Summary of Coverage

Individual Life Insurance Coverage on Leon Black

- Split-Dollar Entity: AIF IV Management, Inc.
- Policy owner: Norman Brownstein, Trustee under the Leon D. Black Insurance Trust #1 dated September 13, 1999.
- These policies' register dates are September 1999.

Carrier	Policy Number	Amount of Coverage	Normal Annual Premium	Account Value 12-31-12	Net Cash Surrender Value 12-31-12	Split-Dollar Advance 12-31-12
Prudential	V1 016 844	$30,000,000	$502,335	$4,504,232.62	$4,504,232.62	$6,108,212
AXA Equitable	49 232 126	$15,000,000	$264,894	$2,053,540.91	$2,019,619.09	$3,172,980
Security Life of Denver	610014742	$ 5,000,000	$ 96,380	$584,170.30	$576,482.80	$1,180,138
Total – Individual Life Insurance Coverage		**$50,000,000**	**$863,609**	**$7,141,943.83**	**$7,100,334.51**	**$10,461,330**

Second-to-Die, Wealth Transfer Life Insurance Coverage on Leon & Debra Black

- Split-Dollar Entity: AIF IV Management, Inc.
- Policy owner: Norman Brownstein, Trustee under the Leon D. Black Insurance Trust #2 dated September 13, 1999.
- These policies, other than the Prudential policy, have a register date of April 28, 1999 in order to save Debra's insurance age. (Prudential utilizes "current age" vs. "closest age", therefore backdating was not necessary and the register date for the Prudential policy is 9/13/99.)

Carrier	Policy Number	Amount of Coverage	Normal Annual Premium	Account Value 12-31-12	Net Cash Surrender Value 12-31-12	Split-Dollar Advance 12-31-12
Prudential	V0 001 958	$20,000,000	$179,595	$2,727,667.92	$2,727,667.92	$ 2,304,955
New York Life	75 500 858	$20,000,000	$196,080	$3,081,046.27	$3,073,203.07	$ 2,514,929
Pacific Life	VP 6089 7390	$ 5,010,000	$ 33,218	$457,928.92	$457,928.92	$ 424,480
John Hancock	20 039 301	$30,000,000	$359,022	$5,040,643.54	$5,040,643.54	$ 4,622,974
AXA Equitable	49 232 123	$25,000,000	$205,246	$2,664,966.34	$2,638,569.80	$ 2,627,947
Total Second-to-Die Life Insurance Coverage		**$100,010,000**	**$973,161**	**$13,972,252.99**	**$13,938,013.25**	**$12,495,285**

This information has been taken from sources which we believe to be reliable, but there is no guarantee as to its accuracy. It is not a replacement for any account statement or transaction confirmation issued by the provider. Please compare this document to your custodial statement for accuracy, as applicable.

Please refer to the prospectus and most recent annual report for further information.
Transcription errors do not affect actual policy values.

Bryant Group
INCORPORATED

Roger E. Cammon
President & Co-Chief Executive Officer
701 Market Street, Suite 1200
St. Louis, Missouri 63101
(314) 231-8066
(314) 231-4859 fax

December 7, 2012

PERSONAL & CONFIDENTIAL

Ms. Eileen Alexanderson
Black Family Partners
9 West 57th Street, 14th Floor
New York, NY 10019
via email

Leon Black Trust-Owned Life Insurance Coverage
2012 Reportable Income & Annual Gift

Dear Eileen:

Annually, Leon must report or contribute the economic benefit of his Split-Dollar life insurance plans as income for income tax purposes. This same amount represents the annual value of the gift for gift tax purposes. The following page outlines the reportable income and annual gift on a policy by policy basis.

If you have any questions concerning this information, please do not hesitate to contact me.

Respectfully,

Roger E. Cammon

Enclosure

cc: Mr. Thomas Turrin

INDIVIDUAL LIFE INSURANCE COVERAGE ON LEON BLACK

› Split-Dollar Entity: AIF, IV Management, Inc.

› Policy owner: Norman Brownstein, Trustee under the Leon D. Black Insurance Trust #1 dated September 13, 1999.

› These policies' register dates are September 1999.

