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Subject: Estate Planning Overview

Date: Thu, 22 May 2014 17:13:31 +0000

Attachments: Black_Estate_Planning_Analysis_04-16-14_(AS)_v1_(3)_DATE_5.21.14_(\$27.92).pdf

Hi Jeffrey,

Attached is the revised Estate Planning Overview (the "EPO"). Please note that there is a small rounding error on page 7 (the combined Federal Estate tax should be \$1 higher) but I did not think it was worth asking UST to rerun the analysis for this. A few things to consider when reviewing the EPO:

- Debra's Marital Trust. A large portion of the Marital Trust will consist of property (Art & Collectibles) that is not income producing. In addition, the Marital Trust will receive the APO1 Note and the obligation to make interest and principal payments. Even assuming the APO1 Trustees are willing to refinance the Note in 2022, the Trustees of the Marital Trust will likely deem it advisable to pay annual interest (about \$27 million). If the Note is repaid upon maturity, the Marital Trust will be depleted of nearly all income producing assets (using art to repay the Note would likely generate a sales tax). These factors increase the likelihood that Debra will require the Trustees to sell art to make the Marital Trust productive of income.
- Marital Trust Residue to Leon Black Family Foundation. What amount, if any, passes to the Foundation will be somewhat in the discretion of the Trustees of the Marital Trust and the Heritage Trust. This is because the Marital Trust Trustees determine which assets to sell to pay taxes and expenses and the Heritage Trust Trustees have discretion to appropriate art from the Marital Trust on Debra's death. All remaining assets (including art not appropriated) pass to the Foundation. Thus, if the Marital Trust Trustees first sell all assets other than art to pay taxes and expenses and the Heritage Trust Trustees appropriate all remaining art, nothing will pass to the Foundation. If however, the Marital Trust Trustees choose to sell only art to pay taxes and expenses, there will be assets remaining (even if the Heritage Trust Trustees appropriate all remaining art) to pass to the Foundation. The attached EPO shows approximately \$28 million passing to the Foundation from the Marital Trust on Debra's death because it assumes that the various investment partnerships and Apollo related investments held in the Marital Trust (see page 8 of the EPO) could not be monetized on Debra's death. Accordingly, additional art is sold to meet cash needs (see page 11 of the EPO).
- Cash Needs Assumptions. The EPO makes certain assumptions regarding the sale of assets to meet cash needs in each estate. For example, residences are sold on Debra's death with an eye toward keeping at least two lots in Southampton in the Heritage Trust for use by the children (the Bedford and Manhattan residences being less likely to be used by them as a group--of course, residences could be purchased by family trusts). These assumptions can be adjusted to reflect Leon's and the family's wishes.
- Heritage Trust. Because the assets of the APO1 Agreement and APO2 Declaration have not yet been decanted into the Heritage Trust, the EPO shows the Heritage Trust holding only illiquid assets and therefore also shows none of the stated age distributions as being made (see page 12 of the EPO).

Once you approve of the attached, and I get the \$25 and \$30 value of Black Family Partners from Rich J., I can have UST run the other two illustrations you would like. Please let me know if you would like other changes to the EPO.

Best regards,

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