To: McCaffrey, Carlyn[cmccaffrey@mwe.com]
From: Jeffrey Epstein
Sent: Sat 11/17/2012 5:01:03 PM
Subject: Re: [WARNING: MESSAGE ENCRYPTED]FW: Leon Black - form 709

would a valuation and a Qtip work to defuse the terminable interest problem.   we are really concerned with the creditor issue.

On Sat, Nov 17, 2012 at 11:04 AM, McCaffrey, Carlyn <Cmccaffrey@mwe.com> wrote:

Dear Jeff,

See my responses below.

Best,

Carlyn

Carlyn S. McCaffrey | Partner

[redacted]

From: Jeffrey Epstein [mailto:jeevacation@gmail.com]
Sent: Saturday, November 17, 2012 8:44 AM
To: McCaffrey, Carlyn
Subject: Re: [WARNING: MESSAGE ENCRYPTED]FW: Leon Black - form 709

now that i see you already awake? ive read many of the creditor cases , including the group i sent. possible idea 1. either before or after we change to an adversarial trustee. , client gifts the right to wife. .. I can find no case that deals with the compound transaction of cutting off a trust right to spouse. (a right especially that cannot invade the whole trust.) not the settlor -though fraudulent transfer etc. could apply.

Unfortunately, if it turned out that he was making a gift of something when he transferred his ability to receive income to his wife, the gift would not be eligible for the marital deduction because of the nondeductible terminable interest rule.

2. decant the trust. .

We talked about this yesterday. I think we should make it part of whatever plan we decide on.

3. new three- tiered partnership. ie management interest residual interest and preferred. (coupon of preferred to be discussed, may be variable)

This may be an option worth thinking about. If we recapitalized BFP into common and preferred. Maybe the trustee could distribute the trust's preferred interest to Leon as "compensation" for the trustee's decision to cut off his income "right." We have to figure out how to get comfortable with the valuation issue.

4. decide on rectifying payout mistake not related to "relevant coS .

As we discussed yesterday, this could be part of whatever solution we decide on. It will have the effect of reducing the value to which he may be "entitled."

. 5. Since the trust is a partner in black family partners can we reorg the partnership so that it cannot distribute any cash to 2006 trust , , hence no trust acct income. . and leon gets his money through the gp interest instead.? Im around all weekend at 212 772 9416 home
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We could, but this could be characterized as an event that "completed" the gift.

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