CARRIER	POLICY NUMBER	AMOUNT OF COVERAGE	ANNUAL PREMIUM	REGISTER DATE	REPORTABLE INCOME & GIFT AMOUNT
Prudential	V1 016 844	$30,000,000	$502,335	9/13/99	$51,413
AXA Equitable	49 232 126	$15,000,000	$264,894	9/13/99	$25,191
Security Life of Denver	610014742	$5,000,000	$96,380	9/20/99	$8,360
Total – Individual Life Insurance Coverage		**$50,000,000**	**$863,609**		**$84,964**

SECOND-TO-DIE, WEALTH TRANSFER LIFE INSURANCE COVERAGE ON LEON & DEBRA BLACK

› Split-Dollar Entity: AIF IV Management, Inc.

› Policy owner: Norman Brownstein, Trustee under the Leon D. Black Insurance Trust #2 dated September 13, 1999.

› These policies, other than the Prudential policy, have a register date of April 28, 1999 in order to save Debra's insurance age. (Prudential utilizes "current age" vs. "closest age", therefore backdating was not necessary.)

CARRIER	POLICY NUMBER	AMOUNT OF COVERAGE	ANNUAL PREMIUM	REGISTER DATE	REPORTABLE INCOME & GIFT AMOUNT
Prudential	V0 001 958	$20,000,000	$179,595	9/13/99	$3,430
New York Life	75 500 858	$20,000,000	$196,080	4/28/99	$4,456
Pacific Life	VP 6089 7390	$5,000,000	$33,218	4/28/99	$860
John Hancock	20 039 301	$30,000,000	$359,022	4/28/99	$5,445
AXA Equitable	49 232 123	$25,000,000	$205,246	4/28/99	$4,977
Total Second-to-Die Life Insurance Coverage		**$100,000,000**	**$973,161**		**$19,168**

Leon Black
Trust-Owned, Split-Dollar Life Insurance Coverages

Annual Review Meeting
November 30, 2011

I. Review Current Projection of Split-Dollar Life Insurance Plans

– Summary Page (III-I from October 2011 Review) attached.

II. Explore using another, existing irrevocable trust or other entity to purchase the policies and terminate the Split-Dollar arrangement.

– Attached Comparison: Continue Current Split-Dollar Plan

Versus

Another Trust Purchases the Policies and Split-Dollar Plan Terminated.

- Second-to-Die policies composite comparison.
- Individual policies on Leon composite comparison.

III. Issues to Consider in the above referenced transaction.

LEON and DEBRA BLACK

SPLIT-DOLLAR PLANS - 2011 In Force Update

SECOND-TO-DIE SPLIT-DOLLAR PLANS

			ORIGINAL PROJECTIONS @ 10.00% Hypothetical Gross Rate of Return & Current Charges			2010 PROJECTIONS @ 9.00% Hypothetical Gross Rate of Return & Current Charges			2011 PROJECTIONS @ 9.00% Hypothetical Gross Rate of Return & Current Charges, Based Upon July 2011 Policy Values			2011 PROJECTIONS @ 8.00% Hypothetical Gross Rate of Return & Current Charges, Based Upon July 2011 Policy Values		
Policy	Initial Death Benefit Coverage	Annual Premium	Premium Payment Years	Company Premium Recovery	Coverage Until	Premium Payment Years	Company Premium Recovery	Coverage Until	Premium Payment Years	Company Premium Recovery	Coverage Until	Premium Payment Years	Company Premium Recovery	Coverage Until
Hancock's Majestic Variable Estate Protection 98 Policy # 20 039 301 - Thirteen premiums paid to date	**30,000,000**	359,022	12 (2010)	2011	Debra's Age 94	21 (2019)	2020	Debra's Age 100+	19 (2017)	2018	Debra's Age 100+	22 (2020)	2021	Debra's Age 100+
AXA Equitable Survivorship IL Policy # 49 232 123 - Thirteen premiums paid to date	**25,000,000**	205,246	16 (2014)	2015	Debra's Age 99	29 (2027)	2028	Debra's Age 99	26 (2024)	2025	Debra's Age 98	33 (2031)	2032	Debra's Age 100+
New York Life's Survivorship VUL Policy # 75 500 858 - Thirteen premiums paid to date	**20,000,000**	196,080	17 (2015)	2016	Debra's Age 95	32 (2030)	2031	Debra's Age 98	28 (2026)	2027	Debra's Age 97	40 (2038)	2039	Debra's Age 100+
Prudential's Survivorship Preferred Policy # V0 001 958 - Twelve premiums paid to date	**20,000,000**	179,595	19 (2017)	2018	Debra's Age 100	36 (2034)	2035	Debra's Age 100+	32 (2030)	2031	Debra's Age 100+	43 (2041)	At Death	Debra's Age 100+
Pacific Life's Select Estate Preserver Policy # VP 6089 7390 - Thirteen premiums paid to date	**5,010,000**	33,218	18 (2016)	2017	Debra's Age 97	29 (2027)	2028	Debra's Age 96	27 (2025)	2026	Debra's Age 95	35 (2033)	2034	Debra's Age 96
TOTALS:	**100,010,000**	973,161												

