Why We Are Still in the Early Innings of the Bursting of the Housing and Credit Bubbles – And How to Profit From It

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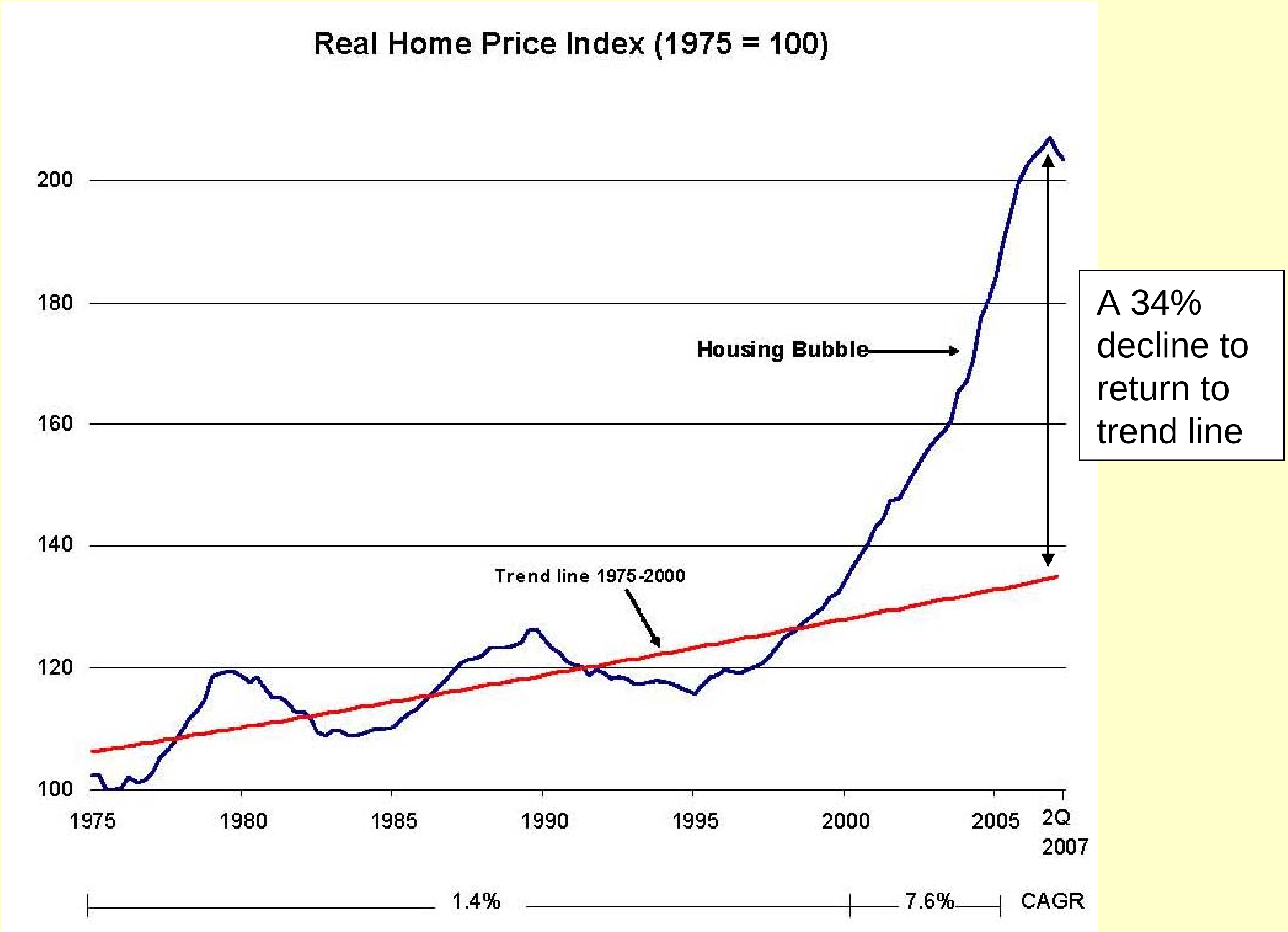
T2 Accredited Fund, LP
Tilson Offshore Fund, Ltd.
T2 Qualified Fund, LP
Tilson Focus Fund

May 7, 2008

We would like to thank Amherst Securities Group L.P. (www.asglp.com) for generously providing much of the data in this presentation.

The Surge in Borrowing Power and Decline in Lending Standards Led to Home Prices Soaring Far Above Trend Line



Sources: OFHEO, Bureau of Economic Analysis.

Home Prices Are in an Unprecedented Freefall

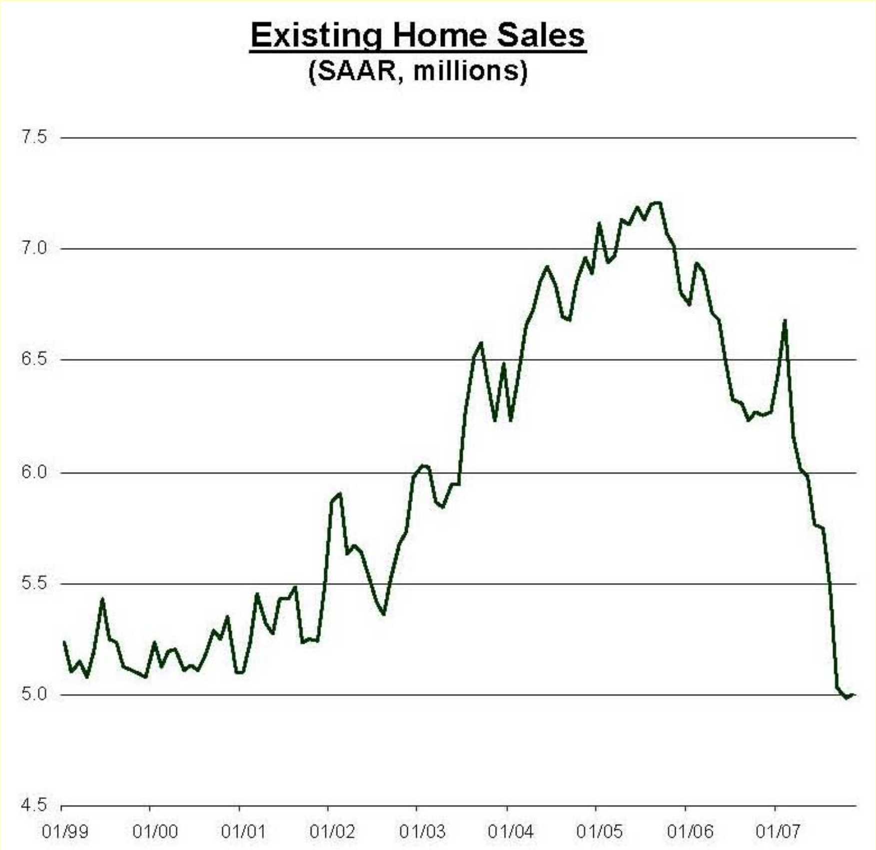
Home prices fell an average of 12.7% in February in 20 major metropolitan areas

Over the six months through February, home prices fell at an annual rate of more than 25% in Las Vegas, Phoenix, Los Angeles, San Francisco, San Diego and Miami.

Source: WSJ, 4/30/08.

Sales of Existing Homes Are Falling, Leading to a Surge in Inventories

The proportion of Americans planning to buy a house is at a 33-year low



Source: National Association of Realtors.

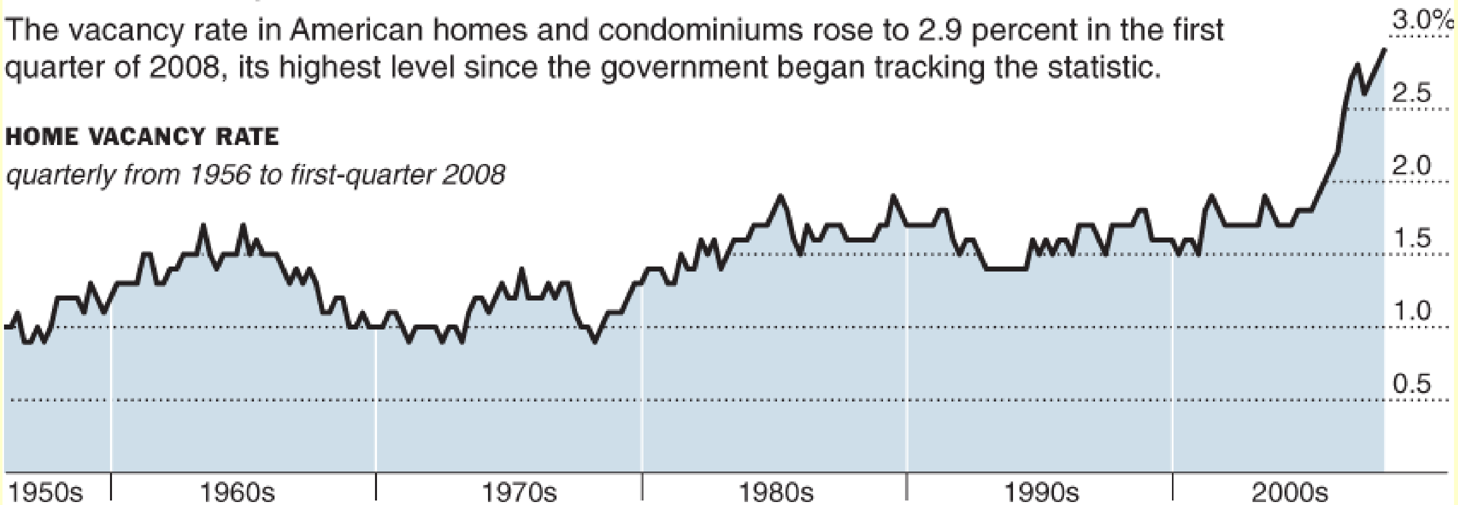
Home Vacancies Are at an All-Time High

More Empty Homes

The vacancy rate in American homes and condominiums rose to 2.9 percent in the first quarter of 2008, its highest level since the government began tracking the statistic.

HOME VACANCY RATE

quarterly from 1956 to first-quarter 2008



HOME VACANCY RATES *first-quarter 2008*

Overall	**2.9%**
By type of building	
Single-family homes	2.6%
2-4 units	9.4
5-9 units	15.2
10 or more units	6.3
By region	
Northeast	2.0%
Midwest	2.9
South	3.2
West	3.2

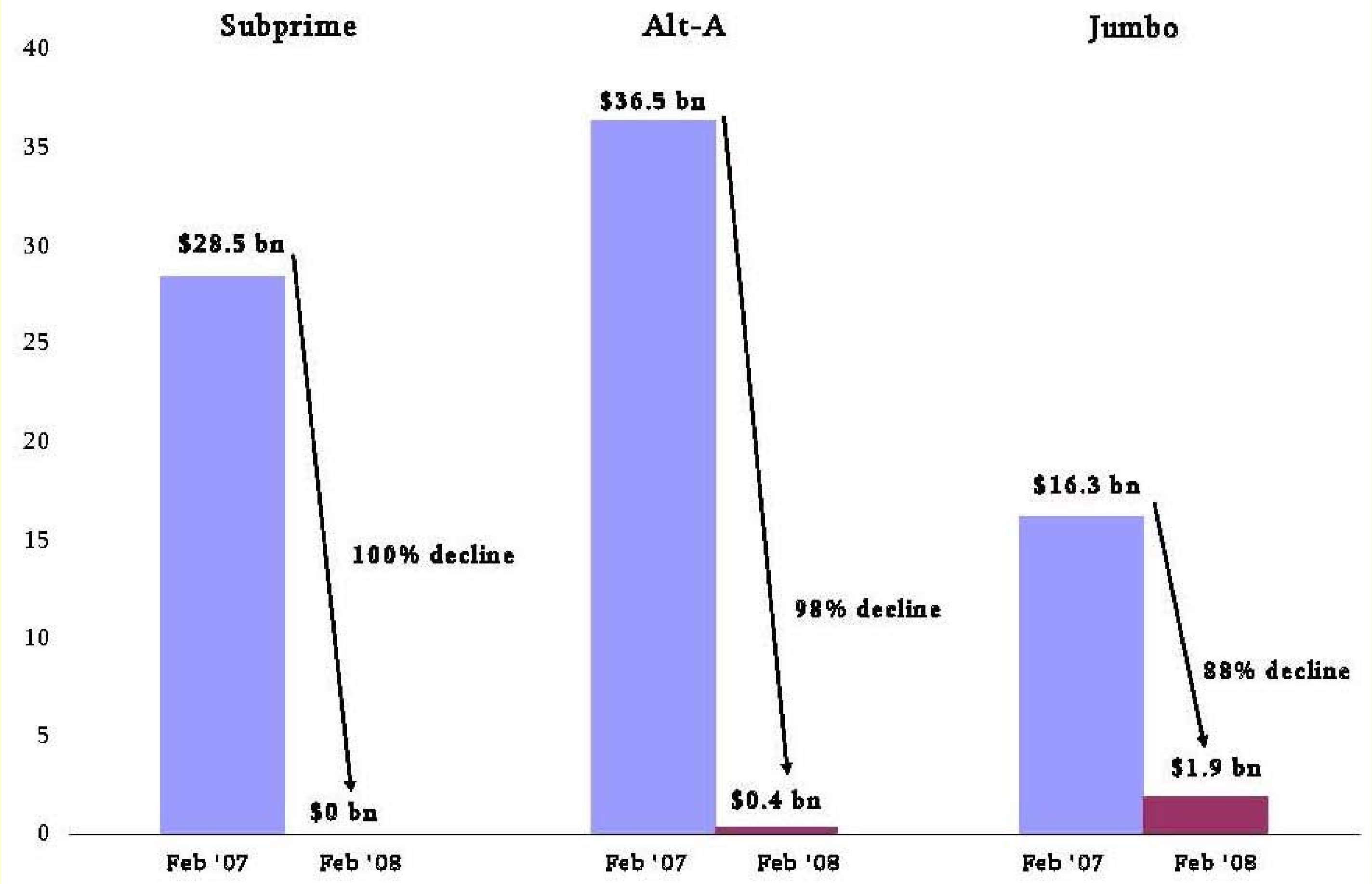
By date of construction	
April 2000 to present	**10.2%**
1995 to March 2000	2.2
1990-94	2.2
1980-89	1.9
1970-79	1.8
1960-69	2.2
1950-59	2.2
1940-49	3.1
1939 or earlier	2.6

