

To: Ari Glass [REDACTED]
From: Jeffrey Epstein
Sent: Tue 4/29/2014 11:22:02 PM
Subject: Re:

yes

On Tue, Apr 29, 2014 at 7:16 PM, Ari Glass <[REDACTED]> wrote:

Jeffrey,

I spoke with Darren (copied) and most of the changes he wants are not problematic. There is an issue related to entity number 2 where I need to guard against a very small chance of an asset liability mismatch. In order to get First loss traders we often need to give them lockups for a year. While the risk of them losing money on a first loss trade is small, it is certainly possible that we will need the capital to support their margin requirement. We don't expect to have much in the way of asset liability matchup problems. I bring this up with respect to the 10% drawdown provision.

While we expect this is a very unlikely event and concede that this would mean we messed up and had the money pulled, we can't afford the tiny tail risk of giving back capital to investors and not having it to fulfill our obligations on the other side.

I am probably comfortable with language that is onerous on me. For example, language that says that once I don't pay out a timely redemption in full I can't take out \$1 of my money until you have received a full redemption back to you. Whatever I put in here I will likely need to do for all investors. Lawyers don't mind discounts but not ok with advantaging on liquidity provisions as that effects the others.

Of course in this very unlikely scenario that some of the investment is still in there awaiting liquidation of an agreement on the other side, I would also waive all fees during that time.

I'm open to other ideas. Its competitive to get first loss managers. We need to make sure that if the market asks me to lock that up for a reasonable period of time, that I can do that without fear. Again –unlikely to result in a real p&l event but more of a capital usage event.

I'm around later tonight or tomorrow if you would like to discuss.

Alternatively since this is really an issue for fund 2 which is a month or two away we can sign agreement now and just revisit over the coming week or two.

Best regards

ari

Ari Glass

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