

# BadCo's Role in the Mortgage Market

## October 2006 BadCo CDO Presentation

### 9 MONTH 2006 ISSUANCE IN MILLIONS

1 OtherCo 1  
\$37,111.8 million

2 **BadCo**  
**\$25,049.7 million**

3 OtherCo 2  
\$24,426.6 million

4 OtherCo 3  
\$22,205.8 million

5 OtherCo 4  
\$17,613.9 million

6 OtherCo 5  
\$15,434.4 million

7 OtherCo 6  
\$15,289.3 million

8 OtherCo 7  
\$14,640.0 million

9 OtherCo 8  
\$14,156.1 million

10 OtherCo 9  
\$14,134.8 million

11 OtherCo 10  
\$13,047.7 million

12 OtherCo 11  
\$12,572.2 million

13 OtherCo 12  
\$12,528.4 million

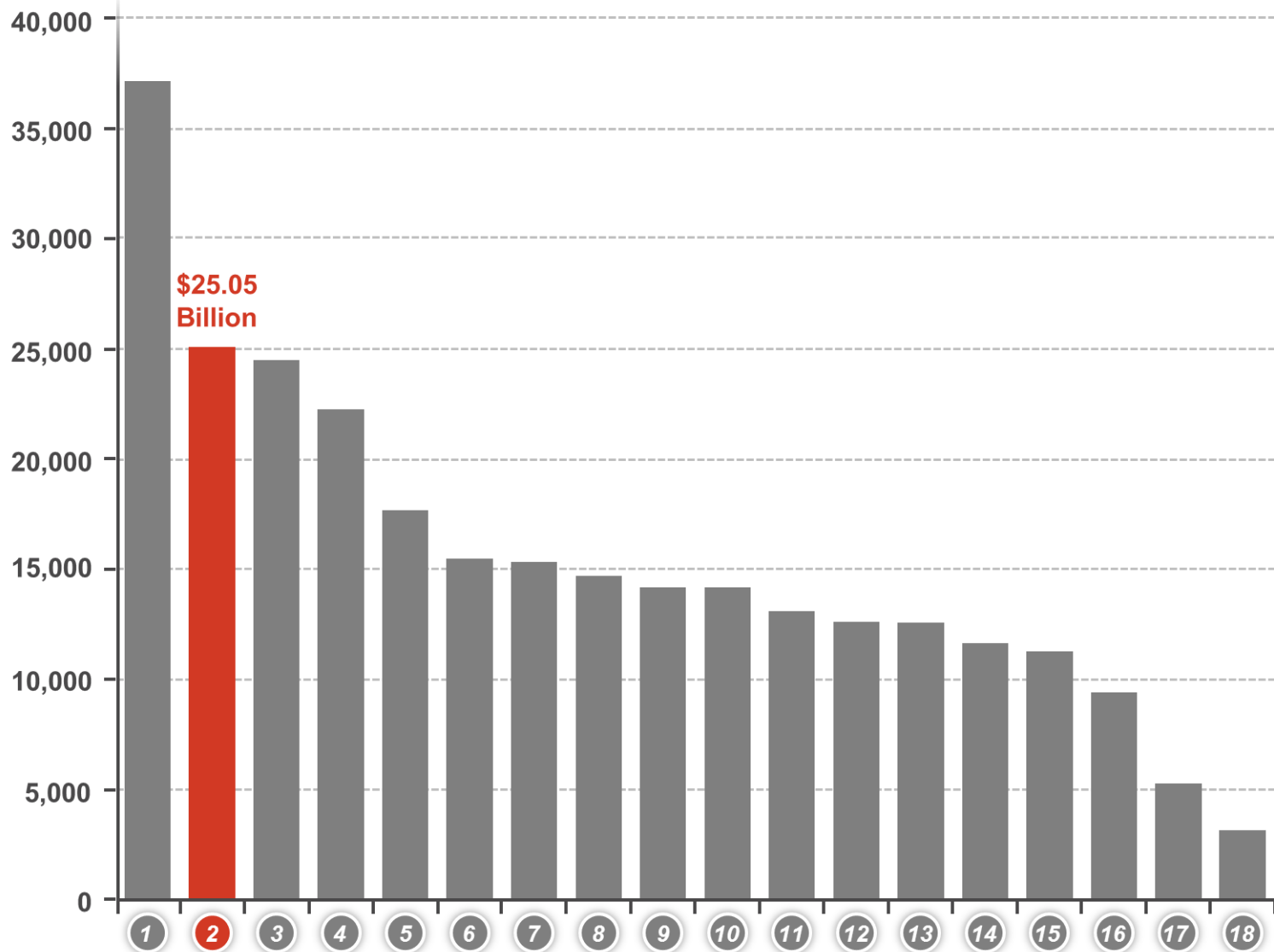
14 OtherCo 13  
\$11,584.1 million

15 OtherCo 14  
\$11,216.2 million

16 OtherCo 15  
\$9,369.5 million

17 OtherCo 16  
\$5,221.9 million

18 OtherCo 17  
\$3,094.7 million



# BadCo Made Mortgage-Related Profits at a Time When Its Peer Firms Were Suffering Astounding Losses

MORTGAGE-RELATED GAINS/(LOSSES) FOR THE 2007 FISCAL YEAR (DOLLARS IN BILLIONS)

