

**From:** Richard Joslin <[REDACTED]>  
**To:** "Jeffrey Epstein (jeevacation@gmail.com)" <jeevacation@gmail.com>  
**Subject:** FW: Meadow Lane Lot Merger  
**Date:** Thu, 18 Sep 2014 18:33:12 +0000

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Parag 7 - my bad – no excuses

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**From:** Ada Clapp  
**Sent:** Wednesday, September 17, 2014 3:49 PM  
**To:** Richard Joslin  
**Cc:** Eileen Alexanderson; Heather Gray  
**Subject:** Meadow Lane Lot Merger

Hi Rich,

Thanks for your help with the tax issue that has arisen in connection with merging the two Meadow Lane lots. Let me give you some background before I outline the question for you.

In 2013, SH Meadow Lane LLC (the “LLC”) purchased 715 Meadow lane (an improved lot) for \$8.3 million. The LLC is wholly owned by the APO2 Declaration. Debra and Leon’s descendants are discretionary beneficiaries of the APO2 Declaration—which means that they are not *entitled* to receive any trust property (so they have no fixed beneficial interest) but *may* receive trust income and principal in the sole discretion of the Trustees.

The LLC wants to tear down the current residence and build a new one. Because the construction is within 300-feet of tidal wetlands, a Department of Environmental Conservation (“DEC”) permit is necessary. The main reason the DEC granted a permit for construction which does not meet its minimum setback requirements, is that the permit application offered to merge title to 715 Meadow Lane with the adjacent vacant property to the West of it. The merger was also a key element in gaining Southampton Village approval. Construction cannot proceed until title to the two lots are merged in the name of the LLC (to which the conditional permit was issued).

The adjacent vacant lot to the West is owned by Leon and Debra. They purchased it in 1993. We do not know what they paid or its current fair market value but it was assessed by the Town at about \$6.3 million. We are in the process of having the vacant lot appraised.

The lots have not been merged as yet because we are trying to decide how best to do that. To possibly take advantage of a tax exception noted below, Jeffrey suggested that Debra (and not Leon) contribute the vacant lot to the LLC in exchange for membership interests. **The question is whether doing so will trigger a NYS real estate transfer tax and a Peconic Tax.**

The LI real estate attorney did not know the answer to this question and suggested that I speak with counsel for the title company or with a tax expert. I spoke with Spencer, Counsel for the title company, (no names of course) who noted that both taxes are based on the transfer of “consideration” and that the Town (Peconic Tax is a town tax) follows NYS law regarding what constitutes consideration. He noted that consideration is broadly defined in the NY tax law and in his view, would include the receipt of a membership interests in an LLC in exchange for a contribution of vacant land.

Spencer speculated that if the beneficial owners of the LLC and the owners of the vacant lot were the same, one could possibly argue that there was no consideration. The claim would be that because no change in beneficial ownership occurred as a result of the contribution, neither the LLC nor the owners of the vacant lot received consideration (it would be like selling real estate to yourself). However, in our case, because Leon’s

descendants also have a beneficial interest in LLC property—but do not have an interest in the vacant lot—Spencer was not sure we could claim this consideration “exception.” He suggested that we call the NYS Department of Taxation Mortgage Recording Tax and ask them the question (again, no names). Their number is [REDACTED]. He also noted that you could send the question in an email, to which they would respond via email and that you could file their email response with the transfer tax form claiming the no consideration exception. You would send the email to [REDACTED]. Since it is more appropriate for you to deal with the NYS taxing authorities than me, I would be grateful if you would call or email the question to them.

We can’t merge the lots until we resolve this issue—and they can’t start building until the lots are merged so there is some time sensitivity. If both taxes are triggered by a contribution to the LLC, it may be preferable from an estate tax standpoint for Leon to sell the lot to the LLC (which would at least get the appreciation on the property out of Leon and Debra’s estate)-rather than to have Debra contribute it to the LLC.

As you are working from home today and I am out tomorrow through next Thursday, after today please reach out to Heather for any assistance or information you may need on this matter. Much of the information you will need is on the O drive but Heather also has it (deeds, trust agreement, LLC agreement, etc.) so please reach out to her in my absence. Of course I am available to discuss anytime today.

Thanks in advance.

**Ada Clapp**

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