

From: Richard Kahn <[REDACTED]>
To: "jeffrey E." <jeevacation@gmail.com>
Subject: Fwd: REIT Operating Units
Date: Tue, 22 Aug 2017 19:34:47 +0000

is this for you? client?

paul used HBRK name which triggered response below

please advise on entity name to give bruce if you would like us to receive more info on S&P overlay strategies
thank you

Richard Kahn
HBRK Associates Inc.

[REDACTED]

Begin forwarded message:

From: Jaeger, Bruce <[REDACTED]>
Subject: RE: REIT Operating Units
Date: August 22, 2017 at 3:22:11 PM EDT
To: Paul Barrett <[REDACTED]>
Cc: Richard Kahn <[REDACTED]>

Is HBRK Associates located at 1365 York avenue? If so then, probably not. If not a direct client or affiliated entity of Jeffrey's then difficult to seek approvals. The client/counterparty would require significant disclosure including but not limited to AUM, my history and relationship with that entity, the level of sophistication and other particulars that Stifel/Fund may require. What entity or b/d does Jeffrey currently trade with?

From: Paul Barrett [[mailto:\[REDACTED\]](mailto:[REDACTED])]
Sent: Tuesday, August 22, 2017 2:50 PM
To: Jaeger, Bruce (New York 3 Bryant)
Cc: Richard Kahn
Subject: RE: REIT Operating Units

Bruce

Can we use HBRK Associates.

Thanks

Paul

Paul Barrett
[REDACTED]

From: [Jaeger, Bruce](#)
Sent: Tuesday, August 22, 2017 12:25 PM
To: [Paul Barrett](#); [jeffrey E.](#)
Cc: [Richard Kahn](#)
Subject: RE: REIT Operating Units

See my initial responses next to your questions below- please let me know how you wish to proceed. Thank you.

From: Jaeger, Bruce (New York 3 Bryant)
Sent: Tuesday, August 22, 2017 9:54 AM
To: 'Paul Barrett'; jeffrey E.
Cc: Richard Kahn
Subject: RE: REIT Operating Units

Paul,

The presentation by Sagewood Asset Management provides detailed responses to your questions below. Compliance requires that I provide the counterparty name and details so that they can send the materials directly to the prospective investor. Please forward and I will submit in the Stifel system for approval.

After speaking with Jeffrey, exposures, margin requirements and potential capital calls were key concern(s) as well as fees and transaction costs. The Separate account structure allows for full transparency and the exchange traded short term SPX index options are liquid typically with next day cash settlement. SPX index options are taxed at a blended rate under IRS Section 1256 (60% LT, 40% ST Capital Gains). The targeted incremental yield utilizes existing portfolio as collateral. Based on the composition of the underlying portfolio, a certain release will be calculated and subject to margin requirements.

Please let me know how you wish to proceed.

From: Paul Barrett [[mailto:\[REDACTED\]](mailto:[REDACTED])]
Sent: Monday, August 21, 2017 10:42 PM
To: jeffrey E.; Jaeger, Bruce (New York 3 Bryant)
Cc: Richard Kahn
Subject: RE: REIT Operating Units

Hi Bruce

Can you provide some more information on:

- option maturities and strikes (in %) – there's variation here, the team doesn't use fixed strike / maturities
- Is it only on SPYs or on SPX? **Only SPX**
- How you expect the strategy to perform in today's vol environment vs the previous 5 years (Track record should help)
- Any performance history (yes – contained in their Deck)
- Fees including execution costs (contained in their Deck)

Thanks

Paul

From: [jeffrey E.](#)
Sent: Monday, August 21, 2017 1:50 PM
To: [Jaeger, Bruce](#); [Paul Barrett](#)
Subject: Re: REIT Operating Units

more details?

