

**From:** Eileen Alexanderson <[REDACTED]>  
**To:** "Jeffrey Epstein (jeevacation@gmail.com)" <jeevacation@gmail.com>  
**Subject:** FW: Tax considerations  
**Date:** Sat, 29 Sep 2012 02:28:43 +0000

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**From:** gregor.x.lindsay@uk.pwc.com [mailto:[REDACTED]]  
**Sent:** Friday, September 28, 2012 7:51 AM  
**To:** Eileen Alexanderson  
**Cc:** 'Brad R Okun'; David Lakhdhir; 'Thomas Turrin' [REDACTED]  
[REDACTED]

**Subject:** Tax considerations - follow up from last nights call

Eileen

As promised, please find below our thoughts on the questions raised last night on which I agreed to reply to.

### **Nature of Partnership**

As we discussed on the call last night, the choice of a Scottish LP is due to the fact that the Scottish LP is a well recognised and established vehicle used for tax planning, particularly with the US, where as a result of its separate legal personality its entity classification as a partnership is clear in overseas jurisdictions. This compares to the English LP's where due to the fact that these do not have separate legal personality this can lead to complications regarding the entity classification and can lead to problems in how they are recognised in tax planning arrangements with foreign partners. As such the SLP is the preferred choice in tax planning arrangements.

In terms of the formation of an SLP, Macfarlanes are correct in that Scottish counsel would be needed to form the SLP and that the General Partner would need to have a Scottish registered address, however, this is often solved in practice by the General Partner having its registered address at the offices of the Scottish Counsel.

The alternative is the limited liability partnership which Macfarlanes have also mentioned which is a partnership in the UK which like the SLP also has separate legal personality and therefore would be an alternative to use. The one point to note with using an LLP, however, is that the financial statements of the LLP would require to be prepared and audited here in the UK so there would be a cost associated with that. From a tax perspective, however, the LLP is like the SLP in that it is transparent and would not be subject to UK taxation since the partnership is only holding investments in the UK.

### **Economic interest of the General partner**

In terms of whether the General partner is required to have an economic interest in the partnership, the General partner would be expected to have an interest however this interest would be nominal i.e. something like 0.001%. The majority of the income profits and any capital profits would then be allocated to the limited partners (see below for comments on limited partners).

### **Debt**

Due to the timing for completion and the importance of getting the documentation correct and everyone comfortable on the tax position for the debt what we would suggest is undertaken at this time is that a short term loan is put in place between the Partnership and Midco. This loan should be for a maximum period of 360 days and the intention will be to replace this within this time frame. What this will provide is as follows:

- Interest charged on the short term loan will be deductible (provided amount of debt and the interest rate charged is arms length as we have discussed previously) in the period in which the interest is charged.
- As a short term loan, the settlement of the interest when the loan is replaced (which can be achieved on cash free basis) will not be subject to any UK withholding tax.

- We will have 360 days in which to come up with a form of debt which everyone is comfortable with and which manages both the timing of future deductions and the withholding tax position on the debt. It also allows us the time to make sure that the documentation for such debt is acceptable from UK tax perspective and avoids any risk of things being missed pre-completion.

As a short term loan agreement this should be something which is relatively straight forward to draft and then as noted above post completion we can consider the best method to get the long term debt planning drafted.

In terms of the partners in the partnership and whether we should have the trusts come through an LLC rather than as being partners themselves, we believe that having the trusts invest in to the partnership through an LLC would be the most appropriate method. We would suggest that the 3 trusts which are not currently members of an LLC become members in the new LLC and that LLC becomes the first of the limited partners in the partnership whilst the 2nd LLC (being the one that currently exists and in which the 4 Delaware trusts are members) becomes the 2nd limited partner in the partnership.

I think that covers the open questions that we had. Let me know if there is anything I have missed or if you wish to discuss further.

Best regards

Gregor

**Gregor Lindsay**  
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