

**From:** Jeffrey Epstein <jeevacation@gmail.com>  
**To:** Alan S Halperin <[REDACTED]>  
**Subject:** Re: BFP Valuation 6/7/07  
**Date:** Thu, 15 Aug 2013 14:07:58 +0000

---

we can discuss when you have more time, a house grat, has the same type issues,

On Thu, Aug 15, 2013 at 8:02 AM, Alan S Halperin <[REDACTED]> wrote:  
Thanks, Jeffrey. As for the discount, I have the following comments:

1. I think we may be confusing the discounts taken. Let's see what discount was taken when he created the 2009 GRAT (which occurred after the restructuring). The current discount in fact may be less than that which previously was taken.
2. Ultimately, it will be up to the appraiser as to the appropriate discount. While the appraiser will accept input, the appraiser must feel comfortable with its conclusion.
3. The appraiser will not want to be inconsistent with discounts taken with respect to similar interests.
4. Given the lock-up and other restrictions, I do not feel uncomfortable with the preliminary advise given.
5. Let's wait and see a preliminary report. Since the documentation for the swap -- the substitution document, promissory note and assignment -- can be done now without a set value, we do not need resolve this issue today.

I agree that placing art into a GRAT likely is not subject to sales tax. This is so because a sales tax is triggered only if consideration is received. Here, the transfer is a gratuitous transfer, presumably without consideration. However, I recall some old case or ruling in NY where the NY taxing authority took the position that the funding of a CRT or GRAT with real property was an exchange for consideration (the right to receive an annuity) for purposes of the NY real property transfer and gains tax. We could try to track down that case or ruling if relevant.

In any event, if the art is used as currency to pay an annuity, I fear the distribution, in-kind, in satisfaction of the annuity will trigger a sales tax. Here, there is an exchange for consideration.

Also, we need to consider whether the use of the art during the GRAT term is permitted under the GRAT rules. On the one hand, the regulations anticipate that it is possible for the grantor to retain something greater than just the annuity amount. However, the example in the regs only deals with retaining the greater of the annuity amount and income. Since the GRAT rules are very specific, we should proceed with caution before going outside the specified rules.

**IRS Circular 230 disclosure:**

To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter

addressed herein.

[Click Here for More Information](#)

Alan S. Halperin | Partner  
Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas | New York, NY 10019-6064  
(212) 373-3313 (Direct Phone) | (212) 492-0313 (Direct Fax)  
[REDACTED] | [REDACTED]

---

From: "Jeffrey Epstein" <[jevacation@gmail.com](mailto:jevacation@gmail.com)>  
To: Alan S Halperin/PaulWeiss@PaulWeiss  
Date: 08/15/2013 09:30 AM  
Subject: Re: BFP Valuation 6/7/07

as we will use the same discount putting it into the grats, i would prefer a 25 % number, i rarely take that large a discount. i am considering new grats that put in both stock and art. are you comfortable that the art on transfer does not trigger sales tax.

On Thu, Aug 15, 2013 at 6:33 AM, Alan S Halperin <[REDACTED]> wrote:  
I suspect that the discounts reflected in the attachment reflect the discounts relating to BFP. The biggest items reflected is AMH. I suspect that, in arriving at the value of AMH, there is a discount embedded in the analysis.

**IRS Circular 230 disclosure:**

To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

[Click Here for More Information](#)

Alan S. Halperin | Partner  
Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas | New York, NY 10019-6064  
(212) 373-3313 (Direct Phone) | (212) 492-0313 (Direct Fax)  
[REDACTED] | [REDACTED]

---

From: "Eileen Alexanderson" <[REDACTED]>  
To: Alan S Halperin/PaulWeiss@PaulWeiss, "Ada Clapp" <[REDACTED]>, "Jeffrey Epstein" <[jevacation@gmail.com](mailto:jevacation@gmail.com)>, Jessica Soojian/PaulWeiss@PAULWEISS  
Date: 08/15/2013 08:25 AM  
Subject: BFP Valuation 6/7/07

---

-----Original Message-----

From: NY\_730\_11\_XRX\_COPYROOM [mailto: ]  
Sent: Thursday, August 15, 2013 8:06 AM  
To: Eileen Alexanderson  
Subject: Scan from a Xerox Color

Please open the attached document. It was scanned and sent to you using a Xerox Color.

Number of Images: 7  
Attachment File Type: PDF

Device Name: NY\_730\_11\_XRX\_COPYROOM  
Device Location:

For more information on Xerox products and solutions, please visit [redacted]

This email and any files transmitted with it are confidential and intended solely for the person or entity to whom they are addressed and may contain confidential and/or privileged material. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon this information by persons or entities other than the intended recipient is prohibited. If you have received this email in error please contact the sender and delete the material from any computer.

Apollo Global Management, LLC

This message is intended only for the use of the Addressee and may contain information that is privileged and confidential. If you are not the intended recipient, you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please erase all copies of the message and its attachments and notify us immediately.

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

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 [jeevacation@gmail.com](mailto:jeevacation@gmail.com), and destroy this communication and all copies thereof, including all attachments. copyright -all rights reserved

This message is intended only for the use of the Addressee and may contain information that is privileged and confidential. If you are not the intended recipient, you are hereby

notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please erase all copies of the message and its attachments and notify us immediately.

--

\*\*\*\*\*

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 [jeevacation@gmail.com](mailto:jeevacation@gmail.com), and destroy this communication and all copies thereof, including all attachments. copyright -all rights reserved