**1 BadCo**  
\$500 MILLION GAIN

**2 OtherCo 9**  
\$5.3 BILLION LOSS

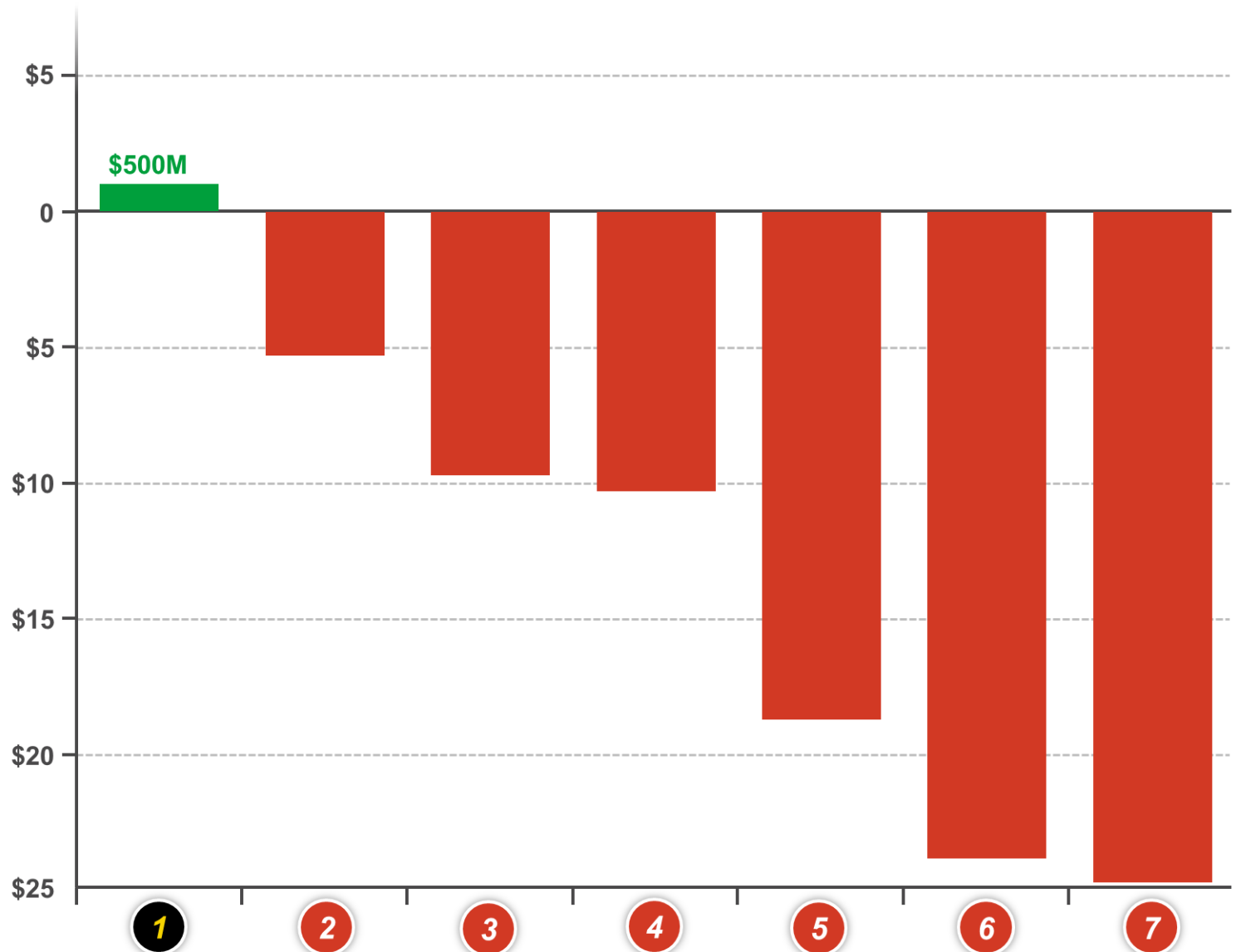
**3 OtherCo 4**  
\$9.7 BILLION LOSS

**4 OtherCo 13**  
\$10.3 BILLION LOSS

**5 OtherCo 10**  
\$18.7 BILLION LOSS

