Elysium Management LLC

445 Park Avenue
Suite 1401
New York, New York 10022

Heather Gray
Phone: [redacted]
Email: [redacted]

To: Leon D. Black

Cc: Bradley J. Wechsler
Jeffrey Epstein

From: Heather Gray

Date: April 29, 2015

Re: Pablo Picasso, *Buste de femme (Marie Thérèse)* (the "Work")

I received comments this afternoon from Gagosian's lawyer on the Agreement of Sale for the Picasso. This memorandum summarizes my recommended modifications to the Agreement in response to Gagosian's comments.

I. **Timing**.

Gagosian's lawyer wants to specify how quickly Diana Howard must examine the work and prepare condition reports and how soon thereafter you must decide whether you are going forward with the sale and paying. I think Gagosian's suggested time frames are too short, so I would like to propose the following schedule instead:

A. Initial Condition Report and First Installment Payment.

- Within 5 business days after the agreement is signed, Diana Howard must examine the Work at TransArt International in Paris. Is this enough time for Diana to fly to Paris to examine the Work? Have you spoken with her about these arrangements? Would you like me to speak with her about them?

- Within 4 business days after her examination of the Work, she must prepare a condition report and deliver it to you and Gagosian.

- Within 2 business days after your receipt of the condition report, you decide if the condition of the Work is satisfactory to you and notify Gagosian of your decision.

- You pay Gagosian $23,000,000 (20% of the purchase price) on the next business day after you notify him if the condition is satisfactory to you. If it is not satisfactory, you notify Gagosian that you are not proceeding with the sale and the agreement terminates.

B. At the End of the MoMA Exhibition.

- Gagosian arranges for Diana to examine the Work at MoMA.
- Same schedule as above. Diana has 4 days to prepare the condition report and deliver it to you and Gagosian. You have two business days after receipt of the condition report to decide if the condition of the Work is satisfactory to you and notify Gagosian of your decision.
- You must pay NY sales tax to Gagosian on the next business day after notification. Gagosian then arranges for MoMA to deliver the Work to you and title to and risk of loss for the Work transfer to you.

II. **Reasonable Discretion Standard**. In each of the circumstances above where Diana Howard is preparing a condition report for the Work for you, it is in your discretion to determine whether the Work is in satisfactory condition (at the beginning of the timeline, before you make the first installment payment) or is in a condition substantially similar to its initial condition. To give you the most possible leeway, I tried to make these determinations be in your "sole and absolute" discretion. Gagosian's lawyer has, understandably, objected and wants the determinations to be in your "reasonable" discretion. I recommend we agree to a reasonable discretion standard.

III. **Default and Cure**. If we fail to make a payment on time or Diana Howard does not provide condition reports on time, Gagosian will notify you that you are in default and you will have 10 days to cure the default. If you do not cure within 10 days, the sale is unwound and Gagosian returns to you any amount of the purchase price that you have previously paid, and you return the Work to him if you have possession of it but have not made the final payment.

IV. **No Lien**. Title to the Work passes to you when you take possession of it at the end of the MoMA exhibition in February 2016, even though you will not make the final installment payment until April 15, 2016. Gagosian's lawyer wanted to be able to put a lien on the Work in that period of time before final payment is made. I recommend you refuse to do this. You may want the flexibility to use the Picasso as collateral, and a Gagosian lien would preclude that.