

To: Ada Clapp [REDACTED]
From: Jeffrey Epstein
Sent: Wed 10/30/2013 5:26:49 PM
Subject: Re: BFP Distributions to the LDB 2011 LLC

why not make the distribuitons and pay it, they can have the money,

On Wed, Oct 30, 2013 at 12:49 PM, Ada Clapp <[REDACTED]> wrote:

Hi Jeffrey,

As you know, Black Family Partners made distributions to its partners on Friday, including the LDB 2011 LLC, which received, roughly a little more than \$20 million. We have a plan to use these funds to clean up some of the notes that were issued at the end of 2012 to allow the children to use up their lifetime exemption amounts.

You will recall that the VRB 2011 Trust and the ASB 2011 Trust each borrowed \$5.12 million (from the 2006 Family Trust) which they distributed out to Victoria and Alex respectively. Alex and Victoria each contributed these funds to a trust he/she created for his/her descendants.

Ben also created a trust for his descendants, but instead of funding it with cash, he gave his trust a \$5.12 million note receivable from the BEB 2011 Trust. Ben retains a note receivable from his 2011 Trust in an includible self-settled trust he created for his own benefit. Josh is in the same position, except that the note in his includible trust is larger than Ben's. Because the 2011 Trust (a grantor trust as to Leon) issued the notes held in the self settled trusts (grantor trusts as to Ben and Josh), each year Ben and Josh report interest income and pay income tax.

Here is the plan we think makes sense: The LDB 2011 LLC will use its distribution from BFP to lend \$5.12 million to each of the 2011 Trusts. The VRB 2011 Trust and the ASB 2011 Trust will use the funds to repay the 2012 loans from the 2006 Trust. The BEB 2011 Trust and the JMB 2011 Trust will use the funds to repay the notes in their descendants trusts. Once this is done, all descendants trusts created by the children will have cash to be invested.

As additional funds become available in the LDB 2011 LLC, it will make additional loans to the BEB 2011 Trust and the JMB 2011 Trust to be used to pay off the notes held in Ben and Josh's self-settled trusts. Once these are paid off, you will have loans from the LDB 2011 LLC to the 2011 Family Trusts—each of which is the same income taxpayer as Leon. Josh and Ben will no longer have to pick up interest income.

We are opting for loans, instead of distributions, from the LDB 2011 LLC to the 2011 Trusts, to avoid giving the trusts fiduciary accounting income—which would have to be paid out to children over age 25 (Josh and Ben) under the terms of those trusts. Rich did not have sufficient information at this time to determine whether a distribution from LDB 2011 LLC to the 2011 Trusts could constitute a principal distribution (rather than fiduciary accounting income) under Delaware law. The loan approach alleviates this concern.

Please let me know if you would like to discuss.

Best regards,

Ada Clapp

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