
From: [REDACTED]
Sent: Tuesday, May 24, 2011 1:10 PM
To: jeevacation@gmail.com
Subject: Re:

I am meeting Swanson again on Thursday. Here is the state of play.

In our meeting Saturday he was ok with 18% for 1 year (to dovetail with the extended term of the first) with such security arrangements beside the mortgage (new LLC or amended LLC operating agreement) as were acceptable to you and TD.

I also mentioned a point or point and a half. If you agree, I thought this could fund an upfront fee for me.

He said he was concerned about renegotiating the existing subordination agreement between TD and Kosoy (it evidently took a long time) and wanted some time to think through it and perhaps talk to TD. (The team dealing with him is in transition in part because TD is moving out the old Mercantile people.) He also was agreeable to sharing a percentage of the profit which I likened to the deals he does with backers who earn a guaranteed return and 5%. He noted that he had put all the capital up and seemed to suggest a pro-rata allocation based on your \$10M compared to the amount he has in net of what he borrowed out (We'll see what that looks like.) I tied that to adding me or an entity as a member of the LLC which is also necessary given the operating agreement provisions which we are considering.

He asked for some time to think things through and we are to meet again on Thursday late afternoon. I am sure he is considering his alternatives (if any) too.

He also wanted time to think about the issues I raised about the LLC operating agreement (whether a new LLC or amending the existing operating agreement.). These were requiring unanimous consent for: seeking bankruptcy protection, adding new members, creating new debt, refinancing existing debt, or further amendment. The OA would also provide for his removal as a manager on default under either mortgage. An open point is whether unanimity should be required to agree to a sale of the house. I was thinking setting an agreed value range. An entity (trust or other LLC) would become a member with that percentage still under negotiation.

I am sure he is also thinking about the percentage of the LLC interest to offer.

I asked about the existing LLC. He confirmed it was a single asset, single member LLC with no significant other debt outside of the ordinary course (maintenance). The member is a trust for him and his wife. As you know, taxes, insurance and interest are reserved and TD would require the same for any extended term. Dan expects some increase in real estate taxes next year (assessments come out over the summer). The 2010 tax appraisal is \$7,497,000 vs \$13,611,000 in 2008. He paid \$20,800,000 in August 2007 (plus commission of \$21,600,000.) He says he has had good results working with the appraiser's office. We'll see.

I asked him to involve his accountant about the income tax consequences of transferring the house to a new LLC or adding a member and also the outstanding liabilities and payables of the LLC.

I have a follow up call with a bankruptcy lawyer today on the enforceability of the protections we are discussing.

Swanson wants to close by the end of June.

Please let me know what you are thinking.

From: Jeffrey Epstein <jeevacation@gmail.com>
To: paul prosperi [REDACTED]
Sent: Tue, May 24, 2011 7:10 am

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