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May 13, 2016

PERSONAL & CONFIDENTIAL

BY FEDEX

Mr. Lawrence Falk
Estate & Gift Tax Attorney
Internal Revenue Service
290 Broadway
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Dear Mr. Falk:

On behalf of Leon D. Black, I am responding to your letter dated March 31, 2016. For ease of reference, I enclose a copy of your letter. I further enclose a copy of the Power of Attorney by which Mr. Black consents to my representation of him in connection with this audit, as well as a binder with a detailed index that contains the supporting documentation in response to your questions.

Please allow me to respond to your questions in the order presented.

1. The 2013 gift amount related to the economic benefit of Mr. Black's split dollar life insurance held in the Leon D. Black 1999 Life Insurance Trust #1 was calculated based on each insurance carrier's published one-year term

rates. Exhibit A in the enclosed binder contains a schedule from Bryant Group indicating the 2013 gift amount for each policy held in this trust.

2. As is the case with the insurance held in the Leon D. Black 1999 Life Insurance Trust #1, the 2013 gift amount related to the economic benefit of Mr. Black's split dollar life insurance held in the Leon D. Black 1999 Life Insurance Trust #2 was calculated based on each insurance carrier's published one-year term rates. Please see Exhibit A in the enclosed binder, described in the preceding paragraph, for a schedule from Bryant Group indicating the 2013 gift amount for each policy held in this trust.
3. Exhibit B in the enclosed binder is a letter from Scott Nammacher of Empire Valuation Consultants, LLC, which explains how Empire Valuation Consultants arrived at a total discount of 15% (representing a combined minority/marketability discount) for the transfer of a 37.75% Limited Partnership interest in Black Family Partners, L.P.
4. Please see Exhibit B in the enclosed binder, described in the preceding paragraph, for an explanation of how Empire Valuation Consultants arrived at a total discount of 15% (representing a combined minority/marketability discount) for the transfer of a 34.53% Limited Partnership interest in Black Family Partners, L.P.
5. The APO1 GRAT and APO1 GRAT No. 2 each called for annuity payments to be made quarter-annually and each GRAT had a two-year term. Each annuity payment was made in a timely manner and in a combination of a cash payment and a distribution of interests in Black Family Partners, L.P. Each distribution of Black Family Partners interests in connection with an annuity payment, in turn, was supported by an appraisal (and each such appraisal used the same 15% discount as was used in connection with the initial funding of the GRATs). For the final annuity payment for each GRAT, because the value of the assets held in the GRAT had declined during the GRAT term, the trustee returned all remaining assets to the grantor, and no property passed under the GRAT to the remainder beneficiary.

The following is a summary of the annuity payments for the APO1 GRAT.

Date	Cash Amount	Value of Black Family Partners Interest (and Percentage of Outstanding Ownership Interests)	Total Value of Annuity Payment
January 24, 2014	\$47,000,000.00	\$62,808,497.00 (2.5808%)	\$109,808,497.00
April 24, 2014	\$56,000,000.00	\$53,808,497.00 (2.4038%)	\$109,808,497.00
July 24, 2014	\$35,900,000.00	\$73,908,497.00 (3.5009%)	\$109,808,497.00
October 24, 2014	\$11,700,000.00	\$98,108,497.00 (5.2864%)	\$109,808,497.00
January 24, 2015	\$20,200,000.00	\$111,556,087.00 (5.6222%)	\$131,756,087.00
April 24, 2015	\$15,000,000.00	\$116,756,087.00 (6.2891%)	\$131,756,087.00
July 24, 2015	\$3,680,000.00	\$128,076,087.00 (7.1266%)	\$131,756,087.00
October 24, 2015	All remaining cash \$2,525,730.25	All remaining BFP interests \$81,167,486.00 (4.9402%)	All remaining property

Exhibit C in the enclosed binder includes copies of the bank statements demonstrating the payment of the cash portion of each annuity for the APO1 GRAT. Exhibit D in the enclosed binder includes copies of the assignment documents for each distribution of Black Family Partners interests made in connection with the annuity payments for the APO1 GRAT. Exhibit E in the enclosed binder includes copies of the supporting appraisals for the distributions of Black Family Partners interests that were made in connection with the annuity payments for the APO1 GRAT.

The following is a summary of the annuity payments for the APO1 GRAT No. 2.

Date	Cash Amount	Value of Black Family Partners Interest (and Percentage of Outstanding Ownership Interests)	Total Value of Annuity Payment
March 3, 2014	\$27,500,000.00	\$63,205,946.50 (2.6640%)	\$90,705,946.50
June 3, 2014	\$47,700,000.00	\$43,005,946.50 (2.1525%)	\$90,705,946.50
September 3, 2014	\$23,900,000.00	\$66,805,946.50 (3.5281%)	\$90,705,946.50
December 3, 2014	\$15,000,000.00	\$75,705,946.50 (3.9477%)	\$90,705,946.50
March 3, 2015	\$17,770,000.00	\$91,072,916.00 (4.7350%)	\$108,842,916.00
June 3, 2015	\$10,062,000.00	\$98,780,916.00 (5.0143%)	\$108,842,916.00
September 3, 2015	\$6,482,000.00	\$102,360,916.00 (6.0212%)	\$108,842,916.00
December 3, 2015	All remaining cash \$2,075,249.00	All remaining BFP interests \$97,654,720 (6.4672%)	All remaining property

Exhibit F in the enclosed binder includes copies of the bank statements demonstrating the payment of the cash portion of the annuities for the APO1 GRAT No. 2. Exhibit G in the enclosed binder includes copies of the assignment documents for each distribution of Black Family Partners interests made in connection with the annuity payments for the APO1 GRAT No. 2. Exhibit H in the enclosed binder includes copies of the supporting appraisals for the distributions of Black Family Partners interests that were made in connection with the annuity payments for the APO1 GRAT No. 2.

Again, due to the decline in values, nothing passed to the remainder beneficiaries from either GRAT. In the end, all trust assets were returned to the grantor.

Sincerely,

Alan Halperin

Enclosures