

**From:** Ada Clapp <[REDACTED]>  
**To:** Jeffrey Epstein <jeevacation@gmail.com>  
**Subject:** Re: Funding a GRAT with encumbered property  
**Date:** Wed, 16 Oct 2013 18:29:01 +0000

---

As I understand it, the 2006 Trust has a security interest in it as collateral for the loan. That is what I mean by encumbered. It is pledged as collateral.

**Ada Clapp**

Black Family Partners  
c/o Apollo Management  
9 W 57th Street  
New York NY 10019

email: [REDACTED]

**IRS Circular 230 Disclosure:**

Pursuant to IRS regulations, I inform you that any tax advice contained in this communication (including attachments) is not intended or written to be used, and cannot be used by any person or entity for the purpose of (i) avoiding tax related penalties imposed by any governmental tax authority, or (ii) promoting, marketing or recommending to another party any transaction or matter discussed herein. I advise you to consult with an independent tax advisor on your particular tax circumstances.

This communication, and any attachment, is for the intended recipient(s) only and may contain information that is privileged, confidential and/or proprietary. If you are not the intended recipient, you are hereby notified that further dissemination of this communication and its attachments is prohibited. Please delete all copies of this communication and its attachments and notify me immediately that you have received them in error.

On Oct 16, 2013, at 2:15 PM, Jeffrey Epstein <jeevacation@gmail.com> wrote:

the prperoty is not enbcumbered,

On Wed, Oct 16, 2013 at 2:06 PM, Ada Clapp <[REDACTED]> wrote:

Jeffrey,

Regarding the GRAT, to summarize my discussions with Alan, as I understand it, there is still an issue to resolve regarding the BFP interests as it is currently collateral for the 2006 Trust loan. Funding a GRAT with assets pledged for Leon's personal obligation is not so clear cut. In short:

1. There is some concern that the gift to the GRAT would be incomplete given that there is a risk (albeit slight) of forfeiture of the assets if Leon defaults on the loan from the 2006 Trust. We may be able to take care of this with a side agreement between Leon and the GRAT (which I think would also solve any valuation issues resulting from the risk of loss). Alan is still considering this option.
2. Alan is also exploring the option of having the 2006 Trust release the BFP interests as collateral in exchange for Leon giving the 2006 Trust a secured interest in his annuity payments. This might work while Leon is alive but may cause a problem if Leon dies during the GRAT term. There is some concern that this

arrangement may disqualify the GRAT since the amount of the annuity payable to Leon or his estate would be uncertain and because GRAT property is not permitted to be paid to anyone other than Leon or his estate).

FYI--Alan and I spent some time looking into the viability of funding the GRAT with a derivative as you suggested. This too is not clear cut and raised several issues, including the risk of an incomplete gift, a step transaction if we funded with cash and had the GRAT trustee purchase the derivative contracts, whether Section 7520 could be used to calculate the annuity since the asset has a speculative value (resulting in the risk of an under-valutaion gift that would not adjust via an annuity increase). I believe Alan turned to the encumbered property issues once he understood that you were willing to forgo funding with a derivative.

Best regards,

**Ada Clapp**

Black Family Partners  
c/o Apollo Management  
9 W 57th Street  
New York NY 10019

email: [redacted]

**IRS Circular 230 Disclosure:**

Pursuant to IRS regulations, I inform you that any tax advice contained in this communication (including attachments) is not intended or written to be used, and cannot be used by any person or entity for the purpose of (i) avoiding tax related penalties imposed by any governmental tax authority, or (ii) promoting, marketing or recommending to another party any transaction or matter discussed herein. I advise you to consult with an independent tax advisor on your particular tax circumstances.

This communication, and any attachment, is for the intended recipient(s) only and may contain information that is privileged, confidential and/or proprietary. If you are not the intended recipient, you are hereby notified that further dissemination of this communication and its attachments is prohibited. Please delete all copies of this communication and its attachments and notify me immediately that you have received them in error.

--  
\*\*\*\*\*

The information contained in this communication is confidential, may be attorney-client privileged, may constitute inside information, and is intended only for the use of the addressee. It is the property of Jeffrey Epstein. Unauthorized use, disclosure or copying of this communication or any part thereof is strictly prohibited and may be unlawful. If you have received this communication in error, please notify us immediately by return e-mail or by e-mail to [redacted], and destroy this communication and all copies thereof, including all attachments. copyright -all rights reserved

