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**MEMORANDUM OF UNDERSTANDING  
FOR PAYMENTS IN LIEU OF TAXES**

WHEREAS, Blue Cross and Blue Shield of Massachusetts, Inc. ("Blue Cross"), intends to acquire real property in Hingham, Massachusetts as more particularly described in Exhibit A hereto (the property, together with all improvements now or thereafter thereon, including any parking structure, is herein referred to as the "Property"); and

WHEREAS, Blue Cross is organized under Massachusetts General Laws Chapters 176A and 176B and pursuant to Chapter 160 of the Acts of 1988; and

WHEREAS, pursuant to Section 19 of Chapter 176A and Section 14 of Chapter 176B, all property of Blue Cross, including the Property upon acquisition thereof by Blue Cross, is exempt from all state and local taxes; and

WHEREAS, MGL Chapter 59, Section 5, clause Third (the "Exemption Statute") provides an exemption for property owned by charitable organizations, such as Blue Cross.

WHEREAS, the Town of Hingham (the "Town"), through its Board of Selectmen, has agreed not to challenge Blue Cross' claim of a real estate tax exemption based upon Chapter 176A, Chapter 176B and the exemption statute and to facilitate the location of the Blue Cross facility in the Town; and

NOW, THEREFORE, while this Memorandum of Understanding ("Memorandum) is in force and effect, Blue Cross will make as a voluntary contribution to the Town the annual payment-in-lieu of tax amounts as described in this Memorandum, subject to and in accordance with the terms and provisions of this Memorandum.

- 1. **PILOT Payment** - Blue Cross will make a payment to the Town in lieu of taxes for the Property for any period during which the Property is exempt from real estate taxes. The

commencement and termination of such payment will occur on the date that the exemption commences or terminates. Should the exemption commence or terminate in the course of a fiscal year, the payment shall be pro-rated on a per diem basis. Should a real estate tax exemption be applicable to a portion of the property, the payment shall be pro-rated in proportion to the square footage of the building which is exempt against the total square footage of the building.

2. **Amount of PILOT Payment** -

- A. The initial amount of the PILOT Payment will be established for the fiscal year in which Blue Cross first occupies the Property as follows:
- i.) the Fair Market Value of the Property will be established as of January 1 immediately preceding the occupation of the Property by Blue Cross;
  - ii.) the tax rate for the fiscal year following the January valuation date will be applied to the Fair market Value; and
  - iii.) the PILOT Payment amount shall be sixty (60%) percent of the amount produced in (ii) above and shall be applicable for the remainder of that fiscal year.
- B. Should Blue Cross and the Town not be in agreement as to the Fair Market Value of the Property, then the Town and Blue Cross shall each appoint an appraiser to value the Property. Should the two (2) appraisers be unable to reach agreement on the Fair Market Value, a third appraiser shall be agreed upon by the two (2) appraisers appointed by Blue Cross and the Town, and such appraiser, after hearing the presentations of each of the appraisers, shall establish the Fair Market Value of the Property.
- C. The amount of the PILOT Payment as established in A above shall be adjusted each July 1 thereafter by the annual change in the Consumer Price Index for All Urban Consumers for the Boston Area as established during the year ending on the preceding December 31.

3. **Times of Payment** - The PILOT Payment shall be paid in four (4) quarter-annual

installments for each fiscal year on August 1, November 1, February 1 and May 1.

4. **Personal Property** - So long as Chapter 176A, 176B and/or the Exemption Statute provide that personal property owned by charitable organizations is exempt from taxes, Blue Cross shall not be obligated to pay to the Town personal property taxes or make payments in lieu of such taxes with respect to personal property owned by Blue Cross. Blue Cross shall be responsible to take all actions required to effect such exemption, and nothing herein shall cause any personal property which is otherwise taxable to be exempt from taxation.
5. **Damage to Property** - A proportionate part of the PILOT Payment will be suspended as to any portion of the Property that is involuntarily destroyed, and will be proportionately modified (based on the square footage of the building(s) on the Property) if any building is not rebuilt. If all of the buildings on the Property are involuntarily destroyed or rendered unusable and not rebuilt or not rendered usable, then the obligation of Blue Cross to make the PILOT Payment will be suspended until the Property is again used by Blue Cross.
6. **Charitable Status of Blue Cross** - The Town acknowledges and does not dispute that the Property, upon purchase thereof by Blue Cross for use consistent with its charitable purposes, will be exempt from real estate taxes under the current Chapter 176A, Chapter 176B and the Exemption Statute and that, so long as the Property is owned by Blue Cross or another organization exempt from real estate taxes under the Exemption Statute (a "Tax-Exempt Entity") consistent with the charitable purposes thereof, would be exempt from real estate taxes under the current Chapter 176A, Chapter 176B and the Exemption Statute.
7. **Changes in Laws** - The PILOT Payment provided for herein is intended to be in lieu of real estate and personal property taxes which would otherwise apply if the property were owned or occupied by a taxable entity. At any time after the date of this Memorandum, if there is a change in state laws removing in whole or in part the exemption provided under

