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From: Barrett, Paul S
Sent: Wed 9/21/2011 7:51:34 PM
Subject: Update

Hi Jeffrey

We are still doing some more credit work before we close the \$5MM Harrah's note.

Since the end of August the account is down around \$2.7MM (was flat at the end of Aug). This translates into -\$6.98MM for 2010 and +\$4.25MM YTD for 2011.

This has been due to (changes since End of August):

SGD down 5% (\$500K)

INR down 5% (\$500K)

- We switched both of these forwards into options so we have limited downside from here on out

CADJPY down 150K [We are long the 83.25 CAD Call and Short the 76.00 Put with a knock in at 71; spot at 76.50; knock in 7% away]

Oil call down 140K

Corn down 600K

ING Pfds down 200K

MS Note knocked in down 140K

Telefonica note down 300K [Stock is trading below 2009 lows; only 35% of their revenue comes from Spain; would HOLD]

I would like to reduce further downside.

I think the cheapest protection out there remains buying CDS on Asia. For example Indonesia CDS costs 220bps. It got as wide as 1200bps in 2008. It feels like Asian credit spreads remain one of the few

things that have not moved and could provide some cheaper tail risk if things deteriorate further.

Financial Pfds remain our largest notional exposure (around \$20MM). I think we should reduce some exposure here. Would involve selling some of JPM, Barclays and Citigroup. BAC and WFC was downgraded today and would also trim those positions.

Do you have time to discuss?

Paul

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