

**To:** jeevacation@gmail.com[jeevacation@gmail.com]; Jeffrey Epstein[jeevacation@gmail.com]  
**From:** Alan S Halperin  
**Sent:** Thur 2/21/2013 4:20:02 PM  
**Subject:** Estate Freeze

Jeffrey, in a prior email, I wrote:

I would need to dig into the current structure to determine the best path forward. At this point, I see two options (after cleaning up the current trust issues):

1. A freeze LLC is created. Leon contributes his art and receives a preferred interest, with an annual coupon. The trust contributes its interest in Black Family Partners, subject possibly to cleaning up some governance issues, and receives the common. (A variation of the theme is for Black Family Partners to contribute assets, rather than have the trust contribute partnership interests.) All appreciation, above the annual coupon, inures to the benefit of the common. The common also has the right to use property, provided the coupon is current. The trust then grants Deborah, a beneficiary, the right to use the art. Or the art could be rented to Leon.
2. Alternatively, we could explore the possibility of having Leon contribute the art to the existing partnership, which is restructured as a freeze partnership, with the same results as described in 1. The only difference between this suggestion and the one described in 1 is that, in this alternative, we use the same (restructured) partnership, rather than having multiple layers.

As to your recent inquiry about numbers, I do not have figures. However, a simple example is instructive. Suppose the value of the art contributed by Leon is \$1.5 billion, while the financial assets contributed by the trust have a value of \$2 billion. An appraiser, say Empire Valuation, would give us written advice as to the proper amount of the annual coupon so that the preferred has a value equal to its face amount. For purposes of the illustration, let's assume that figure is 7%. Under the foregoing assumptions, Leon would be entitled to annual distributions of \$105,000,000. Presumably, the \$2 billion of financial assets would generate sufficient cash flow to satisfy the coupon. If the freeze partnership is liquidated, Leon is entitled to the \$1.5 billion. In the meantime, all appreciation (beyond the 7% coupon), both as to the artwork and the financial assets, and excess cash flow, would be outside Leon's estate. Also, since Deborah is a permissible beneficiary of the trust, so long as they are married, there is indirect access to the assets ascribed to the common interest via use by, or distributions to, Deborah.

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Alan S. Halperin | Partner  
Paul, Weiss, Rifkind, Wharton & Garrison LLP

From: "Jeffrey Epstein" <jeevacation@gmail.com>  
To: Alan S Halperin/[REDACTED]  
Date: 02/21/2013 10:02 AM  
Subject: Re:

please lay out your proposed frieze step by step please . I am familiar , please use accurate numbers if they are available.

On Thu, Feb 21, 2013 at 8:32 AM, Alan S Halperin <[REDACTED]> wrote:  
Jeffrey, this assumes the swap is superior to the freeze LLC. As you know, I have a different view. Alan

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[REDACTED]

**From:** "Jeffrey Epstein" [jeevacation@gmail.com]  
**Sent:** 02/21/2013 08:21 AM EST  
**To:** Alan Halperin

lets take the nec steps to qualify under the ny rules. . add additinoal investments? other holders.  
? have arms length transcatios. I want to make sure that if in two years , we transfer , the structure meets all your requiements. if not now.

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\*\*\*\*\*  
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