INDIVIDUAL SPLIT-DOLLAR PLANS (Leon Black)

			ORIGINAL PROJECTIONS @ 10.00%			2010 PROJECTIONS @ 9.00%			2011 PROJECTIONS @ 9.00%			2011 PROJECTIONS @ 8.00%		
Policy	Initial Death Benefit Coverage	Annual Premium	Premium Payment Years	Company Premium Recovery	Coverage Until	Premium Payment Years	Company Premium Recovery	Coverage Until	Premium Payment Years	Company Premium Recovery	Coverage Until	Premium Payment Years	Company Premium Recovery	Coverage Until
Prudential's VUL Policy # V1 016 844 - Twelve premiums paid to date	**30,000,000**	502,335	25 (2023)	2024	Leon's Age 100	35 (2033)	At Death	Leon's Age 87	33 (2031)	At Death [1]	Leon's Age 87	38 (2036)	At Death [4]	Leon's Age 86
AXA Equitable's Incentive Life Policy # 49 232 126 - Twelve premiums paid to date	**15,000,000**	264,894	24 (2022)	2023	Leon's Age 95	33 (2031)	At Death	Leon's Age 94	29 (2027)	At Death [2]	Leon's Age 98	31 (2029)	At Death [5]	Leon's Age 91
ING/Security Life's Firstline Policy # 610014742 - Twelve premiums paid to date	**5,000,000**	96,380	25 (2023)	At Death	Leon's Age 86	29 (2027)	Policy Lapse	Leon's Age 77	31 (2029)	Policy Lapse [3]	Leon's Age 79	29 (2027)	Policy Lapse [6]	Leon's Age 77
TOTALS:	**50,000,000**	863,609												
GRAND TOTAL:	**150,010,000**	1,836,770												

[1] Leon's assumed life expectancy is 38 years (Age 86). To maintain the coverage beyond Leon's Age 87, changes to the Split-Dollar Plan design, such as continuing to pay the indicated annual premium or increasing the annual premium payment, may be considered.
[2] The indicated annual premium is paid for 29 years. This maintains the policy to Leon's Age 98. To maintain the coverage beyond Leon's Age 98, changes to the Split-Dollar Plan design, such as increasing the annual premium payment, may be considered.
[3] The policy lapses in policy year 32 (Leon's Age 79) based upon the specified assumptions and paying the indicated annual premium. Paying $126,539 annually beginning in the 2011 policy year will maintain the coverage until Leon's assumed life expectancy (Age 86). Depending upon the plan's objectives, other changes to the Split-Dollar Plan design may be considered.
[4] The policy lapses in policy year 39 (Leon's Age 86) based upon the specified assumptions and paying the indicated annual premium. Depending upon the plan's objectives, other changes to the Split-Dollar Plan design may be considered.
[5] The indicated annual premium is paid for 31 years. This maintains the policy to Leon's Age 91. To maintain the coverage beyond Leon's Age 91, changes to the Split-Dollar Plan design, such as increasing the annual premium payment, may be considered.
[6] The policy lapses in policy year 30 (Leon's Age 77) based upon the specified assumptions and paying the indicated annual premium. Depending upon the plan's objectives, other changes to the Split-Dollar Plan design may be considered.

