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**From:** Heather Gray [REDACTED]  
**Sent:** Tuesday, June 21, 2016 7:42 PM  
**To:** Jeffrey Epstein (jeevacation@gmail.com)  
**Subject:** Christie's - fair rental value

Hi Jeffrey,

My most recent conversation with Paul Provost at Christie's about rental value was on March 30, 2016. Paul confirmed that Christie's is still providing rental value appraisals and that the rate ranges he quoted me in 2015 (set out in quotes below) are still what they are using:

"A work valued in the range of \$5,000,000 would have a rental rate per annum in the range of 1.0- 1.5%; a work of art valued in the range of \$2,000,000 would have a rental rate per annum in the range of 1.8-2.2%, a work valued in the range of \$500,000 would have a rental rate per annum in the range of 2.5-3.5%.

For higher values works, (i.e., above \$10 million) the rental rate begins to level off, but it does keep diminishing, though ever so slightly. For a work valued in the range of \$12-15 million, the rental rate is in the range of .80%- .90% per annum, and for a work valued in the range of \$25 million, the rental rate per annum is in the neighborhood of .70-.75% per annum."

Paul pointed out that, as you know, there is still no guidance from Treasury about what range of rates would be appropriate or, more broadly, what methodology to use, but he feels comfortable with Christie's approach, which is based on actual rates for art being rented in the marketplace.

I've also included below an email from 2015 when I first spoke with Paul that contains more information about Christie's methodology.

Please let me know if you have any questions, or if you would like to discuss this.

Best,  
Heather

-----Original Message-----

From: Heather Gray  
Sent: Friday, May 01, 2015 2:47 PM  
To: Jeffrey Epstein <jeevacation@gmail.com>  
Cc: Brad Wechsler <[REDACTED]>  
Subject: fair rental value

Hi Jeffrey,

I spoke with Paul Provost at Christie's this morning about fair rental value appraisals. Paul is a Deputy Chairman who has spearheaded Christie's rental value appraisal program. He used to run their Trusts & Estates department. I worked with him a lot when I was still in private practice, so I told him that I had heard that Christie's was doing rental value appraisals and was curious about their approach.

Paul said that Christie's has been preparing rental value appraisals for art for a little over a year. They have not discussed their methodology with the IRS, although they are debating whether to meet with the head of IRS Appraisal

Services. None of their clients have been audited, but, again, Christie's has only been doing these appraisals for about a year.

#### Sales Tax

When I asked if Christie's was taking sales tax into account or how clients were dealing with sales tax, he was completely perplexed. He said that he had spoken with "all" of the top NY Trusts & Estates lawyers when Christie's was setting up their program and no one had ever mentioned sales tax to him. In addition, none of the clients or lawyers to whom Christie's has provided rental value appraisals has raised sales tax as an issue.

#### Insurance

Paul said that clients have asked Christie's about insurance, specifically whether the rental rate should be adjusted depending on which party is paying for insurance. Paul said that Christie's doesn't take insurance into account, and that he tells clients that if an entity which owns the art doesn't have possession of it, you probably want a strong paper trail showing that the entity is acting the same way any other owner of art would act, i.e., the entity pays for insurance, shipping, storage, restoration, legal fees, art advisory fees, etc.

#### Rates

Paul gave me the following general ranges for rents:

Work of art valued in the range of \$500,000 - rental value per annum in the range of 2.5-3.5% of the value of the work

Work valued around \$2 million - rental value per annum 1.8-2.2% Work valued in the range of \$5 million - rental value

per annum 1-1.5% Work valued in the range of \$12-15 million - rental value per annum .80-.90% Work valued in the

range of \$25 million - rental value per annum .70-.75%

#### Methodology

To determine rental rates, Christie's researched all of the commercial entities that rent art (corporate art rentals, real estate staging companies, prop rental companies) and analyzed the rental rates they charged, which were always a percentage of the value of the art being rented. The higher the value of art, the lower the rental rate. The potential problem with Christie's data is that the most valuable art they found that was being rented was around \$30,000.

Christie's does a quantitative analysis based on their market research described above, and then they also do a qualitative analysis based on the work itself. So they determine the fair market value for the work, then the fair rental value based on market data, then they have their art specialists look at the work and decide if the rental rate should be adjusted. Paul gave this example: Lessor/owner rents a 1930s Picasso to lessee for a 3 year rental term. Because the market for 1930s Picassos is so hot right now, Christie's specialists might adjust the rental rate up a little because of the opportunity cost to lessor of the 3 year term.

Ultimately, Christie's gives its clients a fair market value appraisal and a letter in which Christie's "recommends" an appropriate rental rate.

Please let me know if you have any questions or if you would like to discuss. I'm out of the office this afternoon and Monday morning, but reachable on my mobile at [REDACTED] except for 3:30-6:30 pm today and 8-11 am Monday when I'm on planes.

Best,  
Heather

Sent from my iPhone

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