On Mon, Aug 21, 2017 at 1:41 PM, Jaeger, Bruce <[REDACTED]> wrote:

In the interim, any interest in an overlay strategy for yield enhancement? Short term vol strategy using S&P options leveraging existing investment portfolio as collateral. Let me know

From: jeffrey E. [<mailto:jeevacation@gmail.com>]
Sent: Monday, August 21, 2017 12:50 PM
To: Jaeger, Bruce (New York 3 Bryant)
Subject: Re: REIT Operating Units

hes on vacation. i asked on friday

On Mon, Aug 21, 2017 at 12:47 PM, Jaeger, Bruce <[REDACTED]> wrote:
Let me know how you wish to proceed. Thank you.

From: Jaeger, Bruce (New York 3 Bryant)
Sent: Friday, August 18, 2017 4:35 PM
To: 'jeffrey E.'
Subject: RE: REIT Operating Units

Jeffrey-

As discussed, please call me on Monday once you determine that the client is comfortable with disclosing their REIT holdings.

In addition to the potential loan against the REIT operating units, if the underlying REIT is liquid and the GP is a willing party, contributing the operating units to an exchange fund may be an interesting way to diversify without triggering a taxable event. In the event the exchange fund accepts the operating units, a loan against more liquid collateral may be more beneficial for your client. Once we get clearance we can explore both options. Thank you

Have a nice week end.

Bruce

Bruce W. Jaeger
Director/Investments | STIFEL

[REDACTED]
E-mail: [REDACTED]

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3 Bryant Park | 3rd Floor | New York, NY 10036

From: jeffrey E. [<mailto:jeevacation@gmail.com>]
Sent: Tuesday, August 08, 2017 4:14 PM
To: Jaeger, Bruce (New York 3 Bryant)
Subject: Re: REIT Operating Units

i assume there is tax risk if they have to exchange for shares or cash. . the holder will geta capital gain?

On Tue, Aug 8, 2017 at 2:51 PM, Jaeger, Bruce <[REDACTED]> wrote:

For Information & Discussion Purposes Only

Stifel Bank & Trust has issued non-purpose loan(s) using Convertible REIT Operating Units as collateral. The Client, Bank and REIT were subject to a Tri-party collateral agreement. In the event of a default, Stifel Bank could "put" the operating units back to the GP and the REIT, at their discretion within a reasonable period of time, would redeem the units for either cash or freely tradeable securities. This loan structure required a "user friendly GP" that was willing to accommodate their significant shareholder. The Bank cannot accept more than 9.5% of the company shares to limit the affiliate issue in the event of a default. To hedge the loan and potential collateral call(s), the client could enter into a proxy hedge subject to correlation and disclosure risk.

The nature of the facility can be in the form of either a demand loan or committed facility with fees to be negotiated separately for each structure. The size and LTV are dependent upon the Bank's appetite for risk, counterparty, internal concentration limits, assets held at the firm as well as other applicable criteria. It is helpful to know the exact restriction(s) on the units and if they are in certificated or book entry form.

Another possible solution would be to have the client contribute the operating units to an Exchange Fund and then post the exchange fund units as Collateral for the loan. This is subject to another set of criteria which uses the diversified exchange fund units as collateral for a loan. We are not sure if the Exchange Fund would accept "operating" units but, for tax efficiency, the units would need to be contributed to the fund and then converted into shares by the fund subject to regulatory requirements.

Happy to do more work but, I would need to know the particulars of the shareholder and their holdings. Let me know how you wish to proceed.

Best regards-

Bruce

From: jeffrey E. [<mailto:jeevacation@gmail.com>]

Sent: Tuesday, August 08, 2017 9:43 AM

To: Jaeger, Bruce (New York 3 Bryant)

Subject: Re: REIT Operating Units

tell me the structure ?

On Tue, Aug 8, 2017 at 9:39 AM, Jaeger, Bruce <[REDACTED]> wrote:
Jeffrey,

Good catching up this am. I did a little due diligence and we DO structure loan facilities against REIT Operating Units out of our Stifel Bank & Trust. Let me know how you wish to proceed.

Best regards,

Bruce

Bruce W. Jaeger

Director/Investments | STIFEL

[REDACTED]
E-mail: [REDACTED]

.....
3 Bryant Park | 3rd Floor | New York, NY 10036

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