Source: Census Bureau, via Haver Analytics

THE NEW YORK TIMES

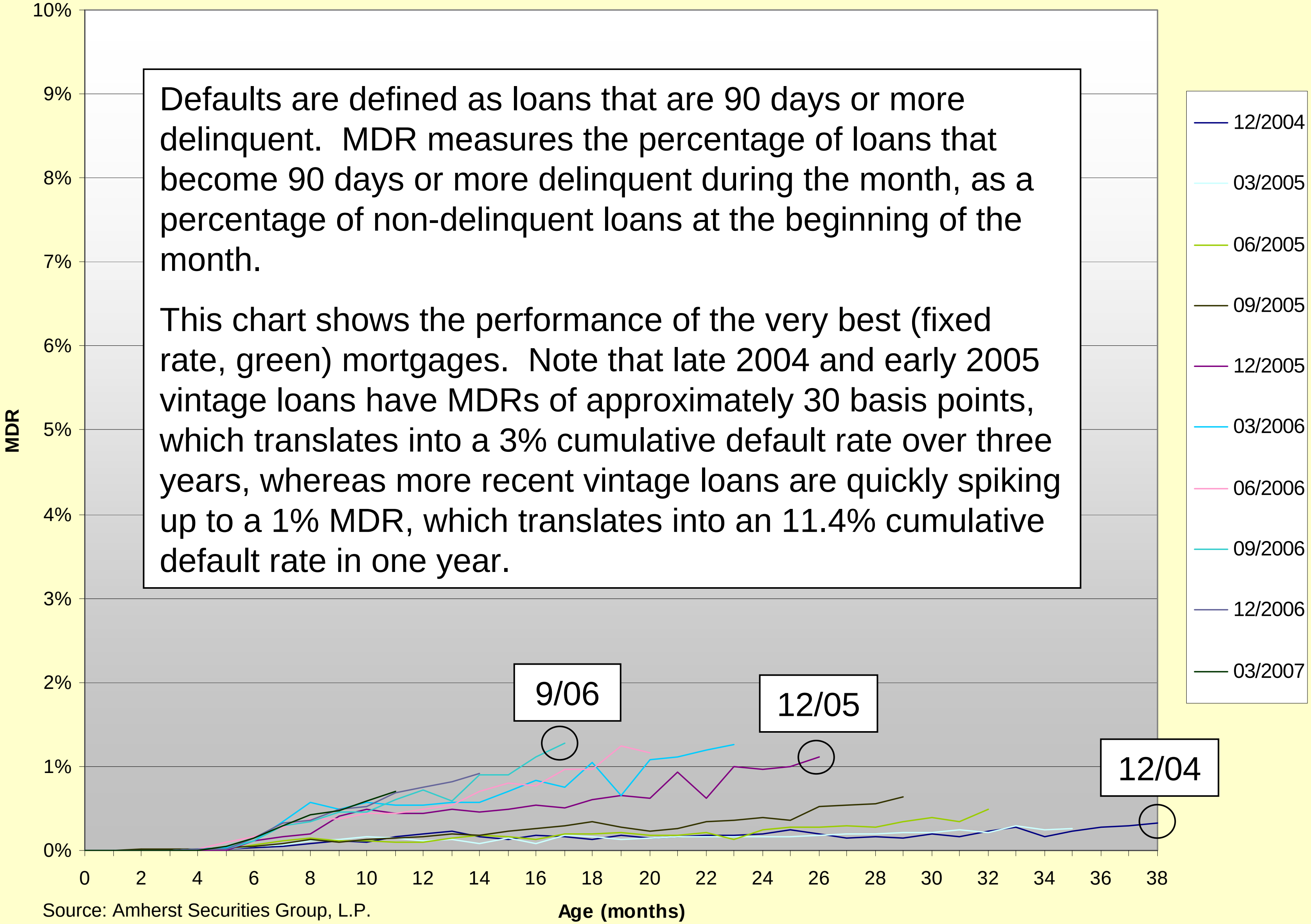
Almost No Subprime, Alt-A and Jumbo Mortgages Are Being Issued

<u>Non-Agency Mortgage Issuance</u>



Source: Deutsche Bank, Merrill Lynch

Monthly Default Rate for Fixed Rate Securitized Mortgage Loans (Green)

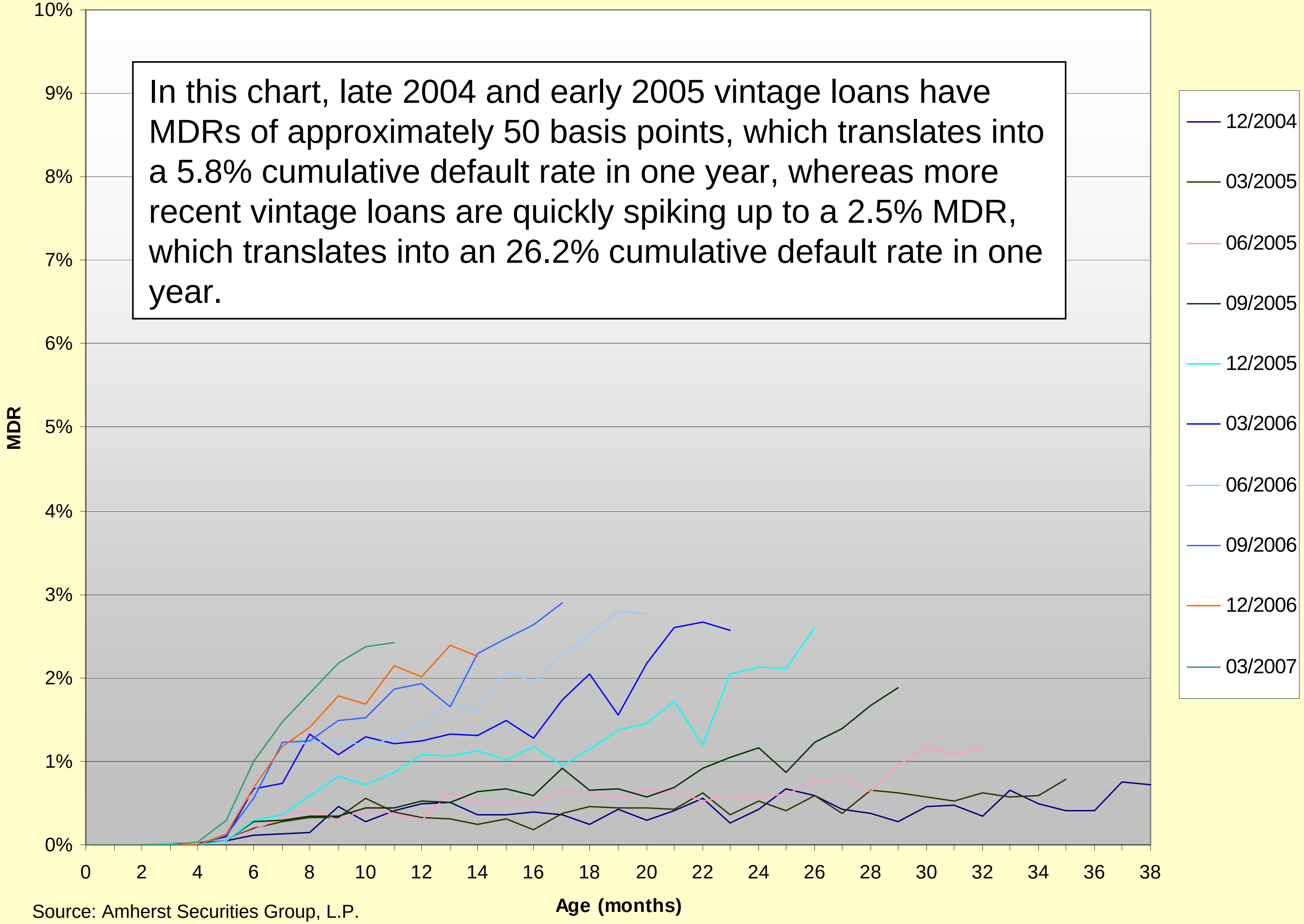


Defaults are defined as loans that are 90 days or more delinquent. MDR measures the percentage of loans that become 90 days or more delinquent during the month, as a percentage of non-delinquent loans at the beginning of the month.

This chart shows the performance of the very best (fixed rate, green) mortgages. Note that late 2004 and early 2005 vintage loans have MDRs of approximately 30 basis points, which translates into a 3% cumulative default rate over three years, whereas more recent vintage loans are quickly spiking up to a 1% MDR, which translates into an 11.4% cumulative default rate in one year.

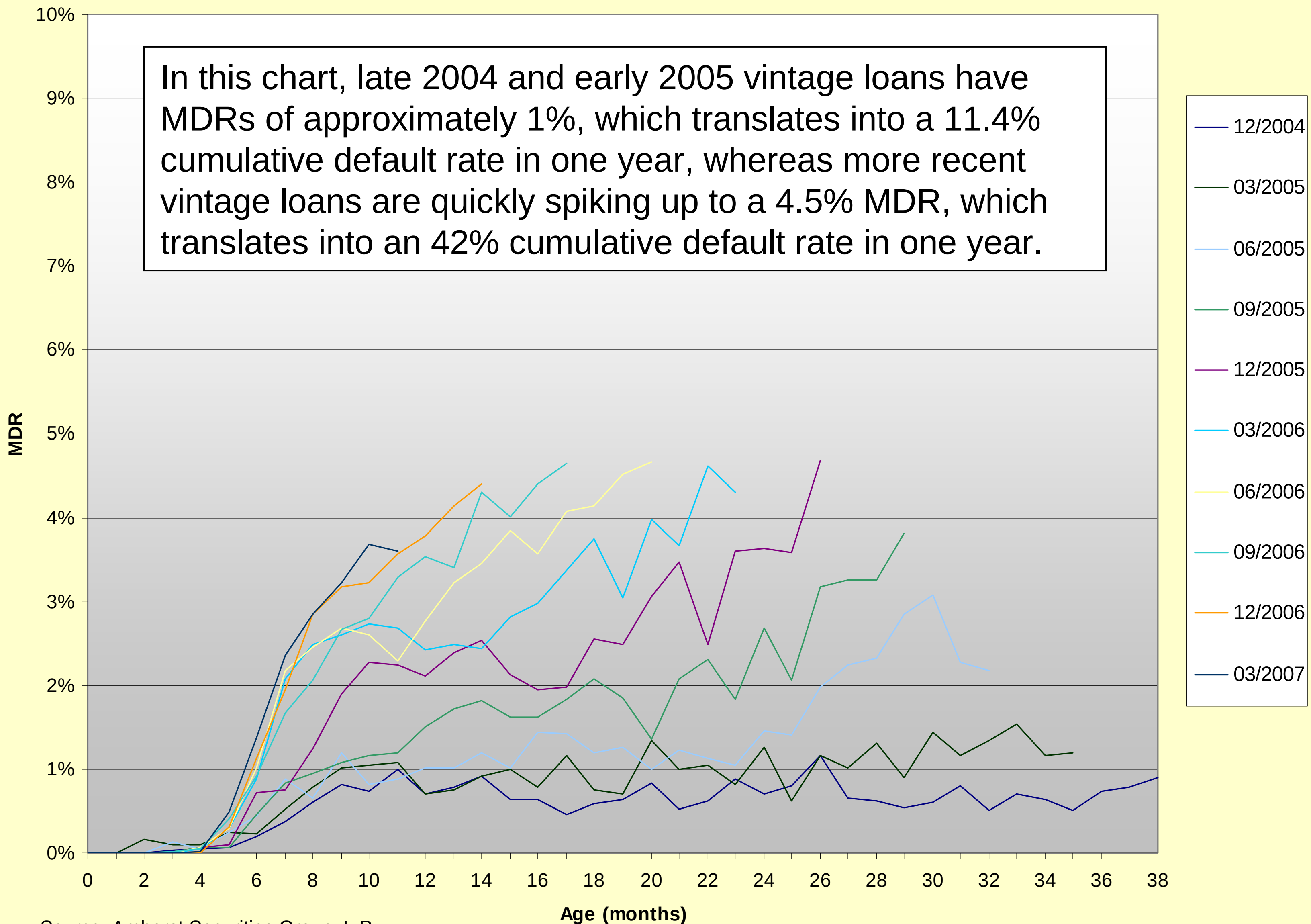
Source: Amherst Securities Group, L.P.

