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FEDERAL EXPRESS

September 28, 1990

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Re: Estate of Robert E. Wallace



Gentlemen:

The corporate executor, United States Trust Company of New York, has no objection to a settlement of the pending will construction matter upon the terms and conditions set forth in Mr. Bourne's letter of September 17, 1990, subject to the following additional terms and conditions:

1. That the settlement be approved by the court on notice to all interested parties in such form that the judgment approving the settlement be binding on all parties interested in the residuary trusts.
2. Since United States Trust Company will be acting as a co-trustee of the residual trust under Article SECOND for Mrs. Hockey which will have substantially the same terms as the contemplated new trust to be created by her with the equalizing legacy, we suggest that the independent trustee of the new trust be United States Trust Company of New York.

3. Each of the parties to the settlement acknowledges that he or she will not assert any claims against United States Trust Company individually or in its capacity as executor, trustee or custodian arising out of the two loan transactions which are the subject matter of this proceeding including the making of the loans, the obtaining of a personal guarantee from Robert E. Wallace, Sr. and the satisfaction and payoff of the loans.

4. A reasonable counsel fee will be paid to the attorneys for the executors in such amount as the court, in its discretion, allows, on application in accordance with the rules of court.

5. The timing of the distribution of the equalizing legacy to Mrs. Hockey is subject to the liquidity requirements of the estate for taxes, administration expenses and other claims. No interest will be payable on the equalizing legacy.

6. If the residuary estate in the executors' hands after the payment of all taxes, expenses and claims is not sufficient to fully fund the equalizing legacy to Mrs. Hockey, Robert E. Wallace, Jr. will personally pay to her trust an amount equal to one-half of the shortfall.

Although not part of our formal response to the settlement proposal and not a condition to our acceptance of it, we also make the following additional comments:

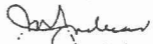
a. The corporate executor will exercise its best efforts to secure results on the federal estate tax and New Jersey inheritance tax audits consistent with the foregoing settlement. However, the parties should all realize that the judgment approving the settlement will not necessarily be binding on either the IRS or the New Jersey Inheritance Tax Bureau and that the tax treatment of these transactions may differ in some respects from the settlement which has been agreed to by all the parties and approved by the court. If the tax authorities request documentation as to Mr. Wallace Jr.'s financial ability or inability to repay the loans, we assume he will cooperate in providing such documentation.

b. By accepting the equalizing legacy and then creating an irrevocable living trust with that amount, Mrs. Hockey will probably be making a taxable gift and, in addition, on her death the value of the trust will be subject to estate tax, subject to her unified credit. Depending on what her other assets are, this may or may not create a significant estate tax on Mrs. Hockey's death. Perhaps substantially the same distributive result can be accomplished without adverse tax consequences if the settlement

were structured by having Mr. Wallace agree to offset \$650,000 against his share of the residuary estate so that when the two trusts under the will are funded, Mrs. Hockey's trust will have \$650,000 more than Mr. Wallace's.

c. We do not know whether the children of Robert E. Wallace, Jr. have been independently represented thus far. The corporate executor would feel more comfortable with the proposed settlement if some undertaking analogous to that being made by Mrs. Hockey for her children were to be made by Mr. Wallace, Jr. for the ultimate protection of his children.

Sincerely yours,

  
Joseph E. Imbriaco

JEI:da

BCC: Mr. Ronald A. Rappo  
Harrison F. Durand, Esq.