

**From:** Ada Clapp <[REDACTED]>

**To:** Jeffrey Epstein <jeevacation@gmail.com>

**Subject:** FW: Estate Planning Update 4.2.14

**Date:** Thu, 03 Apr 2014 16:01:10 +0000

**Importance:** low

---

Hi Jeffrey,

Hope that you are well. I sent the below estate planning update to Leon yesterday.

---

**From:** Ada Clapp

**Sent:** Wednesday, April 02, 2014 3:10 PM

**To:** Melanie Spinella - Apollo Management ([REDACTED])

**Cc:** Eileen Alexanderson

**Subject:** Estate Planning Update 4.2.14

**Importance:** Low

Hi Melanie,

Hope you are well. Please forward the below email to Leon. Thanks!

Hi Leon,

Following is a brief estate planning update:

**Split-Dollar.**

**Trust #1:** As you recall, the Leon D. Black 1999 Life Insurance Trust #1 ("Trust #1") owned \$50 million of life insurance on your individual life. The split-dollar agreement between Trust #1 and AIF IV Management Inc. ("AIF") has now been terminated and the single life policies surrendered. The entire cash surrender proceeds received by Trust #1 (about \$8.6 million) were used to repay AIF a portion of the \$10.4 million of premiums it advanced. This \$8.6 million will be distributed from AIF to you. Norman Brownstein is still Trustee of Trust #1, however the trust now owns no assets.

**Trust #2:** You will also recall that the Leon D. Black 1999 Insurance Trust #2 ("Trust #2") owns \$100 million of insurance on the joint lives of you and Debra. The Trustees of the APO1 Trust (John Hannan, Richard Ressler and Barry Cohen) agreed to distribute \$12.5 million to Trust #2 to enable it un-wind the split-dollar agreement it has with AIF (so that AIF could be repaid with non-policy proceeds). Norman Brownstein resigned as Trustee of Trust #2 and John, Richard and Barry are now the Trustees. We are in the process of opening a bank account for Trust #2 to receive the \$12.5 million. Once Trust #2 receives the funds, the Trustees will use them to repay AIF all the premiums it advanced and then the Trustees will terminate the split-dollar agreement. Thereafter, AIF will release its collateral assignment against the policies so that Trust #2 will own the \$100 million of life insurance unencumbered. About \$7.4 million of the \$12.5 million received by AIF will be used to repay loans to Black Family Partners LP ("BFP") and the balance will be distributed to you.

**APO2 Declaration.**

The Declaration of Trust has been signed and the trust called the APO2 Declaration (formed to receive the assets from the Black Family 1997 Trust (the "97 Trust")) is now in existence. John Hannan, Richard Ressler and Barry Cohen are the Trustees.

## **1997 Trust Decanting.**

Once the APO2 Declaration was created, the Trustees of the 1997 Trust exercised their discretion under NY law to decant the non-GST exempt principal of the 1997 Trust to the APO2 Declaration. The required notice was given and the 30 day Notice Period will expire on April 4th. Most of the documentation needed to transfer the assets is complete. Two items must be addressed before the assets can be transferred from the 1997 Trust, namely (i) the pledge of assets by the 1997 Trust to BFP in connection with the credit facility BFP provides to Phaidon and (ii) the Guaranty the 1997 Trust provided in connection with the lease of 65 Bleeker Street. We are in the process of addressing these items.

## **GRATs.**

-  
APO1 GRAT No. 2 ("GRAT No. 2"). On March 3<sup>rd</sup>, you received your first quarterly annuity payment from GRAT No. 2 (this is the GRAT you created on December 4, 2013 to which you transferred a 34.53% LP interest in BFP). It was paid to you in part with cash (\$27.5 million) and in part with BFP LP interests.

APO1 GRAT No. 3 ("GRAT No. 3"). You created GRAT No. 3 on March 4th. You funded it with (i) the BFP LP Interests you received from the APO1 GRAT on January 24<sup>th</sup> as part of its first quarter annuity payment and (ii) the BFP LP Interests you received on March 3<sup>rd</sup> from GRAT No. 2 as part of its first quarter annuity payment. Empire Valuation is working on providing us with the exact percentages (and fair market value) of BFP LP interests you transferred to GRAT No. 3.

## **Art held in LDB 2011 LLC.**

To refresh your recollection, the plan to eliminate the payment of rent (and attendant NYS sales tax) with respect to art held in the LDB 2011 LLC (the "2011 LLC") is as follows:

Step 1: A new entity ("Newco") will be created by the 2011 LLC;

Step 2: The 2011 LLC will contribute its BFP LP interests to Newco;

Step 3: The 2011 LLC will then distribute its interests in Newco to its members (the four children's trusts under the Black 2011 Family Trust); and

Step 4: The four children's trusts will then sell their interests in the 2011 LLC to the APO1 Trust in exchange for a promissory note.

Because the 2011 LLC will be 100% owned by the APO1 Trust and Debra is a beneficiary of such Trust, the Trustees will have discretion to let her use the art held in the LLC, rent-free.

We reviewed the draft documents prepared by Paul Weiss to implement the above transaction and provided comments. To determine the purchase price for Step 4, Empire Valuation will need to value the 2011 LLC (this will include valuing the investment partnerships, art and Phaidon investment that will continue to be owned by the 2011 LLC). We are working with Empire (and will work with Sotheby's to value the art) in this regard.

## **Wills for your Children.**

Josh, Alex and Victoria have not yet met with Alan to discuss a Will and Revocable Trust (although I have had a few discussions with Josh on the subject). To spur them into action, Jeffrey suggested that Alan prepare for each child a Will and Revocable Trust that leaves all of the child's assets to his or her siblings. The drafts should be ready to send to your children in the next week.

As we move further along on the planning issues we are working on, I will provide you with additional updates.

Best regards,

**Ada Clapp**



**IRS Circular 230 Disclosure:** Pursuant to IRS regulations, I inform you that any tax advice contained in this communication (including attachments) is not intended or written to be used, and cannot be used, by any person or entity for the purposes of (i) avoiding tax related penalties imposed by any governmental tax authority, or (ii) proposing, marketing or recommending to another party any transaction or matter discussed herein. I advise you to consult with an independent tax advisor on your particular tax circumstances.

**This communication and any attachment is for the intended recipient(s) only and may contain information that is privileged, confidential and/or proprietary.** If you are not the intended recipient, you are hereby notified that further dissemination of this communication and its attachments is prohibited. Please delete all copies of this communication and its attachments and notify me immediately that you have received them in error. Thank you.