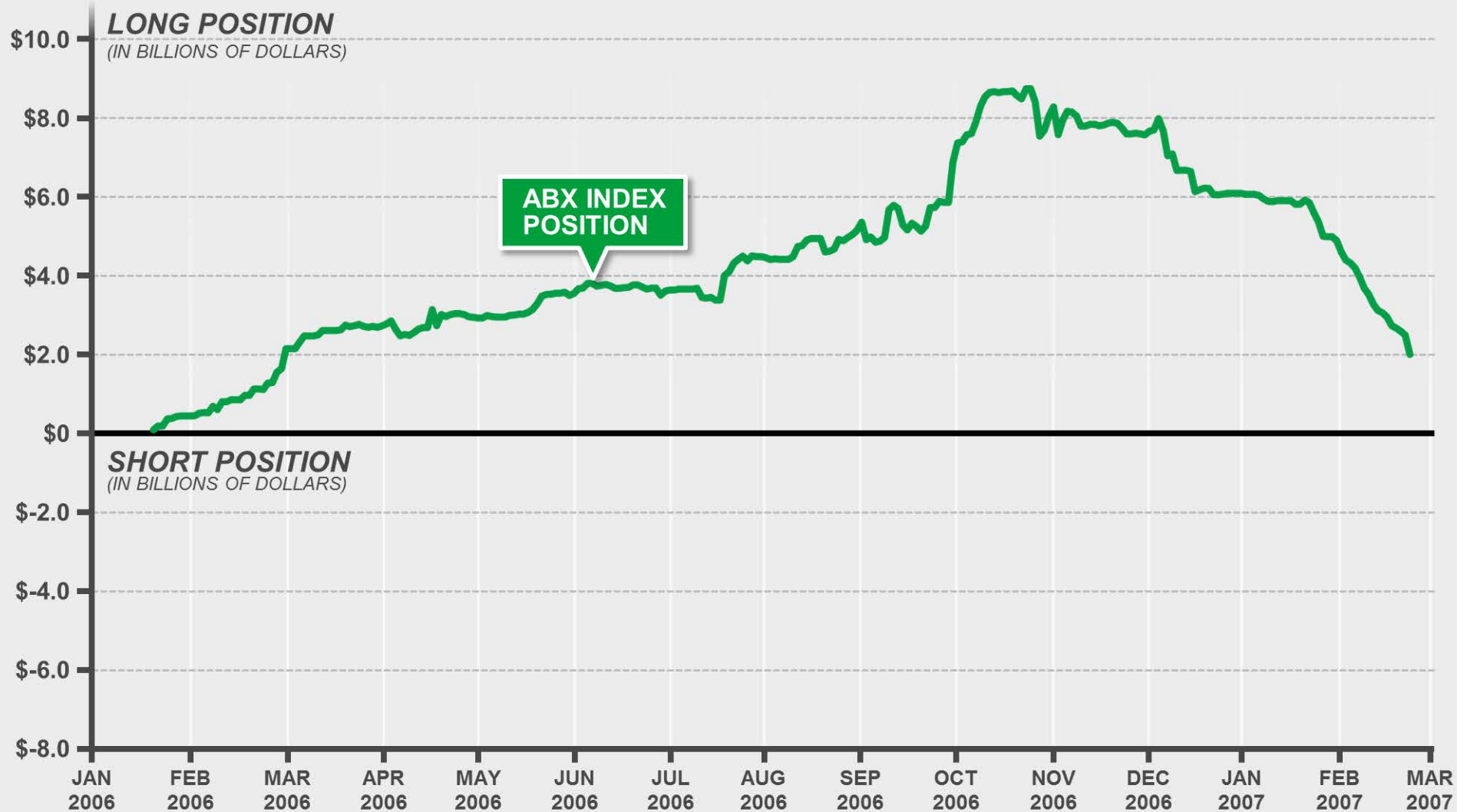
**6 OtherCo 3**  
\$23.8 BILLION LOSS

**7 OtherCo 1**  
\$24.7 BILLION LOSS



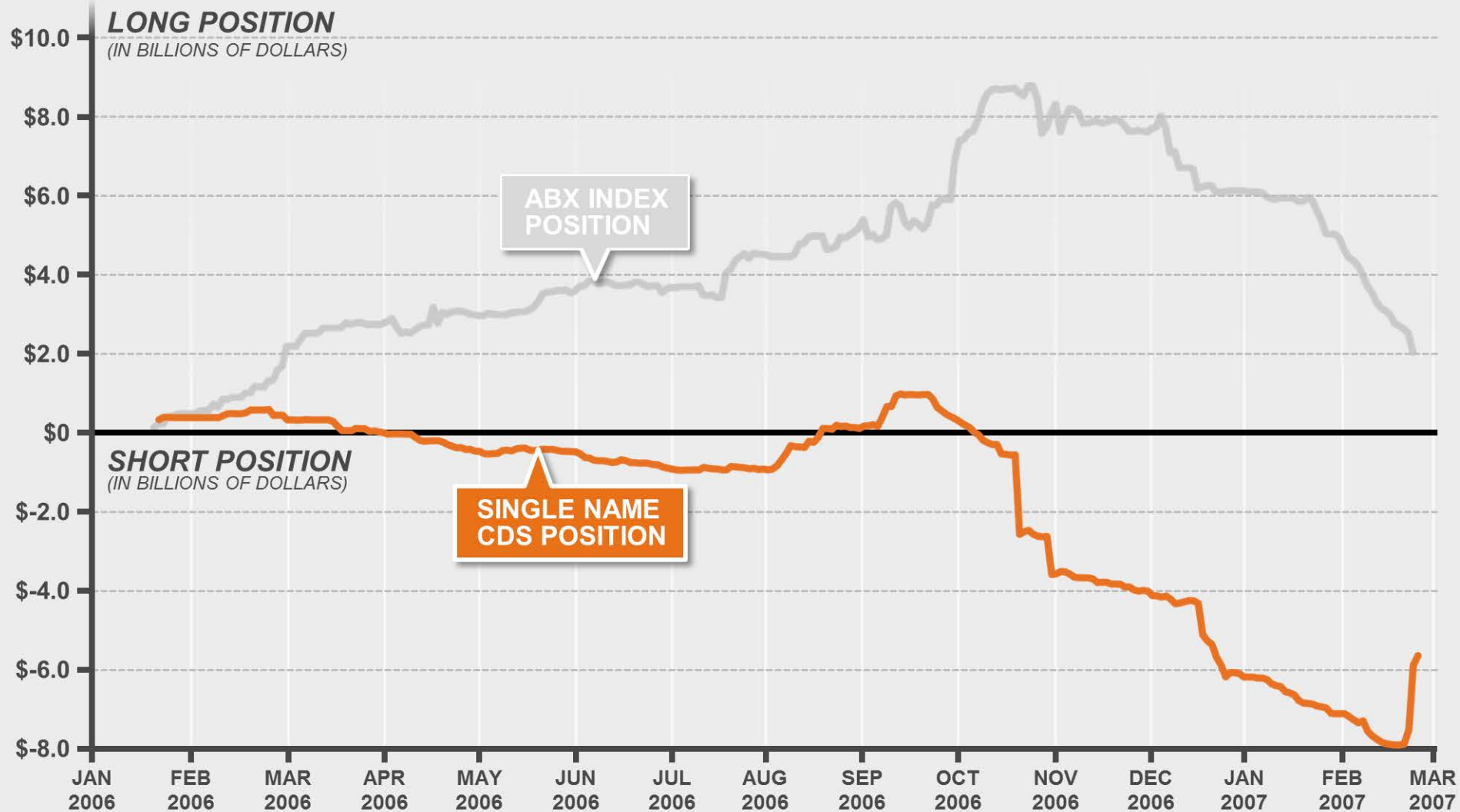
# **BadCo's ABS Desk Mezzanine RMBS Positions**

