To: Jeffrey Epstein[jeevacation@gmail.com]
From: Barrett, Paul S
Sent: Tue 10/4/2011 2:26:37 PM
Subject: RE: Update

Morning Jeffrey

SP500 down 4% since yesterday's open. It is now down 13% for the year. We are flat for the year and down $6.9MM since inception.

We sold our Wachovia Pfds

ING gapped lower. Don't want to chase it down here. Feels over done. Will continue to work it.

Will keep you updated.

Paul

Paul Barrett, CFA

Managing Director

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40W 57th Street, 33rd Floor, New York, NY 10019

[redacted]

From: Jeffrey Epstein [mailto:jeevacation@gmail.com]
Sent: Monday, October 03, 2011 9:55 AM
To: Barrett, Paul S

Subject: Re: Update

ok

On Mon, Oct 3, 2011 at 3:53 PM, Barrett, Paul S [redacted] wrote:

Jeffrey

We are now up $1.1MM for the year and down $5.8MM since inception.

We are still seeing more funding stress in European banks. We own 2.5MM face of the ING Pfds which I think we should sell. The company tried to call these at par earlier in the year but the Dutch govt rejected this request and the long spread duration embedded here makes us think we should cut. We paid 97 for them. Would work 72 to sell.

In the US we should sell the 2MM of our Wachovia Pfds we own. Same story – just looking to reduce financial pfd exposure. Paid 93.50. Would work 83.00 to sell.

We have protection on half our MS and Telefonica positions.

Corn was down 5% on Friday's inventory report. We are still up $1.5MM on this position. I think we spend some of these profits on a 1 month put. If China fears accelerate there could be significant downside from here and would like to protect these gains.

Let me know

Paul

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[redacted]

From: jeffrey epstein [mailto:jeevacation@gmail.com]
Sent: Tuesday, September 27, 2011 2:26 PM
To: Barrett, Paul S
Subject: Re: Update

Ok

Sorry for all the typos .Sent from my iPhone

On Sep 27, 2011, at 8:23 PM, "Barrett, Paul S" [redacted]> wrote:

> Jeffrey
>
> I think we should take advantage of the recent rally to trim some positions that either have limited upside (like our Barclays Pfds and Citi Pfds) or are at risk for further downside if Europe does not ratify the expanded EFSF.
>
> Recommendation:

- trim our CIT from 10MM to 5MM. Would sell $2.5MM of both the 2016 and the 2017 maturity. We are up on both positions

- collar ½ our MS exposure for 1 month. This would entail buying a 14 put and selling a 17 call. Cost around 10c/share

- collar ½ out Telefonica position for 1 month. 13.50/15 collar. Cashless.

I will call you to discuss.

Paul

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[redacted](W) [redacted] (F)

[redacted]

From: Barrett, Paul S
Sent: Wednesday, September 21, 2011 3:52 PM
To: 'Jeffrey Epstein'
Subject: Update

Hi Jeffrey

We are still doing some more credit work before we close the $5MM Harrah's note.

Since the end of August the account is down around $2.7MM (was flat at the end of Aug).This translates into -$6.98MM for 2010 and +$4.25MM YTD for 2011.

This has been due to (changes since End of August):

SGD down 5% ($500K)

INR down 5% ($500K

- We switched both of these forwards into options so we have limited downside from here on out

CADJPY down 150K [We are long the 83.25 CAD Call and Short the 76.00 Put with a knock in at 71; spot at 76.50; knock in 7% away)

Oil call down 140K

Corn down 600K

ING Pfds down 200K

MS Note knocked in down 140K

Telefonica note down 300K [Stock is trading below 2009 lows; only 35% of their revenue comes from Spain; would HOLD]

I would like to reduce further downside.

I think the cheapest protection out there remains buying CDS on Asia. For example Indonesia CDS costs 220bps. It got as wide as 1200bps in 2008. It feels like Asian credit spreads remain one of the few things that have not moved and could provide some cheaper tail risk if things deteriorate further.

Financial Pfds remain our largest notional exposure (around $20MM). I think we should reduce some exposure here. Would involve selling some of JPM, Barclays and Citigroup. BAC and WFC was downgraded today and would also trim those positions.

Do you have time to discuss?

Paul

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[redacted] (W) [redacted] (F)

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