8.00% Gross Rate of Return

Assuming 8.00% Hypothetical Gross Rate of Return & Current Policy Charges

SECOND-TO-DIE SPLIT-DOLLAR PLAN

MR. & MRS. LEON BLACK

$100,010,000 COMBINED Second-To-Die Death Benefit Coverage - 5 SVUL Policies

Based Upon a $973,161 Normal Annual Premium Payment

			CONTINUE CURRENT SPLIT-DOLLAR PLAN			ANOTHER TRUST PURCHASES THE POLICIES & TERMINATES THE SPLIT-DOLLAR PLAN		
			CORPORATION		EXECUTIVE	CORPORATION		EXECUTIVE
Year	His Age	Her Age	Annual Premium + Recovery	Trust Death Benefit Coverage	Annual Gift + Incoming Trust Death Proceeds	Annual Premium + Recovery	Trust Death Benefit Coverage	Annual Gift + Incoming Trust Death Proceeds
1999	48	44	968,500	99,889,018	4,661	968,500	99,889,018	4,661
2000	49	45	967,740	99,699,252	5,421	967,740	99,699,252	5,421
2001	50	46	966,850	99,443,309	6,311	966,850	99,443,309	6,311
2002	51	47	965,777	99,179,897	7,384	965,777	99,179,897	7,384
2003	52	48	964,535	99,617,969	8,626	964,535	99,617,969	8,626
2004	53	49	963,035	99,668,704	10,126	963,035	99,668,704	10,126
2005	54	50	963,035	100,780,647	10,126	963,035	100,780,647	10,126
2006	55	51	959,427	101,714,915	13,734	959,427	101,714,915	13,734
2007	56	52	957,201	100,927,298	15,960	957,201	100,927,298	15,960
2008	57	53	955,429	98,531,757	17,732	955,429	98,531,757	17,732
2009	58	54	953,867	99,570,544	19,294	953,867	99,570,544	19,294
2010	59	55	955,300	101,213,274	17,861	955,300	101,213,274	17,861
2011	60	56	954,468	101,415,687	18,693	954,468	101,415,687	18,693
2012	61	57	953,784	101,867,361	19,377	(11,677,665) [1]	100,010,000	614,139 [2]
2013	62	58	953,073	102,369,722	20,088	-	100,010,000	614,139
2014	63	59	952,297	102,930,414	20,864	-	100,010,000	614,139
2015	64	60	951,602	103,556,668	21,559	-	100,010,000	570,567
2016	65	61	950,488	104,267,144	22,673	-	100,010,000	289,313
2017	66	62	949,482	105,045,370	23,679	-	100,010,000	207,695
2018	67	63	948,267	105,891,419	24,894	-	100,010,000	80,500
2019	68	64	946,983	106,825,414	26,178	-	100,010,000	-
2020	69	65	945,170	107,828,121	27,991	-	100,010,000	-
2021	70	66	(7,196,970)	108,286,697	20,561	-	100,010,000	-
2022	71	67	592,632	108,781,268	21,507	-	100,010,000	-
2023	72	68	590,820	108,743,502	23,319	-	100,010,000	-
2024	73	69	589,661	108,187,059	24,478	-	100,010,000	-
2025	74	70	587,976	107,632,300	26,163	-	100,010,000	-
2026	75	71	586,630	107,078,888	27,509	-	100,010,000	-
2027	76	72	584,266	106,527,841	29,873	-	100,010,000	-
2028	77	73	581,303	105,979,755	32,836	-	100,010,000	-
2029	78	74	577,348	105,435,624	36,791	-	100,010,000	-
2030	79	75	573,363	104,895,480	40,776	-	100,010,000	-
2031	80	76	566,545	104,362,152	47,594	-	100,010,000	-
2032	81	77	(6,173,393)	104,019,842	33,365	-	100,010,000	-
2033	82	78	370,368	103,682,692	38,525	-	100,010,000	-
2034	83	79	(774,052)	103,345,751	38,735	-	100,010,000	-
2035	84	80	330,903	103,014,848	44,772	-	100,010,000	-
2036	85	81	324,539	102,690,309	51,136	-	100,010,000	-
2037	86	82	317,024	102,373,285	58,651	-	100,010,000	-
2038	87	83	305,471	102,067,814	70,204	-	101,063,258	-
2039	88	84	(7,409,646)	101,935,862	47,643	-	102,614,407	-
2040	89	85	129,587	101,806,275	50,008	-	104,254,279	-
2041	90	86	121,122	101,685,153	58,473	-	105,984,401	-
2042	91	87	-	101,685,153	68,456	-	107,805,796	-
2043	92	88	-	101,685,153	79,866	-	109,717,955	-
2044	93	89	(7,219,807)	-	(101,685,153)	-	-	(109,717,955)
2045	94	90	-	-	-	-	-	-

NPV of Corporate Cash Flow @ 6.00%: *9,408,104* | *3,554,801*

	Leon's Gift Amount
2012 & Thereafter:	1,178,543
Total Gift Amount:	1,334,473
Executive's Internal Rate of Return:	17.43%

	Leon's Gift Amount
Future Premium Payments:	2,990,492 [2]
Total Gift Amount:	3,146,422
Executive's Internal Rate of Return:	12.26%

[1] Company recovers $11,677,665 of the $12,495,235 Split-Dollar Advance.

