

**CHECKLIST FOR LEON BLACK ESTATE PLANNING AND RESTRUCTURING**

As of January 14, 2014

	<b>ACTION TO BE TAKEN</b>	<b>RESPONSIBLE PARTY</b>	<b>TIMING/STATUS</b>
<b>I.</b>	<b><u>SETTLEMENT OF 2006 TRUST ACCOUNTING</u></b>		
1.	Ascertain sources of "Trust Accounting Income" (as defined in the 2006 Trust Agreement).	Family Office/Apollo	Complete
2.	Calculate "Trust Accounting Income" that should have been distributed to Leon annually and in the aggregate.	Apollo	Complete
3.	Calculate income actually distributed to Leon annually and in the aggregate.	Raich and Family Office	Complete
4.	Prepare Accounting of 2006 Trust	Raich	Complete
5.	Prepare Accountings of GRATs A-K	Raich	Complete
6.	Evaluate the extent to which other family members (Debra and the children) should have separate counsel.	Team	Complete
7.	Confirm that John Hannan and Richard Ressler will proceed without separate counsel.	Family Office	Complete
8.	Release & Indemnification Agreement for 2006 Trust, to address: (i) that Trustees will not seek reimbursement, (ii) Leon's removal as beneficiary, (iii) exchange of consideration among parties, and (iv) release/indemnification provisions.	MWE	Complete
9.	Release & Indemnification Agreement for GRATs A-J.	MWE	Complete
10.	Execute Release and Indemnification Agreement for 2006 Trust.	Various parties	Complete
11.	Execute Release and Indemnification Agreement 2006 GRATs.	Various parties	Complete

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<b>II.</b>	<b><u>ESTABLISH CASH FLOW PLAN</u></b>		
1.	Determine appropriate mechanism to increase Leon's liquidity: Either (i) creation of freeze partnership or (ii) substitution of Trust assets by Leon in exchange for a promissory note.	Team	Complete
2.	Clarify the trusts from which Leon will acquire BFP interests: <ul style="list-style-type: none"> <li>• Acquire BFP from 2006 Trust (for cash and/or note)</li> <li>• Acquire BFP from 1997 Trust (or have BFP redeem its interests)?</li> <li>• Acquire BFP from LDB 2011 LLC (or have BFP redeem its interests)?</li> </ul>	Team	Complete
3.	LBF Holdings to distribute its BFP interests (70%) to 2006 Trust. Updating books and records to reflect change of ownership of BFP.	Family Office	Complete
4.	Value BFP interests held by the 2006 Trust to be acquired by Leon. Determine the valuation date.	Empire Valuation/Eileen	Empire is waiting for our final approval on the valuation report.
5.	Determine terms of the promissory Note and collateral Leon will give the 2006 Trust in exchange for the BFP he will acquire from it. <ul style="list-style-type: none"> <li>• Need to value assets to be used as collateral.</li> <li>• Consider including a formula provision in the substitution agreement.</li> <li>• If art is used as collateral, it will not trigger a New York State sales/use tax (PW confirmed).</li> </ul>	Team	Valuation status-same as above.
6.	Determine whether a gift tax return will be filed reporting the substitution.	Team	PW is leaning against doing so.

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7.	<p>Explore financing options relating to the asset substitution and existing loans secured by art. Consider:</p> <ul style="list-style-type: none"> <li>Using multiple banks (solicit information from BAC, JPM, Morgan Stanley and Deutsche Bank).</li> <li>Using assets other than art as collateral. If done, remove bank as payee on art insurance policies.</li> </ul>	Family Office	Preliminary meetings with Deutsche Bank taken.
8.	<p>Determine, as a financial matter, how Leon will make note payments and repay the loan prior to his death.</p> <p>Consider whether Trustees should (i) distribute funds to Debra to pay income tax or make loan repayments or (ii) reimburse Leon for his tax liability.</p>	Team	No progress on this
9.	<p>Jib Black will be the "second" attorney reviewing the cash flow plan.</p> <p>Consider the timing for getting him involved.</p>	Team	No progress on this
10.	<p>Prepare and execute (i) assignment documents for the BFP interests being transferred to Leon, (ii) substitution agreement and (iii) if needed, promissory note (and security instruments).</p>	PW	Complete
11.	<p>Update books and records to reflect change of ownership of BFP.</p>	Family Office	In progress-waiting for final valuations.
12.	<p>Consider whether any part of the plan will impact prior SEC filings (change in title of BFP from LBF to 2006 Trust, from 2006 Trust to Leon, etc.).</p>	PW	Complete
13.	<p>Explore additional options for freezing the value of Leon's estate after he acquires all interests in BFP.</p> <ul style="list-style-type: none"> <li>Consider implications of Section 2703.</li> </ul>	Team	In Progress

