

Estate Planning Overview

Presented to:

Leon D. and Debra R. Black

Overview of Estate Plan

September 23, 2013

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Leon D. and Debra R. Black

Overview of Estate Plan

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This analysis is based on the calendar year. All assets and liabilities are valued at the end of each year. Deaths are also assumed to occur at the end of each year. For the first year of the analysis only, annual returns are prorated on a daily basis.

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Leon D. and Debra R. Black

Overview of Estate Plan

Inventory of Family Assets as of August 16, 2013

	Leon
Personal Assets	
Liquid Assets - Investment Accounts	
U.S. Trust Cash Account	\$ 1,819,554
JPM Cash/Marketable Securities	6,549,618
Investments	
Works of Art-held through Art Entities	\$ 1,720,975,389
Collectibles (bronzes, rare books)	360,728,062
Black Family Partners LP (80% interest)	1,813,688,290
Various Investment Partnerships	2,720,424
AP Alternative Assets	13,854,962
AP Investment Europe	24,684
Avionetta LLC (Leon's 50.1%)	12,525,000
BJAV Marine Ltd. (Starfire-yacht)	25,000,000
Other-AIF IV Management Inc (split dollar rights)	23,167,731
Real Estate - Personal	
Real Estate	103,000,000
Tangible Personal Property	
Household Personal Property	\$ 39,076,759
Automobiles	\$ 419,428
Total Personal Assets	\$ 4,123,549,901
Personal Liabilities	
Loan payable-Bank of America (secured by works of Art)	(440,000,000)
Loan payable-Bank of America (Avioneta Hldgs - 50.1%)	(11,635,725)
Loan payable (Heritage Trust)	(1,638,667,370)
Note Payable to Black Family Partners	(219,000,000)
Total Personal Liabilities	\$ (2,309,303,095)
Total Estate Assets	\$ 1,814,246,806
Non-Includible Trust Assets	
1992 Life Insurance Trust (death benefit)	20,000,000
1999 Life Insurance Trusts (death benefit)	150,000,000
Heritage Trust	2,509,537,000
Black 2011 Family Trusts (LDB 2011 LLC)	284,800,000
Mallory Trust	4,000,000
Total Trust Assets	\$ 2,968,337,000
Total Family Assets	\$ 4,782,583,806

Leon D. and Debra R. Black

Overview of Estate Plan

Assumptions

Exemption Amounts:	Leon	Debra
Prior Taxable Gifts	\$ 5,120,000	\$ 5,000,000
Available Unified Credit Amount	\$ 130,000	\$ 250,000
Prior GST Exemption Allocation	\$ 3,500,000	\$ 4,000,000
Available GST Exemption Amount	\$ 1,750,000	\$ 1,250,000

Year	Federal Estate Tax Exclusion & GST Exemption Amounts	Federal Estate Tax Credit	Highest Federal Estate Tax Rate	Highest New York Estate Tax Rate
2013	\$ 5,250,000	\$ 2,045,800	40%	16%

Notes and Assumptions:

- Leon and Debra are presumed to die in 2013 with Leon immediately predeceasing Debra.
- **Debra has transferred title to all residences to Leon as sole owner.**
- The Overview illustrates the decanting of the Black 2006 Family Trust and the Black Family 1997 Trust to the Heritage Trust.
- Debra's Will and Revocable Trust provisions are presumed to mirror those in Leon's documents.
- Administration expenses are assumed to be \$5 million in Leon's estate and are assumed to be 1% of Debra's gross estate.
- Leon selected \$200 million of art from his estate for each child's Legacy Trust and \$100 million from the Heritage Trust for each child's Legacy Trust.
- Valuation discounts totaling 30% are applied to the value of Black Family Partner, L.P. ("BFP") interests.
- On Leon's death, BFP interests will be used to pay off the Notes to the Heritage Trust and to BFP; the yacht and art will be sold to repay the art loans. Art will be sold on Debra's death to pay estate tax.
- The plane owned by Avionetta will be sold and the proceeds used to repay the loan from Bank of America.
- The Overview does not reflect the split-dollar transaction.
- The provisions of the Leon D. Black Insurance Trust #2 are assumed to be identical to the Leon D. Black Insurance Trust #1 dated September 13, 1999.
- Judy Black was born on September 27, 1948.
- Jon Ressler is assumed to be age 60.
- 100% charitable deduction is assumed for fractional interests in art pledged to museums.

