

From: Ada Clapp <[REDACTED]>
To: jeffrey E. <jeevacation@gmail.com>, Melanie Spinella <[REDACTED]>
CC: Eileen Alexanderson <[REDACTED]>, Eileen Alexanderson <[REDACTED]>
Subject: RE: East 70th Street townhouse purchase
Date: Thu, 03 Jul 2014 12:59:00 +0000

Good morning Jeffrey,

I am getting calls and emails from the Trustees asking for more discussion. I tried to persuade them early on to go the single life interest route. However, they want to be sure they are doing their duty as Trustees and fully exploring a structure that could save the Trust roughly \$4.5 million. They are initiating the dialog and I am responding to help them get comfortable with what is ultimately their decision. Would you like for me to arrange a call with you and them?

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

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From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Wednesday, July 02, 2014 10:41 PM
To: Ada Clapp; Melanie Spinella
Subject: Re: East 70th Street townhouse purchase

Not sure why you are still discussing this after I have said single life multiple times

On Tuesday, July 1, 2014, Ada Clapp <[REDACTED]> wrote:

Dear Barry, Richard and John,

As you know, the discretionary trust under the APO1 Agreement (the "Trust") created the NY 70th Street LLC (the "LLC") and the LLC intends to enter into a split interest purchase of a residence. Attached for your reference is a Paul Weiss overview of the technique. To assist with the decision as to whether the LLC's remainder interest will vest upon Leon's death or upon the death of the survivor of Leon and Debra, I attach a chart comparing the split interest purchase technique structured with a single life interest and with successive life interests.

You will see that with successive life interests, the LLC's initial contribution would be reduced by about \$4.5 million (assuming a \$48 million purchase price). In exchange for this savings, the LLC may be giving up some flexibility. This is because, assuming Leon dies first, the LLC would not take title to the residence until Debra's death. Accordingly, for the LLC to sell the residence during Debra's lifetime, it would need her

consent. There would also be no flexibility to charge Debra rent (so that she could transfer assets to the Trust, gift-tax free) as she would have the right to live in the residence for her lifetime. Of course, these restrictions would also exist in the case of a single life interest—but for a shorter period of time.

Two final points to consider: with successive life interests, an actuary will likely need to be retained to determine the share of the purchase price (and of capital expenditures) to be borne by Leon and Debra as the life interest holders and to allocate that charge between Leon and Debra. Each of Leon and Debra must satisfy his or her proportionate share from independent funds.

Please let me know your preference for moving forward with the split-interest property purchase. Of course, I am happy to answer any questions you may have.

Best regards,

Ada Clapp

Elysium Management LLC

445 Park Avenue

Suite 1401

New York, New York 10022

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