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<b>III.</b>	<b><u>NEW WILL/REVOCABLE TRUST FOR LEON AND DEBRA</u></b>		
1.	Prepare draft Will, Revocable Trust, powers of attorney and health care proxy for Leon.	PW	Complete
2.	Prepare a memorandum summarizing the proposed documents and highlighting open issues for Leon.	Family Office	Complete as to summaries. Need to address open issues with Heritage Trust
3.	Consider whether Leon wishes to ask Debra to waive her Right of Election.	Team	Complete-He does not wish to do so.
4.	Prepare estate flow illustration based upon new Will/Revocable Trust and following Leon's asset substitution. Consider revisions to plan based on results.	US Trust/Family Office	Complete
5.	Leon to execute Will, Revocable Trust, power of attorney, health care proxy and maybe, living Will.	Leon/PW	Complete
<b>IV.</b>	<b><u>DECANT EXISTING TRUSTS TO NEW TRUST</u></b>		
1.	Confirm terms of "Heritage Trust" and draft the Trust Agreement.	PW	Complete but revisions likely
2.	Leon to execute Trust Agreement.	PW	Complete
3.	Determine which assets will be decanted to the Heritage Trust (2006 Trust, 1997 non-GST exempt trust, etc.) and the timing. <ul style="list-style-type: none"> <li>• If 1997 Trust assets, wait until 2009 GRAT terminates? Or assign receivable?</li> </ul>	Team	Decanting to APO1 and APO2 as first step
4.	Draft and execute decanting instruments and any assignment documents and arrange for retitling of assets.	PW	See updated 3 page list

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<b>IV.</b>	<b><u>DECANT EXISTING TRUSTS TO NEW TRUST</u></b>		
5.	Update insurance coverage for art to reflect change in title to Heritage Trust.	Family Office	To be done as soon as Leon signs decanting documents
6.	Draft and execute either (i) use agreement between Heritage Trust and DB regarding use of art held by the Heritage Trust, or (ii) lease agreement between Heritage Trust and Leon (to include the fair market rental rate for his use)  <ul style="list-style-type: none"> <li>If lease agreement, this will trigger New York State sales tax.</li> </ul>	Team to discuss	Team to discuss
<b>V.</b>	<b><u>RESTRUCTURING OF FAMILY BUSINESS ENTITIES</u></b>		
<b>(A)</b>	<b>BLACK FAMILY PARTNERS</b>		
1.	Confirm each partner's ownership percentage and adjust capital accounts to reflect partner contributions and partnership distributions.	Family Office	Waiting for final valuations
2.	Clean up loans to and from BFP.	Family Office	In progress-some repaid.
3.	Consider restructuring BFP to avoid estate inclusion and other issues. Consider implications of Section 2701.	Team	No progress on this
<b>(B)</b>	<b>LDB 2011 LLC</b>		
1.	Confirm each member's ownership percentage and adjust capital accounts to reflect member's contributions.	Family Office	Waiting for final valuations
2.	Review LLC agreement to ascertain estate inclusion issues.	PW	

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<b>(C)</b>	<b>LBF HOLDINGS LLC</b>		
1.	Consider restructuring LLC agreement to avoid estate inclusion issues.	PW	No progress on this
<b>VI.</b>	<b><u>SECURITIES LAW ISSUES</u></b>		
1.	Review prior SEC filings for accuracy.	PW	
2.	Address securities law issues (such as reporting or short-swing profit rules) with respect to action steps.	PW	
<b>VII.</b>	<b><u>FOUNDATION PLANNING</u></b>		
1.	Create new foundations for each of Leon's children.	PW	No progress
2.	Arrange for Leon to fund each child's foundation.	Family Office	
3.	Prepare a memorandum for each child outlining the rules applicable to private foundation investments, administration, and use and distribution of assets.	Family Office/PW	
4.	Review governing instrument for Leon's foundation to determine if provisions still reflect Leon's intentions regarding future governance.	Family Office	