*January 19, 2006 to February 23, 2007*



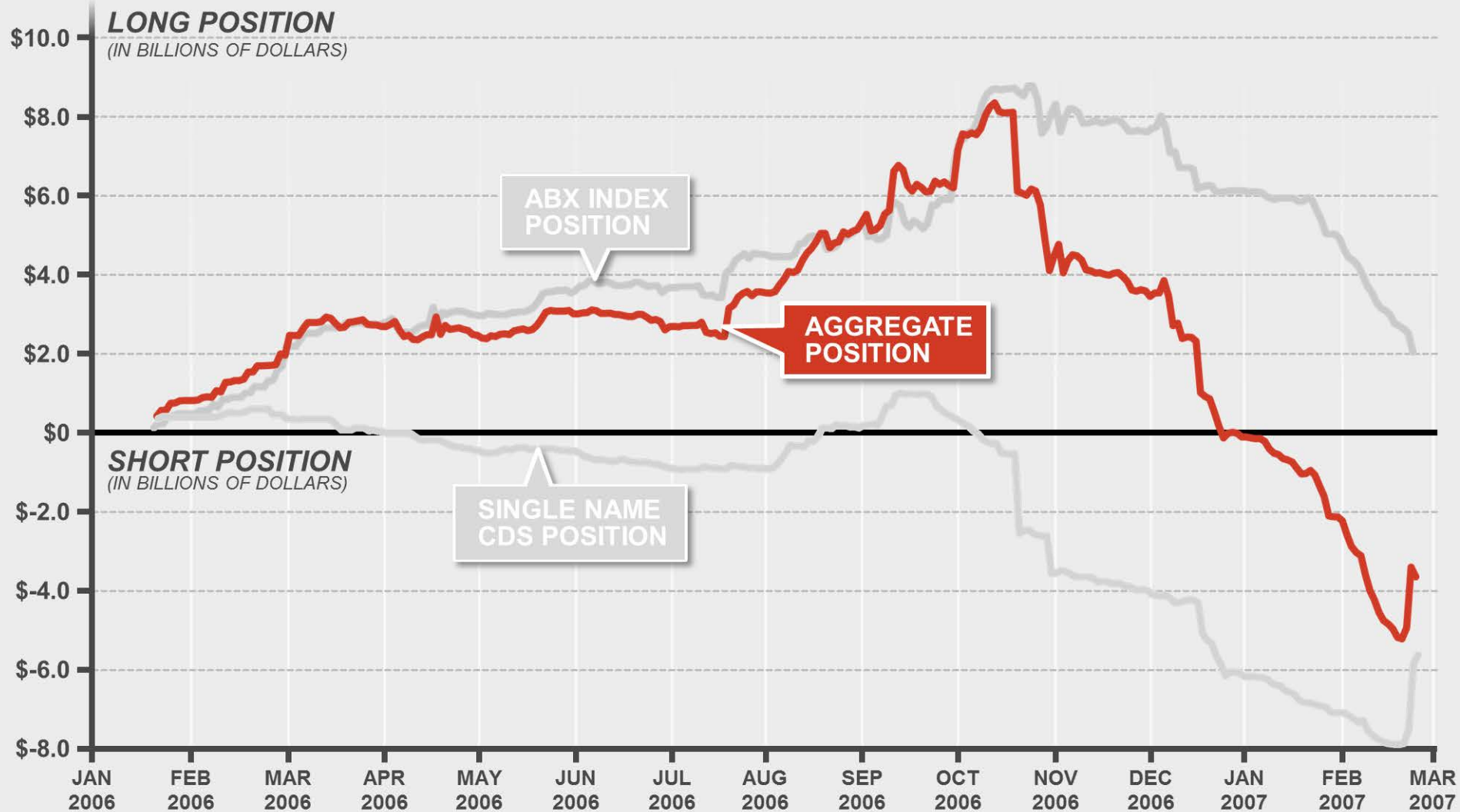
# BadCo's ABS Desk Mezzanine RMBS Positions

January 19, 2006 to February 23, 2007



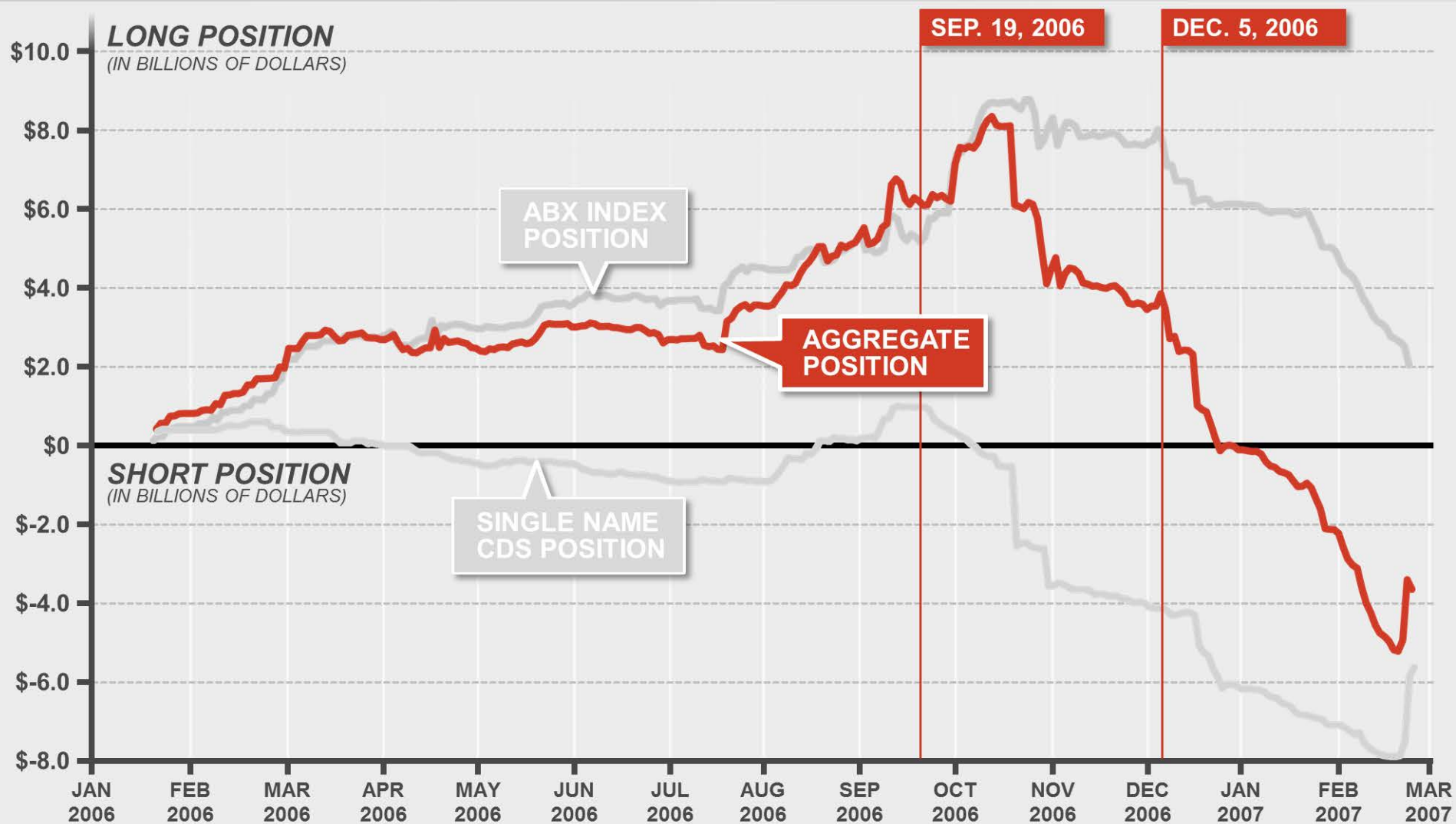
# BadCo's ABS Desk Mezzanine RMBS Positions