[2] In the event the trust has sufficient cash to meet the premium payments, additional gifts may NOT be needed.

8.00% Gross Rate of Return

Assuming 8.00% Hypothetical Gross Rate of Return & Current Policy Charges

INDIVIDUAL SPLIT-DOLLAR PLAN

MR. LEON BLACK

$50,000,000 COMBINED Individual Death Benefit Coverage - 3 VUL Policies

Based Upon a $863,609 Normal Annual Premium Payment

		CONTINUE CURRENT SPLIT-DOLLAR PLAN			ANOTHER TRUST PURCHASES THE POLICIES & TERMINATES THE SPLIT-DOLLAR PLAN		
		CORPORATION		EXECUTIVE	CORPORATION		EXECUTIVE
Year	His Age	Annual Premium + Recovery	Trust Death Benefit Coverage	Annual Gift + Incoming Trust Death Proceeds	Annual Premium + Recovery	Trust Death Benefit Coverage	Annual Gift + Incoming Trust Death Proceeds
1999	48	821,004	50,014,178	42,605	821,004	50,014,178	42,605
2000	49	819,621	48,961,588	43,988	819,621	48,961,588	43,988
2001	50	818,242	48,466,260	45,367	818,242	48,466,260	45,367
2002	51	816,807	48,529,954	46,802	816,807	48,529,954	46,802
2003	52	814,613	48,342,621	48,996	814,613	48,342,621	48,996
2004	53	811,444	48,318,209	52,165	811,444	48,318,209	52,165
2005	54	811,444	48,283,943	52,165	811,444	48,283,943	52,165
2006	55	801,954	48,696,486	61,655	801,954	48,696,486	61,655
2007	56	797,040	47,238,285	66,569	797,040	47,238,285	66,569
2008	57	790,702	46,399,128	72,907	790,702	46,399,128	72,907
2009	58	783,973	47,129,584	79,636	783,973	47,129,584	79,636
2010	59	789,957	46,932,191	73,652	789,957	46,932,191	73,652
2011	60	783,131	46,897,480	80,478	783,131	46,897,480	80,478
2012	61	777,169	46,872,328	86,440	(6,718,901) [1]	52,175,103	871,885 [2]
2013	62	770,687	46,851,150	92,922	-	52,405,417	871,885
2014	63	762,118	46,851,734	101,491	-	52,638,439	871,885
2015	64	752,889	46,869,569	110,720	-	52,873,112	871,885
2016	65	742,214	46,936,950	121,395	-	53,147,660	871,885
2017	66	730,594	47,019,778	133,015	-	53,424,398	871,885
2018	67	717,818	47,118,029	145,791	-	53,713,743	871,885
2019	68	704,233	47,221,657	159,376	-	54,033,057	871,885
2020	69	689,262	47,296,829	174,347	-	54,356,256	871,885
2021	70	672,846	47,328,701	190,763	-	54,681,898	871,885
2022	71	648,085	47,306,100	215,524	-	55,007,819	795,142
2023	72	621,140	47,210,548	242,469	-	55,007,819	369,550
2024	73	590,917	47,043,260	272,692	-	55,007,819	104,656
2025	74	556,699	46,849,180	306,910	-	55,007,819	104,656
2026	75	518,663	46,679,170	344,946	-	55,007,819	104,656
2027	76	489,574	46,189,596	374,035	-	55,007,819	104,656
2028	77	393,344	42,540,144	373,885	-	55,007,819	104,656
2029	78	362,999	42,177,146	404,230	-	55,007,819	104,656
2030	79	229,364	41,947,781	438,479	-	55,007,819	104,656
2031	80	204,926	41,742,855	476,152	-	55,007,819	104,656
2032	81	177,132	41,565,723	517,941	-	55,007,819	104,656
2033	82	145,114	41,420,609	563,498	-	55,007,819	104,656
2034	83	108,752	41,311,857	613,095	-	55,007,819	104,656
2035	84	68,658	41,243,199	692,588	-	55,007,819	104,656
2036	85	24,862	41,218,337	843,782	-	55,007,819	104,656
2037	86	(20,460,853)	-	(41,218,337)	-	-	(55,007,819)
2038	87	-	-	-	-	-	-
2039	88	-	-	-	-	-	-