Monthly Default Rate for Fixed Rate Securitized Mortgage Loans (Yellow)



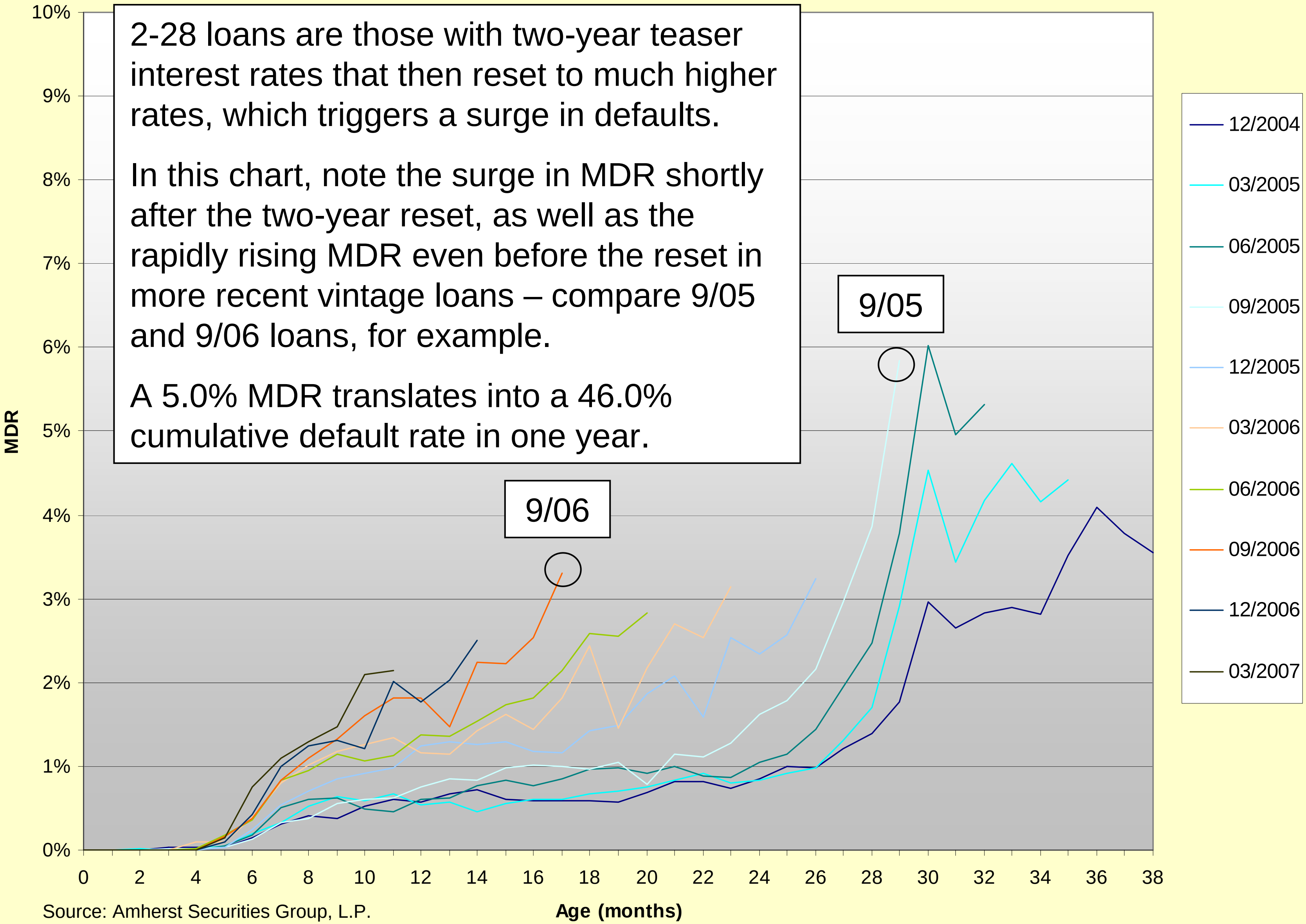
Source: Amherst Securities Group, L.P.

Monthly Default Rate for Fixed Rate Securitized Mortgage Loans (Red)



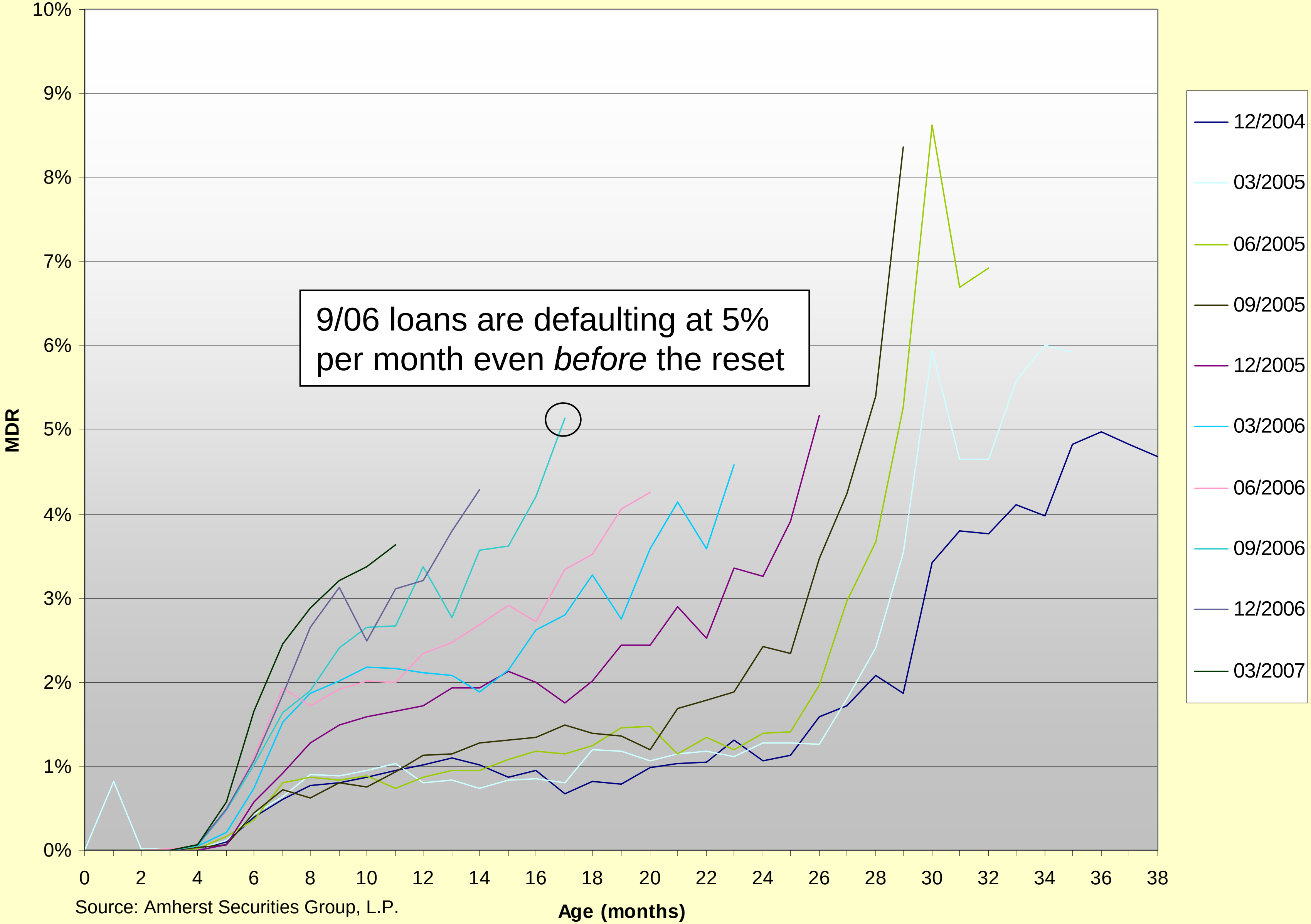
Source: Amherst Securities Group, L.P.

Monthly Default Rate for 2-28 Securitized Mortgage Loans (Green)



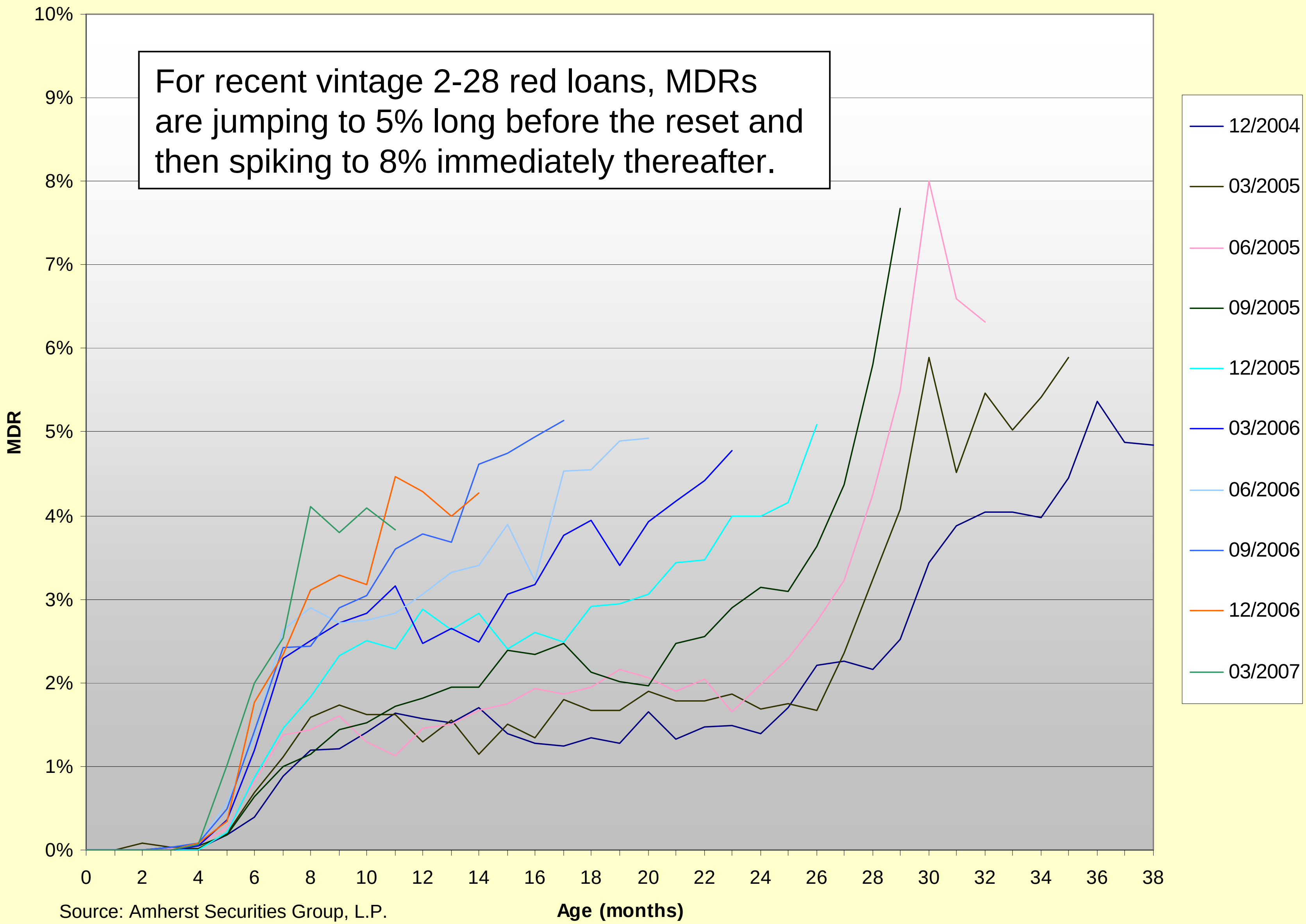
Source: Amherst Securities Group, L.P.

Monthly Default Rate for 2-28 Securitized Mortgage Loans (Yellow)



Source: Amherst Securities Group, L.P.

Monthly Default Rate for 2-28 Securitized Mortgage Loans (Red)



Source: Amherst Securities Group, L.P.

Current MDR and CPR Trends Will Quickly Lead to Unprecedented Default Levels

Three-Year Cumulative Defaults

	MDR:	0.3%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	5.0%
	CDR(1 yr):	3.0%	5.8%	11.4%	16.6%	21.5%	26.2%	30.6%	34.8%	46.0%
CPR	6	8%	15%	28%	39%	48%	55%	62%	67%	79%
	8	8%	15%	27%	38%	47%	54%	60%	66%	77%
	12	7%	14%	26%	36%	44%	51%	57%	62%	74%
	18	7%	13%	23%	33%	41%	47%	53%	58%	69%
	24	6%	12%	21%	30%	37%	43%	49%	54%	64%
	30	5%	10%	19%	27%	34%	40%	45%	49%	60%
	35	5%	10%	18%	25%	32%	37%	42%	46%	56%
	45	4%	8%	15%	21%	27%	32%	36%	40%	50%
	50	4%	7%	14%	20%	25%	29%	33%	37%	46%

Historical levels

2004 green, fixed

Late 2005 and thereafter, Green, 2/28

Late 2005 and thereafter, Green, fixed

Late 2005 and thereafter, Red, 2/28

Note: Cumulative defaults represent the amount of loans in default as a percentage of the original balance at WALA 36 when keeping MDR and CPR constant for that time period. Source: Amherst Securities Group, L.P.

