

Subject: Re: indication on WTI risk reversals
From: Richard Kahn <[REDACTED]>
Date: Fri, 10 Jun 2016 17:06:12 -0400
To: Andrew King <[REDACTED]>
Cc: Stewart Oldfield <[REDACTED]>,
Vahe Stepanian <[REDACTED]>,
Daniel Sabba <[REDACTED]>,
Joseph Dursi <[REDACTED]>

thank you for all your work on this been distracted on a project so lets
discuss monday
thanks

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [REDACTED]
fax [REDACTED]
cel [REDACTED]

On Jun 9, 2016, at 2:14 PM, Andrew King <[REDACTED]> wrote:

> Rich,

First, as a quick introduction, I'm an investment specialist on Stew
Oldfield's team. I look forward to working with you.

I've attached a factsheet for Spectrum, the SMA manager of preferred
equities Stew referenced. We took a look at the loan-to-value available on a
portfolio of preferreds (including the SMA portfolio) and unfortunately, due
to Reg-T, we'd be limited to a 50% LTV (2x leverage) using a traditional
margin facility.

We're exploring solutions using a total return swap to provide potentially
greater leverage and will be back to you as soon as possible with some ideas.

Please let us know if you have any questions. My contact info. is listed below.

Best regards,
Andrew King

<image001.gif>

Andrew King, CFA
Vice President I Investment Solutions Group

Deutsche Bank Securities Inc.
Deutsche Asset & Wealth Management
345 Park Avenue, New York, NY 10154
Tel. [REDACTED]
Fax + [REDACTED]
Mobil [REDACTED]
Email [REDACTED]

<image002.gif>

From: Stewart Oldfield
Sent: Wednesday, June 08, 2016 10:01 AM
To: Vahe Stepanian; Richard Kahn
Cc: Daniel Sabba; Joseph Dursi; Andrew King
Subject: RE: indication on WTI risk reversals [C]

Classification: Confidential

Please pass along any feedback on the pricing if you have it.

We are also working on the preferred request you sent. We have a manager that runs SMAs of preferreds for our clients that can be levered in a margin account. I think it could make sense for you to pursue a more diversified and active strategy in that space given the unique characteristics of each issue. It's likely the most straightforward way to get exposure. We just need to sort out what the margin release will be.

I don't see a good way for us to recommend specific preferred issues to you, but would happily look at leverage on a basket that you select.

On the structured note front, I haven't seen preferreds put into a levered note structure. If you just want levered exposure, margin or swap will be the cleanest way to do that. If you are looking for yield and aren't wed to buying preferreds, the notes structures can be useful there.

We will be back to you shortly.

Thanks

From: Vahe Stepanian
Sent: Tuesday, June 07, 2016 11:23 AM
To: Richard Kahn
Cc: Daniel Sabba; Stewart Oldfield
Subject: RE: indication on WTI risk reversals [C]

Classification: Confidential

Rich,

Please see below refreshed indications – these levels are not tradable. As previously mentioned, we heard back from our Credit Risk Management team and they would require 40% IA for the below transactions in cash or treasures (i.e. approx. \$20mm on 1mm barrels of WTI).

Notional: 1mm barrels of WTI

WTI futures references:

CLU6 ref 50.90, option exp 17Aug16

CLZ6 ref 51.75, option exp 16Nov16

CLH7 ref 52.15, option exp 15Feb17

Risk reversals on WTI - Indications

Southern financial buys calls and sells puts. Indications below are bid/ask per barrel on structure.

