

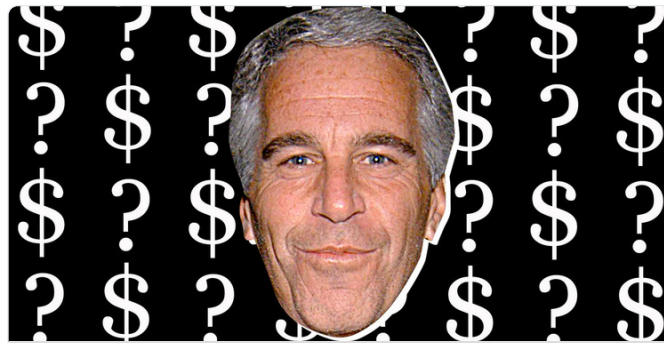


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## Hedge-Funders Have Some Thoughts on What Epstein Was Up To - New York Magazine



**Hedge-Funders Have Some Thoughts on What Epstein Was Up To — N...**

He claimed he was one of them, but the people who know the business best don't believe it. They see something else instead.

<https://apple.news/A495aVKXQTUO-WCCXgAg52Q>

Long before Jeffrey Epstein pleaded guilty to prostitution charges in Florida more than a decade ago, his fellow Palm Beach resident and actual hedge-fund manager Douglas Kass was intrigued by the local gossip about his neighbor.

"I'm hearing about the parties, hearing about a guy who's throwing money around," says Kass, president of Seabreeze Partners Management. While stories about young girls swarming Epstein's waterfront mansion and the sex parties he hosted for the rich and powerful were the talk of the town, Kass was more focused on how this obscure person, rumored to be managing billions of dollars, had become so wealthy without much of a track record.

Kass was well-connected on Wall Street, where he'd worked for decades, so he began to ask around. "I went to my institutional brokers, to their trading desks and asked if they ever traded with him. I did it a few times until the date when he was arrested," he recalls.

"Not one institutional trading desk, primary or secondary, had ever traded with

Epstein's firm."

When a reporter came to interview Kass about Bernie Madoff shortly before that firm blew up in the biggest Ponzi scheme ever, Kass told her,

"There's another guy who reminds me of Madoff that no one trades with."

Epstein.

"How did he get the money?" Kass kept asking.

For decades, Epstein has been credulously described as a big-time hedge-fund manager and a billionaire, even though there's really no evidence that he is either.

In a July 11 letter to the New York federal judge overseeing Epstein's [#sextrafficking](#) case, Epstein's attorney offered to provide "sealed disclosures" about Epstein's finances to determine the size of the bond he would need to post to secure his release from jail pending trial.

Naturally, this air of mystery has especially piqued the interest of real-life, \*non-pretend\* hedge-funders.

If this guy wasn't playing their game — and they seem pretty sure he was not — what game was he playing?

Intelligencer spoke to several prominent hedge-fund managers to get a read on what their practiced eyes are detecting in all the new information that is coming to light about Epstein in the wake of his indictment by federal prosecutors in NY

Most saw signs of something unsavory at the heart of his business model.

There is much skepticism among the hedgies that Epstein made the money he has — & he appears to have a lot, given a lavish portfolio of homes & private aircraft — as a traditional money manager.

A fund manager who knows well how that kind of fortune is acquired notes, "It's hard to make a billion dollars quietly."

Epstein never made a peep in the financial world.

Epstein was also missing another key element of a typical thriving hedge fund: investors.

Kass couldn't find any beyond Epstein's one well-publicized client, retail magnate Les Wexner — nor could other players in the hedge-fund world who undertook similar snooping.

"I don't know anyone who's ever invested in him; he's never talked about by any of the allocators," says one billionaire hedge-fund manager, referring to firms that distribute large pools money among various funds.

Epstein's spotty professional history has also drawn a lot of attention in recent days,

and Kass says it was one of the first things that raised his suspicions years ago.

Now 66, Epstein didn't come from money and never graduated from college, yet he landed a teaching job at a fancy private school ("unheard of," says Kass) and rose through the ranks in the early 1980s at investment bank Bear Stearns.

