

From: [REDACTED]
To: "jeffrey E." <jeevacation@gmail.com>
Subject: Fw: Core Club
Date: Tue, 23 Feb 2016 23:39:18 +0000

Sent from my BlackBerry 10 smartphone on the Verizon Wireless 4G LTE network.

From: Nathan Myhrvold <[REDACTED]>
Sent: Tuesday, February 23, 2016 18:38
To: Nathan Myhrvold
Subject: Fw: Core Club

Sent from my smartphone.

From: Russ Stein <[REDACTED]>
Sent: Tuesday, February 23, 2016 17:45
To: Nathan Myhrvold
Subject: Core Club

Hi Nathan,

FYI, we did a call today with Jennie, her CFO, Dan, and their tax counsel at Denton's. During the call it became apparent to Jennie that her counsel had flipped the tax structure twice in what they sent us. They originally attempted to not have Cancellation of Indebtedness Income (CODI) which they then changed to a structure that affirmatively attempted to force CODI. Her counsel also apologized for not having informed us that he had flipped the structural approach previously and the concern that that change had caused. During the call her counsel then also asked to brainstorm with us on a third structure he had thought of with a different CODI timing approach.

Jennie recognized on her own during the call that her advisers kept changing the tax structure in a way that way that could expose you.

I am speaking with Jennie later today and I intend to say the following:

1. The proposed structures are not nailed down enough to protect you from historical tax risk –she already recognizes this.
2. A way forward would be for us to only have you potentially invest in a new structure that did not have the historical risk –as we had proposed originally. She could then use the proceeds to buy out her partner but without involving you or your ownership, or,
3. Her side could really bake the structures, file the historical returns and also resolve how we can all be comfortable that the landlord and lenders are reporting matching economic results to the IRS.

Please let me know if you recommend a different approach.