

Subject: RE: Trade Recap - 4/2/2015 - DB Commodity WTI Short Volatility II Index [C]

From: Ariane Dwyer <[REDACTED]>

Date: Wed, 08 Apr 2015 14:53:29 -0400

To: Richard Kahn <[REDACTED]>

Cc: Jeanne Brennan <[REDACTED]> ,

Darren Indyke <[REDACTED]> ,

Paul Morris <[REDACTED]> ,

Daniel Sabba <[REDACTED]> ,

Vahe Stepanian <[REDACTED]>

Classification: Confidential

Hi Rich,

I'm following up on the below. Can you please confirm its okay to make the payment and we will call Darren for verbal confirmation.

Best,

Ari

From: Daniel Sabba

Sent: Tuesday, April 07, 2015 5:38 PM

To: Vahe Stepanian; Richard Kahn

Cc: Jeanne Brennan; Ariane Dwyer; Darren Indyke; Paul Morris

Subject: RE: Trade Recap - 4/2/2015 - DB Commodity WTI Short Volatility II Index [C]

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Richard and Jeanne,

Thank you for the call. Per our conversation, the \$124,704.68 bid/offer cost referenced in the previous email can be broken down as follows:

· Net vega (for the three WTI straddles the index references):  
\$58,209

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· Implied volatility (for the three listed WTI straddles the index references): ~47%

· Bid to mid: formulaically (per page 4 of attached index guide - excerpt below):  $4\% * \text{vol} = 4\% * 47\% = 1.88\%$

{cid:image005.png@01D07159.8CF88670}

· Bid to mid:  $1.88 * \$58,209 = \$109,432.92$

· Mid to offer: \$15,271.76 (per our chat, this is really competitive, as it represents a mid to offer of 0.26%).

· Bid to mid + mid to offer =  $\$109,432.92 + \$15,271.76 = \$124,704.68$

Please let me know if you have any questions – happy to have another call to discuss.

Regards,

Daniel

From: Vahe Stepanian

Sent: Tuesday, April 07, 2015 9:47 AM

To: Richard Kahn

Cc: Jeanne Brennan; Daniel Sabba; Ariane Dwyer; Darren Indyke

Subject: RE: Trade Recap - 4/2/2015 - DB Commodity WTI Short Volatility II Index [C]

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Good Morning Rich – calculation is as follows:

Final Payment =  $\text{Notional} / \text{Strike} * [ \text{Index closing level on Unwind Date} - \text{Index closing level on Last Reset Date} ] * \text{Discount Factor} - \text{Bid/Offer Cost}$

If this number is negative, then SOFL will pay the absolute value of this number.

With that said, the inputs (summarized from e-mails below) are as follows:

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Bloomberg screenshot\* below shows index closing levels and I've re-attached the executed confirm for your convenience.

Thank you,

Vahe

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{cid:image002.gif@01D07117.D5A63350}

\*Used with Permission of Bloomberg Finance LP

From: Richard Kahn [mailto:██]  
Sent: Tuesday, April 07, 2015 9:15 AM  
To: Vahe Stepanian  
Cc: Jeanne Brennan; Daniel Sabba; Ariane Dwyer; Darren Indyke  
Subject: Re: Trade Recap - 4/2/2015 - DB Commodity WTI Short Volatility II  
Index [C]

can you please send backup for your calculation

thank you

Richard Kahn

HBRK Associates Inc.

[REDACTED]

On Apr 7, 2015, at 8:58 AM, Vahe Stepanian <[REDACTED]> wrote:

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Good Morning Rich / Jeanne – Southern Financial needs to make a payment of USD 152,705.94 to DB today to settle the WTI short vol. trade.

Please confirm its okay to make the payment and I will call Darren for verbal confirmation.