Within no time, Kass notes, Epstein was made a partner of the firm — and then was promptly and unceremoniously ousted. (Epstein supposedly left the firm following a minor securities violation.)

Despite this "squishy work experience," as Kass puts it, at some point after his quick exit, Epstein launched his own hedge fund, J. Epstein & Co., later renamed Financial Trust Co.

Along the way, Epstein began pedaling the improbable narrative that he was so selective he would only work with billionaires.

Mmhmm

Epstein encouraged Alan Dershowitz to invest with a prominent hedge-fund manager named Orin Kramer. Dershowitz did, and he made a lot of money at first. But in 2008, the fund Dershowitz had invested in lost a substantial amount. Afterward, according to a former associate of Epstein's, Epstein appeared in Kramer's midtown Manhattan office. There, sources say, he told Kramer: "It's very much in your interest to make Alan Dershowitz whole."

Epstein's intervention worked, and Dershowitz recovered his money.

Oddly, Epstein also claimed to do all the investing by himself while his 🚩 150 employees all worked in the back office — which Kass says reminds him of Madoff's cover story. Though it now appears that Epstein had many fewer employees than he claimed, according to the NYT

Thomas Volscho, a sociology professor at the College of Staten Island who has been researching for a book on Mr. Epstein, recently obtained [\[a 2002 disclosure\]](#) form, which [shows \[Epstein's\] Financial Trust had \\$88 million in contributions from shareholders](#). In a court filing that year, Mr. [Epstein said his firm had about 20 employees, far fewer than the 150 reported at the time by New York magazine](#).

Given this puzzling set of data points, the hedge-fund managers we spoke to leaned toward the theory that Epstein was running a blackmail scheme under the cover of a hedge fund.

How such a scheme could hypothetically work has been laid out in detail in this thread. In summary it is a rough blueprint for how Epstein might blackmail rich people into investing with him without raising too many flags.



Kass and former hedge-fund manager Whitney Tilson both emailed the thread around in investing circles and both quickly discovered that their colleagues found it quite convincing.

"This actually sounds very plausible," Tilson wrote in an email forwarding the thread to others.

## KOMPROMAT

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But in 2008, the fund Dershowitz had invested in lost a substantial amount.

Epstein showed up in Kramer's office & said:

***"It's very much in your interest to make Alan Dershowitz whole."***

Whatever Epstein said to Kramer worked. Dershowitz recovered his money.

Filthy Rich by James Patterson & John Connolly

"He somehow cajoled these guys to invest," says Kass, speaking of hypothetical blackmailed investors who gave Epstein their money to invest, but managed to keep their names private.

If the blackmail theory sounds far-fetched, it's worth keeping in mind that it was also mentioned in court docs and witness interviews/affidavits..

"Knowledge is king"

Epstein also trafficked Jane Doe #3 for sexual purposes to many other powerful men, including numerous prominent American politicians, powerful business executives, foreign presidents, a well-known Prime Minister, and other world leaders. Epstein required Jane Doe #3 to describe the events that she had with these men so that he could potentially blackmail them.

The Government was well aware of Jane Doe #3 when it was negotiating the NPA, as it listed her as a victim in the attachment to the NPA. Moreover, even a rudimentary investigation of Jane Doe #3's relationship to Epstein would have revealed the fact that she had been trafficked throughout the United States and internationally for sexual purposes. Nonetheless, the Government secretly negotiated a non-prosecution agreement with Epstein precluding any Federal prosecution in the Southern District of Florida of Epstein and his co-conspirators. As with Jane Doe #1, and Jane Doe #2, the Government concealed the non-prosecution agreement from Jane Doe #3 – all in violation of her rights under the CVRA – to avoid Jane Doe #3 from raising powerful objections to the NPA that would have shed tremendous public light on Epstein

9. I personally witnessed the one occasion where Mr. Trump forced the Plaintiff and a 12-year-old female named Maria perform oral sex on Mr. Trump and witnessed his physical abuse of both minors when they finished the act.

10. I personally witnessed or was made immediately aware of the two occasions where my boss Mr. Epstein attempted to rape and sodomize the Plaintiff. I personally witnessed Mr. Epstein sexually and physically abuse other minor females even younger than her.

