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From: Harry Beller
Sent: Tue 1/3/2012 8:44:49 PM
Subject: Eur Put Usd Call

Jeffrey

On 12/13/11 FTC entered into a Eur Put USD Call @1.3075 k/o 1.245 . The premium paid by FTC was \$100,000. This option was closed on 12/28/11 at 4:53 PM where spot was 1.29393 and forward rate was 1.2943. The profit was \$44,000.

The following is an explanation by JP Morgan of the profit computation:

On 12/13/2011 FTC bought a EUR put USD 1.3075 strike call with a continuous knock out @ 1.245. The forward reference @ time of purchase was 1.3081. FTC paid 0.500% USD or \$100,000 on a \$20 MM notional. For comparative purposes; a vanilla 1.3075 EURUSD put would have cost roughly 1.65% USD or \$330,000.

This option was sold on 12/28/2011 with a forward reference @ time of sale of 1.2943. The premium received for the sale was 0.72% USD or \$144,000 on \$20 MM notional.

If this option were to expire on January 13th, 2012 @ our forward rate @ time of sale (1.2943), the premium would have been ~\$202,000 or a gain of ~\$102,000. The option is priced differently than a vanilla option in that the Delta (correlation of the option price relative to the price of the underlying) is significantly less than a vanilla. This is a result of the in-the-moneyness of the option increasing the probability of the option being Knocked out, or worthless. For selling this tail-risk, the option is worth less, hence the cost savings on the purchase versus a vanilla.