

**Will and Management Trust** → **Estimated completion date July 10, 2014.** The Will and Management Trusts were updated October 31, 2013. Subsequently, the following changes were requested and updated drafts have been sent to Mort (attached), Eric, and Jamie for review. A meeting has been scheduled July 10 to discuss and possibly execute them. Once the Will and Management Trust are signed, we can fund the Management Trust with Mort's art collection, antiques, and the Drew Lane property.

1. Mort decided to appoint Joel Klein as a co-executor and co-trustee of the Management Trust, but Joel will not automatically serve as co-trustee of the subtrusts arising under the Management Trust. Mort will discuss compensation with Joel. Eric and Jamie will serve as trustees of the subtrusts alone (until the girls can serve as co-trustees of their separate trusts) and if they need to exercise powers that only an independent trustee can exercise, they will appoint such person at the time. Mort's children will have the right at age 35 to remove co-trustees other than Eric and Jamie.
2. Mort decided to give his children's trusts an additional \$50MM each but subject to the obligation to pay estate tax on those bequests. The trusts will allow distributions to nannies and other persons who serve a quasi-parental role to provide for costs of care provided to the children so that they can maintain a close relationship to them. Guardians can be reimbursed for costs incurred by caring for the children but will not receive a guaranteed amount.
3. Renee's trust will receive a sum equal to \$1MM multiplied by the number of years until her 25th birthday to equalize for benefits Mort provided to Abigail during his lifetime.
4. Gifts to non-family members will be increased: Yesdy to receive \$200K and Dora \$600K (instead of \$500K).
5. Authorize hiring Clare and Kris and others to provide services to the estate and pay compensation therefor as an administration expense (and not out of trustee fees).
6. Propose to Mort that he provide that aggregate compensation for all services for the management trust and his estate be \$300K per year per person except as otherwise provided in an agreement signed by Mort which is dated after the date of this agreement/will, subject to a cap of \$1.5 million per person.

### **Irrevocable Trusts**

1. **2014 Delaware Dynasty Trust** has been signed and funded (gift of \$248,000, which was the remaining amount under the lifetime gift tax exemption). **Complete.**
2. **1996 Exempt Trust** has been divided and **severed** into the GST exempt continuing trust and the GST non-exempt Severed Trust. A new account for the Severed Trust

has been opened at Morgan Stanley and funded with the appropriate amount.  
**Complete.**

3. **Severed Trust:**

- a. Amend to change the governing law to Delaware and to provide a directed Delaware Trustee role so we can establish that the Severed Trust is administered in DE. Draft of Amendment **complete.**
- b. Mort must appoint an additional individual Trustee who will have authority to exercise the decanting power and a DE bank (US Trust) to establish the DE administration of the Severed Trust. **Completion date:** \_\_\_\_\_
- c. Decant the Severed Trust using the DE decanting statute and appoint all its assets to the Dynasty Trust. Decanting should take place **January, 2015** in order to allow the Severed Trust to demonstrate the same succession of interests as the 1996 Exempt Trust following the qualified severance. Todd Flubacher is finalizing a formal opinion to support the DE decanting (he plans to have a draft to us this week).

4. **Gift tax return** will be filed **April 15, 2015** allocating Mort's GST tax exemption to the 2014 Dynasty Trust so that it has an inclusion ratio of zero.

5. **1996 Exempt Trust** and **1996 Nonexempt Trust:**

- a. Amend to change trustee provisions, enhance grantor trust triggers, and provide for distributions for health, education, maintenance and support by an interested Trustee (and beyond HEMS distributions by Disinterested Trustee). Draft of Amendment complete. **Estimated completion date July 30.**
- b. After Amendment is signed (and grantor trust status is established for Article IV trusts) → Fund separate Article IV trusts for Abigail and Renee to eliminate friends and family provisions under Article III. **Completion of funding will depend on how soon we can get a valuation of all trust assets and determine how to divide assets. Generally, statements arrive within 2 weeks after the end of the month.**

6. **1992 News Trust** has been **terminated** by assigning all its assets to the 1983 Family Trust in satisfaction of an outstanding loan.

7. **1983 Family Trust:** **Estimated completion by December 31, 2014**

- a. Reform to eliminate Mort's ability to appoint himself as an additional Trustee. We have spoken with Bud and George about this, and they recommend using local MA counsel, Mary Schmidt, who is familiar with MA Probate Court. We have a conference call planned for next week with them to determine how to proceed.

- b. After reformation, decant Trust to change trustee provisions, enhance grantor trust triggers, and provide for distributions for health, education, maintenance and support by an interested Trustee (and beyond HEMS distributions by Disinterested Trustee). Draft of this decanting instrument complete.
8. **Accounting** for the Trusts. Melinda is working on this and will provide a more detailed update. There is a gap in account information from 1983 to 1999. **Estimated completion by October 1, 2014.**

### **Foundation**

1. Amend Trustee provisions (*e.g.*, allow Mort's children to become additional Trustees at age 18 rather than 21 and do not allow them to remove Eric or Jamie as Trustees). **Estimated completion July 18, 2014.**
2. Finalize analysis of whether Foundation's agreement is broad enough to allow direct conduct of charitable activities, such as a scholarship program or archaeological dig, and to permit gifts to foreign charities. **Estimated completion July 18, 2014**
3. Consider when to apply for approval of the Zuckerman Fellows Program. May not make sense to apply now since the Foundation will not be funded and operative for many years still. **Estimated completion July 18, 2014**
4. Consider whether to move the Foundation to Delaware. We have researched this and determined that the trust can only be moved to a jurisdiction in which a trustee resides. Another alternative is to incorporate the foundation, in which case it can be located in any state in which it is incorporated.
5. Analyze Foundation's agreement with attention to provisions about paying compensation for services and make sure it allows Clare and Kris to be compensated. **Estimated completion July 18, 2014**

### **Business Interests**

1. Daily News Amended and Restated Agreement of Limited Partnership has been signed.
2. Buy-out of USN LPs is in progress: 1) Z News GP – Complete 2) Magazine Associates – Letters have been drafted 3) Sisters and Estate of Ed Linde – Letters have been drafted and 4) Fred Drasner (0.1% interest – forced buy-out not possible due to side agreement/significant negative basis). **Buy outs will be deferred until the PFA proceeding is completed.**
3. Resolve business bad debt/COD issue:
  - a. The IRS has accepted our case. The Pre-filing Agreement (PFA) submittal is being drafted by Randy Frischer and his partner Todd Simmens with assistance from Neil Maheshwari. A draft has been discussed and a second

draft will be circulated by Fiona before July 7, when a second conference call is scheduled.

- b. Once COD issue is resolved, consider reorganization of US News Rankings and Reviews businesses (convert to S Corp or other tax favorable entity in advance of a sale or gift to charity).

### **Fiduciary Issues**

1. Compensation agreements with Trustees. Mort is still considering what level of compensation he thinks is appropriate.

### **Other Matters**

1. Establish a family office and/or an employee retention plan.
2. Consider buying out Marla from rights and obligations under Separation Agreement. Mort will see if this is possible.
3. Consider charitable beneficiary designations for CRUTs. Mort must determine how much guidance he wants to give the Trustees of the CRUTs and the Foundation with respect to charitable distributions.
4. Consider strategy to fund remaining pledge amount to Columbia after the laddered CRUTs have terminated. **Estimated completion July 30, 2014**
5. Fund a DAF with \$5 million of OPUs. **Estimated completion July 30, 2014**