

**From:** Heather Gray <[REDACTED]>  
**To:** "Jeffrey Epstein (jeevacation@gmail.com)" <jeevacation@gmail.com>  
**Subject:** yesterday's meeting with Leon  
**Date:** Fri, 24 Oct 2014 20:21:52 +0000

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Dear Jeffrey,

I wanted to update you on my meeting with Leon and Rich Joslin yesterday afternoon. We had planned to identify which works of art should be held in the new art entity, but it turned into a much broader discussion about the overall plan for the art.

- Art/Black Family Museum

Prompted by your question to Leon about whether there are particular works of art that the children may want to keep after his death, he articulated a desire for maximum flexibility, a theme which you have been stressing all along. He noted that the children are in a different place in their lives today than they will be in 10 or 15 years, so it would be very difficult for them to say with any certainty today which works they would want to keep forever.

He also wants to have the option to move art out of the new entity in the future and use it to fund a "Black Family Museum," should his non-art assets grow substantially in the coming years. His reasoning is that, under this scenario, the children would receive substantial non-art assets at his death so the art would not have to be sold and instead could be used to create a family legacy.

The discussions that I have been involved in with respect to the new art entity do not contemplate this option, so we will need to do some broader thinking with Alan about how to give Leon this flexibility without running afoul of 2036. For example, the draft agreement only allows a member to withdraw from the company or reduce his capital account with the consent of the Class B Managing Members (i.e., the trustees of the children's trusts). This makes perfect sense from an estate tax/discount standpoint, but does not necessarily accomplish what Leon wants.

An interesting side note to come out of our discussion of the fine art is that Leon thinks of the Chinese bronzes as a discrete collection, entirely separate and apart from the fine art, for which he intends to do different planning and has a different strategy which appears likely to involve a museum. The bronzes certainly seem ready-made either for a gift/bequest to an existing museum (in a dedicated Black Family room or wing, for example) or as a strong base for a Black Family Museum.

- Note Payable to Children's Trusts

Leon also questioned whether he should be paying off all/most of the note to the children's trusts, or if it would be more beneficial to keep the note in place, make annual interest payments and, if necessary from a tax/trusts and estates perspective, make annual but relatively small principal payments. I believe Rich Joslin is going to run some numbers on the difference between paying off the note during Leon's life and keeping it in place until his death.

A lot of our planning around the new art entity has been geared toward ensuring that the use of LLC interests to repay the loan will be respected as a transfer of intangibles. Keeping with the theme of maximum flexibility, though, I think our planning continues to be relevant and puts us in a good position if Leon does decide to pay off the loan with LLC interests, while not hurting us if he instead keeps the loan in place until his death.

We will also need to keep in mind going forward that if Leon does decide to pay off a large portion of the loan with his LLC interests, he will be reducing his ownership of the LLC so that he would be entitled to receive less art out of the LLC in the event it was dissolved or he withdrew as a member (which may be options if he wants to fund a Black Family Museum with art owned by the LLC).

- Logistics

Leon wants us to come back to him with our thoughts on the above points and on the dollar value of art that should be held by the new art entity. He said his assumption was that it should have somewhere between \$1 billion - \$1.5 billion of art to make sure there was enough collateral for the new entity to continue to act as guarantor on the Bank of America loan. He was concerned about the relative values of what the children's trusts will be contributing to the new entity versus what he will be contributing to the new entity, and wanted to make sure that he did not end up with no control over the art in the entity. I told him that the draft agreement allows him, in his capacity as Class A Managing Member, to make all decisions with regard to acquisitions and sale of art, including what to buy or sell, at what price, at what time, and how the portfolio should be balanced among collecting categories – e.g., 75% Impressionist art and 25% Old Masters versus 50% Impressionist, 25% Old Masters, 24% Contemporary art.

My overriding sense coming out of yesterday's meeting is that it is impossible for Leon to make concrete decisions today about what he will ultimately want to see happen to his art collection because so much is contingent on future events, so we need to make sure that our planning contemplates all of the options he has raised and is as flexible as possible.

I know that you and Leon have frequent discussions about these matters, but it was very helpful for me to hear his thoughts, so I wanted to share with you where I think we may need to make some adjustments in our planning. Happy to discuss any of this with you further if you would like.

Have a nice weekend!  
Heather

**Heather Gray**  
Elysium Management LLC  
445 Park Avenue  
Suite 1401  
New York, New York 10022  
Direct Dial: [REDACTED]  
Fax: [REDACTED]  
Email: [REDACTED]