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**Subject:** Update

**Date:** Fri, 07 May 2010 21:11:03 +0000

**Attachments:** FinancialTrust\_MTM\_07May10a.pdf

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Jeffrey,

The Dow closed down 140 points as Europe failed to provide clarity on a rescue plan. Attached is the spread sheet that we sent to Harry with all of the open positions.

The Dividend futures positions are marked down \$3MM. Dealer quotes have widened out so we are marking it conservatively. We still like the trade. Based on JPM's and consensus dividend forecasts there is approx. 10% upside in 2011 and 23% in 2012 to your positions. If you assume that the banks pay zero dividends the downside to your positions is 11% in 2011 and 5% in 2012.

The swaption positions are down \$1.7MM in aggregate based on a 30y swap rate of 4.05%. We still believe the US economy is healthy, and that rates will move higher.

GS is down \$700k and the JPM preferreds are down \$1.8MM.

The interest rate swaps are working as designed - as a shock absorber. We should add to this position.

If the Europeans announce credible rescue measures over the weekend, we should look to add risk via short JPY, long EM, and long High Yield/Preferreds.

If the market continues to sell off we need to reassess the dividend and swaption positions, buy gold and buy CHF.

I hope you feel better.

Jeff

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