Message

From: Stackman, Scott [redacted]h]
Sent: 4/3/2014 10:55:22 PM
To: Ghislaine Maxwell [redacted]n]; [redacted]
CC: Casriel, Lyle [[redacted]]; Garcia, Camille [[redacted]]; Klein, Matthew [[redacted]]; Ramdeen, Vijai [[redacted]]; Shkreli, Juliana [[redacted]]; Waldron, Chelsey Devon [[redacted]]
Subject: FW: Maxwell: Revised Proposal
Attachments: Maxwell Proposal 4.3.14.pdf

Ghislaine,

Attached is the revised proposal from our conversation. Note on our changes are below:

1. The overall proposal depicts the cash levels AFTER withdrawing $2M to invest in the hedge fund investment. i.e. its showing a 12mm aggregate balance vs. the 14mm that is here now.

2. We removed the allocations to Doubleline and Angel Oak given your concern for the mortgage market.

3. The proposal illustrates that we would like to ultimately sell down the concentrated equity holdings over time to get you better diversification. However, with tax sensitivity in mind we can raise about 1.1mm of the 4.5mm in concentrated equities (by offsetting gains with losses) to redistribute proceeds with little capital gains impact. The problem with this approach is that the majority of the losses are in the international equities, and we would not want to redeploy those proceeds into US equities which if done would severely overweight you to US. Furthermore, if you allow for the modest gains among the small mutual fund positions (about 60k and mostly long-term gains) , we can raise about 1.8mm which would be slightly better, but again the vast majority of the cash raised would be from international equities, and while we prefer our international managers to JPM, we still would not have a meaningful amount of liquidity to diversify your US exposure. Our strongest recommendation is to discuss a plan to systematically sell down your US equities (over one or more years) in order to build a more diversified US equity portfolio. We would like to discuss what amount in gains you feel may be most appropriate for you in 2014, but we would suggest that allowing taxes to wag the investment decisions can end up hurting longer term performance. We can achieve far more meaningful and prudent diversification by taking gains of approximately $250k this year, this would raise about 3.2mm that would allow us to build you a better portfolio in the near term. We strongly suggest better diversification and exposure to areas you are currently underweight such as small and mid cap US equities, MLPs and more growth oriented equities.

4. Note we are proposing an allocation to a MLP manager, Rachlin. We are not sure if you are familiar with owning individual MLPs, but we have been investing in them for over a decade and we are strong believers in the asset class for long term investors. We should make sure we discuss this in a little more detail.

5. As discussed on the phone we are also adding a dedicated allocation to Munis, which we do believe has a place in this portfolio.

6. Lastly we are modeling out 1mm left in cash for your operating needs. If you felt that you only needed about 500k or less for the next 6-12 months we would add a short duration Muni fund to pick up slightly better yield than cash.

Let us know a good time to review together.

Best,

Scott

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