Thank you,

Vahe

From: Vahe Stepanian  
Sent: Monday, April 06, 2015 9:49 AM  
To: Jeffrey Epstein  
Cc: Daniel Sabba; Richard Kahn; Paul Morris; Ariane Dwyer  
Subject: RE: Trade Recap - 4/2/2015 - DB Commodity WTI Short Volatility II Index [C]

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Jeffrey – please find WTI short vol. settlement details:

Index strike for 2Apr is 242.8579

Discount factor is 0.9994011

Southern Financial pays USD 152,705.94 to DB

Settlement date: 7 Apr 2015

Thank you,

Vahe

From: Vahe Stepanian

Sent: Thursday, April 02, 2015 3:00 PM

To: Jeffrey Epstein

Cc: Daniel Sabba; 'Richard Kahn'; Paul Morris; Ariane Dwyer

Subject: Trade Recap - 4/2/2015 - DB Commodity WTI Short Volatility II Index [C]

Classification: Confidential

Jeffrey – today we unwound your DB Commodity WTI Short Volatility II Index position per your instructions.

Trade recap:

SOFL unwinds the REFERENCE trade noted below at the close today.

Unwind Date: 2 Apr 2015

Final payment will be computed as:

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DB pays:  $\text{Notional} / \text{Strike} * [ \text{Index closing level on Unwind Date} - \text{Index closing level on Last Reset Date} ] * \text{Discount Factor} - \text{Bid/Offer Cost}$

If this number is negative, then SOFL will pay the absolute value of this number.

Notional: \$10,000,000

Strike: 255.8709

Last Reset Date: 31 Mar 2015

Index closing level on Last Reset Date: 243.5748

Discount Factor: Discount factor between Unwind Date and next scheduled reset date (6/30/15), per LIBOR flat curve

Bid/Offer Cost: Latest Reset Notional \* 1.31% (\$124,704.68)

Index level is known only late in the evening. Tomorrow is a commodities holiday, so payment will be computed on Mon morning.

Settlement Date: 7-Apr-15.

I've attached the original trade confirm for your reference.

Thank you,

Vahe

From: Daniel Sabba

Sent: Tuesday, January 13, 2015 3:13 PM

To: jeevacation@gmail.com

Cc: [REDACTED]; Paul Morris; Vahe Stepanian

Subject: Trade Recap - 01/13/2015 - DB Commodity WTI Short Volatility II Index [C]

Classification: Confidential

Jeffrey, per our phone conversation, Southern Financial LLC entered into the following commodity swap with Deutsche Bank AG, acting through its London branch. Southern Financial went long DB Commodity WTI Short Volatility II Index. Initial strike to be set at close today. The Initial Margin on this trade is 5% of Notional. Official termsheet and confirm to follow.

Trade recap:

OTC index swap

Buyer: SOFL

Seller: DBAG London

Underlying: DB Commodity WTI Short Volatility II Index

Bloomberg Ticker: DBCMWSV2 Index

Trade Date: 13 Jan 2015

Effective Date: 13 Jan 2015

Expiry Date: 13 Jan 2016

Resets at end of each calendar quarter. For clarity reset dates are: 31-Mar-15, 30-Jun-15, 30-Sep-15, 31-Dec-15, 13-Jan-16

Settlements: T+2

Notional: \$10,000,000

IA: \$500,000 paid by SOFL on 14-Jan-2015.

Up to 1.5% fees charged on exit under normal circumstances, irrespective of whether the exit is on scheduled Expiry Date or earlier

Strike: Underlying closing level on Effective Date

Cash flows:

On each reset date:

Buyer receives:  $\text{Notional} / \text{Strike} * (\text{Index closing level on reset date} - \text{Index closing level on previous reset date})$

For the first reset date,  $\text{Index closing level on previous reset date} = \text{Strike}$

Thank you for the trade,  
Daniel

Daniel Sabba  
Key Client Partners  
Deutsche Bank Securities Inc.  
Tel. [REDACTED]  
Mobile [REDACTED]  
Email [REDACTED]

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