Leon D. and Debra R. Black
 Overview of Estate Plan
 Estate Flow Chart Upon Leon's Death

Executors: Debra Black, Barry Cohen
 and Richard Ressler

Leon Black Gross Estate	
Probate Property	4,123,549,901
Gross Estate	\$ 4,123,549,901

Last Will and Testament	
Gross Estate	\$ 4,123,549,901
Administration Expenses	(5,000,000)
Charitable Pledges	(14,000,000)
Total Personal Liabilities	(2,309,303,095)
Residuary Estate	\$ 1,795,246,806
Passes to Revocable Trust	

Charitable Pledges	
Fractional interest in Art (owned with museums)	\$ 14,000,000
Total	14,000,000

Trustees: Debra Black, Barry Cohen
 and Richard Ressler

L. B. Revocable Trust Agreement	
Residuary Estate:	1,795,246,806
Art Entitles & collectibles to Marital Trust	(1,631,393,604)
Bequests to Debra	(60,496,187)
Bequest/Annuity (Melanie & Judy)	(10,253,856)
NY Estate Tax	(2,603,922)
Federal Estate Tax	\$ (6,749,237)
Balance of Revocable Trust Residue	83,750,000
Passes to Marital Trust	

Marital Trusts	
GST Exempt Marital Trust	1,750,000
Non-Exempt Marital Trust:	
Art Entitles & collectibles	1,631,393,604
Residences	82,000,000
Balance of Revocable Trust Residue	\$ (0)
Total Marital Trusts	1,715,143,604

Tangibles Outright Bequest to Debra	
Tangible Property	\$ 39,496,187

Manhattan Apartments Outright to Debra	
Manhattan Apartments	\$ 21,000,000
Total	21,000,000

Cash Bequest	
Bequest to Melanie Spinella	\$ 3,000,000
Total Cash Legacies	\$ 3,000,000

Lifetime Annuity for Judy Black	
Annuity	\$ 7,253,856
Total Annuity	\$ 7,253,856

Leon D. and Debra R. Black
 Overview of Estate Plan
 Estate Flow Chart Upon Debra's Death

Trustees of Marital Trusts upon Debra's death:
 Barry Cohen and Richard Ressler

Lifetime Annuity for Jon Ressler	
Annuity \$	8,484,302
\$	8,484,302

Debra Black Marital Trusts (Under L. B. Revocable Trust)	
Total Marital Trusts	1,715,143,604
Annuity for Jon Ressler	(8,484,302)
Bequest of Art to Heritage Trust	\$ (800,000,000)
GST Exempt Marital Trust	\$ (1,750,000)
Bequest of Debra's GST Exempt Amount	(1,250,000)
NY Estate Tax	(269,486,028)
Federal Estate Tax	(567,153,659)
Marital Trust Residue	67,019,614
Passes to the Foundation	

Debra Black Gross Estate	
Tangible Property	39,496,187
Manhattan Apartments	21,000,000
Net Proceeds sale of Avionetta (49.9%)	885,725
Gross Estate	\$ 61,381,912

Last Will and Testament	
Gross Estate	\$ 61,381,912
Administration Expenses (2%)	(1,227,638)
Residuary Estate	60,154,274
Passes to Revocable Trust	

Revocable Trust Agreement of Debra Black	
Residuary Estate	60,154,274
Tangibles to Children	(39,496,187)
Revocable Trust Residue	20,658,087
Passes to Foundation	

Tangibles Outright to Children in Equal Shares	
Tangible Property	\$ 39,496,187

Leon Black Family Foundation	
Non-Exempt Marital Trust Residue (including residences)	67,019,614
Debra's Revocable Trust Residue	20,658,087
Total Added Upon Debra's Death:	\$ 87,677,701

Heritage Trust	
GST Exempt Marital Trust Residue	1,750,000
Debra's GST Exempt Amount Bequest	1,250,000
Bequest of Art to Legacy Trusts	800,000,000
Total Added Upon Debra's Death:	\$ 803,000,000