Things Are Terrible And There's No Sign of a Bottom…

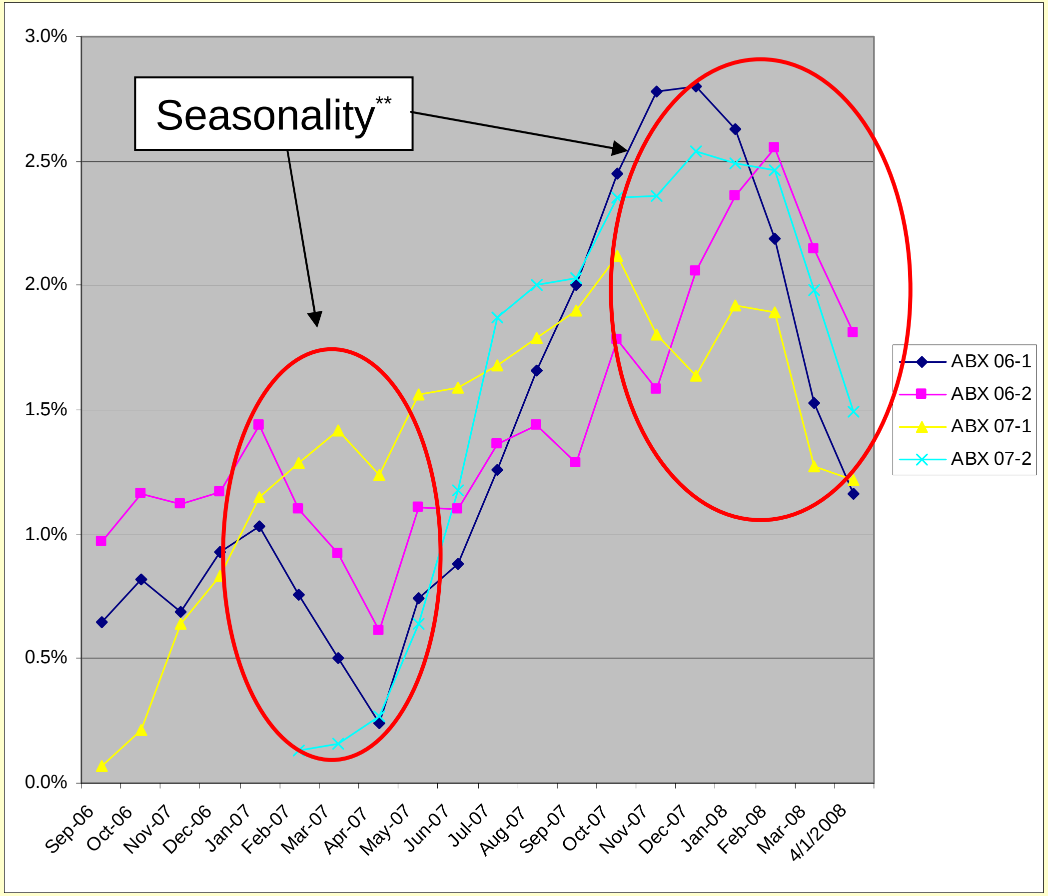
- Foreclosures in Q1 rose 23% vs. Q4 and 112% year over year
- 8.8 million homeowners will have mortgage balances equal to or greater than the value of their homes by the end of March according to Moody's Economy.com
  - 30% of subprime loans written in 2005 and 2006 are already underwater
- Nearly three million homeowners were behind on their mortgages at the end of 2007. An additional one million were at risk of imminent foreclosure
  - In Q4 07, 5.82% of all mortgages were delinquent (30 days past due), the highest level in 23 years; 0.83% were in foreclosure, an all-time high
  - In February 2008, 25.8% of all subprime mortgages were delinquent, up from 9.9% a year prior. 8.1% of Alt-A mortgages were delinquent, up from 1.7%. And 3.2% of prime mortgages were delinquent, up from 2.6%.
- Americans' percentage of equity in their homes has fallen below 50 percent for the first time on record since 1945

…Or Is There?

Contrary Evidence?

Some Claim That the Worst is Behind Us, Citing Lower Increases in Delinquencies in ABX Pools

Monthly Increase in Delinquent Mortgages in ABX Pools*



But This Metric Is Deeply Flawed:

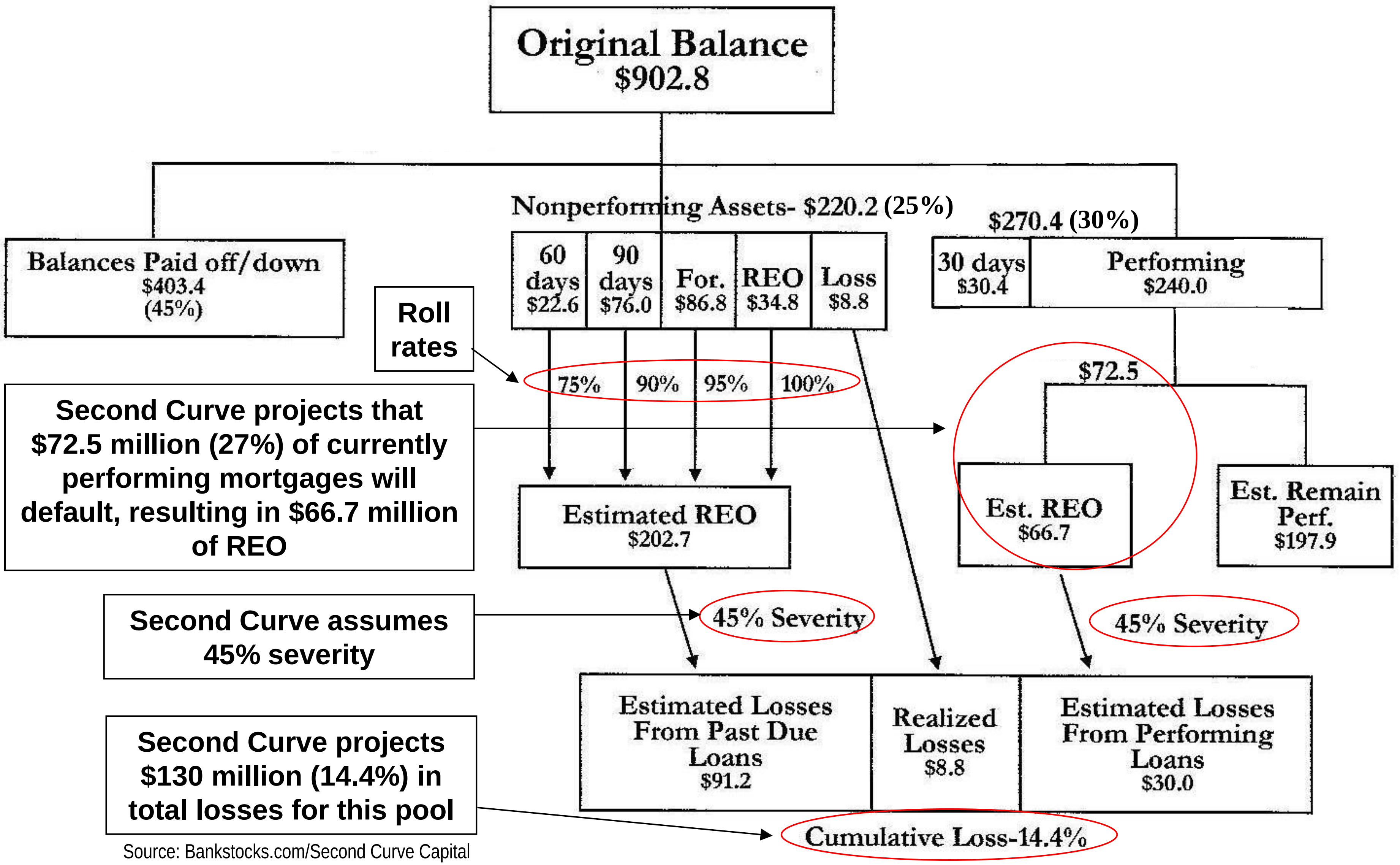
- The percentage of delinquent loans in a pool is increased by defaults, but also decreased when bad loans are liquidated. For example, for the ABX 06-1 pool, the amount of nonperforming (90 days or worse) loans rose from $3.95 billion at the end of March to $4.03 billion at the end of April, an increase of only $79 million
- However, new defaults were $238 million, offset by $159 million of liquidations
- The ultimate default rate of a pool of mortgages is a function of two variables:
    1. What percent of the performing loans at the beginning of a month have defaulted by the end of the month?
    2. What percent of the loans in a pool are paid off during the month?
- On these two metrics, these ABX pools are in deep trouble

** According to Stifel Nicolaus: “Early stage delinquencies are almost always lower in Q1 than in Q4. In 14 of the past 16 years (and 12 consecutive years) residential mortgage delinquencies have been lower in Q1 versus the preceding Q4.”

* Defined as the change in the % of loans that were 60 days delinquent or worse. Source: ABX Commentary – April 2008 Remit Data, Goldman Sachs, *Defaults Rising Rapidly For 'Pick-a-Pay' Option Mortgages*, WSJ, 4/30/08.

Bankstocks.com/Second Curve Capital Projections for One RMBS (Base Case)

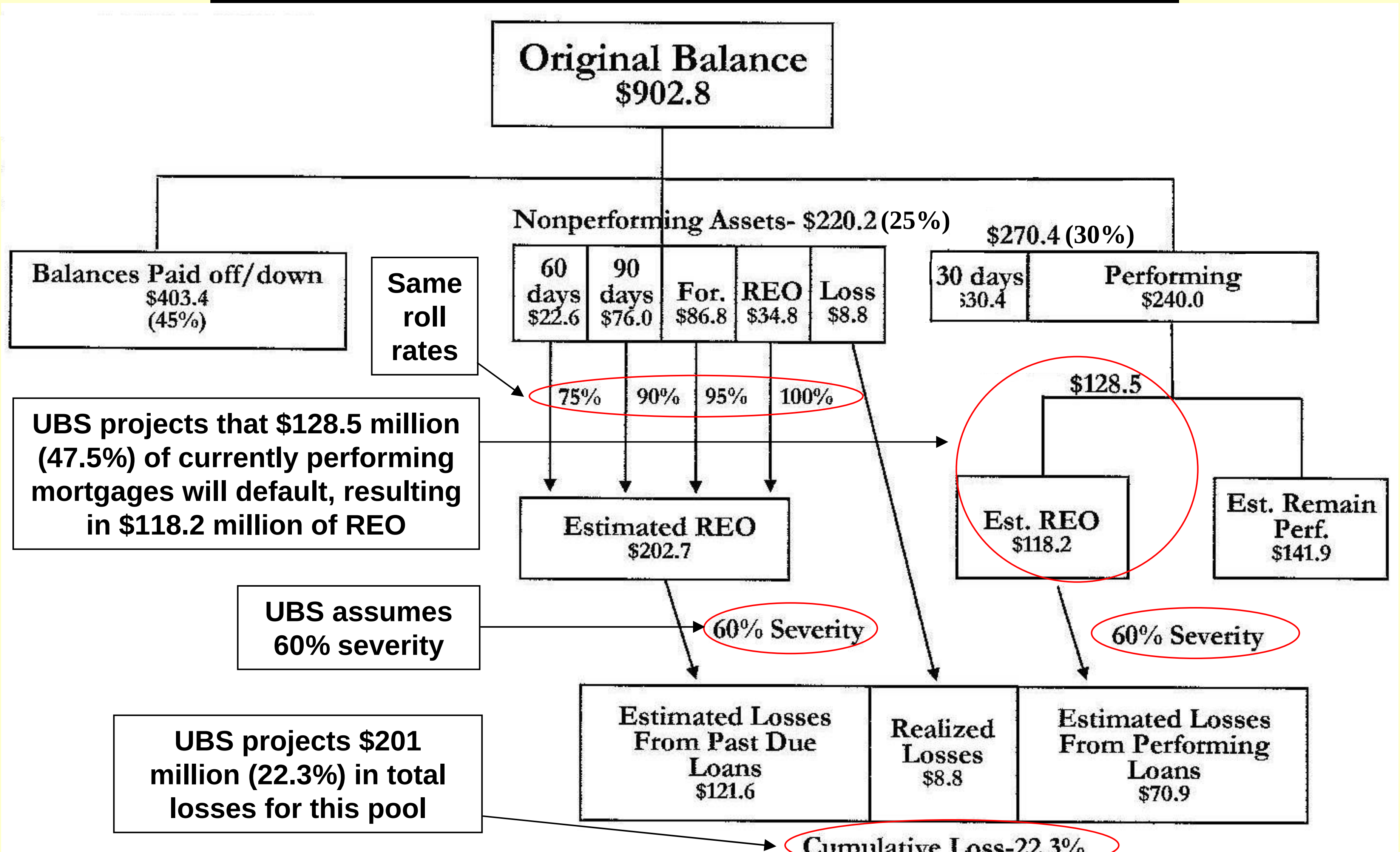
A New Century Financial 2005 RMBS (pool of mortgages) (MABS-05NC2)