January 19, 2006 to February 23, 2007



# BadCo's ABS Desk Mezzanine RMBS Positions

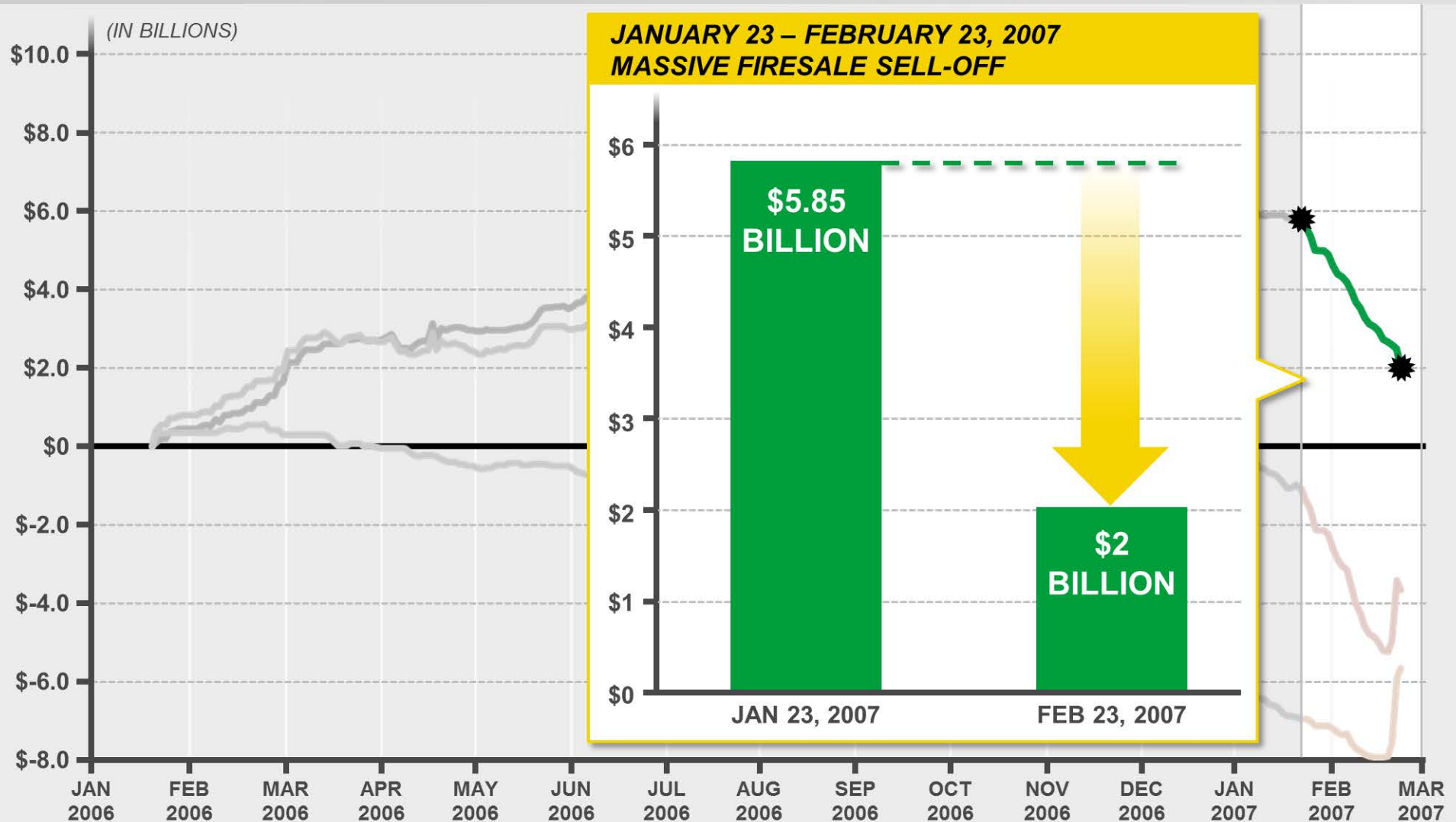
January 19, 2006 to February 23, 2007





## After BadCo Eliminated Its Long ABX Index Exposure, It Began to Aggressively Sell Mezzanine ABX Directly

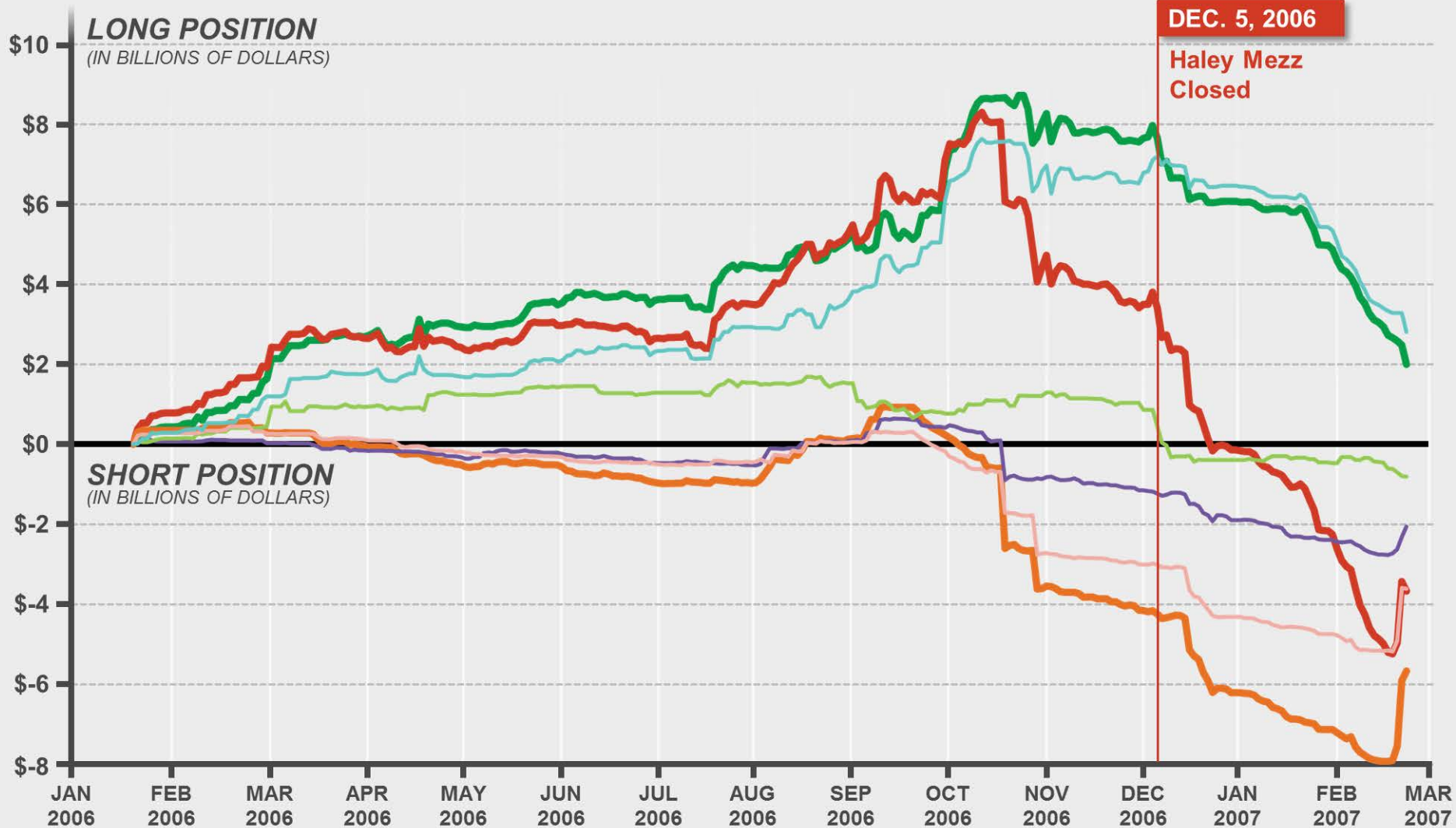
KEY: □ AGGREGATE POSITION □ ABX INDEX POSITION □ SINGLE NAME CDS POSITION



# BadCo's ABX Positions

January 19, 2006 to February 23, 2007

