

CHECKLIST FOR LEON BLACK ESTATE PLANNING AND RESTRUCTURING

As of October 2, 2013

	ACTION TO BE TAKEN	RESPONSIBLE PARTY	TIMING/STATUS
I.	<u>ESTABLISH CASH FLOW PLAN</u>		
1.	Substitution of Trust assets by Leon in exchange for a promissory note.	Team	Completed on August 15, 2013
2.	Value BFP interests acquired by Leon.	Empire Valuation/Team	Empire is working on the valuation report.
3.	Determine whether a gift tax return will be filed reporting the substitution.	Team	PW is leaning against doing so.
4.	Explore financing options relating to the asset substitution and existing loans secured by art. Consider: <ul style="list-style-type: none"> • Using multiple banks (solicit information from BAC, JPM, Morgan Stanley and Deutsche Bank). • Using assets other than art as collateral. If done, remove bank as payee on art insurance policies. 	Family Office	Preliminary meetings with Deutsche Bank taken.
5.	Determine, as a financial matter, how Leon will make note payments and repay the loan prior to his death. Consider whether Trustees should (i) distribute funds to Debra to pay income tax or make loan repayments or (ii) reimburse Leon for his tax liability.	Team	
6.	Jib Black will be the “second” attorney reviewing the cash flow plan. Consider the timing for getting him involved.	Team	
7.	Once valuation is received, update books and records to reflect change of ownership of BFP.	Family Office	

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8.	Explore additional options for freezing the value of Leon’s estate after he acquires all interests in BFP. <ul style="list-style-type: none"> • Consider implications of Section 2703. 	Team	New GRAT and family trust in progress.
II.	<u>NEW WILLS FOR DEBRA AND THE CHILDREN</u>		
1.	Discuss with Debra need to see Jib for a new Will and related documents		
2.	Each of the children to meet with Alan to prepare a Will and related documents	Family Office/PW	In progress
III.	<u>DECANT EXISTING TRUSTS TO NEW TRUST</u>		
1.	Confirm terms of “Heritage Trust” and draft a revised the Trust Agreement.	Team	
2.	Determine which assets will be decanted to the Heritage Trust (2006 Trust, 1997 non-GST exempt trust, etc.) and the timing. <ul style="list-style-type: none"> • First decant 2006 Trust to 1997 Trust. • Next decant 1997 Trust to Heritage Trust and if not yet paid, assign receivable from 2009 GRAT. 	Team	
3.	Draft and execute decanting instruments and any assignment documents and arrange for retitling of assets.	PW/Family Office	
4.	Update insurance coverage for art to reflect change in title after each decanting.	Family Office	

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III.	<u>DECANT EXISTING TRUSTS TO NEW TRUST (CONTINUED)</u>		
5.	Draft and execute either (i) use agreement between Heritage Trust and DB regarding use of art held by the Heritage Trust, or (ii) lease agreement between Heritage Trust and Leon (to include the fair market rental rate for his use) <ul style="list-style-type: none"> If lease agreement, this will trigger New York State sales tax. 	PW	
IV.	<u>RESTRUCTURING OF FAMILY BUSINESS ENTITIES</u>		
(A)	BLACK FAMILY PARTNERS		
1.	Confirm each partner's ownership percentage and adjust capital accounts to reflect partner contributions and partnership distributions.	Family Office	
2.	Clean up loans to and from BFP.	Family Office	
3.	Consider restructuring BFP to avoid estate inclusion and other issues. Consider implications of Section 2701.	Team	
(B)	LDB 2011 LLC		
1.	Confirm each member's ownership percentage and adjust capital accounts to reflect member's contributions.	Family Office	
2.	Review LLC agreement to ascertain estate inclusion issues.	PW	
(C)	LBF HOLDINGS LLC		
1.	Consider restructuring LLC agreement to avoid estate inclusion issues.	PW	

