
From: jeffrey E. <jeevacation@gmail.com>
Sent: Monday, April 25, 2016 2:12 PM
To: Joichi Ito
Subject: Re: \$1M rain contract

more complicated, value for book purpose= value to a buyer. value to a buyer if cloudy weather da= before. etc

On Mon, Apr 25, 2016 at 10:09 AM, [REDACTED] wrote:

Is the last sentence correct?

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When you take, for instance= a contract that pays out \$1 million if it rains tomorrow, and put it into=your accounts, you will be required to guess the chance of rain=ma=be 50%= and value that asset at something like \$500,000. The contr=ct will actually never pay out \$500,000; it will either be worth zero or \$= million in the end. But if you were forced to trade it today, you =99d probably sell it for something close to \$500,000; so for tax and manag=ment purposes, you "value" the contract at \$500,000. On th= other hand, if you unable to sell it because there were no buyers, it mig=t actually be valued at zero today by regulators, but then suddenly valued=at \$1 million tomorrow if it rains.

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please note

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