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Subject: EDC

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I am recommending that we withdraw our EDC renewal application for AYH:

As discussed with you briefly the EDC renewal process has been somewhat in flux. We re-filed for a continuation of benefits in October 2015. The application we filed was in most respects similar to the applications we have successfully filed in the past. An informal standard of disclosure had been established as among the local bar and the regulators as had, as a general matter, the interpretation of the disclosure rules. The new administration has taken a view that past practice is not sufficient. They are asking for significantly more information at the time of application (as is their right) and on an ongoing compliance basis. Additionally, disclosure rules are being more strictly interpreted. By way of example, in the past (2011) we had been able to secure a renewal of the AYH certificate with limited shareholder disclosure. Our disclosure was limited to the controlling owner up to IGY Ltd. / IGYD. It didn't contain personal data of any kind on any of the limited partners. It listed the identity of the controlling equity holder of the general partner (ALF) but didn't contain any personal financial information in respect of ALF. It did not contain any disclosure in respect of Mr. Epstein as his equity in AYH is passive in nature. The application we filed in 2015 was sent back and now requires, among other things:

- Personal tax returns for both ALF and JE (likely 5 years)
- Release to VIEDC to obtain background checks on both ALF and JE
- IRS 8821 authorizing the EDC to inspect confidential tax information on both ALF and JE.

Similarly, prior EDC renewal required capital commitments commensurate with market dynamics and included annual capital expenditure budgets as additional capital investment. This renewal however will not include routine capex and we are advised that we will have to stipulate to larger investments than may be justified on a standalone basis. I would anticipate significant legal fees in 2015 \$50,000-\$100,000 to work through this renewal as my sense is it will be quite iterative. At present I think the certificate's value is limited. The gross value of the benefit is approximately \$240K annually. This amount would likely be offset by legal and compliance savings as well as limited non-market benefit cuts and more flexibility around use of personnel and headcount. Ultimately, an EDC certificate is hard to transfer to a buyer and the savings may likely be discounted in a valuation for sale. Opting out of the EDC program also results in fewer political entanglements as a general matter in the VI. As such, I am recommending that, given the existing state of the program, we abandon the program. We can always file a new application if the costs of not having a certificate increase materially (for example a massive property tax re-assessment) or if we going to make bigger investments than we currently anticipate. A new application is the same as a "renewal" application so, there isn't much difference.

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