

**From:** "jeffrey E." <jeevacation@gmail.com>  
**To:** Melanie Spinella <[REDACTED]>  
**Subject:** Fwd: SH Meadow Lane-unimproved lot merger  
**Date:** Sat, 13 Sep 2014 20:49:35 +0000

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----- Forwarded message -----

**From:** **Ada Clapp** <[REDACTED]>  
**Date:** Saturday, September 13, 2014  
**Subject:** SH Meadow Lane-unimproved lot merger  
**To:** "jeffrey E." <jeevacation@gmail.com>  
**Cc:** "Melanie Spinella - Apollo Management ([REDACTED])" <[REDACTED]>

The taxes would be the same as with the approach you suggested (but the sale approach has the benefits outlined below in my earlier email).

I don't know the value of the unimproved lot, so I can't give you a specific amount. However, as of 2013 (I could not find the latest tax rates on the internet and the LI attorney has not yet provided them) NYS "Seller's" Transfer Tax (which would be paid by Leon and Debra) was \$2.00 for every \$500 (or fraction thereof) of the purchase price and the "Buyer's" Peconic Tax for Southampton (which the LLC/APO2 Declaration would pay) is 2% on the amount over \$100,000 on the purchase of unimproved land. So the tax out of "Leon's" pocket would be relatively small but the Trust's tax is a bit heftier.

**Ada Clapp**

Elysium Management LLC

445 Park Avenue

Suite 1401

New York, New York 10022

Direct Dial: [REDACTED]

Fax: [REDACTED]

Email: [REDACTED]

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**From:** jeffrey E. [mailto:[jeevacation@gmail.com](mailto:jeevacation@gmail.com)]  
**Sent:** Saturday, September 13, 2014 12:49 PM  
**To:** Ada Clapp; Melanie Spinella  
**Subject:** Re: SH Meadow Lane-unimproved lot merger

total tax to be paid if leon were to choose to do it your way

On Sat, Sep 13, 2014 at 11:13 AM, Ada Clapp <[REDACTED]> wrote:

Hi Jeffrey,

I was concerned that Leon and Debra's transfer of the unimproved lot to SH Meadow Lane in exchange for membership interests in the LLC would trigger the New York State Transfer Tax (paid by seller) and the Community Preservation Fund Tax (a/k/a the Peconic Tax paid by buyer). I posed this question to Leon's Long Island attorney who consulted with the title company. According to counsel for the title company, Leon and Debra's receipt of the membership interests would constitute consideration triggering both transfer taxes (he noted a possible exception if the beneficial owners of the trust that owns the LLC were the same as the individuals now contributing the unimproved lot, but that is not our case).

Given that taxes must be paid for the LLC contribution, shouldn't we reconsider having the LLC simply buy the lot from Leon? Of course, we would first have Debra transfer her ownership interest to Leon so that the sale would be disregarded for income tax purposes.

The sale approach would not only remove future appreciation on the residence from Leon's estate but will avoid the complexities (and potential gift tax issues) of having to true-up capital accounts when the APO2 Trust makes additional capital contributions (to build the new residence). It also removes the obligation going forward to collect pro-rata contributions from the Trust, Leon and Debra for ongoing maintenance and operating expense of the new residence (oil, gas, electric, water, etc.) .

What do you think?

**Ada Clapp**

Elysium Management LLC

EFTA00996824

445 Park Avenue  
Suite 1401  
New York, New York 10022

Direct Dial: [REDACTED]

Fax: [REDACTED]

Email: [REDACTED]

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