11. It was my job to personally witness and supervise encounters between the underage girls that Mr. Epstein hired and his guests.

12. I personally witnessed Mr. Trump physically threaten the life and well-being of the Plaintiff if she ever revealed any details of the physical and sexual abuse suffered by her at the hands of Mr. Trump.

13. I personally witnessed Mr. Epstein physically threaten the life and well-being of the Plaintiff if she ever revealed the details of the physical and sexual abuse she suffered at the hands of Mr. Epstein or any of his guests.

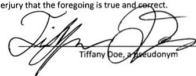
14. I personally witnessed Defendant Trump telling the Plaintiff that she shouldn't ever say anything if she didn't want to disappear like the 12-year-old female Maria, and that he was capable of having her whole family killed.

15. After leaving the employment of Mr. Epstein in the year 2000, I was personally threatened by Mr. Epstein that I would be killed and my family killed as well if I ever disclosed any of the physical and sexual abuse of minor females that I had personally witnessed by Mr. Epstein or any of his guests.

16. I am coming forward to swear to the truthfulness of the physical and sexual abuse that I personally witnessed of minor females at the hands of Mr. Trump and Mr. Epstein, including the Plaintiff, during the time of my employment from the years of 1990-2000 for Mr. Epstein. I swear to these facts under penalty of perjury even though I fully understand that the life of myself and my family is now in grave danger.

I declare under penalty of perjury that the foregoing is true and correct.

DATED: June 18, 2016

  
Tiffany Doe, pseudonym

19. Material witness Tiffany Doe fully confirms all of Plaintiff Katie Johnson's allegations of physical and sexual abuse by Defendants Donald J. Trump and Jeffrey E. Epstein. Tiffany Doe was physically present at each of the four occasions of sexual abuse by Defendant Trump upon the person of Plaintiff Johnson, as it was her job to witness all of the sexual escapades of Defendant Epstein's guests at these underage sex parties and later reveal all of the sordid details directly to Defendant Epstein. Defendant Epstein also demanded that Tiffany Doe tell him personally everything she had overheard at these parties explaining to her that "knowledge was king" in the financial world. As a result of these underage sex parties, Defendant Epstein was able to accumulate inside business knowledge that he otherwise would never have been privy to in order to amass his huge personal fortune.

12. I was trained to be "everything a man wanted me to be." It wasn't just sexual training—they wanted me to be able to cater to all the needs of the men they were going to send me to. They said that they loved that I was very compliant and knew how to keep my mouth shut about what they expected me to do.

13. Epstein and Maxwell also told me that they wanted me to produce information for them in addition to performing sex on the men. They told me to pay attention to the details about what the men wanted, so I could report back to them.

Giuffre also said photographic and video evidence existed — an assertion that looms especially large now that federal investigators have found a trove of images in Epstein's home safe.

The fact that Epstein's fund is offshore in a tax haven — it is based in the U.S. Virgin Islands — and has a secret client list both add credence to the blackmail theory.

So what did Epstein do with the money he did have under his management, setting aside the questions of how he got it and how much he had? One hedge-fund manager speculates that could have just put the client money in an S&P 500 index fund, perhaps with a tax dodge thrown in.

"I put in \$100 million, I get the S&P 500 minus some fees," he says, speaking of a theoretical client's experience.

Over the past few decades, the client would have "made a shitload" — as would Epstein. A structure like that wouldn't have required trading desks or analysts or complex regulatory disclosures.



Kass has kicked around a similar idea: Maybe Epstein just put all the client money in U.S. treasuries — the simplest and safest investment there is, and the kind of thing one guy actually can do by himself.

Step 1, step 2

D: What did he tell you he does for a living?

V: Well, there's a couple of things. Things that I found for myself, things I looked up on the Internet. What he specifically told me when I asked him the first time was, "Oh, I'm a brain scientist." And I said, "What the fuck is a brain scientist?" I was like, "That's not a real job—tell me the truth." But anyway...his explanation was, "It's my job to know how people's brains work." And I said, "Whatever the fuck

KOMPROMAT

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