Source: Bankstocks.com/Second Curve Capital

Bankstocks.com/Second Curve Capital Projections Using UBS's Assumptions

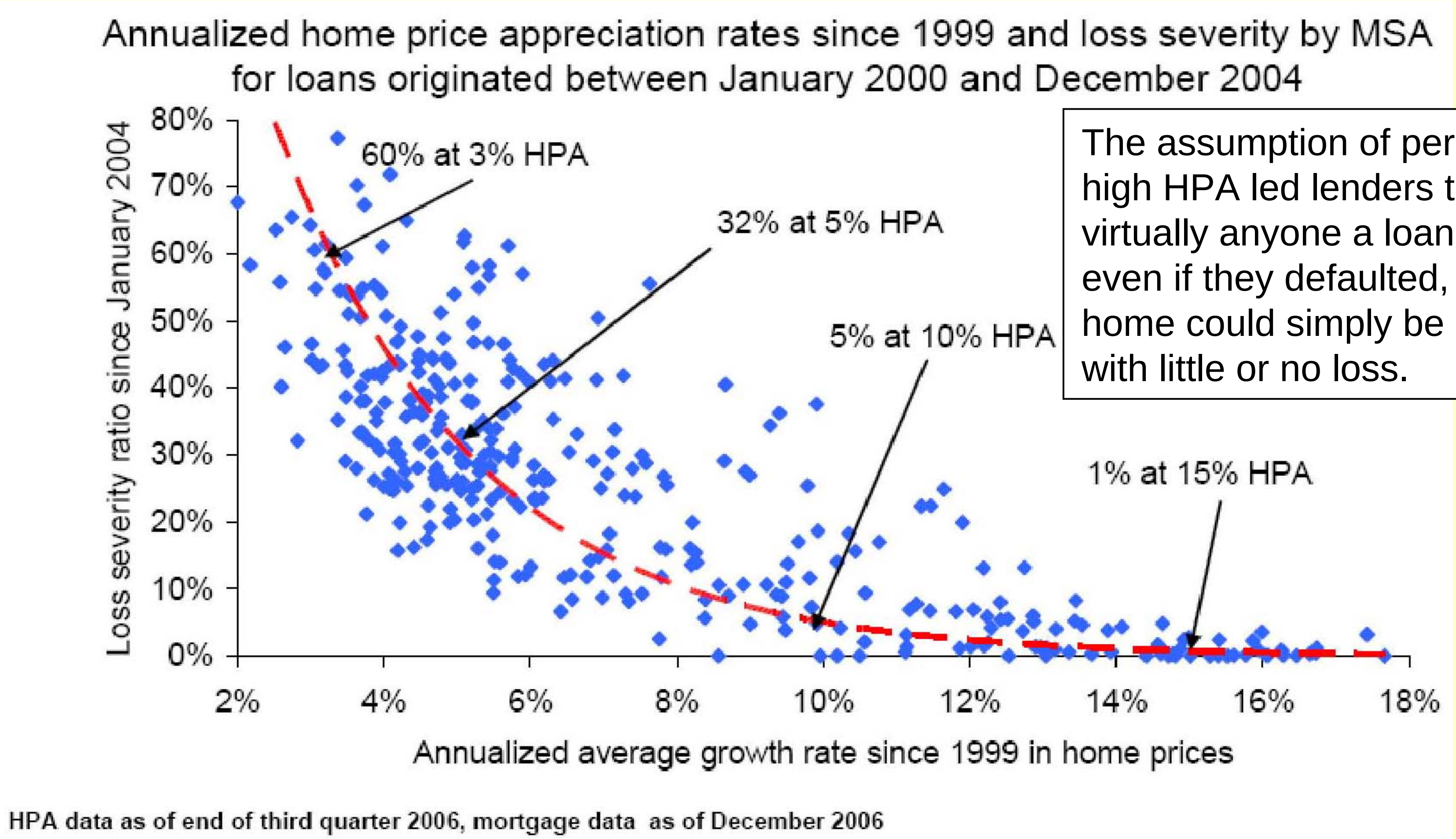
A New Century Financial 2005 RMBS (pool of mortgages) (MABS-05NC2)



Source: Bankstocks.com/Second Curve Capital

Lenders Cared Little Who They Lent To Because They Assumed Perpetually Rising Home Prices

When home price appreciation slows, loss severity skyrockets when mortgages default. What will loss severities look like when home prices are *declining* 10% annually?! No-one knows because there is no precedent for this.



The assumption of perpetually high HPA led lenders to give virtually anyone a loan because even if they defaulted, the home could simply be resold with little or no loss.

Source: LoanPerformance; OFHEO; Deutsche Bank; “Who's Holding the Bag?”, Pershing Square presentation, 5/23/07.

If Current Trends Continue, 37% of Performing Mortgages Will Default in the Next 12 Months

The 20 RMBS Pools That Comprise the ABX 06-2

Cumulative defaults

Monthly default rate

Annualized default rate

Monthly prepay rate

Annualized prepay rate

SECURITY DESCRIPTION				DEAL LEVEL				
Cusip	Bond Name	Seq Position	% Front	CDX	sTr	cTr	SMM	vPr
004421UT8	ACE 2006-NC1 A2D	3rd	63.7%	23.7%	4.2%	40.3%	1.2%	13.6%
040104RG8	ARSI 2006-W1 A2D	3rd	62.3%	26.2%	4.3%	40.7%	1.7%	18.9%
07387UHR5	BSABS 2006-HE3 A3	3rd	52.8%	27.2%	5.2%	47.1%	2.6%	27.5%
144531EX4	CARR 2006-NC1 A4	4th	60.7%	21.2%	3.3%	33.0%	1.5%	17.1%
045427AD3	CWL 2006-8 2A4	4th	73.3%	24.2%	3.0%	30.3%	0.9%	10.6%
362334FT6	FFML 2006-FF4 A3	3rd	66.8%	22.7%	3.2%	31.9%	3.0%	30.2%
36244KAE5	GSAMP 2006-HE3 A2D	4th	61.5%	29.6%	4.1%	39.3%	2.5%	25.9%
437084VN3	HEAT 2006-4 2A4	4th	66.0%	23.7%	4.3%	41.3%	3.5%	34.4%
46626LFM7	JPMAC 2006-FRE1 A4	2nd	52.3%	28.5%	4.7%	43.9%	0.9%	10.0%
542514RM8	LBMLT 2006-1 2A4	3rd	67.2%	33.3%	6.2%	53.7%	2.1%	22.9%
57643LNF9	MABS 2006-NC1 A4	3rd	60.8%	25.9%	3.7%	36.4%	1.5%	16.7%
59020U3D5	MLMI 2006-HE1 A2D	4th	59.9%	26.8%	5.3%	47.7%	1.5%	16.8%
61749KAF0	MSAC 2006-WMC2 A2D	4th	76.8%	36.5%	5.0%	45.9%	0.9%	10.7%
617451EV7	MSAC 2006-HE2 A2D	4th	67.4%	30.3%	5.1%	46.3%	2.6%	26.7%
75156TAC4	RAMP 2006-NC2 A3	2nd	66.0%	25.7%	4.6%	43.1%	1.1%	11.9%
76113ABJ9	RASC 2006-KS3 AI4	3rd	62.4%	24.6%	3.9%	38.3%	4.8%	44.5%
81375WJE7	SABR 2006-OP1 A2C	2nd	61.1%	16.6%	2.7%	28.4%	1.8%	19.4%
86360WAE2	SAIL 2006-4 A5	3rd	75.4%	29.8%	4.0%	38.4%	1.3%	14.9%
86360LAD8	SASC 2006-WF2 A4	4th	62.7%	15.3%	2.4%	25.7%	2.9%	29.4%
83612CAE9	SVHE 2006-OPT5 2A4	3rd	68.5%	28.0%	3.0%	30.3%	1.2%	13.2%

Averages at Deal Level				
CDX	sTr	cTr	SMM	vPr
26.0%	4.1%	39.1%	2.0%	20.8%

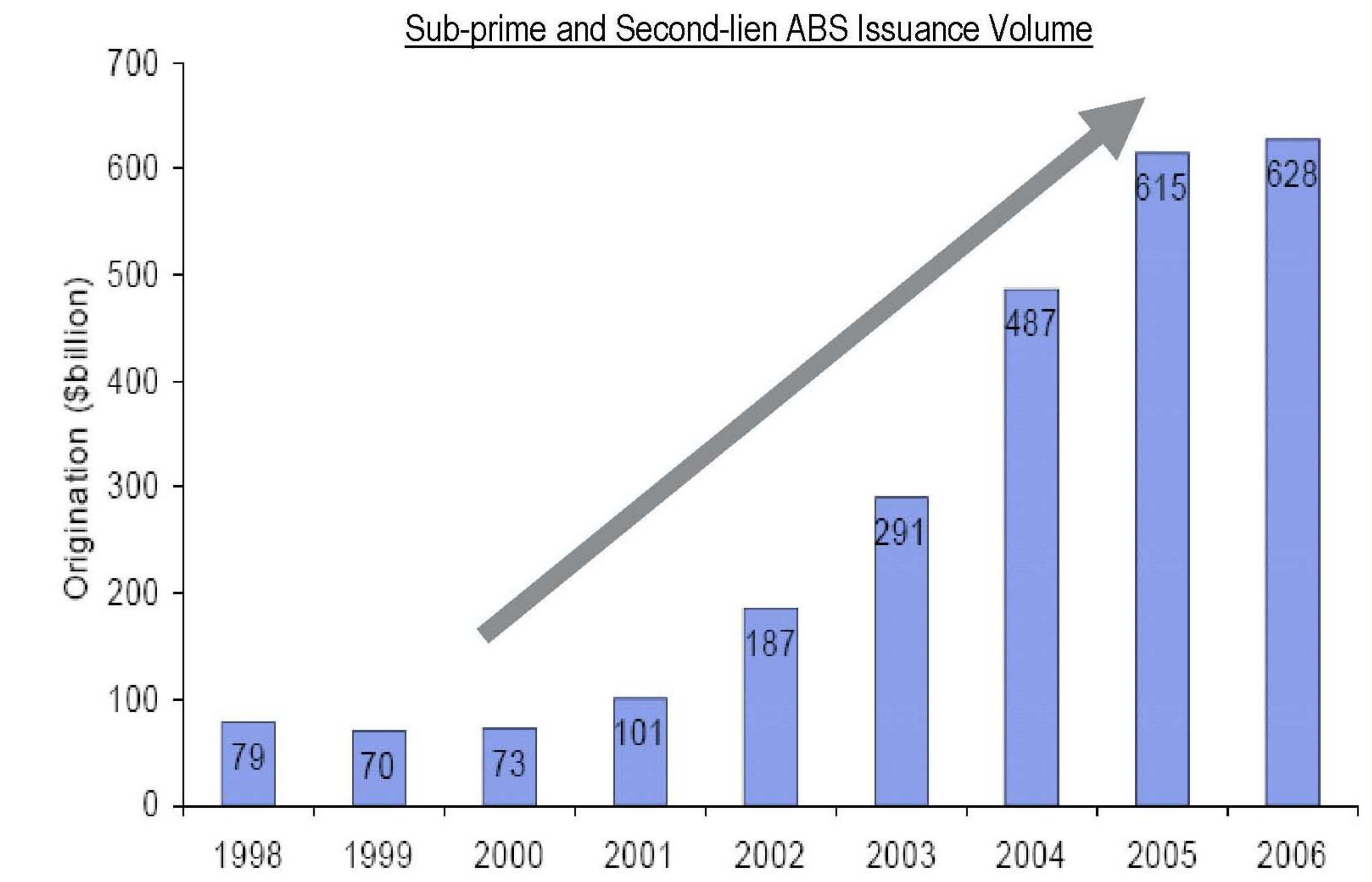
An average of 26% of the RMBS pools have already defaulted

The default rate averaged 4.1% in March

The prepay rate only averaged 2.0% in March

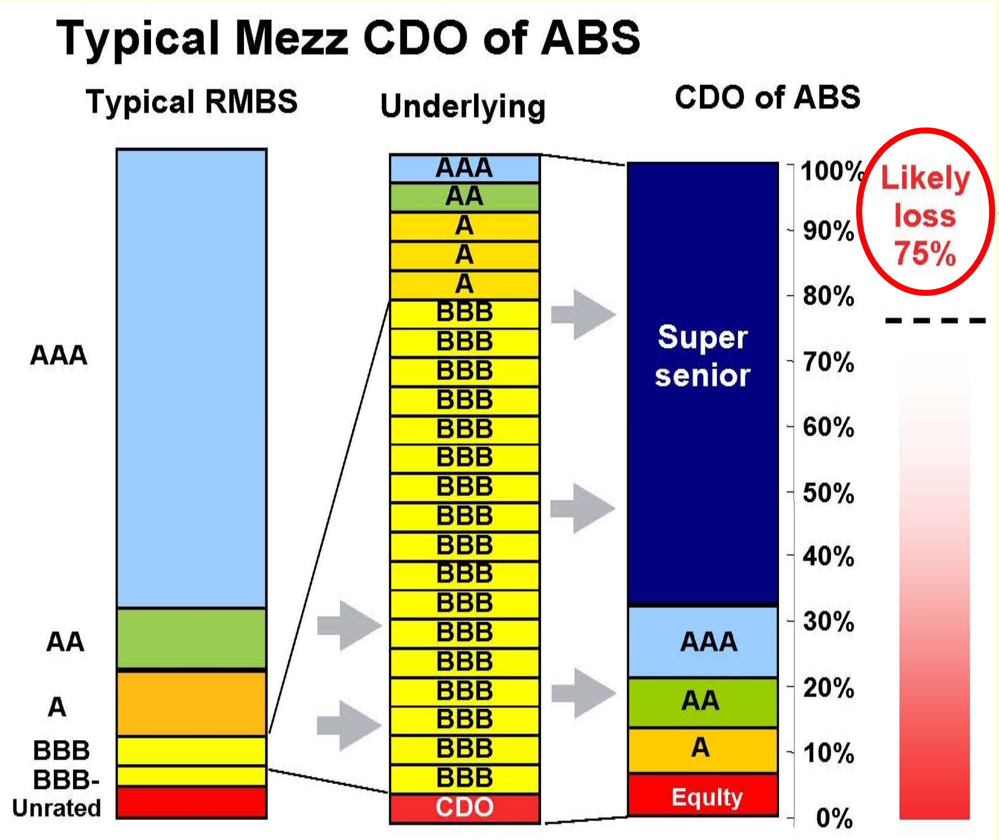
Source: Amherst Securities Group, April 24th reports, reflecting payments through 3/30/08

The Issuance of ABSs Backed By Subprime and Second-Lien Mortgages Surged in 2004, 2005 and 2006



Source: Thompson Financial, Deutsche Bank; "Who's Holding the Bag?", Pershing Square presentation, 5/23/07.