Leon D. and Debra R. Black

Overview of Estate Plan

Estimated Estate Tax Calculations

Leon's Gross Estate		\$ 4,123,549,901
Less Deductions:		
Liabilities	(2,309,303,095)	
Administration Expenses	(5,000,000)	
Charitable Deduction	(14,000,000)	
Marital Deduction	(1,775,639,791)	
Estimated New York Estate Tax	(2,603,922)	
Plus: Adjusted Taxable Gifts	5,120,000	
Taxable Estate	\$ 22,123,093	
Tentative Federal Estate Tax	8,795,037	
Less Credits/Payments:		
Unified Credit	(2,045,800)	
Gift Taxes Paid	-	
Estimated Federal Estate Tax	\$ 6,749,237	
Estimated New York Estate Tax	\$ 2,603,922	
Total Estate Tax Due Upon Leon's Death	\$ 9,353,159	

Debra's Gross Estate		\$ 1,776,525,516
Less Deductions:		
Liabilities	-	
Administration Expenses	(1,227,638)	
Charitable Deduction	(87,677,702)	
Marital Deduction	-	
Estimated New York Estate Tax	(269,486,028)	
Plus: Adjusted Taxable Gifts	5,000,000	
Taxable Estate	\$ 1,423,134,148	
Tentative Federal Estate Tax	569,199,459	
Less Credits/Payments:		
Unified Credit	(2,045,800)	
Gift Taxes Paid	-	
Estimated Federal Estate Tax	\$ 567,153,659	
Estimated New York Estate Tax	\$ 269,486,028	
Total Estate Tax Due Upon Debra's Death	\$ 836,639,687	

Combined Federal Estate	\$ 573,902,896
Combined State Estate Tax	272,089,951
Total Combined Estate Tax	\$ 845,992,847

Leon D. and Debra R. Black

Overview of Estate Plan

Debra's Assets Upon Leon's Death

Assets Transferred/Conveyed to Debra Upon Leon's Death		
	Outright	Trust
Life Insurance Proceeds	\$ -	\$ -
Manhattan Apartments	21,000,000	-
Residences	-	82,000,000
Tangible Personal Property	39,496,187	-
Artwork	-	1,631,393,604
GST-Exempt Marital Trust	-	1,750,000
	-	-
	<u>\$ 60,496,187</u>	<u>\$ 1,715,143,604</u>
Total		\$ 1,775,639,791

Debra Black Financial Inventory Upon Leon's Death		
	Outright	Trust
Avionetta Sale Proceeds	\$ 885,725	\$ -
Manhattan Apartments & Residences	21,000,000	82,000,000
Tangible Personal Property	39,496,187	-
Artwork	-	1,631,393,604
GST-Exempt Marital Trust	-	1,750,000
	-	-
	<u>\$ 61,381,912</u>	<u>\$ 1,715,143,604</u>
Total (1)		\$ 1,776,525,516

(1) Assets will be included in Debra's estate for Federal and New York estate tax purposes.

Leon D. and Debra R. Black
 Overview of Estate Plan
 Heritage Trust Flow Chart - Following Debra's Death

Trustees: Barry Cohen, Richard Ressler, John Hannan,
 Benjamin Black, Joshua Black, Alexander Black and Victoria Black

Heritage Trust	
Trust Assets (Net of Liabilities)	2,509,537,000
Added Upon Debra's Death:	
GST Exempt Marital Trust Residue	1,750,000
Debra's GST Exempt Bequest	1,250,000
Bequest of Art to Legacy Trusts	800,000,000
Total	\$ 3,312,537,000



Single "Pot" Trust

A single Heritage Trust is created for Debra and Leon's descendants and four separate Legacy Trusts are created (one for each of Leon's children).

The Trustees may distribute income and principal to Debra and Leon's descendants, subject to the distribution guidelines outlined in the Trust Agreement.

After Leon's death, art and collectibles held in the Heritage Trust designated for a particular child will be distributed to such child's Legacy Trust. After Debra's death, similarly designated items in the Marital Trust will be distributed to a child's Legacy Trust.

