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Subject: CHARITABLE CONTRIBUTION OF ART

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Jeffrey,

I summarized the tax effect of a contribution of \$50,000,000 of art to a private operating foundation (that has as its mission the holding and loaning of art to museums, etc). By the way, Eileen clarified that there is art available that is not collateral for the Bank of America loan. The new private operating foundation needs to hold the art it receives in a special secure vault under the Foundation's name....Foundation-owned art cannot hang in a private residence of donor, even if public is allowed to view it in the private residence. The Foundation should loan the art to museums.

In summary, the tax effect would be spread over two years, since the AGI limitation on charitable donations of appreciated capital gain property to a private operating foundation is 20% (that is 20% of adjusted gross income). I assumed Leon's income for 2012 would be approximately the same as 2011 – with similar proportion of ordinary income and long-term gain. (Actual 2012 income projections will be available from Apollo Mgt. in late December).

Estimated tax savings in year 2012:

(Of the \$50 million art donation - \$30 is deductible in 2012 (20% of AGI of 150 (assumed 150))

Federal tax savings - \$ 8.5 million

State and City tax savings - \$981,000 (only 25% of charity allowed as a deduction for NYS and C – 2010-12)

Estimated tax savings in year 2013 (from carryover of unused amount from 2012):

(Carry-over of \$20 million of art donation from 2012 - **CAUTION – New tax law may impose new limits on itemized deductions as well as other changes not yet known**)..assumed AMT rate would be the same as 2012 (28%)and assumed existing law would remain for itemized deductions):

Federal tax savings - \$5.5 million

State and City tax savings - \$1 million (state and city limit in 2013 is 50% unless 25% limit is reinstated).

AMT is applicable to Leon given the level of capital gain income taxable at the 15% rate and itemized deductions for state and city income taxes. Basically, the AMT is a flat tax at 28% of AMT taxable income, excluding long-term gains and qualified dividends, which are taxed at a flat 15% in 2012 under *both* AMT and regular tax. The value of the charitable deductions for

federal tax purposes is therefore 28% (again, I assumed same AMT rate for 2013, but who knows).

I have detailed calculation worksheets (BNA Tax Planner) which I can email if needed.

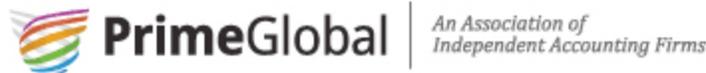
I am available to discuss on the phone on Monday. I'm not in my office on Monday. I will be back in the office on Tuesday...available anytime.

Best,

Tom

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