

From: Ari Glass <[REDACTED]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: intracoastal explanation
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I understand that the Intracoastal entity caused you some pause and created some questions in your mind. It has been so long since its creation and since Rothstein's testimony that I wasn't even certain what he had testified to and what you were reading. My assumption is the Rothstein testimony is about the only information there would be out there.

I asked the attorneys to send me all of the testimony on the entity for me to read.

Here is some background on Intracoastal as an entity as well as specific responses to some of what Rothstein testified to.

In early 2009 Rothstein suggested to me that we could open our own specialty finance firm. We were surprised because we thought he was such good buddies with Levin (Banyon) that he wouldn't allow him to have competition.

I spoke with our funds counsel about it. We discussed whether there were any conflicts with respect to the funds or whether any other issues would exist. It was determined that given the funds disclosure documents we absolutely could engage in this business. Firstly we disclose our ability to do outside investments. Secondly our fund docs were specifically for lending opportunities and not for specialty finance funds. Despite this, after numerous conversations with fund counsel (Eric Wagner of Kleinberg Kaplan Wolff and Cohen) I decided to go above and beyond our legal obligations and to avoid even an appearance of conflict, and upon counsels advice, we set up Intracoastal to do only the lower return deals. So the higher return deals were to continue to go to the fund and lower return deals for which me and my partners were to have owned equity once it was set up were to have the lower return deals. This would not hurt Intracoastal's lenders as they were to get a fixed rate; rather it would only hurt us as the equity owners of the settlements.

This by the way, is in contrast to a vehicle set up by my ex-partners without my knowledge called Regent (the one referred to in the Barron's article of which I was unaware of its existence). In that case they (my ex-partners) took the highest return deal for themselves (Rothstein testifies to this). I was not part of the Regent deal and would not have approved of a deal where they took the best return for themselves, (which I assume is why they didn't invite me in). All of the info about Regent (specifically that I was not involved in it and unaware of its existence can be verified by Gabe Hertzberg or Eliot Lauer of law firm Curtis Mallet). All the info about the initial set up of Intracoastal and making a determination to only accept lower return deals, and that I went out of my way to look at conflicts, etc, before setting things up can be confirmed by Eric Wagner (Platinum's fund counsel and the one who set up the Intracoastal for us). He was also Intrepid Capital's fund counsel while I was at Intrepid (the large Soros seeded Tiger Cub.)

Rothstein, in his testimony, was looking to harm me in any way he could. I have numerous theories as to why, but those are for another time. Given that he is a convicted felon, It is of course absurd that anyone would take his word for anything and his word is the only word out there regarding Intracoastal. Having said that, I can explain / or counter in this particular instance what Rothstein said.

I read through his testimony and most of what he testified about that are objectively not true –
He says that Intracoastal was set up after the funds cut him off – Intracoastal was set up in December / January. The funds did not cut him off until a payment was missed in April (this can be verified by Curtis Mallet). He testified that it invested in more than the one deal.
Not true –can be confirmed by Eliot Lauer / Gabe H of Curtis Mallet.

He says it was unbeknownst to my partners.
Rothstein is referring to my general partners, not my LPs. It is not true that they were unaware. Both Eric Wagner (KKWC, who set up the entity) and Curtis Mallet who saw all the info later, can confirm that my partners

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were in fact going to be partners in this entity when it got up and running. We never did get around to funding company or signing the operating docs but their name was on the drafts of it. In this particular case Rothstein wasn't trying to lie. He was unaware that they were involved. I intentionally kept it that way because he hated Huberfeld who refused to ever meet or speak with him, and I was afraid that if he knew that Huberfeld was going to be an investor he would take out that hate of Huberfeld on Intracoastal and cut us off (ironically we were always afraid we would lose capacity in the strategy).

Even though he was not testifying about the LPs of the funds, but rather the GPs when he said unbeknownst to my partners, I will address in greater detail the LPs so that there are no questions of whether I was in any way violating my obligations to my LPs. Our hope was that we would be able to set up a specialty finance company in which we (my partners and I) would take equity risk on these deals (as opposed to the lending the fund did to specialty finance entities like Banyon). Once we proved concept by getting the entire structure set up and the relationships with the banks, with lock accounts for the lenders, etc., our goal would have been to shut down Level 3 and ask all of those investors to convert from LPs in a fund to lenders to Intracoastal. It would have provided for better returns for both the former LPs as well as for us since the Banyon entity would have no longer been taking a piece. Before this could ever happen Banyon missed a payment to the funds and Intracoastal was effectively shut down (never went ahead and funded a deal).

Rothstein alludes to hiring my childhood friend Dr Bo Rosenblatt to run the entity as some sort of indication something was untoward existed in this. The reason for Rosenblatt's hiring is that we didn't want to use the same verifier and operations guys that Banyon was using. We were effectively deciding to go into completion with them and it made sense to get different locals representatives involved. We didn't want to announce to Banyon that we would potentially be competing with them. The only necessary qualifications for the role of someone running this for us was someone intelligent and trustworthy, and living in the Fort Lauderdale area which Bo fits. He was valedictorian of my high school class and I have known him since then and trust him implicitly. And importantly he was local and had a flexible schedule (as an ER doctor) so he would be able to go back and forth to bank and to Rothstein's offices as needed. As I said the lawyers can verify all of this and I can make them available to speak with you.

In summary, nothing unethical was done with respect to intracoastal. Nothing was hidden from partners and Intracoastal was specifically going out of its way, above and beyond its legal obligations to put outside investors first and before my own interests. Partners at the various law firms involved in setting this up can confirm this and they can be made available to speak with you about it.

Ari Glass
Boothbay Management
Managing Member
810 7th Ave
Suite 405
New York, NY 10019

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