

To: Jeevacation[jeevacation@gmail.com]
From: Jeffrey M Matusow
Sent: Tue 5/25/2010 2:27:45 PM
Subject: Protection

You are effectively long the 30y swap rate at 4.35%. It is now at 3.83%. Our fundamental view remains that global growth (led by the US and Asia) will continue to rebound, and rates will rise. However right now rates have been depressed by safe haven buying, and if the turmoil continues could stay low for longer than we expected.

Your long position is \$40MM notional.

As a hedge against further meltdown, we should buy put options on the swap rate:

1month options on the 30y swap rate at 3.50%; cost is 1%

2month options on the 30y swap rate at 3.40%; cost is 1%

3month options on the 30y swap rate at 3.25%; cost is 1.25%

I suggest buying \$10MM of 1 month, 10MM of 2 month and 10MM of 3 month. Total cost is around \$325k.

Jeff

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