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V.	<u>SECURITIES LAW ISSUES</u>		
1.	Review prior SEC filings for accuracy.	PW	
2.	Address securities law issues (such as reporting or short-swing profit rules) with respect to action steps.	PW	
VI.	<u>FOUNDATION PLANNING</u>		
1.	Create new foundations for each of Leon's children.	PW	
2.	Arrange for Leon to fund each child's foundation.	Family Office	
3.	Prepare a memorandum for each child outlining the rules applicable to private foundation investments, administration, and use and distribution of assets.	Family Office/PW	
4.	Review governing instrument for Leon's foundation to determine if provisions still reflect Leon's intentions regarding future governance.	Family Office	
VII.	<u>INSURANCE</u>		
(A)	SPLIT DOLLAR INSURANCE		
1.	Determine if split dollar arrangements should be unwound and if so, discuss alternative plans for doing so.	Team	
2.	If unwinding the split-dollar arrangements: <ul style="list-style-type: none"> • Consider whether insurance policies should be continued; • Obtain appraisal of the rights under the split-dollar agreements. 	Team	

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3.	If keeping the split-dollar arrangement in place: <ul style="list-style-type: none"> • Confirm L. Brody opinion that change of sponsor was likely not a material modification (though unclear if sponsor changed). • Advise Leon to allocate GST exemption to the trusts to return them to a zero inclusion ratio. 	Team	
(B)	LIFE INSURANCE		
1.	Determine whether there is a need for life insurance and if so, what amount.	Team	
2.	Confirm that Trustees of insurance trusts are doing periodic policy reviews and obtain copies of all Crummey notices.	Family Office	
(C)	PERSONAL PROPERTY INSURANCE		
1.	Prepare full inventory of Leon's personal property, including art and household property (cane collection, rare book collection, bronzes, etc.).	Family Office	In progress (inventory to be provided by Sotheby's for residences)
2.	Prepare inventory of Debra's personal property, including jewelry.	Family Office	In progress

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VIII.	<u>NOTE REPAYMENT</u>		
1.	Devise a cash flow plan to repay all outstanding promissory notes between trusts, family members and family entities. <ul style="list-style-type: none"> • Consider a pro rata distribution from BFP to all limited partners. • Consider a transfer of assets from the 2006 Trust to 1997 Trust. 	Family Office	
2.	If loans must remain outstanding, determine whether they should be refinanced (to reflect business reality or alternatively, use a lower AFR) and secured (if they are not).	Team	
IX.	<u>FREEZE PARTNERSHIP</u>		
1.	Create new LLC/LP as a preferred partnership.	PW	
2.	Value the art to be contributed by Leon.	Art appraiser	
3.	Confirm whether any art to be contributed is used as collateral for bank loans and revise loan documentation accordingly.	Family Office	
4.	Value the financial assets to be contributed by the Trust and the preferred coupon rate retained by Leon.	Empire Valuation	
5.	Draft and execute contribution and assignment agreements whereby Leon contributes art to the preferred partnership and the Trust contributes financial assets.	PW or MWE	
6.	Coordinate updating insurance coverage for art to reflect change in title to the preferred partnership. Arrange for preferred partnership to pay its share of insurance premiums.	Family Office	
7.	Coordinate updating all books and records (and SEC filings?) to reflect change in title of financial assets to the preferred partnership.	PW	

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8.	Draft and execute either (i) agreement between Trust and Debra regarding use of art held in the preferred partnership, or (ii) lease agreement between Trust and Leon (to include the fair market rental rate for his use)	PW or MWE	
X.	<u>ADMINISTRATION OF TRUSTS AND FAMILY ENTITIES</u>		
1.	Prepare record book for Trustees describing the process by which they made investment and distribution decisions.	Family Office	
2.	Prepare books and records for each family business entity, including minute book (with minutes from annual meetings) with all partnership or LLC documents and formalities.	Family Office	
3.	Confirm whether the Direction to take instructions from the Delegee Trustee was ever signed in connection with the 2011 Family Trust and keep with the Trust's records.	Family Office	
4.	Review all trust agreements to determine whether (i) successor Trustee appointments are in place and still appropriate, (ii) compensation agreements need to be put in place.	Family Office	
XI.	<u>FAMILY MEETINGS</u>		
1.	Discuss with Leon whether he wants to have a second family meeting.	Family Office	