

From: Jeffrey Epstein <jeevacation@gmail.com>

To: Ada Clapp <[REDACTED]>, Melanie Spinella <[REDACTED]>

Subject: Re: Next Steps Black Planning

Date: Sat, 19 Oct 2013 00:32:43 +0000

decant 2006 and 1996 into two new apo trusts. so we have three. will decide later on combination if any

On Fri, Oct 18, 2013 at 7:04 PM, Ada Clapp <[REDACTED]> wrote:

Hi Jeffrey,

Attached are the latest drafts of the GRAT, APO1 Trust and the assignment form. I got them today and will look them over on Monday.

I think we are ready to go once we resolve some decanting issues (as our decision may change the APO1 Trust slightly). I was hoping to get your thoughts. Here is the broad brush (more detail by phone, if you wish).

We could use the APO1 Trust as the decanting receptacle for the 2006 Trust and the 1997 Trust while Leon is deciding on the terms of the Heritage Trust. That way, we would not have to wait for the Advisory Option to decant the 2006 Trust as we could include in the APO1 Trust the same substitution language. I have to convince Alan to do this as he does not like Carlyn's language and thinks any substitution language should work fine if your client gets a positive ruling. The safer approach is to do the substitution using the same language quoted in the petition- on the slight chance that it is material to the Opinion. Because, the APO1 trust will eventually be decanted into the Heritage Trust which can include language Alan likes, it is a temporary problem for him.

If we use the APO1 Trust to decant both trusts, there are two additional issues to address.

Issue 1. Because the 1997 Trust does not authorize Trustees to decant, they have to rely on the NY statute to do so. According to Alan (I have not yet checked), the NY statute requires that any powers of appointment given to beneficiaries in the original trust cannot be cut back in the receptacle trust. The 1997 Trust gives Leon's children a broad power at their death to appoint their trust property to *anyone* (other than themselves or their estates) (a "broad POA"). So if we decant the 1997 Trust into the APO1 Trust, the APO1 Trust must also give the children a broad POA.

The 2006 Trust (the far larger trust as you know) limits the children's power to appoint their separate trust only among Leon's issue (a "limited POA").

So, if we decant both the 1997 Trust and the 2006 Trust into the APO1 Trust--the children will have a broad POA over the 2006 Trust assets as well--but only until we decant again into the Heritage Trust which would give only a limited POA. I know it seems like smoke and mirrors but you can get around the NY law by having an intermediary trust (the APO1 Trust) that includes language authorizing decanting that cuts back a beneficiary's POA.

If you think we will get Leon to resolve the open items to the Heritage Trust fairly quickly, I am OK with this approach--since the risk of the children having a broad POA would be a short-term problem. If we think it will take Leon several months to pin that down, then I would change the APO1 Trust to include only a special POA and decant only the 2006 Trust at this time. Later, we would need to create a new intermediary trust and do a double decanting of the 1997 Trust (97 Trust to intermediary trust-- then intermediary trust to Heritage Trust).

We would appreciate your thoughts on this.

Issue 2. Also has to do with how long you think it will take Leon to finalize the Heritage Trust. The APO1 Trust is not structured like the Heritage Trust--it does not include a large pot trust and separate Legacy Trusts or mandatory distributions to the children. It is a very broad discretionary trust designed as a flexible placeholder to receive the GRAT remainder with the understanding that it will be decanted into the Heritage Trust. I am comfortable decanting the 2006 Trust into the APO1 Trust if we can further decant to the Heritage Trust in the near future. Timing on this may not matter to Leon as he may actually prefer the provisions of the APO1 Trust to the 2006 Trust. Have you discussed this with him (I have not)? **What are your thoughts?**

Hope you have a nice weekend!

Ada Clapp

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Begin forwarded message:

From: "Jessica Soojian" <[REDACTED]>
Subject: Re: Next Steps Black Planning
Date: October 18, 2013 10:46:25 AM EDT
To: "Ada Clapp" <[REDACTED]>
Cc: "Alan S Halperin" <[REDACTED]>, "Eileen Alexanderson" <[REDACTED]>

Hi Ada--Alan is stuck on calls but we are supposed to talk at around 11. We will try to give you a ring at around 11:30 or if not, I will swing back with a time for later this afternoon. In the meantime, I am attaching the following:

- 1--A copy of Leon's executed Will.
- 2--A draft of the proposed assignment, noting that this likely will be refined after Alan and I speak and confirm how much Leon is transferring (I think it's two-thirds, but want to confirm). You will note that the structure of the assignment is the same as those previously executed, so there is no

separate document regarding the admission of a member, etc.

3--Revised drafts (clean and blackline from what you last reviewed) of the GRAT and Family Trust. As to those documents, we took most of your comments, but please note the following:

- With regard to the GRAT: since the notion of creating a separate GRAT in the event of an inadvertent addition is intended to be savings language, we did not want to highlight it, particularly right in the beginning of the document. As a result, you will see that there is no reference to a "Separate Addition" etc. in Clause FIRST.
- With regard to the Family Trust: since we wanted this trust to be a permissible recipient of the 1997 Trust's assets, we had to navigate the restrictions of the NY decanting statute in drafting the power of appointment over the separate trusts. As a result, we had to provide that a beneficiary would have a broad limited power over his or her separate trust. Note, however, that it is our understanding that this trust merely is to be a "placeholder" of the GRAT remainders until the terms of the new Heritage Trust have been firmly solidified. To that end, we refined our decanting language in the document to permit the pour-over of trust property to trusts over which a beneficiary has a narrower power of appointment. So effectively, the broad limited power, while necessary for now, should be moot in the end.

We will talk soon.

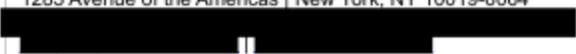
Best,
Jess

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