

**To:** jeevacation@gmail.com[jeevacation@gmail.com]; Jeffrey Epstein[jeevacation@gmail.com]  
**From:** Jes Staley  
**Sent:** Tue 3/5/2013 3:54:11 PM  
**Subject:** Re:

I will send the LPA

Jes Staley  
Blue Mountain Capital

On Mar 5, 2013, at 8:27 AM, "Jeffrey Epstein" <jeevacation@gmail.com> wrote:

The documents you forwarded to me include the PPM and the Subscription Agreements. No limited partnership agreement is attached. I would like to obtain a copy of the limited partnership agreement to check it against the description of terms contained in the Private Placement Memorandum.

The investment to be subscribed for is for Class S Interests of a Delaware Limited Partnership, Blue Mountain Credit Alternatives Fund L.P., This Limited Partnership has been around since 2003 and has other interests outstanding. According to the PPM, the Limited Partnership is currently also offering the opportunity to subscribe for other classes of interests, but those other classes of interests are being offered to existing holders of those outstanding interests. The PPM indicates that the terms of the other interests are different from the Class S Interests. The PPM does not specify what the differences are but refers us to a 2009 Private Placement Memorandum for Class Q2 Interests, Are you aware of these other interests and do you want us to determine what differences there are in the different class of interests currently being offered. I would like to know whether the terms of the Q2 interests are more favorable than the terms of the Class S Interests?

Minimum investment in Class S Interests is \$1 Million and the subscription offer is being made only to Qualified Purchasers under the 40 Act, which must also be qualified eligible persons under Regulation 4.7 of the Commodities Exchange Act, and to Accredited Investors under Reg D of the Securities Act of 1933.

The structure is a Master Fund/Feeder Fund Structure, which includes this Partnership for on-shore investors, an offshore fund and possibly other investment vehicles structured to meet the specific needs of certain U.S. Investors and non-U.S. Investors, all feeding into a Master Fund, Blue Mountain Credit Alternatives Master Fund, L.P., a Cayman Islands exempted limited partnership. The PPM states that as of the date of the PPM, September 2012, no Feeder Funds other than the Offshore Fund were in existence. I do not know what is the state of affairs today.

. Withdrawals are considered to be made first from the sub-capital account (and

corresponding sub-investment account) attributable to the earliest eligible capital contribution on a first-in first-out basis.

The "soft lock" applies to requests to withdraw any investment tranche that is held for less than 12 months, and in the event of the withdrawal of a tranche held for less than 12 months, requires payment of a withdrawal fee of 3% of the Net Asset Value of the Interests withdrawn.

The "Investor Level Limit", provides that the Partnership is not obligated to permit a withdrawal of more than 25% per quarter of an investment tranche, so that a request to withdraw 100% of the tranche can generally take 4 quarters to be effective. However, there appears to be a quirky reset provision in the PPM which states that at the calendar year end following the conclusion of the Soft Lock with respect to any tranche, the Partnership may convert that tranche into any other tranche of Class S Interests that is not subject to a soft lock. So, although I do not have the limited partnership agreement to analyze, I think that this reference in the PPM means that if by calendar year end you were able to withdraw 25% of a particular tranche whose soft lock had expired in that calendar year, rather than being able to withdraw the remainder of this investment tranche over the next three quarters, the reset provisions allows the partnership to further limit your withdrawals of the balance of that tranche, so that you can then only withdraw 25% of that balance per quarter over the next 4 quarters. Thus, it appears that the reset turns a 100% withdrawal of your investment tranche, which would occur over 4 quarters, to one which will take 5 quarters to complete. It is a little unclear in the PPM, so I would need to read the limited partnership Agreement to make sure.

In addition to the foregoing limitations, the PPM states that withdrawals or payments of withdrawals may be suspended or postponed by the General Partner of the Partnership during the times when the Master Fund is not permitting withdrawals by Feeder Funds, which can occur under a broad set of circumstances. The Master Fund may suspend withdrawals by Feeder Funds or postpone the payment date of those withdrawals for any period during which: (1) any stock exchange or over-the-counter market on which a substantial part of the investments of the Master Fund are traded is closed or trading is restricted or suspended, (2) there is a state of affairs that constitutes a state of emergency as a result of which disposal of the Master Fund's investments is not reasonably practicable, or it is not reasonable practicable to determine fairly the value of the Master Fund's assets, (3) a breakdown occurs in any of the means normally employed in ascertaining the value of a substantial part of the Master Fund's assets or when for any other reason the value of such assets cannot reasonably be ascertained, or (4) there exist such other extraordinary circumstances, as determined in good faith by the Master Fund's General Partner, that cause withdrawals or such payments to be impracticable under existing economic or market conditions or conditions relating to the Master Fund. As you can see, this is a fairly broad power granted to the Master Fund (reminiscent of the DB Zwirn investment).

Subject to the limitations above, payments of withdrawals of less than 80% of a particular sub-capital account generally will be paid in full within 30 days after the withdrawal date. If a withdrawal is satisfied through the liquidation of a representative pool of the Master Fund's positions, the proceeds of such liquidation will generally be paid in full within 30 days following the completion of the liquidation of such pool.

Where there is a request to withdraw 80% or more of a sub-capital account, there is a holdback pending the completion of the Partnership's annual audit. The holdback is up to 10% of the withdrawal proceeds, which will ultimately be paid within 30 days following delivery to the Partnership of the audit for the year in which the withdrawal occurs.

Any assignment of Class S Interests requires the General Partner's prior consent.

The following reports are to be provided to the limited partners: (1) a weekly estimate of the Partnership's Net Asset Value, "generally within two (2) days of the end of each week", (2) a monthly estimate of the Partnership's Net Asset Value, "generally within five (5) business days of the end of each month", (3) a final monthly Net Asset Value, "generally within fifteen (15) business days of the end of each month", and (4) a monthly risk report with respect to the Partnership, "generally within fifteen (15) business days of the end of each month".

Limited Partners generally are not permitted to review the Partnership's books and records. strange

The PPM notes that :

"from time to time, the Master Fund may share a trading strategy with another fund or account managed by the Investment Manager (an "Affiliated Fund"). In that event, the Investment Manager may form a pooled investment vehicle (a "Trading Entity") to facilitate the joint implementation of such trading strategy. The Master Fund may also invest directly in an Affiliated Fund. In either event, the Master Fund will not be subject to additional management fees, incentive fees or incentive allocations in connection with its investment in any such Trading Entity or Affiliated Fund."

This is just something to keep in mind given the problems with interfund trading in the past (i.e., Zwirn), that created problems and opportunities for abuse by managers.

PriceWaterhouseCoopers is the Partnership's auditor and Purrington Moody

Weill LLP is counsel to the Partnership, the General Partner of the Partnership and Investment Manager and U.S. Legal counsel to the Master Fund.

An important point for you to know is that the Partnership's General Partner has the absolute discretion to agree with a limited partner to waive or modify the application of any terms set forth in the PPM with respect to that limited partner (including terms relating to management fees, performance distributions, withdrawals and reporting). If you are going to invest, it may make sense to request that the General Partner to eliminate or modify the limitations on withdrawals. Maybe we can request that the General Partner change withdrawals to monthly (rather than quarterly) and require substantial advance notice before any suspension in order to permit us to make a timely withdrawal (to the extent that might be possible) I think we would want our investment entity to have absolute right to inspect books and records. Also, should we request any additional or more particularized Fund reporting on a weekly and monthly basis.

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