From: McCaffrey, Carlyn [redacted]
Sent: Monday, February 11, 2013 2:17 AM
To: Jeffrey Epstein
Subject: RE: Re:

Where can=you get prices? I didn't think there were any traded 10-year call op=ions. What kind of price do you think there would be for a 10-year c=ll on with a strike price equal to a stock's current market price?

Carlyn S. McCaffrey<=b> | Partner
McDermott Will & Emery LLP | 340 Madison Ave=ue, New York, NY 10173
[redacted] | =a href="http://www.mwe.com">www.mwe.com

Fr=m: Jeffrey Epstein [mailto:jeevacation@gmail.com]
Sent: Sund=y, February 10, 2013 6:29 PM
To: McCaffrey, Carlyn
Subject= Re:

=</p>

we can actuallyl ge= prices. we could make them european, only excericable =t expiration. etc. yes

On Su=, Feb 10, 2013 at 7:24 PM, McCaffrey, Carlyn [redacted]
wrote:=</p>

I know that the relationship between the=strike price and current value are important factors in determining the pr=ce of an option but aren't the length of the option and the volatility of =he stock also very important? If there are no 10 year publicly trade= options we would have to get an appraisal.

Are you sure that a purchase be LB of the partner=hip interest followed by a sale by him of a call isn't caught by 16b?
<=r>On Feb 10, 2013, at 11:37 AM, "Jeffrey Epstein" <jeevacation@gmail.com&=t; wrote:

1.&=bsp; according to the strike, price, 2. the economic effect can be m=nged in the document. 3, security wise lock up is only concern =as long as it happens near the same time and is not deep in the money,&nbs=; 4, the price of the option reflects the risk of that,</=>

On Sun, Feb 10, 2013 at 12:27 PM, McCaffrey, Ca=lyn [redacted]
wrote:

What w=uld the price of a 10 year option be?

Although he =an buy the PS interest , the call will have to be on the stock itself.

=p class=MsoNormal>Your structure bypasses 2703 because LB will never del=ver the stock pursuant to the option. The economic effect, however, is the=same. That's why some think it doesn't work.

What =re the securities law consequences of LB buying stock and the selling a ca=l?

Does the purchas=r of a publicly traded call risk the possibility that the stock value will=not increase because all the growth will be paid out in dividends?

=n Feb 10, 2013, at 10:36 AM, "Jeffrey Epstein" <jeevacation@gmail.com>=wrote:

good f=rst try, yes call options are publicly traded, we would do fiv= to ten year terms, , he could purchase the partner ship interest i =uess, valuation the issue , he could decide on how much,=we wouldn't need to bypass 2703, the stock would be full value but t=ere would be an liability against it , which could not be ignored. &n=sp; he would not need much money to live as he would have the full d=vidends.

On Sun, Feb 10, 2013 at 1=:16 AM, McCaffrey, Carlyn [redacted] > wrote:

I agree (although at least one of my partners does not) that you c=n avoid the reach of section 2703 with a cash settled option.<=o:p>

How would =e price the option? Are call options on the stock publicly tra=ed? How are dividends treated under the normal stock option?<=:p>

Here=s how I understand your proposal.

&nbs=;

Step 1 - LB buys stock from Trust (T)=for $1B. LB issues a $1B note to T bearing interest at X=. and secured by a lien on his art. We need to discuss what X should=be. We also need to think about the mechanics which are made a littl= difficult by the fact that the stock is held in a partnership. We a=so need to think about the fact that much of his art is already subject to=a lien held by US Trust.

Step #2 - LB sells a 2 year call to T. =he price for the call is $.1B (obviously, a rough estimate); the strike pr=ce is the current market price.

=o:p>

Step=5 - LB sells another 2 year call to T, etc.

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There are no income tax con=equences because of the grantor trust rules.

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What are the securities law=consequences? Are any of these transactions covered by Rule 16b?&nbs=; Do these transactions have to be reported?

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Is this what you had in min=?

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From: Jeffrey Epstein [mailto:jeevacation@gmail.com <mailto:jeevaca=ion@gmail.com>]
Sent:</=> Saturday, February 09, 2013 8:11 PM
To: McCaffrey, Carlyn
<=>Subject:

i have reviewed the 2703 regs, i don't see the issue, if the=trust buys an option, at market, today and the stock goes up, =he stock gets valued at the fair market , but the cash settled option come= due reducing the value of the estate. , bringing the same net result.&nbs=; and even better if debra gets the stock with a step up, = what am i misssing?

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