	Continue Current Split-Dollar Plan	Another Trust Purchases the Policies
NPV of Corporate Cash Flow @ 6.00%:	*9,101,879*	*4,426,363*

Continue Current Split-Dollar Plan — Leon's Gift Amount
- 2012 & Thereafter: **7,996,488**
- Total Gift Amount: **8,763,473**
- Executive's Internal Rate of Return: 10.38%

Another Trust Purchases the Policies — Leon's Gift Amount
- Future Premium Payments: **11,244,063** [2]
- Total Gift Amount: **12,011,048**
- Executive's Internal Rate of Return: 7.73%

9.4

[1] Company recovers $6,718,901 of the $10,459,932 Split-Dollar Advance.

[2] In the event the trust has sufficient cash to meet the premium payments, additional gifts may NOT be needed.

Review of $150 mil Life Insurance purchased through Bryant Group

<u>Rationale for the $50mil life insurance policy on Leon</u>:
Proceeds would be available at time of death to pay off some of indebtedness related to your art collection

<u>Rationale for the second-to-die policy on Debra and Leon</u>:
Proceeds would be available at time of death to pay estate taxes

These policies are owned in irrevocable life insurance trusts (the Leon D Black Insurance Trusts #1 and #2). The policies purchased were set up in a split-dollar structure to minimize gift tax. The split-dollar entity, AIF IV Management Inc (now part of BFP), advances the annual premiums (in lieu of compensation to Leon). Fortunately, these variable universal life policies were purchased from top carriers who have fared relatively well in the recent financial crisis. Investments in various mutual funds were elected at the time of the purchase of the policies by John Hannan. The goal in a structure like this is to have the policy assets invested in a way that they will appreciate enough to have sufficient equity to allow for a cash withdrawal to both repay premiums previously advanced by the split dollar entity(at which point the split $ arrangement is terminated) and cover premiums going forward. The death benefit, when ultimately paid to the Trust, is income tax-free and estate tax free. In 2009, you paid gift tax on a reportable income and gift of $90,639 compared with the full amount of $1.8 mil of premiums paid annually which would otherwise have been considered gifts to the trusts.

These policies were initiated in September 1999. You have paid in $19.5 mil in premiums (shown in the 'split-dollar advance' column on the attached 12/31/09 Summary of Coverage). The cash surrender value (which is tied to the underlying value of the assets invested) was valued at $14.2 mil at 12/31/09. This reflects a difficult decade for stocks generally. Also, the investment options chosen were heavily growth oriented. Think back to 1999 in the midst of the tech bubble in the making. At that time growth was the only thing working and the only thing people wanted to own. The other side of the bubble ie.2000-2002 was quite painful. In the period 1/1/00-12/31/09 the Russell 1000 Growth index declined 33% cumulatively. The original options have not been revised or rebalanced along the way. While in the currently slow growing economy growth style portfolios are likely to do well, I have a review of the funds owned on my to-do list and will work to add some international options and rebalance a bit from the existing funds. **Whereas the original plan called for an equity build in the underlying assets that would have allowed premium recovery to begin next year, it looks as though we face another decade of premium payments before we begin that process.** Assuming an average return of 9%, it will be 2020 before we get to the point of the premium advances being covered. The death benefits are fully intact at the $150 mil face value of the policies and will service their intended purposes. The terms of the structure stipulate that if the needed equity appreciation is not achieved before the death of the insured, the repayment of premiums advanced by the split-dollar entity is paid from the death benefit.

Additional planning suggestion from Roger Cammon for consideration:
Make an additional gift to the trust of a 'lowly valued, likely to appreciate' asset which, once contributed and appreciated, could be used to accelerate the process of terminating the split $ arrangement. I will give this idea additional consideration.

