being for sundry expenses for banking fees, web hosting, domain registration, software subscriptions and similar items, which the Trustee contributes without reimbursement, due to the *de minimis* nature.

#### **Note 5 — Legal Matters, Litigation, Registration**

(A) *Beneficiaries* — The rights of all beneficiaries are enforceable by the Trustee pursuant to the UTA, 20 Pa.C.S. §§ 7710(a), 7780.1, 7780.6(a)(4) and by the Pennsylvania Attorney General, 20 Pa.C.S. § 7735(c) and 71 P.S. § 732-204(c) (“Commonwealth Attorneys Act”). in an action now pending in the U.S. Court of Appeals for the Third Circuit docketed at 19-2998 arising from an appeal of an adverse decision illegally procured by fraud on the court in U.S. District Court for the Eastern District of Pennsylvania docketed at 2:19-cv-004072 - NIQA pursuant to the Federal Arbitration Act (“FAA”) 9 U.S.C. § 9.

(B) *IRS Status* — When the Trust was originally established in 2007, the Pennsylvania Attorney General instructed the Trustee to register with the Penna. Dept. of State’s unit which political committees report to and not the unit for charitable organizations, because the Trust’s charitable purpose related only to Republican Party. The Trustees replicated the Trust’s filing status by notifying the IRS that the Trust was a political committee under IRC § 527, neither the Trustee or the Attorney General being familiar with IRC § 4947(a).

Subsequently, the PA Attorney General determined that the Trust should be reorganized so that its charitable purpose would benefit all parties and voters, the reorganization was effected July 4, 2009 by a June 12, 2009 arbitration award against the Republican National Committee (“RNC”), discussed more fully below. Subsequently, the PA Attorney General on July 25, 2012, instructed the Trustee to discontinue filing with the Penna. Dept. of State’s unit governing political committees, but to file with the Penna. Dept of State’s unit governing charitable organizations.

The Exempt Organizations (“EO”) section of the Service has recommended that the Trust re-register as a tax-exempt organization under Section 501(c)(3). Because the 18 month filing period has expired, the Service will be required to waive such deadline due to the PA Attorney General’s initial instructions and subsequent reversal. Once the Trust is converted from a 4947(a)(1) charitable trust to a 501(c)(3) charitable trust, the Trust will no longer have any obligations under IRC 4942(a) (the “5% Payout Rule”) to distribute five percent of its holdings to 501(c)(3) entities. Nonetheless, the Trustee has set aside reserves for the 5% Payout Rule under the Trust Agreement reserve requirements, if not qualified under IRC § 4947(j)(3).

(C) *Charitable Solicitation Registration* — Because the Trust does not solicit charitable contributions, the Trustee believes the Trust is not required to register in states requiring registration of charitable solicitations.

(D) *Enforcement of Arbitration Award* — Pursuant to the exercise of its powers under the Uniform Trust Act, 20 Pa.C.S. § 7780.6(a)(3) and the terms of the Trust Agreement, ¶ 8(E), the Trustees (in 2009, the Trust had three trustees) sat as arbitrators in *In re Grievance re (Settlor v.) Republican National Committee*, Res. 2009-22A, MUR 2009-1 (June 9, 2017), on grievance initiated by the Settlor and originally decided June 12, 2009, although the RNC, despite personal service of process, participation in mediation prior to conversion from mediation to arbitration, and that one of the co-trustees, the Hon. H. Paul Senft, Jr., was the RNC member from Florida; subsequently declined to appear and be heard and otherwise defend itself during the arbitration proceedings. After state court proceedings, the Trustee on remand issued the Award *sur Reissuance* docketed at Res. 2016-2A,, MUR 2009-1 2017 WL 6568882 on June 9, 2017.