Tranches from Asset-Backed Securities Were Pooled into Collateralized Debt Obligations (CDOs)



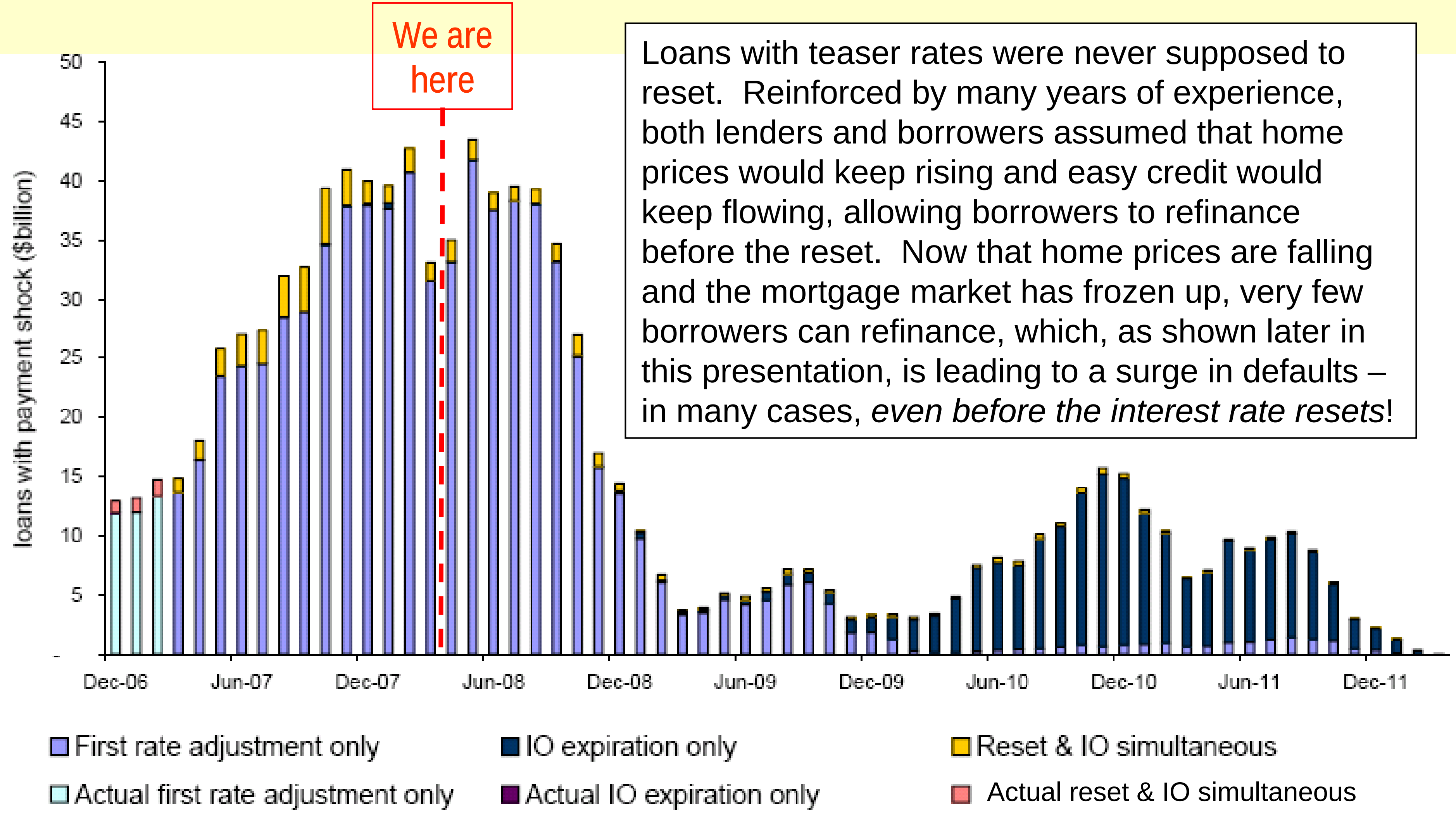
Loss rates of, say, 20%, in the underlying RMBS's can lead to catastrophic losses for a CDO

This is an example of a "Mezzanine CDO." A "High-Grade CDO" would select collateral primarily from the A and AA tranches mixed with ~25% senior tranches from other, often mezzanine, CDOs

Note: Asset-based securities backed by home mortgages are called Residential Mortgage-Backed Securities (RMBS), those backed by commercial real estate loans are called Commercial Mortgage-Backed Securities (CMBS), etc.

Source: Citigroup, All Clogged Up: What's Ailing the Financial System, 2/13/08.

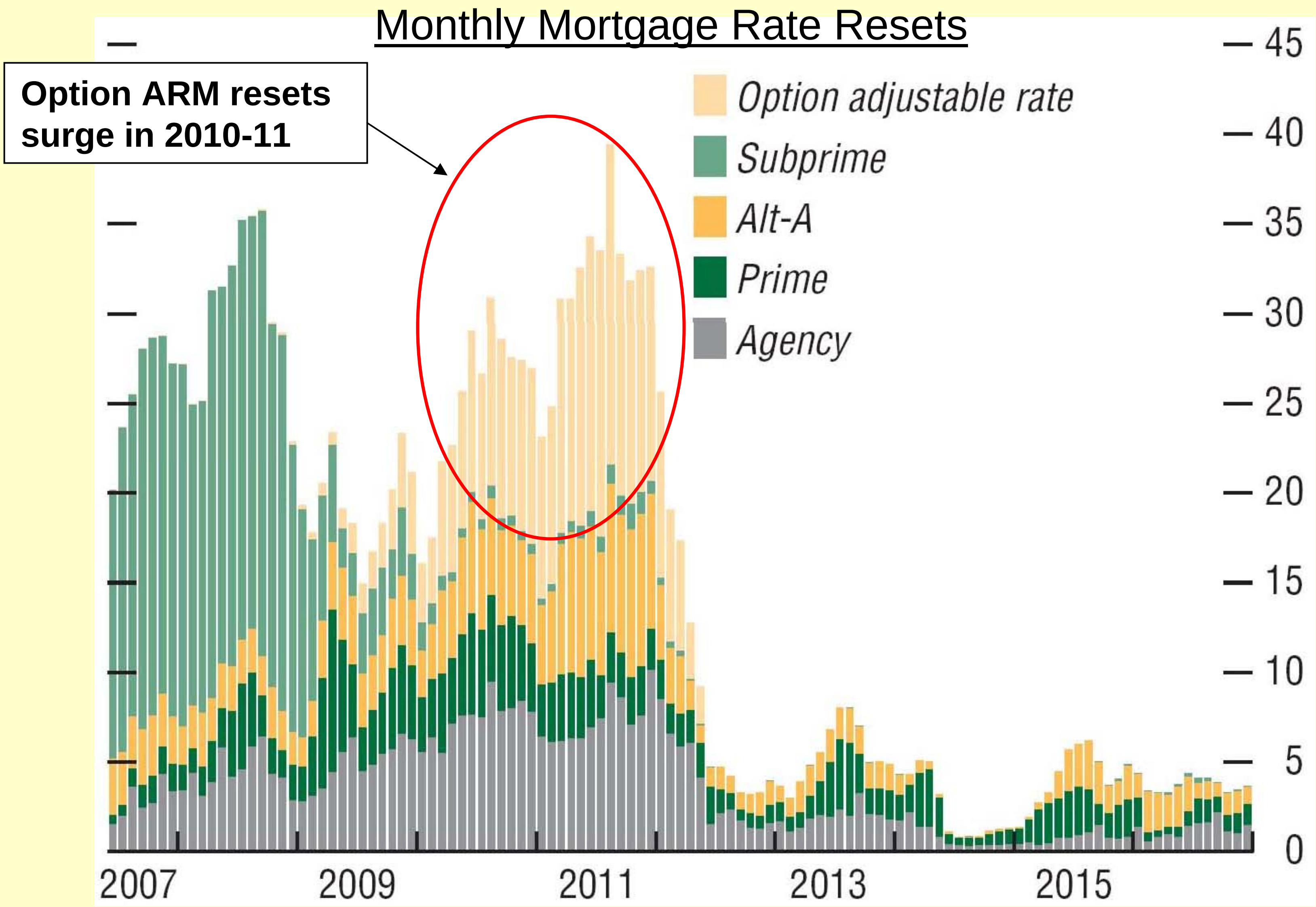
About $440 Billion of Adjustable Mortgages Are Scheduled to Reset This Year



Loans with teaser rates were never supposed to reset. Reinforced by many years of experience, both lenders and borrowers assumed that home prices would keep rising and easy credit would keep flowing, allowing borrowers to refinance before the reset. Now that home prices are falling and the mortgage market has frozen up, very few borrowers can refinance, which, as shown later in this presentation, is leading to a surge in defaults – in many cases, *even before the interest rate resets*!

Sources: LoanPerformance, Deutsche Bank; slide from Pershing Square presentation, How to Save the Bond Insurers, 11/28/07.

Subprime Resets Have Driven the Current Crisis; Option ARM Resets Will Likely Drive the Next Leg Down



Source: Credit Suisse.

What Is an Option ARM?

From Washington Mutual's 2007 10K (emphasis added):

"The Option ARM home loan product is an adjustable-rate mortgage loan that provides the borrower with the option each month to make a fully-amortizing, interest-only, or minimum payment. As described in greater detail below, *the minimum payment is typically insufficient to cover interest accrued in the prior month and any unpaid interest is deferred and added to the principal balance of the loan*.

The minimum payment on an Option ARM loan is based on the interest rate charged during the introductory period. This introductory rate has usually been significantly below the fully-indexed rate. The fully-indexed rate is calculated using an index rate plus a margin. Once the introductory period ends, the contractual interest rate charged on the loan increases to the fully-indexed rate and adjusts monthly to reflect movements in the index.

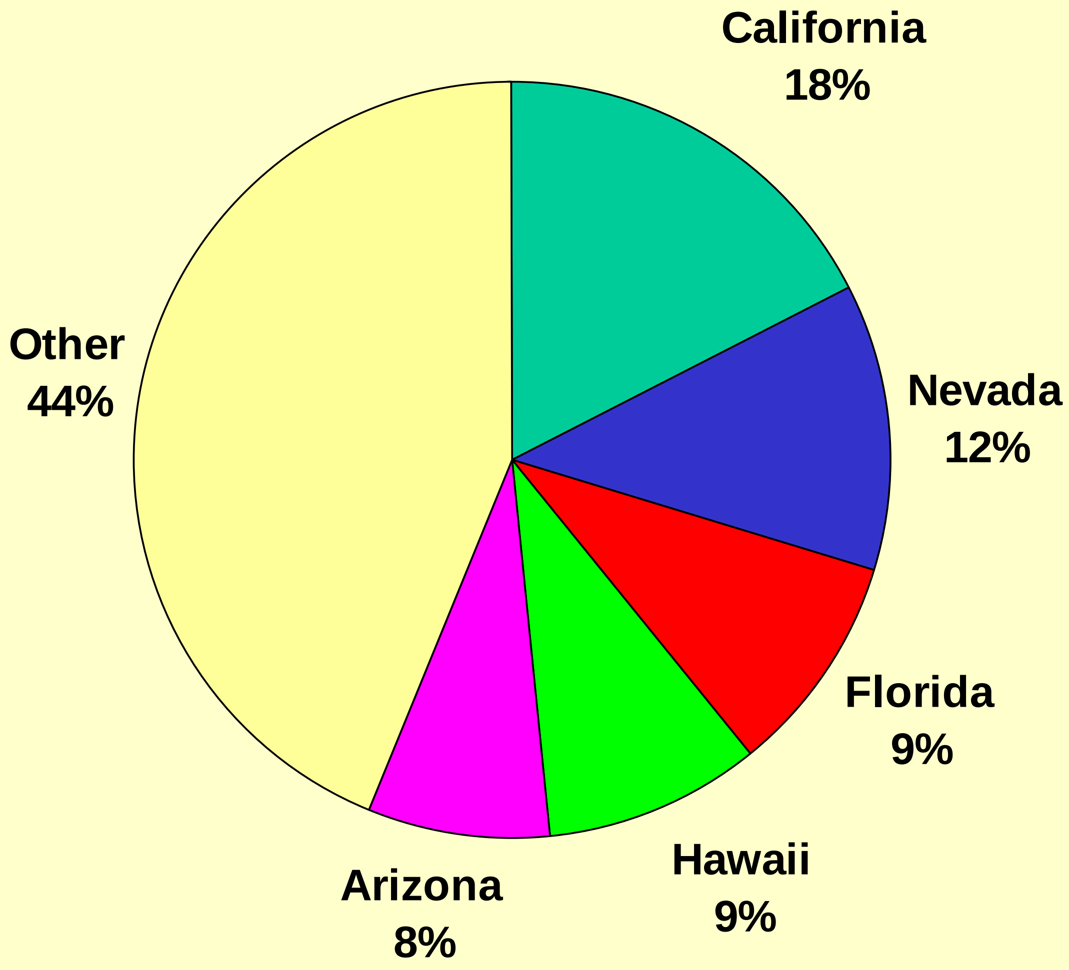
If the borrower continues to make the minimum monthly payment after the introductory period ends, the payment may not be sufficient to cover interest accrued in the previous month. In this case, the loan will "negatively amortize" as unpaid interest is deferred and added to the principal balance of the loan. The minimum payment on an Option ARM loan is adjusted on each anniversary date of the loan but each increase or decrease is limited to a maximum of 7.5% of the minimum payment amount on such date until a "recasting event" occurs.

