

Black Family Partners

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To: Jeffrey Epstein
From: Ada Clapp
Date: December 4, 2013
Re: Control of Black Family Partners, L.P. on death of LDB

I. Control by General Partner.

- A. The Limited Partnership Agreement (the “LP Agreement”) of Black Family Partners, L.P. (the “Partnership”) provides that the property, business and affairs of the Partnership shall be managed and controlled by the General Partner (the “GP”).
- B. The current GP is Black Family GP, LLC (the “Company”). Leon is the sole Member and Manager of the Company, with sole control over the Company. There is no successor Manager named in the Limited Liability Company Agreement (the “LLC Agreement”) governing the Company but the LLC Agreement implies that the members may appoint a Manager.
- C. The Company will remain GP of the Partnership until its resignation, dissolution bankruptcy or other inability to act in such capacity (each a “Withdrawal Event”).
- D. Upon a Withdrawal Event, if no GP is acting, within 10 days of the Withdrawal Event, the limited partners (the “LPs”) of the Partnership holding a majority of the Percentage Interests held by LPs shall appoint a successor GP. The Successor GP begins serving immediately upon the Event of Default.

II. Control Upon Leon’s death.

- A. Withdrawal Event/Appointment of Successor GP. Since Leon is the sole manager of the Company, his death would trigger a Withdrawal Event as the Company would have no manager and could not therefore continue to act as GP of the Partnership.
 1. It is likely that on Leon’s death the successor Trustees of Leon’s GRATs (Barry Cohen, John Hannan and Richard Ressler) will hold a majority of the LP interests in the Partnership and would appoint a successor GP.

2. If Leon directly owns a majority of the LP interests in the Partnership, they will be held by his Executors until either the Marital Trust is funded (if Debra survives) or the residuary estate is distributed to the Foundation (if Debra predeceases). During that administration period, Leon's Executors (Debra, Barry and Richard) would hold a majority of the LP Interests and would appoint a Successor GP. If Debra predeceases, the Executors would likely sell the LP interests to one of the family trusts and distribute the sale proceeds to the Foundation.
- B. Appointment of Successor Manager/No Withdrawal Event.
1. Upon Leon's death, his Membership interest in the Company would be held by his Executors until disposed of as noted above for the LP Interests. During the Administration period, the Executors could appoint a successor Manager for the Company and *may* thus avoid triggering a Withdrawal Event.
 2. This may be an issue if, for example, Leon's estate owns the Membership interest in the Company but the GRATs (or another entity) own a majority of the LP Interests. In that case, different individuals may assert the right to appoint the individual(s) who will control the Partnership. *There is sufficient ambiguity that it makes sense to amend the two Agreements so that they are coordinated.*