After extensive and prolonged litigation due to a fraud on the court perpetrated by RNC’s local counsel regarding Award MUR 2009-1, the Trustee (the Trust Agreement being amended to provide for only one trustee) in a new arbitration proceeding, *Democratic National Committee v. Republican National Committee*, Res. 2018-5A (MUR 2018-1, 2018 WL 7568871 (June 6, 2018) after a June 4, 2019 hearing, found the RNC committed a breach of co-beneficiary fiduciary duty for violation of the Civil Rights Act of 1957, 52 U.S.C. § 10101(b) on the grounds of violating a November 1982 consent decree entered into by the RNC with the DNC in proceedings in the U.S. District Court for the District of New Jersey while expired December 31, 2017, and on grounds of additional damages occurring after initial of the prior Arbitration Award MUR 2009-1 of reneging on its pledges to, among other considerations, transfer \$20 million to the Trust as was anticipated by co-settler John M. Templeton, Jr., M.D., who made the restricted donation to the Settlor to initiate the Trust and develop the Trust Property. Because the Trustee was criticized in the prior MUR 2009-1 arbitration proceeding for summary disposition of the case and service of notice by email (although both legal under PA statutes), the current arbitration proceeding MUR 2081-1 convened not one, but two on-the-record hearings verified by the attending court reporter. Yet in both hearings, the RNC by its chief counsel and local counsel failed to appear.

The award reinstated with modifications the 1982 Consent Decree that expired in the U.S. District Court for the District of New Jersey, ordered the RNC to cure its breach by assuming responsibility for all advances by co-beneficiaries to cure the RNC's breach. Bogert & Bogert, *Bogert on Trusts & Trustees* (rev. 2d ed. 1979) § 191 ("Bogert"); *DuPlaine's Estate*, 185 Pa. 332, 334-335, 39 A. 947, 948 (1898); see also Restatement (Third) Trusts § 104, strike off the judgments occurred in the prior arbitration proceeding MUR 2009-1 procured by fraud on the court, and implement other reforms so that its malfeasance would not reoccur.

The RNC subsequently did not move the Trustee to reconsider and thereafter did not file a motion to vacate or modify as of right to the Common Pleas Court pursuant to the Judiciary Code, 42 Pa.C.S.A. § 7341, or alternately to a Federal Court having jurisdiction, under the Federal Arbitration Act, 9 U.S.C. § 10-12, (the former having a 30 day deadline, the latter a three month deadline).

While it appears that it is the RNC's position relative these arbitration hearings that it did not and does not consent to arbitration proceedings because it expressly did not sign and execute an agreement to arbitrate, the law is to the contrary, in that the law holds beneficiaries bound to such agreements, notwithstanding the absence of any signature and execution, when there is lack of disclaimer, under the rule of the Direct Benefits Doctrine. RNC Local Counsel had made multiple, repeated false material statements in perpetration of a fraud on the court primarily arguing that Award MUR 2018-1 is the same as, or a continuation of Award MUR 2009-1, despite such assertion being repudiated by both the record and the law of the incontrovertible physical fact.

This false contention that Award MUR 2018-1 is the same as, or a continuation of Award MUR 2009-1 is for the purpose of RNC Local Counsel evoking a false *Rooker-Feldman* jurisdictional bar against the District Court confirming Award MUR 2018-1, because RNC Counsel did not timely file and serve under 9 U.S.C. § 12 a motion to vacate Award MUR 2018-1 under 9 U.S.C. § 10(a). *Rooker-Feldman* doctrine prohibits a Federal district court to sit in judgment to reverse a prior state court judgment, such power reserved only for the U.S. Supreme Court on appeal by writ of certiorari.

The U.S. Court of Appeals for the Third Circuit in *Great Western Mining & Mineral Co. v. Fox Rothchild, LLP*, 615 F.3d 159, 166 (3rd Cir. 2010) requires a four-prong test to demonstrate *Rooker-Feldman* is applicable. RNC Local Counsel has failed to satisfy any of the *Great Western* four-prong test, and in furtherance of its fraud on the court, RNC Local Counsel has refused to acknowledge.