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<b>VIII.</b>	<b><u>INSURANCE</u></b>		
<b>(A)</b>	<b>SPLIT DOLLAR INSURANCE</b>		
1.	Determine if split dollar arrangements should be unwound and if so, discuss alternative plans for doing so.	Team	Complete
2.	If unwinding the split-dollar arrangements: <ul style="list-style-type: none"> <li>• Consider whether insurance policies should be continued;</li> <li>• Obtain appraisal of the rights under the split-dollar agreements.</li> </ul>	Team	To be discussed after roll-out
3.	If keeping the split-dollar arrangement in place: <ul style="list-style-type: none"> <li>• Confirm L. Brody opinion that change of sponsor was likely not a material modification (though unclear if sponsor changed).</li> <li>• Advise Leon to allocate GST exemption to the trusts to return them to a zero inclusion ratio.</li> </ul>	Team	
<b>(B)</b>	<b>LIFE INSURANCE</b>		
1.	Determine whether there is a need for life insurance and if so, what amount.	Team	In progress
2.	Confirm that Trustees of insurance trusts are doing periodic policy reviews and obtain copies of all Crummey notices.	Family Office	
<b>(C)</b>	<b>PERSONAL PROPERTY INSURANCE</b>		
1.	Prepare full inventory of Leon's personal property, including art and household property (cane collection, rare book collection, bronzes, etc.).	Family Office	Good progress made. Need to check with Eileen.
2.	Prepare inventory of Debra's personal property, including jewelry.	Family Office	In progress

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<b>IX.</b>	<b><u>NOTE REPAYMENT</u></b>		
1.	Devise a cash flow plan to repay all outstanding promissory notes between trusts, family members and family entities. <ul style="list-style-type: none"> <li>• Consider a pro rata distribution from BFP to all limited partners.</li> <li>• Consider a transfer of assets from the 2006 Trust to 1997 Trust.</li> </ul>	Family Office	No progress on this
2.	If loans must remain outstanding, determine whether they should be refinanced (to reflect business reality or alternatively, use a lower AFR) and secured (if they are not).	Team	
<b>X.</b>	<b><u>FREEZE PARTNERSHIP</u></b>		
1.	Create new LLC/LP as the preferred partnership.	PW	On hold
2.	Value the art to be contributed by Leon.	Art appraiser	
3.	Confirm whether any art to be contributed is used as collateral for bank loans and revise loan documentation accordingly.	Family Office	
4.	Value the financial assets to be contributed by the Trust and the preferred coupon rate retained by Leon.	Empire Valuation	
5.	Draft and execute contribution and assignment agreements whereby Leon contributes art to the preferred partnership and the Trust contributes financial assets.	PW or MWE	
6.	Coordinate updating insurance coverage for art to reflect change in title to the preferred partnership. Arrange for preferred partnership to pay its share of insurance premiums.	Family Office	
7.	Coordinate updating all books and records (and SEC filings?) to reflect change in title of financial assets to the preferred partnership.	PW	

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8.	Draft and execute either (i) agreement between Trust and Debra regarding use of art held in the preferred partnership, or (ii) lease agreement between Trust and Leon (to include the fair market rental rate for his use)	PW or MWE	
<b>XI.</b>	<b><u>ADMINISTRATION OF TRUSTS AND FAMILY ENTITIES</u></b>		
1.	Prepare record book for Trustees describing the process by which they made investment and distribution decisions.	Family Office	Slow progress on this
2.	Prepare books and records for each family business entity, including minute book (with minutes from annual meetings) with all partnership or LLC documents and formalities.	Family Office	
3.	Confirm whether the Direction to take instructions from the Delegee Trustee was ever signed in connection with the 2011 Family Trust and keep with the Trust's records.	Family Office	
4.	Review all trust agreements to determine whether (i) successor Trustee appointments are in place and still appropriate, (ii) compensation agreements need to be put in place.	Family Office	
<b>XII.</b>	<b><u>FAMILY MEETINGS</u></b>		
1.	Discuss with Leon whether he wants to implement family meetings or "Financial Empowerment" meetings for his children.	Family Office/U.S Trust	One family meeting held. Need to follow up with Leon