the current Chapter 176A, Chapter 176B and the exemption statute, resulting in the imposition of a tax in the nature of a real estate or personal property tax, or an obligation is created that has the effect of such a tax, then any resulting payments made by Blue Cross, either directly or indirectly, shall be credited against and reduce (but not to less than zero (0)) the annual PILOT Payment payable by Blue Cross under this Memorandum. No such credit or reduction shall apply with respect to any other assessment, user fee or other charge by the Town which is generally applicable to taxable or tax exempt properties, whether in effect before or after the date of this Memorandum.

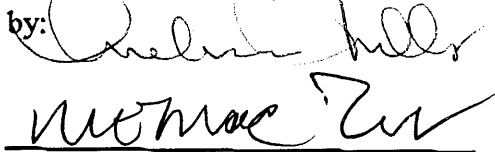
8. **Transfer of Property, Successors and Assigns** - This Memorandum and the obligation to make the PILOT Payment shall continue in effect until Blue Cross transfers ownership of the Property subject to the following:
  - a.) In the event the Property is Transferred by Blue Cross to any entity which is exempt from taxation under Chapter 176A, Chapter 176B or the Exemption Statute, Blue Cross shall require as a condition of the transfer that the successor owner assume the terms of this Memorandum.
  - b.) In the event the Property is transferred to any entity that is not exempt from taxation, Blue Cross shall be obligated to continue the PILOT Payment until such time as the Property is no longer exempt from real estate and personal property taxes, or for a period of eighteen (18) months from the transfer, whichever occurs sooner.
  
9. **Enforcement** - In the event that Blue Cross fails to make payments or cause payments to be made in accordance with the terms of this Memorandum, any unpaid amounts shall bear interest at the annual rate of ten (10%) percent, and shall become a lien against the Property. All costs of collection of such unpaid amounts and the imposition and enforcement of any such lien by the Town shall be paid by Blue Cross.
  
10. **Interpretation** - Captions and section titles are for the convenience of reference only, and shall not be used to construe this Memorandum. References to a Section include

subsections thereof. Footnotes and italicized explicative provisions are material parts of this Memorandum as fully as if set forth in the body of this Memorandum in regular typeface. References to "Fiscal Year" are to annual accounting periods ending June 30; if such period is changed, appropriate adjustments will be made. The terms "includes" and "including" shall be interpreted to mean respectively "includes without limitation" and "including without limitation", unless the context otherwise expressly specifies. This Memorandum may be executed in any number of counterparts, each of which shall be deemed an original, and all of which shall be deemed to constitute an instrument. This Memorandum constitutes the entire understanding between the parties and supersedes all previous discussions, negotiations, and agreements with respect to the subject matter hereof.


11. The Town acknowledges that Blue Cross is an independent corporation operating under a license from the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans (the "Association") permitting Blue Cross to use the Blue Cross and Blue Shield Service Marks in Blue Cross' service area and that Blue Cross is not entering into this Memorandum as the agent of the Association.
12. **Choice of Law** - The laws of the Commonwealth of Massachusetts shall govern this Memorandum.

IN WITNESS WHEREOF, each of the parties has caused this Memorandum to be executed by their respective duly authorized officers as a sealed instrument this 25 day of August, 2004

THE TOWN OF HINGHAM,  
MASSACHUSETTS

by:   
James A. Toomey

BLUE CROSS AND BLUE SHIELD  
OF MASSACHUSETTS, INC.

by:   
Allen Maltz  
Allen Maltz, Chief Financial Officer

Approved as to form:

James A. Toomey, Town Counsel

Dated:

**EXHIBIT A**

Property Description

Approximately 32.04 acres of land situated off Commerce Road, Hingham, Massachusetts shown on that certain plan entitled Blue Cross/Blue Shield Building Site Plan, Hingham, Massachusetts dated January 7, 2004.

Note: Upon approval of the final subdivision plan the reference to the Property Description will be amended to reference the final subdivision plan.