After Leon's death the Trustees shall distribute the following to each child's Legacy Trust:

- \$10 million when the child attains age 30 (request it is used to acquire a principal residence).
- \$50 million when the child attains age 35.
- \$100 million when the child attains age 40.
- After Debra's death, selected works of art will pass to each child's Legacy Trust.

If a child dies under age 40, the above amounts will be divided into shares for the child's descendants and each share will be held in a separate Legacy Trust for each such descendant.



Trustees: Barry Cohen, Richard Ressler
 and John Hannan

Separate Legacy Trusts

During the beneficiary's life:

- The Trustee may pay the income and principal to the beneficiary subject to distribution guidelines (the descendant's financial acumen, marital discord, creditor claims, pending litigation, or substance abuse).
- Trustees are authorized to invest in a business venture proposed by the beneficiary, so long as it is a career commitment.
- After age 35, the beneficiary is a co-trustee of his/her Legacy Trust.

At the beneficiary's death:

A child may by Will appoint the remaining Trust property among Leon's descendants and up to \$10 million in favor of a spouse. Any property not appointed will be divided in equal shares for the beneficiary's children.

Legacy Trust f/b/o Benjamin Eli Black		
Artwork	\$	300,000,000
Cash Distribution	\$	160,000,000

Legacy Trust f/b/o Joshua Max Black		
Artwork		300,000,000
Cash Distribution	\$	160,000,000

Legacy Trust f/b/o Alexander S. Black		
Artwork		300,000,000
Cash Distribution	\$	160,000,000

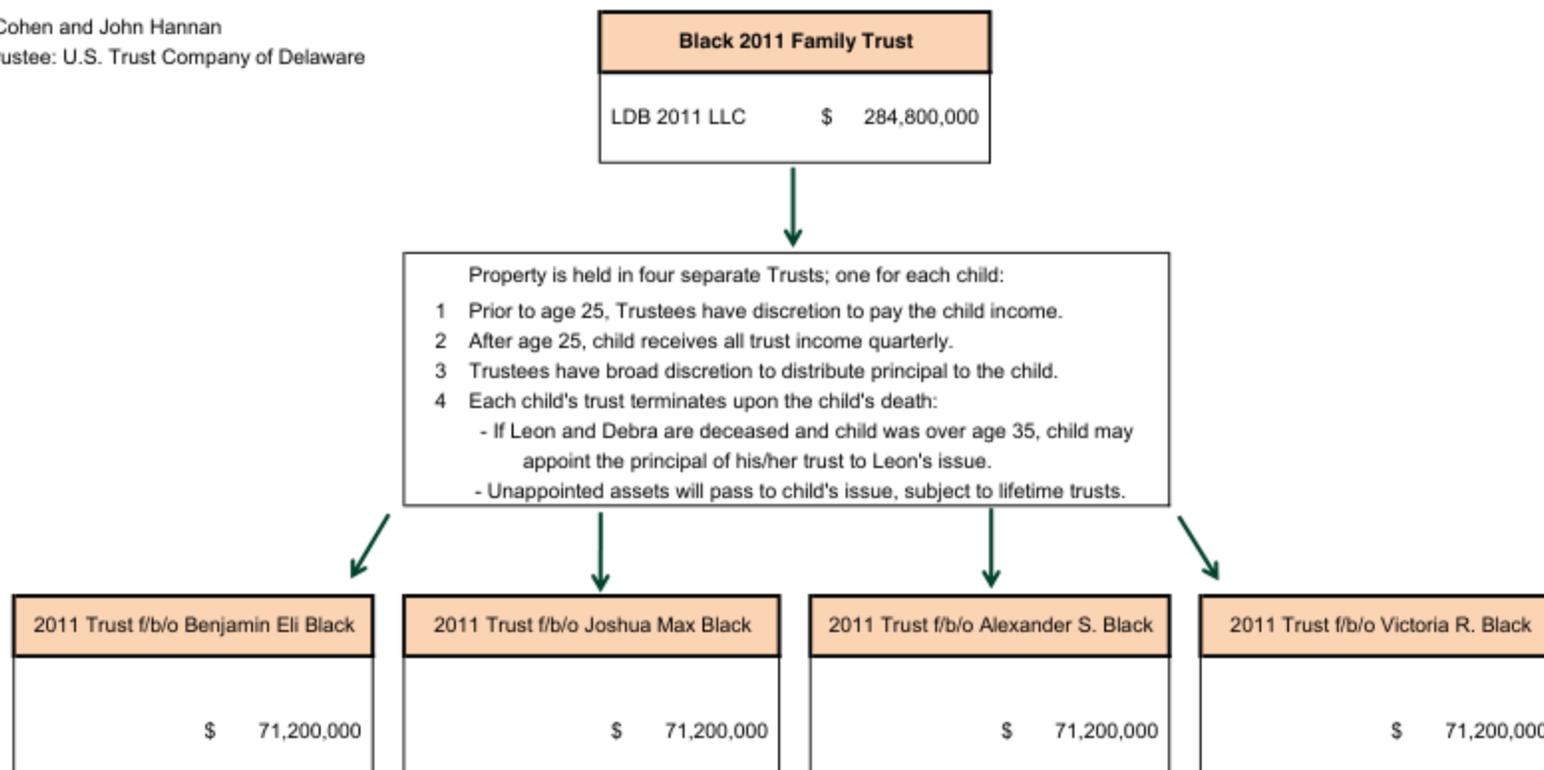
Legacy Trust f/b/o Victoria R. Black		
Artwork		300,000,000
Cash Distribution	\$	160,000,000

