

**From:** Lesley Groff <[REDACTED]>

**To:** Epstein Jeffrey <jeevacation@gmail.com>

**Subject:** Todd Meister-Fwd: Drinking from a fire hose

**Date:** Wed, 08 Feb 2012 22:02:38 +0000

**Attachments:** Greenlight\_Capital\_Re\_Summary\_2012\_02-03.doc; Meister\_Presentation.ppt; Aon\_Presentation.ppt; Economics\_of\_a\_Startup.ppt; FBR\_Presentation.pdf

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Sent from my iPhone

Begin forwarded message:

**From:** Todd Meister <[REDACTED]>

**Date:** February 8, 2012 4:51:53 PM EST

**To:** "Lesley Groff ([REDACTED])" <[REDACTED]>

**Subject:** FW: Drinking from a fire hose

Here is a brief set of intro documents. Aon is the world expert on this type of reinsurance vehicle. I set one up with Dan Loeb at Third Point called third Point Re. Aon has structured it and raised in excess of \$1 billion in 5 months. I also brought the idea to Steve Cohen at SAC who is moving forward with it.... I have a hard copy of the presentation we (Aon and I) made to Steve Cohen which I could not scan but will drop off.) Please advise Jeffrey to look at Greenlight Re's website which has a bunch of presentations that are crystal clear on tax free hedge fund investing through reinsurance.....best, todd

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**From:** Joseph Taussig [mailto:[REDACTED]]

**Sent:** Friday, February 03, 2012 2:25 PM

**To:** Todd Meister

**Subject:** Drinking from a fire hose

Dear Todd,

Thanks for offering to introduce me to your friend.

Attached are a three page Greenlight Re Summary, a 5 slide PowerPoint presentation on the concept, Aon's presentation to SAC, the slide from the Third Point Presentation on startup economics (I do not have the entire Third Point presentation in electronic form) and FBR's presentation. There is also a 25 minute Opalesque TV clip on the concept.

[Three page summary on Greenlight Capital Re \(NASDAQ – GLRE\).](#)

As of today for stock price and fund performance. As of September 30<sup>th</sup> for balance sheet information - the most recent earnings report. It is an analysis of how GLRE has benefitted David and the investors relative to the Greenlight funds.

Because David elected to pursue this path, he is managing more than \$2 billion for full fees that he would not otherwise have managed and all of it is permanent capital. In 2008, Greenlight's funds suffered their first losses ever and had net redemptions for the first time in their history. Not so GLRE.

But what about the GLRE investors ? Since inception in 2004, relative to the Greenlight funds, offshore investors have enjoyed outperformance of 6% p.a., while U.S. taxable investors have enjoyed roughly 9% p.a. of outperformance. Since the IPO in 2007, offshore investors have enjoyed 4% out performance p.a., while U.S. taxable investors have enjoyed roughly 7%.

Compared to Berkshire Hathaway or the S&P insurance index, outperformance has been 11% p.a. and 21% p.a. respectively since inception and 7% and 24% p.a. since the IPO.

Outperformance should justify all of the effort in and of itself, but investors have also enjoyed roughly \$2.5 million a day of daily liquidity as opposed to two year lock ups, quarterly liquidity, and notice periods in the Greenlight funds. Lastly, unlike funds, there are no 1099s, K-1s, or annual taxes for U.S. taxable investors and capital gains taxation only on the sale of shares for taxable investors in the UK, Canada, and the U.S.

### **The Meister Presentation**

This illustrates the elements necessary to make our model work. The first slide is a General case for a (re)insurance or banking concept that is attractive provided that the right management team is involved to execute the concept. Then, if the asset strategy makes sense for the (re)insurance or banking concept and the Sponsor (the asset manager, his funds, and/or his investors) is able to co-invest at least 10% of the capital being raised in a 144A transaction (minimum of \$200 million, maximum in excess of \$1 billion) and all four elements indicate that 15% ROEs are attainable on a run rate basis within a year, FBR can raise the target amount of capital in eight weeks with a high degree of certainty.

The second slide explains why it works. Buffett is the model. He did it with only \$70 million to start. GLRE is the updated version.

The third slide explains the 144A market and FBR's place in it.

Every one of the business ideas in slides 4 and 5 have been approved by FBR. Thus, one of the next steps would be to get FBR and your client comfortable with one another.

If FBR feels package is bankable and if you have confidence they can raise the capital if you partner with the right (re)insurance or banking management team, it will be my job to come up with a (re)insurance or banking concept that fits you and that you are comfortable with, source a management team that both fits and is acceptable to you, and structure the business. It will be FBR's job and mine to raise the capital and your job to manage the investments and keep the (re)insurance or banking executives in line with the help of an industry savvy board that we will also help you select.

It is also important to understand that if FBR were to raise \$200 million for a (re)insurer or bank, you would actually manager \$400 to \$600 million due to the balance sheet leverage. However, unlike prime brokerage leverage, the manager earns management and performance fees on dollar one, whereas there are no management fees on prime brokerage leverage and performance fees only apply to the excess return over the cost of financing.

**The Aon Benfield Presentation for SAC and the one page extract on economics from Third Point should be self explanatoery**

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**FBR Presentation**

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This is the presentation that has changed our business model last year. The important slides are 11-21.

To advance matters with us, you will absolutely, positively, need to believe that FBR can raise capital.

144A is usually used for debt flotation and structured products that can trade in an institutional/offshore only secondary market. It is also used by foreign issuers for IPOs listed in their home markets so that the Fidelitys and Vanguard of the U.S. can invest without total resale restrictions.

A little known use of 144A offerings is for equity capital for U.S. companies and Bermuda companies (since the Bermuda stock exchange is not a viable home market). There have been 91 such companies raising \$25 billion in equity capital this way over the last 10 years. FBR has done 51 of the 91 deals and \$16 billion of the \$25 billion (roughly \$300 million per deal). For FBR, it is a business. For everyone else it is a hobby.

144A equity capital raises represents roughly 50% of FBR's business. 70% of the deals are financial services deals. 50% of the deals are startups, including \$1.25 billion raised for three Bermuda startup reinsurers. FBR has completed at least one \$1 billion + transaction in each of the last three years, so the crisis did not kill this business.

## Opalesque TV Interview

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Opalesque TV interviewed me on "Structural Alpha" last year. The link:  
[http://www.opalesque.tv/youtube/Joe\\_Taussig/1](http://www.opalesque.tv/youtube/Joe_Taussig/1)

I land in New York on Sunday. Monday, Tuesday, and Wednesday are heavier than later in the week.

If you have any questions or want to schedule a meeting, I can be reached at [REDACTED] through  
Sunday and then on my U.S. cell + [REDACTED]

Warmest regards,

- Joe

Joseph K. Taussig

Taussig Capital AG

Im Gsteig 2

8703 Erlenbach, Switzerland

Tel: [REDACTED]

Fax: [REDACTED]

Skype: [REDACTED]

E-mail: [REDACTED]

