

**From:** Jeffrey Epstein <jeevacation@gmail.com>  
**To:** "Barrett, Paul S" <[REDACTED]>  
**Subject:** Re: To Do - NEW HY RMBS - \$7.521mm of SEMT 03-5 B1 @ \$80-16 (6.15% yield / 5.62 durn)  
**Date:** Fri, 19 Oct 2012 17:22:38 +0000

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ok

On Fri, Oct 19, 2012 at 5:48 PM, Barrett, Paul S <[REDACTED]> wrote:

Lets also sell our Citi Pfd's yielding 3.50% ytw. We are up 225K all in since we bought them 2yrs ago. Don't think it makes much sense to hold these at these low yields.

Paul

Paul Barrett, CFA  
Managing Director  
Global Investment Opportunities Group  
JPMorgan Private Bank  
320 Park Avenue, 14th Floor, New York, NY 10022  
[REDACTED] (W) [REDACTED] (F)  
NMLS ID# 853441  
[REDACTED]

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**From:** Jeffrey [mailto:[jeevacation@gmail.com](mailto:jeevacation@gmail.com)]  
**Sent:** Friday, October 19, 2012 11:28 AM  
**To:** Barrett, Paul S  
**Subject:** Re: To Do - NEW HY RMBS - \$7.521mm of SEMT 03-5 B1 @ \$80-16 (6.15% yield / 5.62 durn)

Ok

Sorry for all the typos .Sent from my iPhone

On Oct 19, 2012, at 5:17 PM, "Barrett, Paul S" <[REDACTED]> wrote:

Hi Jeffrey

This bond looks interesting.

I would like to take profits on our Barclays Pfd which is yielding 3.70% and buy this mortgage bond. We are up \$154K all in on the Barclays Pfd.

Let me know

Paul

EFTA00945744

US Onshore Clients – Blue Sky (U.S. State Securities Law): Please confirm Blue Sky eligibility before soliciting to a US Onshore client by entering the CUSIP into the web tool located at: <http://pscoppv1.amer.jpmchase.net:8080/BlueSkyPage.html> and review to see if your client's state of residence is listed. If you receive 'NO SECURITY FOUND', 'NO STATES FOUND' or the security DOES NOT HAVE A CUSIP or is not USD-denominated, then please contact your SM or local compliance officer and provide the requested security and client information. Please note that a suitability review and other pre-trade procedures must still be followed.

The SEMT 03-5 B1 is a prime subordinate bond rated BB+/B2/BBB and is backed by 110 month seasoned Prime Vanilla ARM mortgages. The pool has 60.35% updated LTV, 84% always current borrowers (looking back 2 years), 271k average balance and most importantly, 4.7% credit support vs only 3.55% 60+ delinquency. The way I look at it, if 100% of the 60+ delinquent borrowers were immediately evicted and foreclosed on and the repossessed homes sold for \$0, the pool would incur 3.55% losses. In this grim scenario I painted, this B1 bond would still receive no writedowns.

Additionally, this deal is immediately callable by the servicer since the collateral factor is below the 10% range. This deal becomes more callable as time passes and in the scenario where rates were to back up, the ARM mortgages in this pool would be worth considerably more on bank balance sheets. With only 3.55% delinquent loans, this deal is already clean enough to call, it's really a matter of economics for the servicer at this point. In our recovery scenario, we are assuming the deal is called 3 years from today even though the bonds are callable right now.

In our stress scenario, we default approximately 2.6x the current 60+ delinquent population at 60 severity ramping down over 2 years to 40. We're also running half the 6 month speeds and see this bond producing a 5.02% yield for a 6.03 duration bond.

\*\*\* THIS BOND IS OFFERED TO US AND THE STREET AT 84-16. I see value in this bond @ 80-16 but there is no guarantee we can trade it there.

#### HIGHLIGHTS

- HPI Updated LTV = 60%
- 84% of the borrowers have not missed a payment in the past 2 years
- 110 months seasoned
- 732 FICO
- \$271k average balance

\*\*Source: Bloomberg

#### SEMT 2003-5 B1 Offered @ 80-16

BOND DESCRIPTION	
Cusip:	81743PCR5
Original Face:	7,521,500
Current Face:	1,863,319
Bond Type:	Seasoned Prime Subs
Rating (S&P/Moodys/Fitch):	BB+/B3/BBB+
Current Coupon:	1.119%
Yield @ Base Case:	6.148%
WAL @ Base Case:	7.11
Principal Window @ Base Case:	Nov12 to Aug33
Writedown %:	0.00%
Current Credit Enhancement:	4.70%
60+ Delinquencies:	3.55
60+ Delinquency Coverage:	1.32x

UNDERLYING COLLATERAL DESCRIPTION	
Average Loan Balance (\$,000s)	271
Loan Count	211
Mortgage Type	Seasoned Prime Vanilla ARMs
Wtd Avg Mortgage Coupon	2.332%
Wtd Avg FICO Score	732
Wtd Avg Orig Loan-to-Value	60.67%
HPI Adj LTV	60.35%
Weighted Avg Loan Age	110
Owner Occupied	84.21
Top 1 Geo Concentration	CA 14%
Top 2 Geo Concentration	FL 13%
Top 3 Geo Concentration	GA 11%
Always Current (24 mos)	84.06%

Prepay Rate	3 CPR	5 CPR	8 CPR
Default Rate	2.5 ramp 24 1 CDR	2 ramp 24 0.75 0.5 CDR	2 ramp 24 0.5 CDR
Default Severity	60 ramp 24 40	50 40 ramp 24 35	45 ramp 24 30
Delinq Rate	4 Percent	4 Percent	4 Percent
Delinq Advance (% of [REDACTED])	100	100	100
Optional Servicer Call	N	N	10/2015
** Run to Fwd LIBOR			

Price @ 80-16	Stress Case	Base Case	Recovery Case
Yield	5.015	6.149	10.416
Spread over Tsy	357	481	996
Duration	6.03	5.62	2.29
WAL	7.69	7.11	2.53
Principal Window	Nov12 to Aug33	Nov12 to Aug33	Nov12 to Nov15
Principal Writedown	8.63%	0.00%	0.00%
Total Collat Loss	0.56%	0.41%	0.35%
Total Liquidation	9.20%	5.13%	2.57%

HISTORICAL PERFORMANCE			
	1 MOS	3 MOS	6 MOS
CPR	4.30	6.01	6.52
CDR	0.00	0.00	0.00
SEV	NA	NA	NA

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Non-agency RMBS is a complex fixed income product and is not suitable for all investors. Please note that while desk assumptions are driven by a number of collateral and macro factors, the **historical performance of a deal is not indicative of its future performance**. Additionally, this message is a product of sales and trading and is not a research report. Other key risks to consider are outlined below:

- All investments are subject to possible loss of principal
- Non-Agency bonds may have limited liquidity and clients should be aware that the secondary market for mortgage-backed securities has experienced periods of illiquidity and may do so in the future. Illiquidity means that there may not be any purchasers for your class of certificates. Although any class of certificates may experience illiquidity, it is more likely that classes that are lower in the capital structure and non-investment grade related may experience greater illiquidity than more senior, investment-grade rated classes.
- High Yield Non-Agency bonds are speculative non-investment grade bonds that have higher risk of default or other adverse credit events which are appropriate for high risk investors only

Non-Agency bonds are intended for clients with a minimum total net worth of \$50mm. Please make sure your client fulfills this requirement before soliciting this order.

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