KEY: ■ AGGREGATE ■ ALL ABX INDEX ■ BBB ABX INDEX ■ BBB- ABX INDEX ■ ALL SN CDS ■ BBB SN CDS ■ BBB- SN CDS



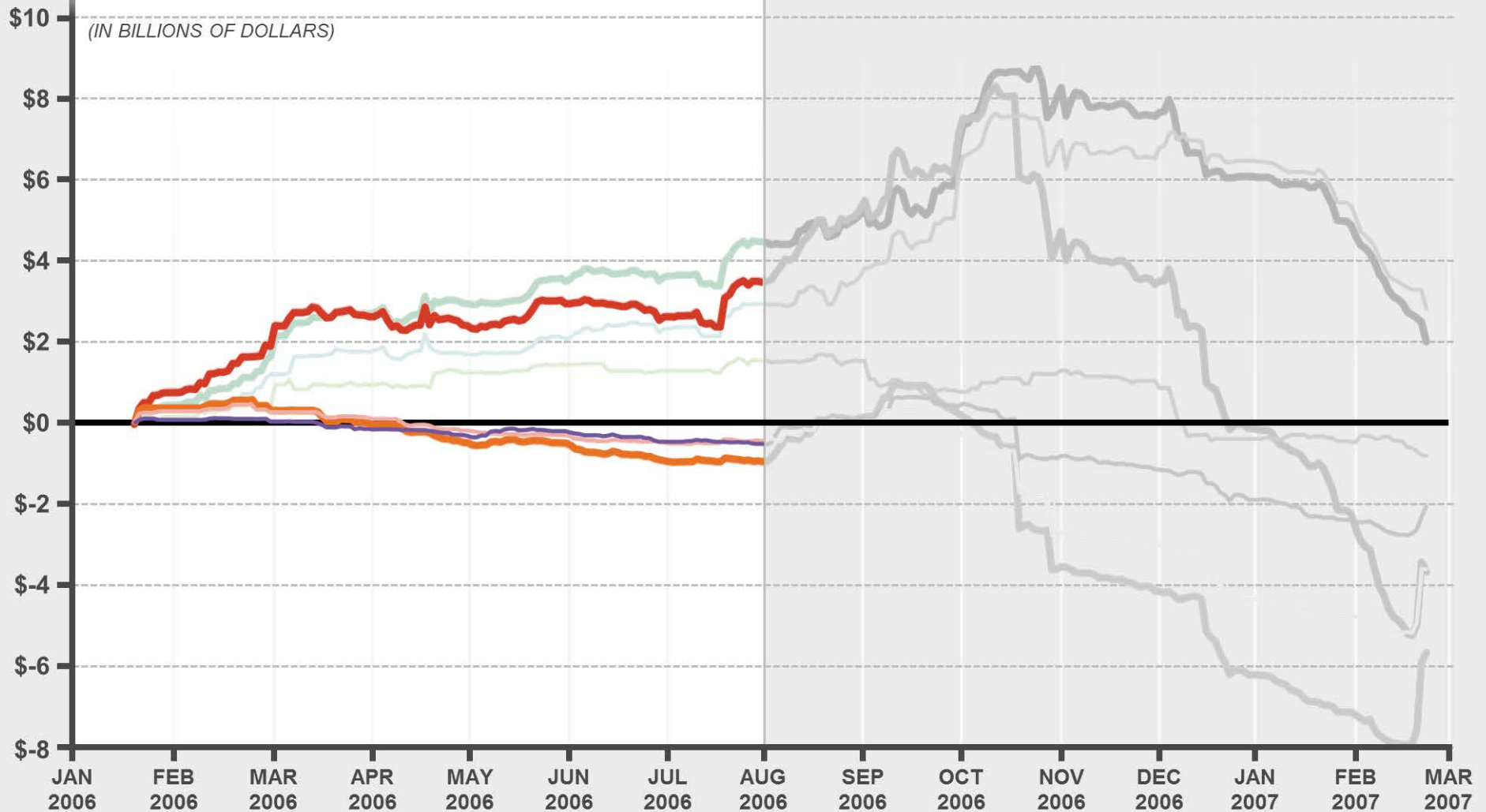


# BadCo's ABX Positions

## BadCo Builds Up Massive Long Position

KEY: ■ AGGREGATE ■ ALL ABX INDEX ■ BBB ABX INDEX ■ BBB- ABX INDEX ■ ALL SN CDS ■ BBB SN CDS ■ BBB- SN CDS

JAN 19, 2006 – JUL 31, 2006

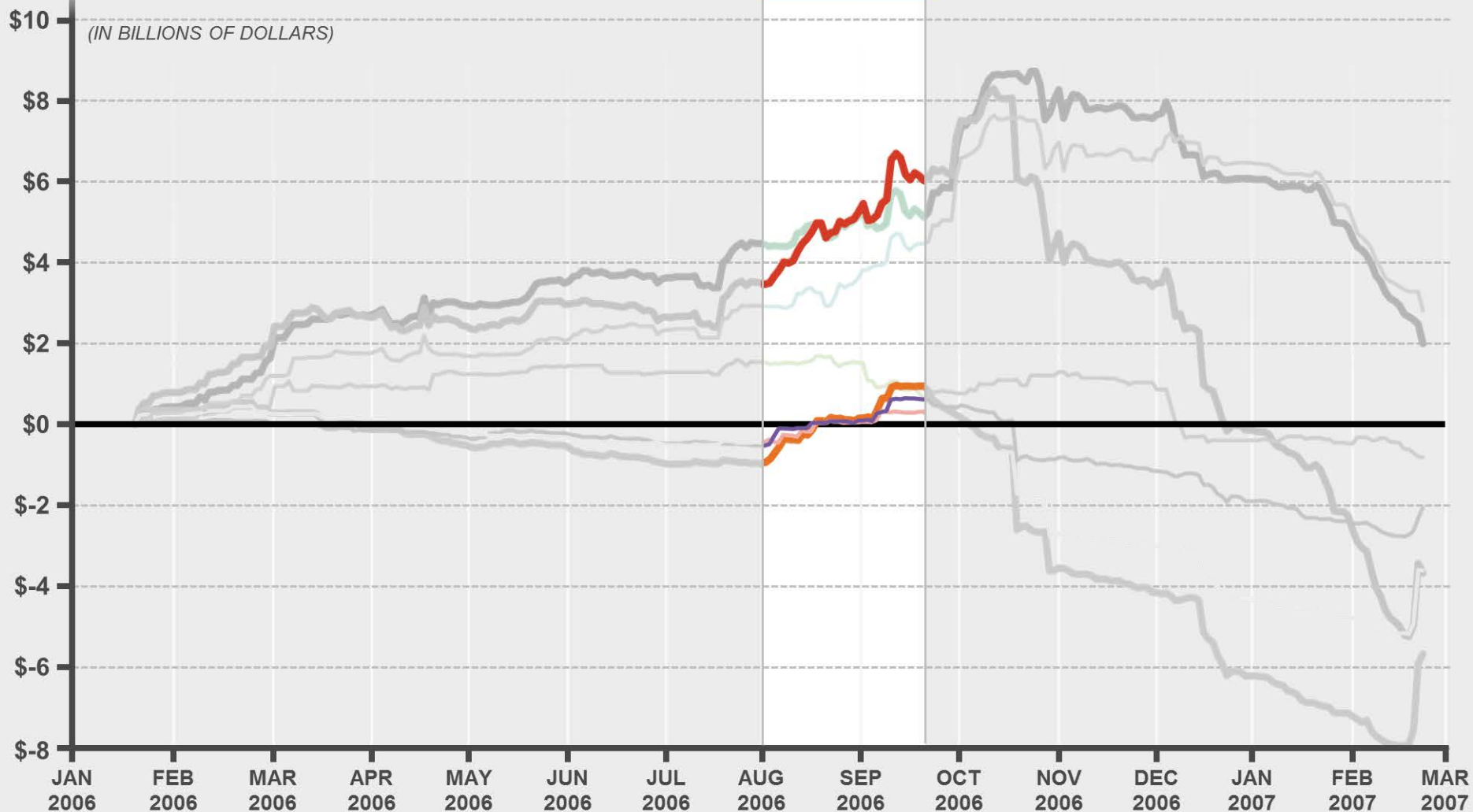