RNC Local Counsel's fraud on the court includes perpetration of multiple sham defenses by exploiting fallacies to confuse and distract and divert the courts' attention from the merits and controlling authority. These fallacies include False Cause (*non causa pro causa* and *post hoc ergo propter hoc*) otherwise known as Begging the Question (*Petitio Principii*), Denial of the Antecedent, Affirmation of the Consonant, Fallacy of Irrelevance (Strawman Argument), *Argumentum Ad Hominem*, Vicious Abstraction, False, Omitted and Insufficient Premises, Missing Proof and the Negative Proof (*Argumentum Ad Ignorantiam*), *Argumentum Ad Verecundiam*, Poising the Well, and *Argumentum Ad Nauseum*. Antidotal evidence suggests that RNC Local Counsel is perpetrating the largest fraud on the court in U.S. judicial history, as there is no other published court opinion enumerating the number of false statements and fallacies which RNC Counsel is accused of perpetrating.

As of the date of this Report, the petition to confirm the current award under the Federal Arbitration Act, 9 U.S.C. § 9, is now on appeal before the U.S. Court of Appeals for the Third Circuit. As required by 9 U.S.C. § 9 and by *Hall Street Associates, Inc. v. Mattel*, 552 U.S. 576, 582, 128 S.Ct. 1396, 1402 170 L.Ed.2d 254 (2008), but for the fraud on the court perpetrated against it by RNC Local Counsel, the U.S. District Court was required to confirm the award and enter judgment by reason it is not vacated, thus this being a non-discretionary ministerial duty to which no objection can be had.

The U.S. Court of Appeals for the Third Circuit will be required to uphold the precedent of both the U.S. Supreme Court in *Hall Street* in addition to the Third Circuit's own controlling precedent, *Service Emp. Intern. Union, Local No. 36, AFL-CIO v. Office Center Services, Inc.*, 670 F.2d 404, 409 (3rd Cir. 1982). Additionally, Arbitration Award MUR 2018-1 is already binding as it constitutes a Non-Judicial Settlement Agreement ("NJSA" under the UTA, 20 Pa.C.S. § 7710.1. (UTC 111). Both the statutory law and decisional law requires the Trustee to prevail, his right thereto being clear and indisputable. RNC local counsel has made no argument, let alone a good faith argument that existing controlling law, *Hall Street* or *Office Center Services* should be modified or reversed.

(E) *Other Litigation*. The Trustee is aware of no other litigation pending against the Trust or the Trustee in his capacity as Trustee either in Pennsylvania or any other jurisdiction.

(F) *Internal Revenue Code Obligations* — The Trustee is uncertain whether the Trust's 5% payout obligations under IRC 4942(a) exist under an accrual basis, given that the RNC's breach of co-fiduciary duty has precluded deposit of reserves of which the obligations under IRC 4942(a) are predicated. Accordingly, out of an abundance of caution, the Trustee computes such obligations under 4942(a) for each year they would have occurred, plus legal interest at 6%, which is simple, not compound under PA decisional authority. The Trustee, out of an abundance of caution has notified the IRS on April 13, 2018, that the Trust may have a tax deficiency under IRC 4942(a), but that the Trustee believes and asserted in aforesaid correspondence his belief that the Trust has a strong defense, if in fact, there is a tax deficiency (resulting from failure to distribute to other 501(c)(3) entities the proceeds of the 5% Payout Rule). As of this date, the IRS has not responded to the Trustee's April 13, 2018 correspondence.

#### **Note 6 — Succession of Current Trustee**

The current Trustee has been diagnosed with Mitochondrial Disease, a catastrophic, progressive and fatal multi-symptom, multi-organ metabolic disease Pursuant to the Trust Agreement, ¶ 12(B), the current Trustee has appointed a successor Trustee to assume full administration of the Trust upon the current Trustee's imminent death.