We also spoke about insurance as asset protection. There is definite appeal. For instance, let's use an example of a $25mil life insurance policy purchased for asset protection purposes: Contrary to a purchase of insurance for the normal purpose of the death benefit, in this case, the death benefit is just the tax shield for the assets inside the policy. You want to buy as little death benefit as life insurance tax law will allow. Premiums would then be extremely small and, from the start, the cash value is accessible via a loan from the policy. **Under NY State law, the cash value of life insurance is exempt from the claims of creditors. If housed in a trust as Weil Gotshal has suggested, there would be even greater surety of asset protection but you would have to pay the gift tax on the $25mil or cost of the policy. The assets in the policy would grow tax free and can be invested in a choice from the carrier menu of investment options or it is possible to buy a customized policy allowing a hedge fund or any other alternative asset.**

Background

Original intention: build up enough cash in the policy to unwind the split dollar arrangement and have enough value left over to maintain the policy with no further premiums. Investment returns have been disappointing. Current projections imply a need to continue with premium payments for another 10 years (@ $1.8mil/yr)

AIF IV is a LP of Black Family Partners LP and Leon is the sole shareholder of AIF IV Mgmt

I began with the question of what's the appropriate amount of insurance for Leon & Debra to have but this is a bit of a moot point since amt already held is in line with max available. Est at $165mil-lower than historically due to consolidation of reinsurers.

Possible Solutions:

Switch to guaranteed insurance plan
- Trust gets stated DB, gives up opportunity for equity growth
- ?material modification, premiums required going forward?

Pay back the split dollar amt using GRAT or CLAT with favorable gift tax implications
- Per Ada will take too long

Any change in carriers-considered a 'material modification'-would eliminate SD benefit
- Per Gail Brannock and Jay Rabinowitz UST, Roger Cammon

amend current split $ agreement to be a non equity split dollar where trust owes the company the greater of the CSV or premiums paid at termination or death
- Split $ entity has to stay in place until Leon's Death
- Trust gets the death benefit less premium advances that go to AIF
- Any equity policy growth above DB goes to AIF

Per memo from Carlyn: if the split $ arrangement is terminated, AIF would receive only the current cash value now

AIF IV Mgmt under the split $ agreements pays the premiums but Black Family Partners does now. Resulting question-is AIF owned by BFP or Leon?Per Lindsey Cei email AIF IVis an LP of Black Family Partners. Leon is the sole shareholder of AIF IV Mgmt

Since BFP did not become a party to the split $ agreement but was just advancing funds to AIF for premiums then, perhaps, does AIF have to repay BFP the full amount of its outlays even if the it gets a cash surrender value less than premiums paid.

If we unwind the split $ arrangement we will have a more palatable number years of premium payments and then the policies should at least be self sustaining.

Bad news, underlying investments dramatically underperformed expectations and so the original plan to repay AIF for the premium advances, unwind the split $, and have $150mil of policies which are self sustaining and require no additional premiums has failed. The good news is that if we proceed with the proposal from Carlyn to unwind the split $ arrangement with resources already outside Leon's estate, these policies with substantial death benefits will be owned by trusts to benefit his children.

Unwinding the split $ arrangement eliminates the reportable income and gifts of approx $100,000/yr we have been incurring
Once unwound, the second to die policies require premium payments for a manageable number of years. Individual policies are in less good shape, may need to liquidate or exchange these policies.
Normally you would want to wait to terminate the SD until there is enough equity to repay advances and eliminate premiums

It has been suggested we should liquidate the Security of Denver policy or exchange for a new policy since even assuming a 9% return the policy only holds up until Leon is 77 yrs old

McDermott
Will&Emery

New York

MEMORANDUM

Date:	December 5, 2011	**cc:**	Eileen Alexanderson Ada Clapp Tom Turrin
To:	Leon Black	**From:**	Carlyn McCaffrey Elyse G. Kirschner
Re:	Split Dollar Insurance Proposal		

This memorandum explains a proposal regarding the split-dollar insurance arrangements among you, AIF IV Management Inc., an S corporation wholly owned by you ("AIF"), and Norman Brownstein, the trustee of your 1999 Life Insurance Trusts (the "Trustee") We discussed this proposal with Eileen Alexanderson, Ada Clapp and Tom Turrin at a meeting last week.