# BadCo's ABX Positions

*BadCo Is Concerned About Risk But Cannot Sell Its ABX Position*

KEY: ■ AGGREGATE ■ ALL ABX INDEX ■ BBB ABX INDEX ■ BBB- ABX INDEX ■ ALL SN CDS ■ BBB SN CDS ■ BBB- SN CDS

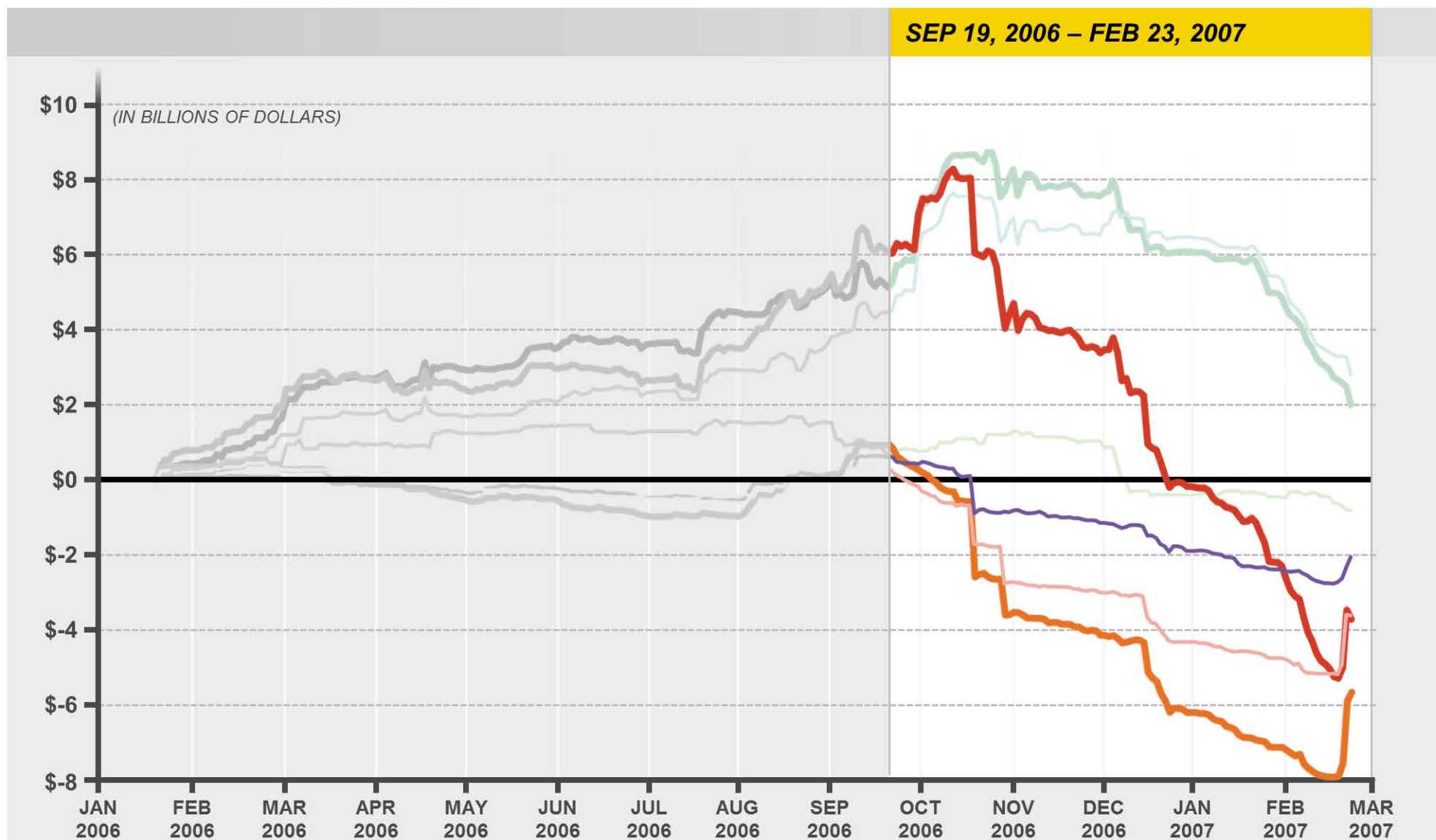
AUG 1 – SEP 19



# BadCo's ABX Positions

*BadCo Uses Haley Mezz and Other CDOs As a "Structured Exit"*

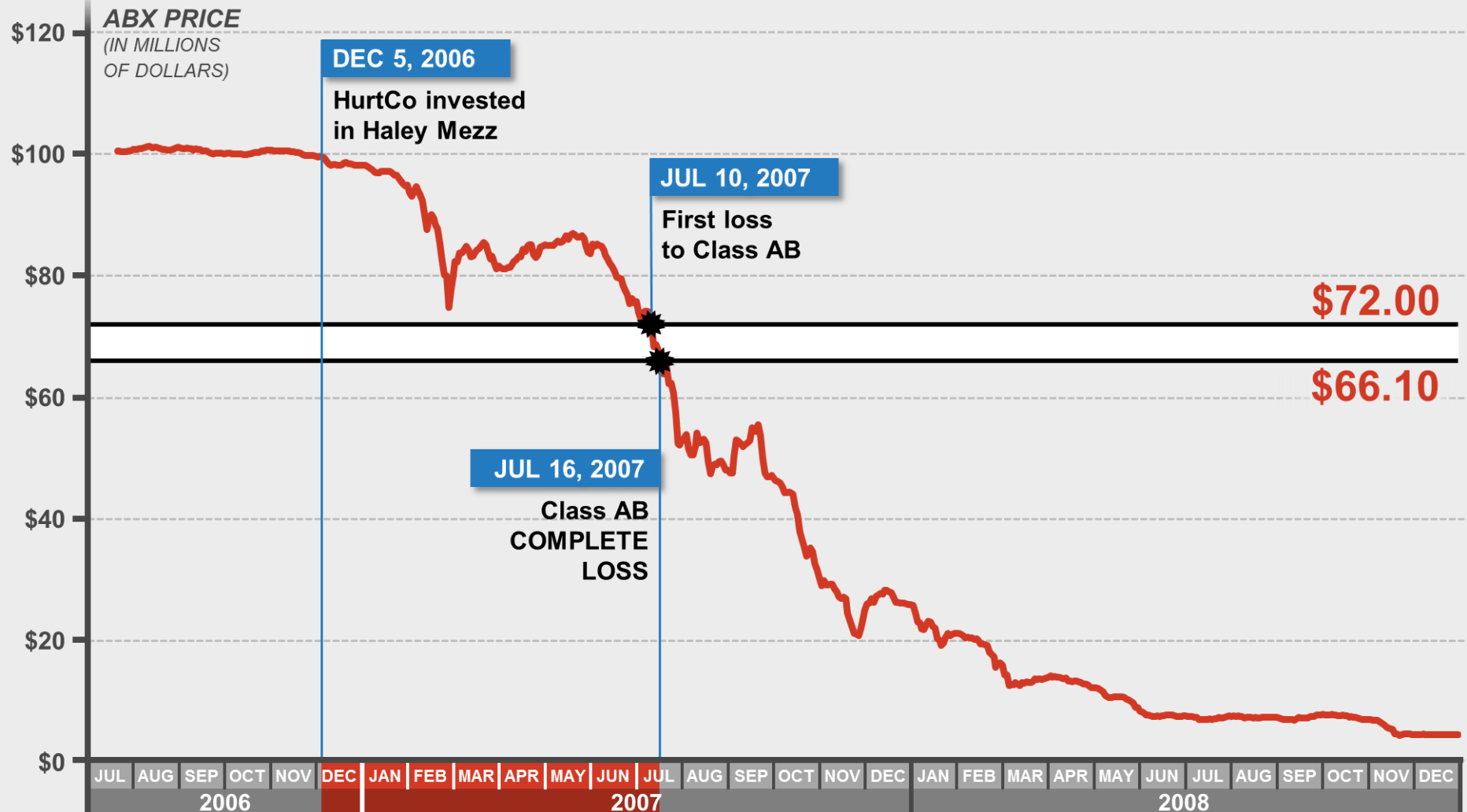
KEY: ■ AGGREGATE ■ ALL ABX INDEX ■ BBB ABX INDEX ■ BBB- ABX INDEX ■ ALL SN CDS ■ BBB SN CDS ■ BBB- SN CDS



# HurtCo's Losses Are Close in Time to Misrepresentations

## Crash of ABX Index Implied a Total Loss of HurtCo's Investment within 8 Months

KEY: ■ AVERAGE ABX PRICE ■ ABX 06-1 BBB- ■ ABX 06-1 BBB ■ ABX 06-2 BBB- ■ ABX 06-2 BBB



# BadCo's ABX Index Daily Position Changes

## January 2, 2007 to February 23, 2007

DAILY POSITION CHANGES (IN MILLIONS)

ABX INDEX POSITION (IN BILLIONS)