A recasting event occurs every 60 months or sooner upon reaching a negative amortization cap. When a recasting event occurs, a new minimum monthly payment is calculated without regard to any limits on the increase or decrease in amount that would otherwise apply under the annual 7.5% payment cap. This new minimum monthly payment is calculated to be sufficient to fully repay the principal balance of the loan, including any theretofore deferred interest, over the remainder of the loan term using the fully-indexed rate then in effect.

A recasting event occurs immediately whenever the unpaid principal balance reaches the negative amortization cap, which is expressed as a percent of the original loan balance. Prior to 2006, the negative amortization cap was 125% of the original loan balance... For all Option ARM loans originated in 2006, the negative amortization cap was 110% of the original loan balance. For Option ARM loans originated in 2007, the negative amortization cap was raised to 115%...

In the first month that follows a recasting event, the minimum payment will equal the fully-amortizing payment.

Options ARMs Were Most Common in Housing Bubble States That Are Suffering the Greatest Home Price Declines



Note: Based on 2006 originations; Source: First American CoreLogic, as reported in *Defaults Rising Rapidly For 'Pick-a-Pay' Option Mortgages*, WSJ, 4/30/08.

Background on Option ARMs and Their Rising Delinquencies

- "Borrowers who make the minimum payment on a regular basis can see their loan balance grow and their monthly payment more than double when they begin making payments of principal and full interest. This typically happens after five years, but can occur earlier if the amount owed reaches a predetermined level -- typically 110% to 125% of the original loan balance."
- "'My sense is that many option ARM borrowers are in a worse position than subprime borrowers,' says Kevin Stein, associate director of the California Reinvestment Coaliton, which combats predatory lending. 'They wind up owing more and the resets are more significant.'"
- "In Q1, Countrywide Financial Corp. said that 9.4% of the option ARMs in its bank portfolio were at least 90 days past due, up from 5.7% at the end of December and 1% a year earlier."
- "Washington Mutual Inc. reported earlier this month that option ARMs account for 50% of prime loans in its bank portfolio, but 70% of prime nonperforming loans."
- "At Wachovia Corp., non-performing assets in the company's option ARM portfolio, which was acquired with the company's purchase of Golden West Financial Corp., climbed to $4.6 billion in the first quarter from $924 million a year earlier."

Source: *Defaults Rising Rapidly For 'Pick-a-Pay' Option Mortgages*, WSJ, 4/30/08.

Comments from a Federal Senior Bank Examiner

“The next problem is with the Option ARM product. Approximately 80-90% are paying the minimum credit card payment and most loans are negatively amortizing.

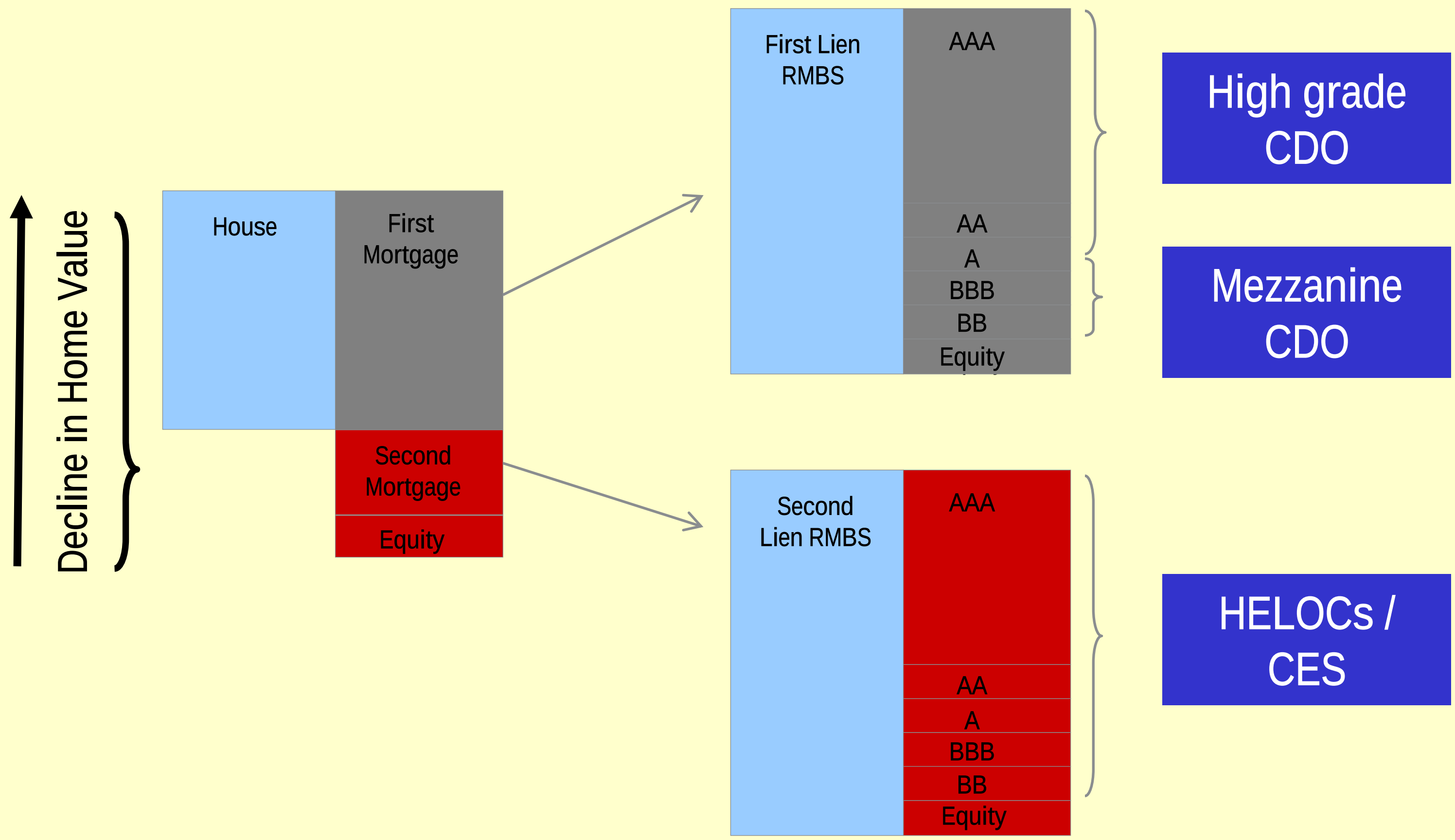
Here the payment shock is two-fold – rate and principal – and *the increase in payments can be astronomical: 200% or higher, not the 10 to 100% that subprime has experienced*. Also, the dollars exposed in Alt-A are nearly 50% higher than subprime (Alt-A average balance is $299k versus $181k for subprime).

Also, *73% were underwritten with Low or No Doc*. The option arm books of many lenders are already showing significant deterioration and they have not even recast yet.

This is the next tsunami to hit the housing market. This will hit much higher price points $600k and above as this was the affordability product used by higher income/higher FICO score households to buy that dream home.”

Background on HELOCs and Closed-End Second Mortgages

Home Equity Lines of Credit (HELOC) and Closed-end Second Mortgages (CES) securitizations are junior to even the most subordinated tranches of a typical Mezzanine CDO. Bond insurers typically insure HELOCs and CES to the underlying BBB level. HELOCs and CES are in a first-loss position and are leveraged to a decline in housing values.



Source: "How to Save the Bond Insurers", Pershing Square presentation, 11/28/07.

HELOC & CES Exposure Is Effectively Mortgage Insurance

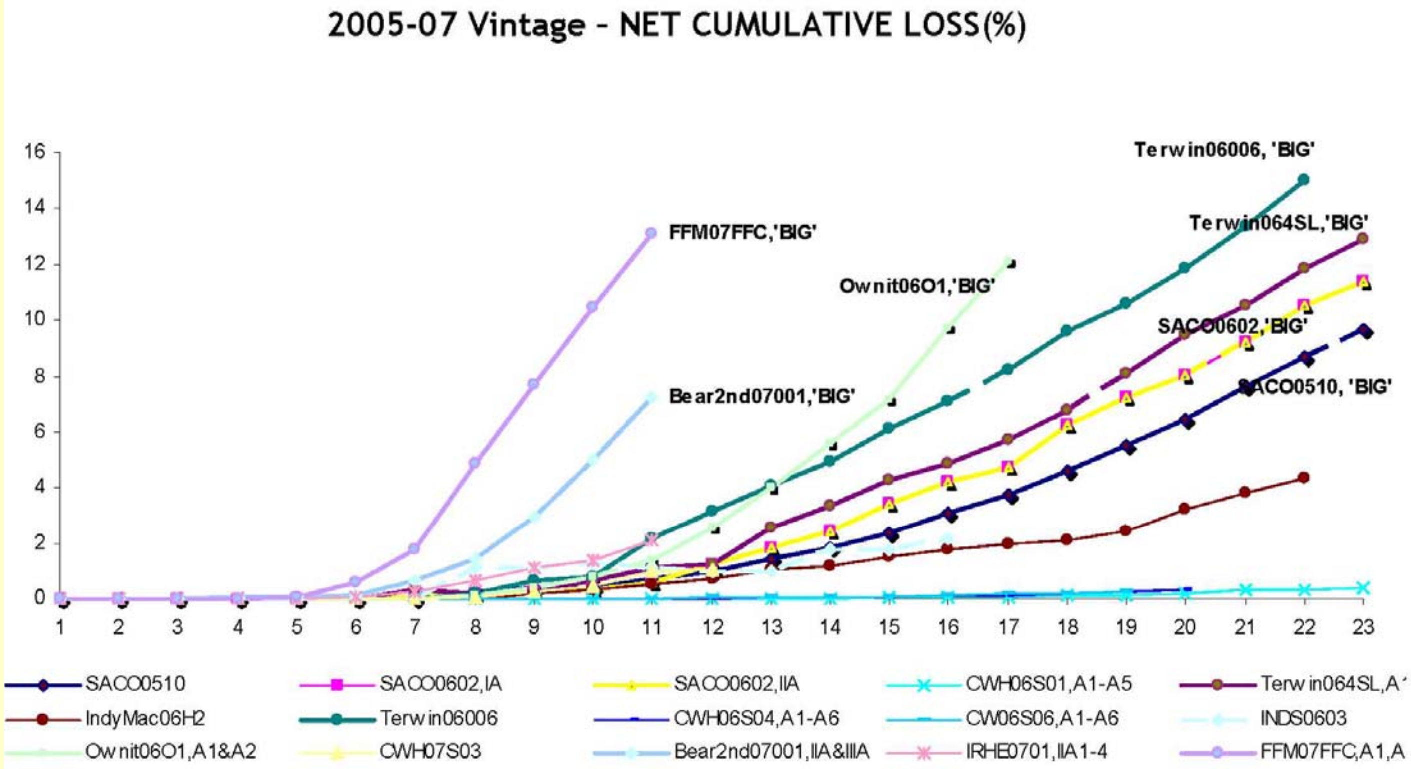
- Mortgage insurers insure junior-most ~25% of high-LTV mortgage loans
- Bond insurers' underlying collateral is comprised of second-liens which are junior to first mortgages, accrued interest, foreclosure costs, brokerage commissions, and other expenses
- HELOC and CES risk is actually structurally inferior to mortgage insurance risk
  - Mortgage insurers at least have the option to acquire the underlying first mortgage in order to improve recoveries
- In a flat to declining home price environment, we believe HELOCs and CES are likely to suffer 100% loss severity upon default

Source: "How to Save the Bond Insurers", Pershing Square presentation, 11/28/07.

