

From: Ada <[REDACTED]>
To: Jeffrey Epstein <[REDACTED]>
Subject: Re: Clean up Income Tax Inefficient Loans
Date: Sat, 02 Nov 2013 00:30:40 +0000

It would have to be in both. Not enough cash in the LLC

Sent from my iPad

On Nov 1, 2013, at 8:23 PM, Jeffrey Epstein <jeevacation@gmail.com> wrote:

the liquidating distribuionn would be in cash or securities?

On Fri, Nov 1, 2013 at 8:11 PM, Ada Clapp <[REDACTED]> wrote:

Hi Jeffrey,

Here are some numbers for you:

Option 1.

Step one Each child's trust would receive roughly \$5 million. Trustee would exercise power to adjust and it would go to principal and be used to pay off notes of equal amount. Afterward, each child's descendant's trust would have cash in it.

Step 2. Ben (\$3.25 MM) and Josh's (\$5.8 MM) 2011 trusts would then borrow from the 2006 trust (or BFP) and use the funds to pay off the notes held in their includible trusts

Option 2. Same steps and dollars as in Option 1 above but we would probably do this with BFP interests instead or marketable securities.

Option 3. Same dollar amounts and results as in Options 1 and 2 but a lot of notes to keep track of.

Option 4. I understand that the LDB 2011 LLC has roughly \$300 million in it, so a liquidating distribution would require a distribution to each child's trust of roughly \$15 million. That would leave \$10 million in Victoria and Alex's trusts (after paying off their notes to the 2006 Trust) and roughly \$7 million in Ben's Trust and \$4.2 million in Josh's Trust (after paying off the notes to their descendants trusts and their includible trusts). They would be entitled to the income earned on these amounts starting at age 25 (so Ben and Josh right away—Alex very soon, I think).

Sent from my iPad

On Oct 31, 2013, at 5:39 PM, Jeffrey Epstein <jeevacation@gmail.com> wrote:

i need the numbers to make a decision.

On Thu, Oct 31, 2013 at 4:04 PM, Alan S Halperin <[REDACTED]> wrote:

There are four ways of proceeding with respect to the proposed transfer to clean up the tax-inefficient loans. I recommend either of the first two approaches noted below, with a preference to the first one..

1. The LLC could distribute cash, pro rata, to the four trusts. While under the default rules, the distribution would be characterized as fiduciary accounting income, and therefore distributable to Ben and Josh (and therefore not available to pay down the loans), the Trustees could use their power to adjust under Section 61-104 to recharacterize the distribution as principal and not income. I am attaching a copy of the Delaware statute. We would prepare a trustee resolution describing the decision by the Trustees. This approach only applies to the extent the flow of funds are proportionate (and presumably to the extent that the distribution is relatively substantial). To the extent additional money is needed for Josh's Trust and Ben's Trust, some entity with respect to which Leon is deemed the owner -- say a grantor trust or Black Family Partners -- could loan funds to their trusts. We could take these steps at the end of November, once the next Apollo dividend hits.

2. Alternatively, the LLC could distribute "property," rather than money. To that end, the LLC could distribute publicly traded securities. Such a distribution would constitute principal. In 6 weeks or so, the Trustees could sell the securities and use the proceeds, as principal, to pay off debt. Again, this plan works to the extent of proportionate distributions. Any additional amounts needed for Josh's Trust or Ben's Trust could be handled via a loan, as noted in the prior paragraph.

3. The LLC could loan all of the funds. The loan is treated as principal.

4. The LLC could make a liquidating distribution representing 20% of the value of the LLC.

I am happy to discuss. Alan

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