

DOCUMENT SUMMARY

To: Leon D. Black
From: Ada Clapp
Date: August 14, 2014
Re: Summary of Agreement between Leon D. Black and NY 70th Street LLC

Following is a summary of the Agreement between you and NY 70th Street LLC (the “LLC”) in connection with the purchase of the 70th street townhouse (the “residence”).¹

I. Split-Interest Residence Purchase.

- A. You and the LLC will each purchase a term interest in the residence directly from a third party seller. You will purchase a life interest and the LLC will purchase a remainder interest.
- B. The value of your life interest is calculated under IRS tables based on your life expectancy at the time of purchase. For an August 2014 purchase, you will pay about 1/3rd of the purchase price and the LLC will pay the balance.

II. During your Lifetime/Upon your Death.

- A. During your lifetime, you will have the right to live in the residence. You must use the residence as a “personal residence”, which means that some restrictions are imposed on business use of the residence.
- B. You will pay all regularly recurring expenses of maintaining the property. Costs of capital improvements will be shared between you and the LLC in proportion to your actuarial term interests (which will change as you get older). If you wish, you may contribute a limited amount of funds for capital improvements to a separate account controlled by the LLC Manager, John Hannan.
- C. Upon your death, the LLC will own the residence. Because you purchased only a life interest, the value of the residence will not be included in your estate. As the LLC is wholly owned by the APO1 Agreement, the Trustees and the Manager may agree to permit beneficiaries of the APO1 Agreement (Debra and your descendants) to live in the residence, rent-free.

¹ The Agreement is drafted to insure compliance with provisions of the Internal Revenue Code and Treasury Regulations governing life interests in property.

III. Conversion to an Annuity Trust.

- A. If during your lifetime the residence ceases to be used by you as a personal residence (or if it is sold/destroyed and a replacement residence is not purchased within 2 years), the arrangement will convert to a special type of annuity trust that is required to pay you a fixed annuity for your lifetime (like a grantor retained annuity trust but with no estate planning benefit). Upon your death, the residence will be owned by the LLC.
- B. If the arrangement converts to an annuity trust, you and an individual acting as a Manager of the LLC, as appointed by the LLC, will be the co-Trustees.