Leon D. and Debra R. Black

Overview of Estate Plan

Black 2011 Family Trust Flow Chart - Following Debra's Death

Trustees: Barry Cohen and John Hannan
Administrative Trustee: U.S. Trust Company of Delaware

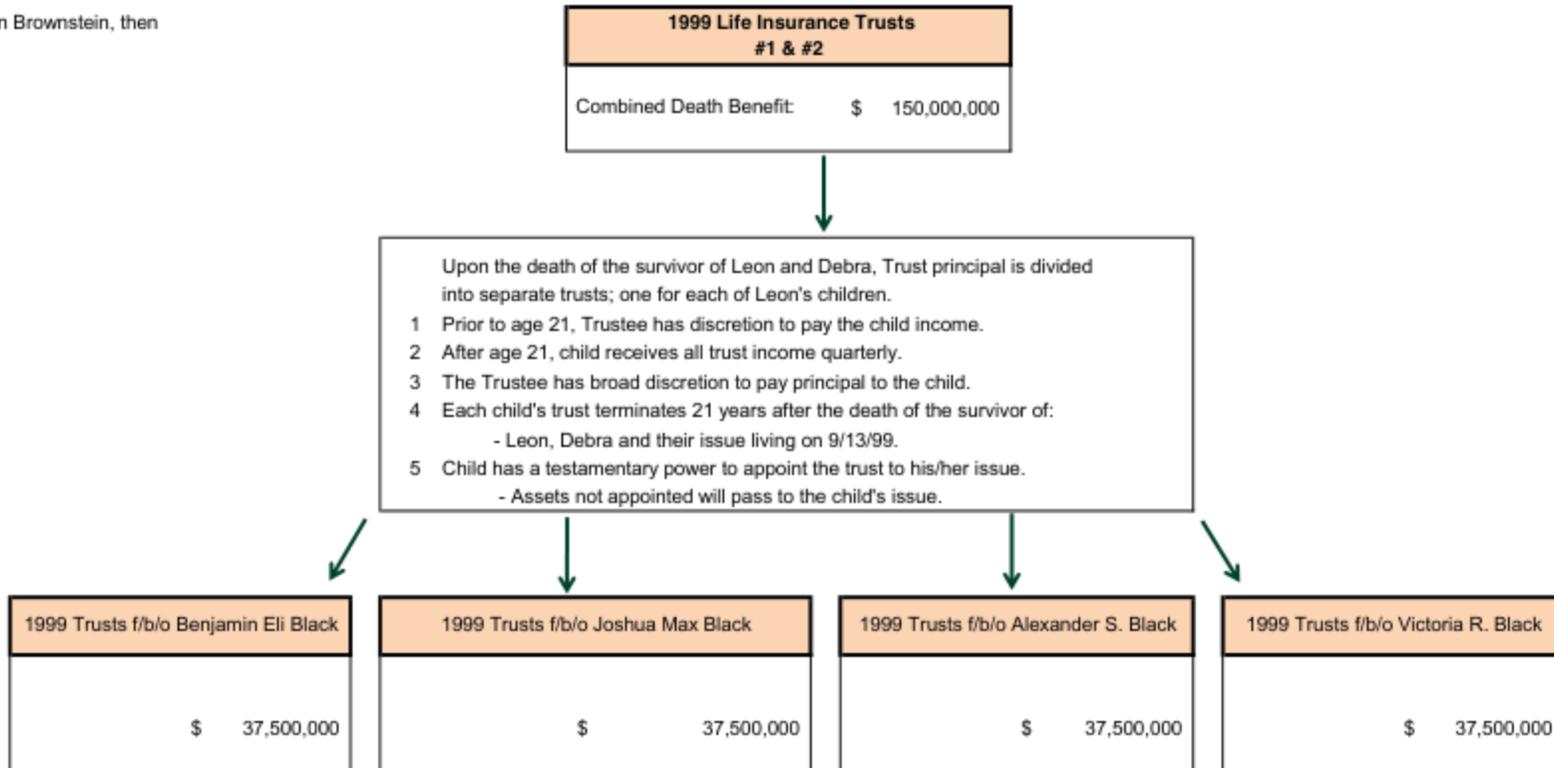


Leon D. and Debra R. Black

Overview of Estate Plan

Leon D. Black Insurance Trusts #1 & #2 Flow Chart - Following Debra's Death

Trustees: Norman Brownstein, then
John Hannan

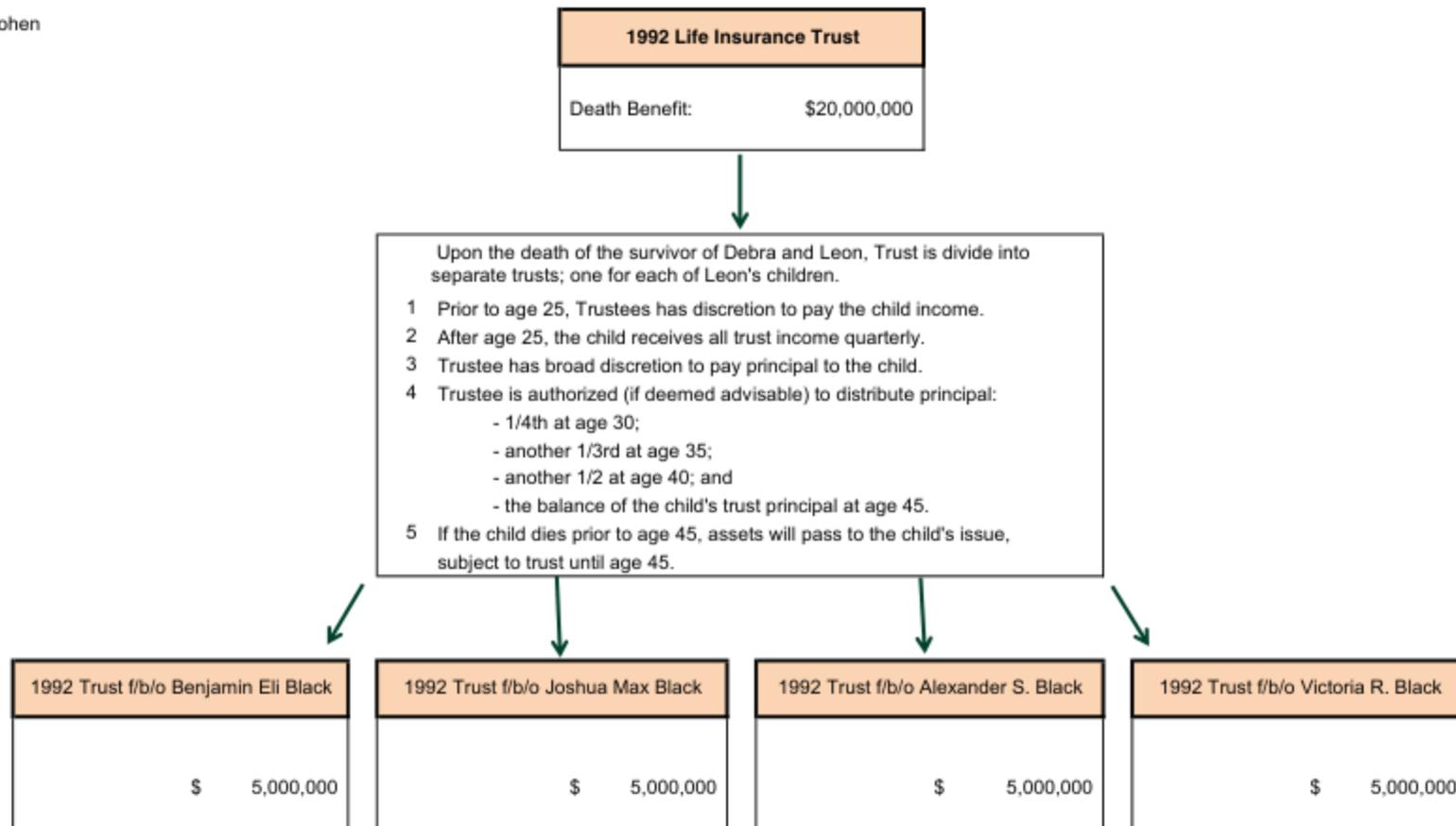


Leon D. and Debra R. Black

Overview of Estate Plan

Debra and Leon D. Black Life Insurance Trust Flow Chart - Following Debra's Death