Background

In 1999, the Trustee purchased $50 million of insurance on your life (three separate policies), and $100 million of insurance on the joint lives of you and Debra (five separate policies). The Trustee entered into two split-dollar agreements with you and AIF, one for the policies on your life, which are held in the 1999 Life Insurance Trust #1, and one for the policies on your and Debra's lives, which are held in the 1999 Life Insurance Trust #2. Each split-dollar agreement obligates AIF to pay the full amount of the Planned Periodic Premium (as defined in the policy contract) on each policy. Each agreement also obligates you or the Trustee to make annual payments to AIF of the annual value of the current life insurance protection offered by the policies.

The Trustee has the right to terminate each split-dollar agreement at any time. AIF does not have any right to terminate either split-dollar agreement.

In exchange for AIF's agreement to pay the Planned Periodic Premiums, the Trustee agreed that when a policy matured by reason of the death of the insured or insureds he would pay AIF an amount equal to the sum of all the premiums paid by it on such policy less the amounts previously paid to it with respect to such policy (the "Net Aggregate Premiums"). The Trustee also agreed that if he terminated a split-dollar agreement before the death of the insured or insureds he would either pay AIF an amount equal to the Net Aggregate Premiums for the policies subject to the terminated agreement or would transfer the policies to AIF To secure his obligations under the split-dollar agreements, the Trustee assigned the insurance policies to AIF as collateral.

The total Planned Periodic Premiums with respect to all of the policies held in the trusts is approximately $1.8 million each year. For each year that the split dollar arrangement is in effect you have been treated as having received compensation equal to the cost of the current life insurance protection offered by each policy and as having made a gift of this amount to the 1999 Life Insurance Trusts. Tom Turrin has been properly reporting these amounts on your annual income and gift tax returns. For 2011, the amount of compensation/gift was approximately $97,652. However, as the premiums continue to increase over the term of the policies, the amount of taxable income you will be deemed to have received and the size of your taxable gifts to the insurance trusts will increase.

Since 1999, when the parties initiated the split-dollar arrangements, AIF has paid about $20.1 million in premiums. In recent years AIF had been borrowing from the Black Family Partners in order to make these premium payments. In 1999, at the commencement of the split-dollar arrangements, it was estimated that by 2010 the cash surrender value of the policies would be about $22 million. However, because of poor market performance, as of March 31, 2010, the cash surrender value of the policies together was about $15 million.

Given the poor performance of the policies over the past decade and the fact that the $150 million death benefit will not come close to fully covering your anticipated estate taxes, it makes sense to evaluate whether it is appropriate for the insurance trusts to continue to maintain the existing policies. Eileen is analyzing whether to continue the existing policies. In the interim, we think it is important to restructure the split-dollar arrangements in order to minimize the ongoing tax consequences to you. To that end, we have proposed the transaction described below.

Proposed Transaction

Acquisition of Rights Under Split-Dollar Agreements by The Black 2006 Family Trust. The Black 2006 Family Trust (the "2006 Trust") will purchase AIF's rights under the split-dollar agreements from AIF for cash. The purchase price will be based on an appraisal of the value of such rights to be obtained by the trustees of the 2006 Trust and by AIF. Because the rights of AIF under the split-dollar agreements are limited to the right to receive the Net Aggregate Premiums on your death or on the death of the survivor of you and Debra (unless the owners of the policies elect to terminate the split-dollar agreements), the appraised value is likely to be substantially less than the current cash value of the policies. Eileen will arrange for the appraisals.

Once this step has been completed, you will no longer have any income or gift tax liability on account of the annual cost of the current life insurance protection offered by each policy.

Repayment of Loans to Black Family Partners. AIF will use the funds it receives from the trustees of the 2006 Trust to repay any outstanding loans to Black Family Partners. It will then liquidate. AIF's remaining cash, if any, will be distributed to you.

Termination of Split-Dollar Agreements. The Trustee of the 1999 Life Insurance Trusts may then decide to terminate the split-dollar agreements in order to avoid any further potential liability for the annual cost of the current life insurance protection offered by the policies. Upon termination, because the Trustee lacks sufficient resources to pay the trustees of the 2006 Trust an amount equal to the Net Aggregate Premiums, he will transfer his interests in the policies to the trustees of the 2006 Trust.

* * * * *

If you have any questions, please call Carlyn at (212) 547-5324 or Elyse at (212) 547-5327.

* * * * *

CSMCC/EGK

IRS Circular 230 Notice: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.