

We have had several opportunities to lend to Adam and George. Both brothers maintain leverage against their shares of ETE. While we executed a small margin loan with George in 2015, it was taken out by UBS when we made a margin call. We have also looked at a couple of mortgages for George (commercial and residential) but have not been able to beat BAML on terms or pricing.

We have tried two or three times to lend money to Adam over the past few years, but also have not been able to get anything done. There have been two major issues – first, he is extremely levered against his art, real estate and ETE shares. When ETE fell from \$20 to \$4 in 2016, he was probably close to 100% LTV with \$500mm of debt. Second, BAML has controlled all of his borrowing and prevented us from really being able to compete. Furthermore, despite Adam’s asset-based wealth, he has little cash flow. The last loan we looked at was a mortgage on the former Andy Warhol estate in Montauk, but we did not feel Adam qualified for a mortgage based on limited demonstrable cash flow. He owns another Montauk property that he has not been able to sell at a \$40mm asking price.

Unless we can find a way to develop a meaningful lending relationship, I don’t see opportunities for other business from the two brothers.

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