Trustee: Barry Cohen



Leon D. and Debra R. Black

Overview of Estate Plan

Mallory Trust Flow Chart - Following Debra's Death

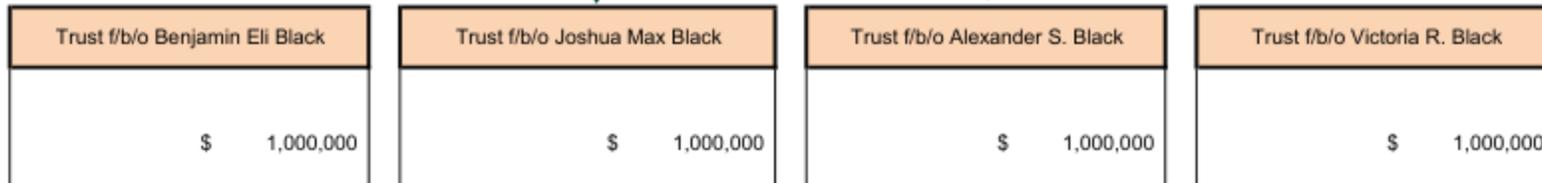
Trustee: Richard Ressler

Mallory Trust	
Assets	\$ 4,000,000

Upon the death of the survivor of Leon and Debra, any property not appointed by Leon at his death will be divided into per stirpital shares for Debra's descendants.

1. Each share for a descendant of Debra will be held in a separate Trust for the lifetime of the beneficiary:
 - The Independent Trustee must distribute income and principal needed for the beneficiary's health, education, support and maintenance.
 - The Independent Trustees also has broad discretion to distribute income and principal to the beneficiary for any purpose.
 - After age 35, the beneficiary may appoint income and principal among Debra's descendants.
2. At the beneficiary's death:
 - The beneficiary's Trust will terminate and will be distributed as the beneficiary appoints. Any property not appointed will be distributed to his/her descendants, subject to the same trust terms.

Trustees: After age 35, a child can be co-Trustee of his/her separate Trust.