These are listed look-alike structures to be executed through Southern Financial's ISDA.

option exp 17Aug16

Future reference: CLU6

Call strike: 55

Put strike: 45

CLU6 55/45 fence 0.24/0.54

option exp 16Nov16

Future reference: CLZ6

Call strike: 55

Put strike: 45

CLZ6 55/45 fence 1.00/1.36

option exp 15Feb17

Future reference: CLH7

Call strike: 55

Put strike: 45

CLH7 55/45 fence 1.58/1.94

Thank you,

Vahe

From: Richard Kahn [mailto: [REDACTED]]
Sent: Tuesday, June 07, 2016 8:32 AM
To: Vahe Stepanian
Cc: Daniel Sabba; Stewart Oldfield
Subject: Re: indication on WTI risk reversals [C]

Yes

Thank you

From: Vahe Stepanian < [REDACTED] >
Date: Tuesday, June 7, 2016 at 8:28 AM
To: Richard Kahn < [REDACTED] >
Cc: Daniel Sabba < [REDACTED] >, Stewart Oldfield
< [REDACTED] >
Subject: RE: indication on WTI risk reversals [C]

Classification: Confidential

Hi Rich – following up on the below. To make sure we're on the same page, please confirm he would like to see pricing on WTI risk reversals with a 55 strike call and 45 strike put out to expiries listed below?

Thank you,

Vahe

From: Richard Kahn [mailto:████████████████████]
Sent: Monday, June 06, 2016 5:10 PM
To: Vahe Stepanian
Cc: Daniel Sabba; Stewart Oldfield
Subject: Re: indication on WTI risk reversals [C]

tomorrow morning can you price 45 / 55 WTI reversals

i understand it may not be cashless however jeffrey would like to see that level of pricing

thank you

Richard Kahn
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tel ██████████
fax ██████████
cel ██████████

On May 31, 2016, at 11:01 AM, Vahe Stepanian <[REDACTED]> wrote:

Classification: Confidential

Rich,

Please see below refreshed indications – these levels are not tradable. We did not refresh the \$50 strikes as they are well in the money now. Further, we heard back from our Credit Risk Management team and they would require 40% IA for the below transactions in cash or treasuries (i.e. approx. \$20mm on 1mm barrels of WTI).

Notional: 1mm barrels of WTI

WTI futures references:

CLU6 ref 50.75, option exp 17Aug16

CLZ6 ref 51.65, option exp 16Nov16

CLH7 ref 52.00, option exp 15Feb17

Premium neutral risk reversals on WTI - Indications

Southern financial buys calls and sells puts for zero net premium.

These are listed look-alike structures to be executed through Southern Financial's ISDA.

option exp 17Aug16

Future reference: CLU6

Call strike: 55

Put strike: 47.00

option exp 16Nov16

Future reference: CLZ6

Call strike: 55

Put strike: 48.90

option exp 15Feb17

Future reference: CLH7

Call strike: 55

Put strike: 49.85

Thank you,

Vahe

From: Richard Kahn [mailto:]

Sent: Tuesday, May 31, 2016 10:17 AM

To: Daniel Sabba; Vahe Stepanian

Subject: Re: indication on WTI risk reversals

can you please refresh attached quote

thank you

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [REDACTED]
fax [REDACTED]
cel [REDACTED]

On May 20, 2016, at 11:06 AM, Daniel Sabba <[REDACTED]> wrote:

Please note these are indications – these levels are not tradable. We need Credit Risk sign off, assessment of any potential credit charges and initial amounts before trading. Any credit charges would impact these indications.

Notional: 1mm barrels of WTI

WTI futures references:

CLU6 ref 49.55, option exp 17Aug16

CLZ6 ref 50.00, option exp 16Nov16

CLH7 ref 50.20, option exp 15Feb17

Premium neutral risk reversals on WTI - Indications

Southern financial buys calls and sells puts for zero net premium.

These are listed look-alike structures to be executed through Southern Financial's ISDA.

option exp 17Aug16

Future reference: CLU6

Call strike: 55

Put strike: 45

Call strike: 50

Put strike: 49.75

option exp 16Nov16

Future reference: CLZ6

Call strike: 55

Put strike: 45.90

Call strike: 50

Put strike: 50.4

option exp 15Feb17

Future reference: CLH7

Call strike: 55

Put strike: 46.50

Call strike: 50

Put strike: 51

Daniel Sabba

Deutsche Bank Securities Inc.

Tel. [REDACTED]

Email [REDACTED]

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<Spectrum_Asset_ManagementPrincipal_-_1Q_16_Profile.pdf>