

We are also working on the preferred request you sent. We have a manager that runs SMAs of preferreds for our clients that can be levered in a margin account. I think it could make sense for you to pursue a more diversified and active strategy in that space given the unique characteristics of each issue. It's likely the most straightforward way to get exposure. We just need to sort out what the margin release will be.

I don't see a good way for us to recommend specific preferred issues to you, but would happily look at leverage on a basket that you select.

On the structured note front, I haven't seen preferreds put into a levered note structure. If you just want levered exposure, margin or swap will be the cleanest way to do that. If you are looking for yield and aren't wed to buying preferreds, the notes structures can be useful there.

We will be back to you shortly.

Thanks

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**From:** Vahe Stepanian  
**Sent:** Tuesday, June 07, 2016 11:23 AM  
**To:** Richard Kahn  
**Cc:** Daniel Sabba; Stewart Oldfield  
**Subject:** RE: indication on WTI risk reversals [C]

Classification: **Confidential**

Rich,

Please see below refreshed indications – these levels are not tradable. As previously mentioned, we heard back from our Credit Risk Management team and they would require **40% IA for the below transactions in cash or treasures (i.e. approx. \$20mm on 1mm barrels of WTI).**

Notional: 1mm barrels of WTI

**WTI futures references:**

CLU6 ref 50.90, option exp 17Aug16

CLZ6 ref 51.75, option exp 16Nov16

CLH7 ref 52.15, option exp 15Feb17

**Risk reversals on WTI - Indications**

Southern financial buys calls and sells puts. Indications below are bid/ask per barrel on structure.

These are listed look-alike structures to be executed through Southern Financial's ISDA.

**option exp 17Aug16**

Future reference: CLU6

Call strike: 55

Put strike: 45

CLU6 55/45 fence **0.24/0.54**

**option exp 16Nov16**

Future reference: CLZ6

Call strike: 55

Put strike: 45