Leon D. and Debra R. Black

2013 Estate Planning Overview

Distributions to Children and the Black Family Foundation Upon Leon's/Debra's Death

Family					
	<i>Dispositive Provisions</i>	<i>Upon Leon's Death</i>	<i>Upon Debra's Death</i>	<i>Lifetime Planning</i>	
Benjamin Eli Black					
1992 Insurance Trust	Trust until age 45	\$ -	\$ -	\$ 5,000,000	\$ 870,774,928
1999 Insurance Trusts	Trust for Life	-	-	37,500,000	
Heritage Trust	Trust for Life	-	750,000	285,450,882 *	
Legacy Trust	Trust for Life	-	200,000,000	260,000,000	
Black 2011 Family Trust	Trust for Life	-	-	71,200,000	
Mallory Trust	Trust for Life	-	-	1,000,000	
Tangibles Outright from Debra's Estate	Outright	-	9,874,047	-	
Joshua Max Black					
1992 Insurance Trust	Trust until age 45	\$ -	\$ -	\$ 5,000,000	\$ 870,774,928
1999 Insurance Trusts	Trust for Life	-	-	37,500,000	
Heritage Trust	Trust for Life	-	750,000	285,450,882 *	
Legacy Trust	Trust for Life	-	200,000,000	260,000,000	
Black 2011 Family Trust	Trust for Life	-	-	71,200,000	
Mallory Trust	Trust for Life	-	-	1,000,000	
Tangibles Outright from Debra's Estate	Outright	-	9,874,047	-	
Alexander S. Black					
1992 Insurance Trust	Trust until age 45	\$ -	\$ -	\$ 5,000,000	\$ 870,774,928
1999 Insurance Trusts	Trust for Life	-	-	37,500,000	
Heritage Trust	Trust for Life	-	750,000	285,450,882 *	
Legacy Trust	Trust for Life	-	200,000,000	260,000,000	
Black 2011 Family Trust	Trust for Life	-	-	71,200,000	
Mallory Trust	Trust for Life	-	-	1,000,000	
Tangibles Outright from Debra's Estate	Outright	-	9,874,047	-	
Victoria R. Black					
1992 Insurance Trust	Trust until age 45	\$ -	\$ -	\$ 5,000,000	\$ 870,774,928
1999 Insurance Trusts	Trust for Life	-	-	37,500,000	
Heritage Trust	Trust for Life	-	750,000	285,450,882 *	
Legacy Trust	Trust for Life	-	200,000,000	260,000,000	
Black 2011 Family Trust	Trust for Life	-	-	71,200,000	
Mallory Trust	Trust for Life	-	-	1,000,000	
Tangibles Outright from Debra's Estate	Outright	-	9,874,047	-	
Leon Black Family Foundation					
					\$ 87,677,701
Estimated Taxes and Expenses					
Federal Estate Tax		\$ 6,749,237	\$ 567,153,659		\$ 3,489,257,054
New York Estate Tax		2,603,922	269,486,028		
Administration Expenses		5,000,000	1,227,638		
Capital Gains Tax		327,733,474			
Liabilities		2,309,303,095			

* Heritage Trust reduced by 20% capital gains tax paid on Leon's death with respect to the \$1,638,667,370 Note from Leon assumed to have a zero basis.

Leon D. and Debra R. Black

Overview of Estate Plan

Black Family Partners - Financial Inventory Detail as of August 16, 2013

Assets

Cash

U.S. Trust Cash Account	\$	25,286,165
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Marketable Securities

Lone Cascade LP		30,466,918
King Street Capital		7,904,371
AINV shs dist fr AIC		4,673,985
Anchorage Capital Partners		15,194,845
Millennium Group		22,088,415
Canyon Value Realization		17,004,148

Illiquid Assets

Investment Partnerships:		60,545,660
HAO Capital Fund LP	\$	3,474,855
iCrete LLC		1,335,310
Knowledge Universe		33,770,566
Wolfensohn Cap Ptrs		2,760,198
Sustainable Woodlands		18,854,065
Rally Labs		200,000
Northgate Holdings Fund I LP		150,666
44% Interest BRH Hldgs		2,689,087,814
Apollo ColInvest III		2,190,983
Apollo ColInvest IV		638,851
Apollo ColInvest V		7,526,626
Apollo ColInvest VI		46,050,974
Apollo Value ColInvest		7,690,678
SOMA ColInvest		2,673,890
AP Alternative Assets		604,766
Convertible Promissory Note-Rgenix		100,000
Note due from Heritage Trust		52,000,000
Note due from Narrows Hldgs		25,000,000
Note due from PLB LLC		3,000,000
Note due from LDB		219,000,000

Total Assets (Undiscounted)	\$	3,238,729,089
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