

Subject: FW: Twitter follow-up - TRS + short calls [C]
From: Paul Morris <[REDACTED]>
Date: Thu, 22 Jan 2015 17:26:27 -0500
To: Stewart Oldfield <[REDACTED]>

Classification: Confidential

Paul Morris

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From: Daniel Sabba
Sent: Thursday, January 22, 2015 5:21 PM
To: Jeffrey Epstein
Cc: Vahe Stepanian; Richard Kahn; Paul Morris; [REDACTED]
Subject: RE: Twitter follow-up - TRS + short calls [C]

Classification: Confidential

Jeffrey,

I wanted to share with you a draft confirmation on the TRS (attached). It addresses the dividend/reset/optional early termination points we discussed and clarifies any other potential issues.

Additionally, we priced long TRSs for GE and ConEd (without the sale of a call option). We could provide the same financing terms on a \$20mm notional equivalent (1mL+75bps, with \$0.03 commissions in and out). The IA for these names would be 20%. As discussed, you could use equities at a 50% haircut as

this IA.

GE and ED have had high dividend history (GE has a 12m yield of 3.67% and ED, 3.60%).

Looking forward to discussing further.

Best regards,

Daniel

From: Daniel Sabba
Sent: Wednesday, January 21, 2015 3:22 PM
To: Jeffrey Epstein
Cc: Vahe Stepanian; Richard Kahn; Paul Morris
Subject: RE: Twitter follow-up - TRS + short calls [C]

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Jeffrey,

Per our chat yesterday, we wanted to follow-up on margin account rates for Southern Financial. They are 3mL+100bps on the borrowed amount.

We did a comparative analysis between doing the trade using TRS construct or margin account financing and would like to connect to discuss it with you.

Regards,

Daniel 

From: Daniel Sabba
Sent: Tuesday, January 20, 2015 10:44 AM
To: Jeffrey Epstein
Cc: Vahe Stepanian; Richard Kahn; Paul Morris
Subject: RE: Twitter follow-up - TRS + short calls [C]

Classification: Confidential

Jeffrey,

Wanted to follow-up with refreshed pricings for 1y options. TWTR Spot Ref: 36.56.

TRS: Previous levels still apply.

European Call options on TWTR:

Option Seller: Southern Financial LLC

Option Buyer: DB

Notional: 250,000 OTC Call

Expiry: 20-Jan-16

Strike: 100% of spot

Bid: 19.30% (Mid 19.50%)

Vol: 48.46%

Delta: 60%

Expiry: 20-Jan-16

Strike: \$40

Bid: \$5.67 (Mid \$5.74)

Vol: 47.68%

Delta: 53%

Note: The IA for long TRS and selling a \$40 call would be 38% instead of the 30% of the at the money call.

Best regards,

Daniel

From: Daniel Sabba

Sent: Friday, January 16, 2015 4:48 PM

To: Jeffrey Epstein

Cc: Vahe Stepanian; Richard Kahn; Paul Morris

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Jeffrey,

We could do this for 1mm shares of Twitter, indicatively. Twitter (TWTR) spot ref \$37.31.

Total Return Swap:

Swap Seller: DB

Swap Buyer: Southern Financial LLC

Ticker: TWTR

Size: 1mm shares

Tenor: 1yr / 2yr (same price)

Spread: 1mL+ 75bps (this spread is slightly worse than last time)

given DB expects to internalize less of the risk, so there would be more balance sheet consumption)

Resets: Monthly

Optional Early Termination: Applicable, 3 days (two-way)

European Call options on TWTR:

Option Seller: Southern Financial LLC

Option Buyer: DB

Notional: 1,000,000 OTC Call

Expiry: 19-Jan-16

Strike: 100% of spot

Bid: 19.35%

Vol: 48.60%

Delta: 60%

Expiry: 17-Jan-17

Strike: 100% of spot

Bid: 25.65%

Vol: 45.36%

Delta: 64%

Credit terms - IA:

- If you did both the TRS + short call as a package, IM would be 30% for either 1y or 2y expiries. Ignoring the difference of settlement dates for IA and premium, the premium received could make up for the IA paid. Settlement of IA is on trade date while settlement of premium is T+3.

- If you did the TRS by itself without selling calls, IA would be

40% for 1y and 50% for 2y.

Looking forward to discussing this in further details.

When can we chat? Shabbat is starting here so I will be out of pocket until sunset tomorrow night.

Daniel

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