

**From:** "Alan S Halperin" <[REDACTED]>  
**To:** "Jeffrey Epstein" <jeevacation@gmail.com>  
**Subject:** Re: BFP Valuation 6/7/07  
**Date:** Thu, 15 Aug 2013 14:10:53 +0000

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Thanks. Tomorrow would be great.

I have never done a house GRAT. I have only done QPRT. Have you done GRATs with a house?

Thanks again. Alan

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Alan S. Halperin | Partner  
Paul Weiss, Rind, Wharton & Garrison LLP

From: "Jeffrey Epstein" <jeevacation@gmail.com>  
To: Alan S Halperin/PaulWeiss@PaulWeiss  
Date: 08/15/2013 10:08 AM  
Subject: Re: BFP Valuation 6/7/07

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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.

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Alan S. Halperin | Partner  
Paul Weiss, Rind, Wharton & Garrison LLP



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

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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

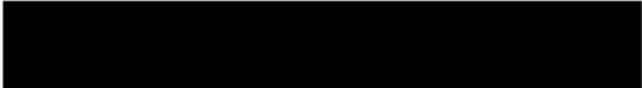
embedded in the analysis.

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Alan S. Halperin | Partner  
Paul, Weiss, Riffkind, Wharton & Garrison LLP



From: "Eileen Alexanderson" <[REDACTED]>  
To: Alan S Halperin/PaulWeiss@PaulWeiss, "Ada Clapp" <[REDACTED]>, "Jeffrey Epstein" <jeevacation@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:[REDACTED]]  
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  
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