Losses for Ambac's CES Exposure Are Soaring

CES 2005-07 Vintage
Cumulative Loss for Select Underperforming Deals

Ambac has $5.0 billion in exposure to CES and has taken $636 million (12.7%) in reserves



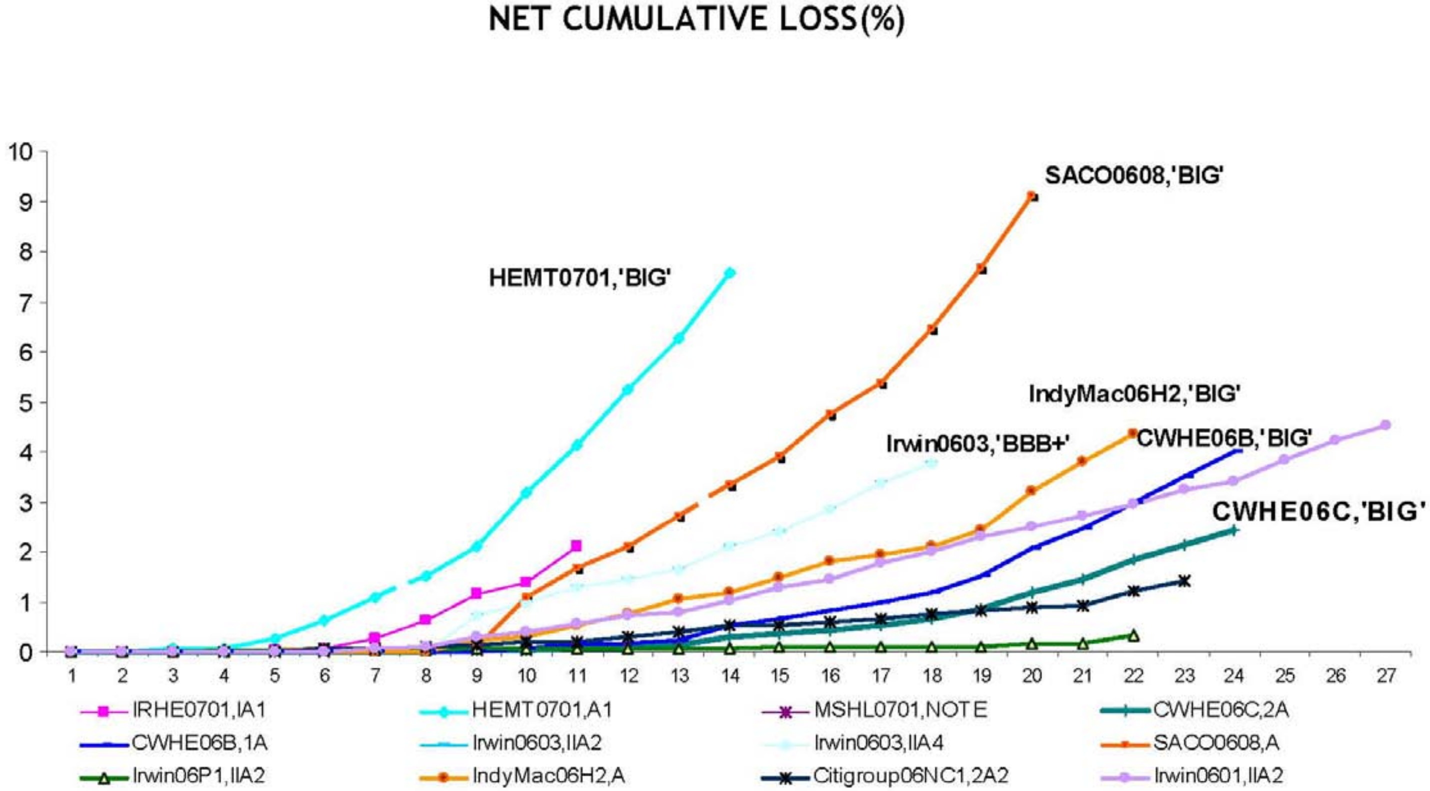
- Rapid escalation of losses, particular in the Bear & First Franklin transactions
- Terwin and Ownit transactions pay principal at legal final

 Source: Ambac Q1 08 presentation

Losses for Ambac's HELOC Exposure Are Soaring

HELOC 2006-2007 Vintage
Cumulative Loss for Select Underperforming Deals

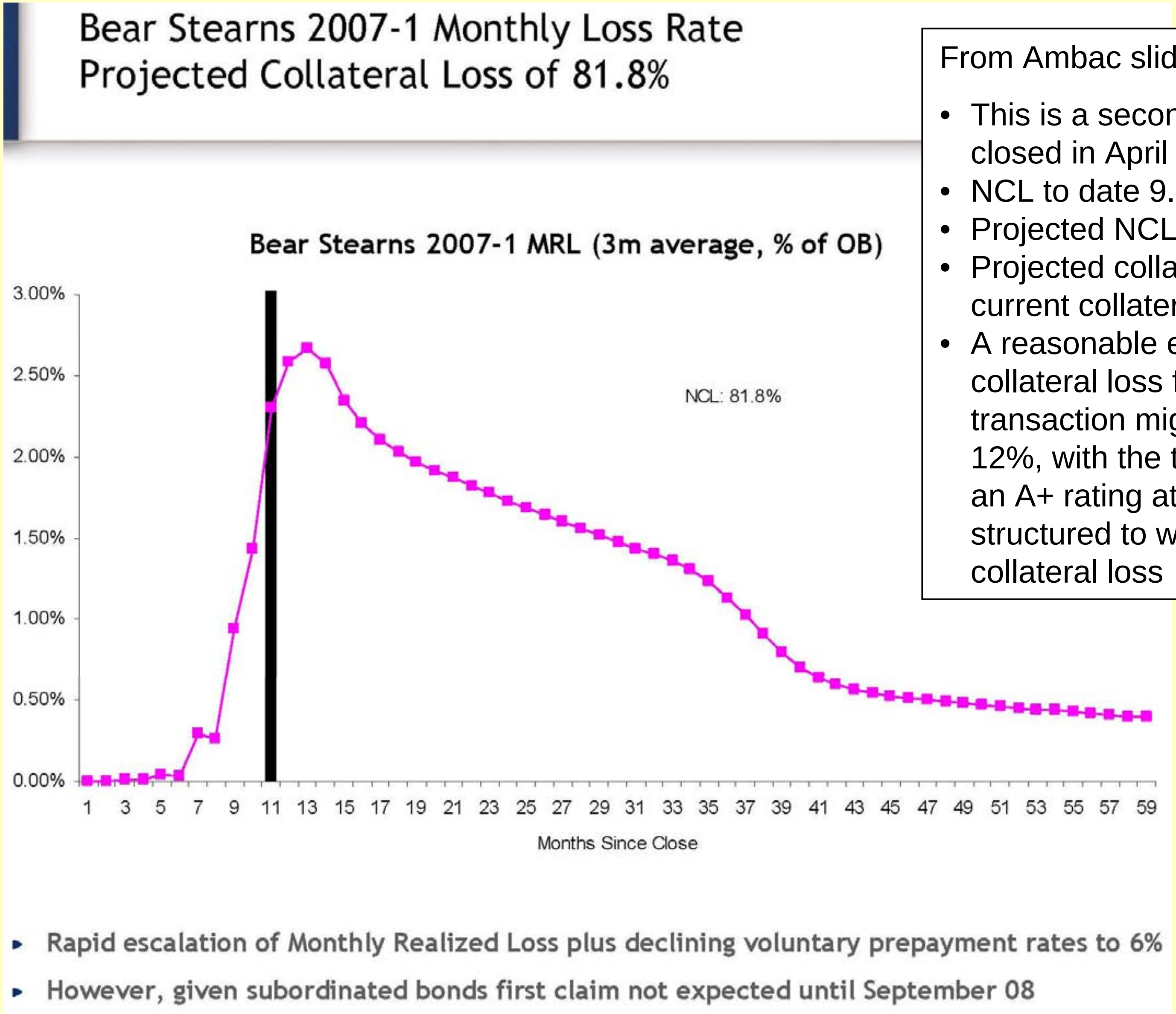
Ambac has $11.4 billion in exposure to HELOCs and has taken $432 million (3.8%) in reserves



- Rising default rates have resulted in cumulative net claims payments of $41.2M as of 3/31/08 across 4 transactions

Source: Ambac Q1 08 presentation

On One Second Lien Deal, Ambac Expected Losses of 10-12% -- But Now Estimates 81.8%



From Ambac slide:

- This is a second lien deal that closed in April 2007
- NCL to date 9.9%
- Projected NCL 81.8%
- Projected collateral loss as a % of current collateral: 86%
- A reasonable estimate of projected collateral loss for the above transaction might have been 10-12%, with the transaction having an A+ rating at inception and being structured to withstand 28-30% collateral loss

Source: Ambac Q1 08 presentation

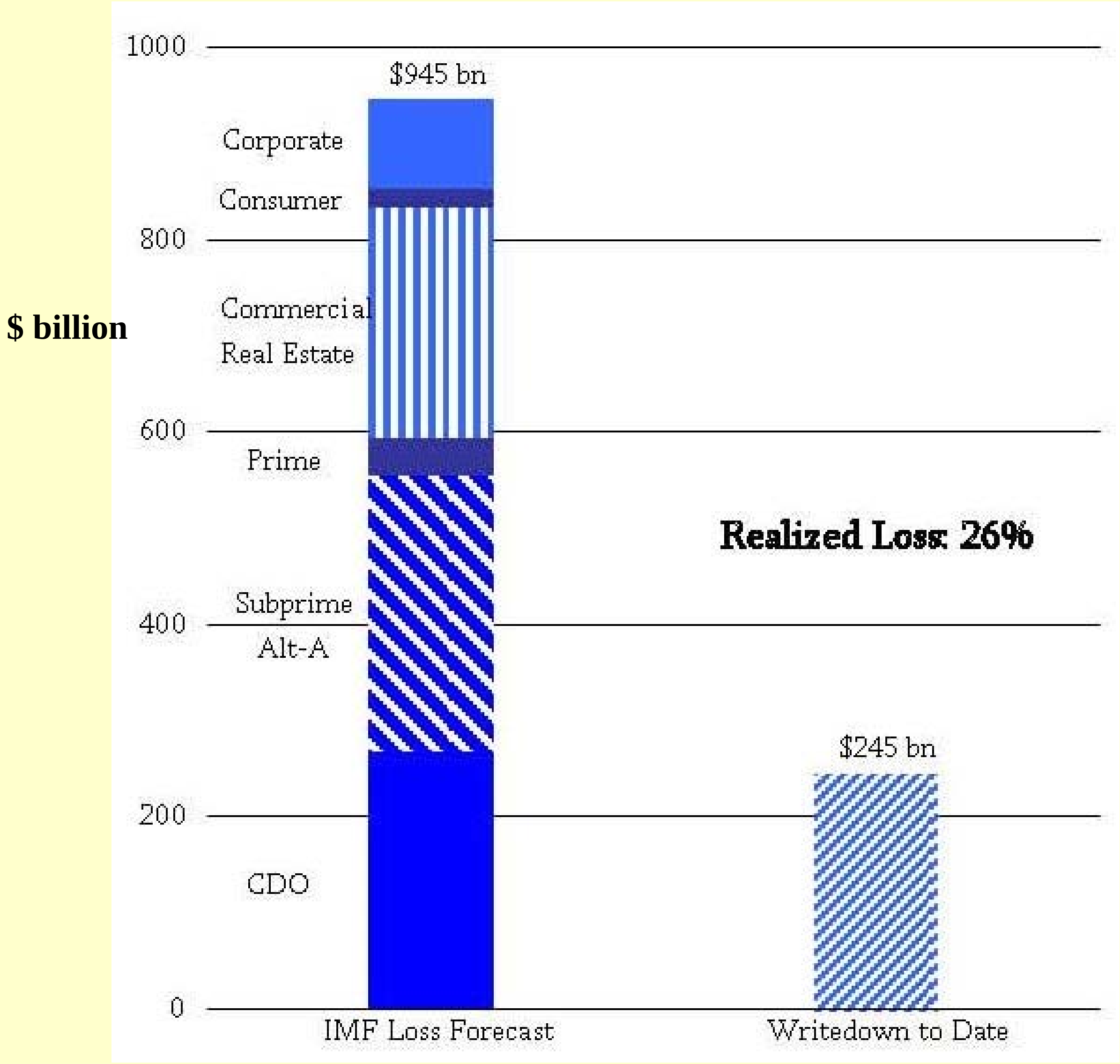
On May 1, 2008, S&P Announced That It Would Stop Rating Any CES Loans and RMBSs

"After reviewing and analyzing the performance data available for US closed-end second-lien mortgage loans and the related residential mortgage-backed securities (RMBS), Standard & Poor's Ratings Services believes that this market segment does not allow for meaningful analysis of new issuance and securitization. The magnitude of our recent rating actions and projected losses on the 2007 US closed-end second [lien mortgages] vintage transactions reflect an unprecedented level of loan performance deterioration. As a result, we will not rate any new US RMBS closed-end second [lien] transactions or any transactions that contain closed end second [lien] mortgage loans."

Adam Tempkin, a spokesman for S&P, said: "We will not issue any new ratings until we are comfortable with the predictability of the performance. We continue to study the performance of closed-end second-lien mortgages and we will not rate any new deals until we have become comfortable in the predictability of future loss performance." Referring to the rate of defaults and delinquencies of second lien mortgage debt, Tempkin said the "current [loan and borrower] behavior is anamolous and unprecedented," and it is "for reasons not fully understood."

Source: IDD Magazine, www.iddmagazine.com/news/181375-1.html, 5/1/08

The IMF Estimates That Total Credit Losses Will Be Nearly $1 Trillion – And Only One Quarter of This Has Been Realized To Date



Source: IMF, Bloomberg

How to Profit From the Upcoming Train Wreck

(In alphabetical order. Do your own work, positions may change at any time, yada, yada, yada.)

Longs

1. Berkshire Hathaway
2. Fairfax Financial

Shorts

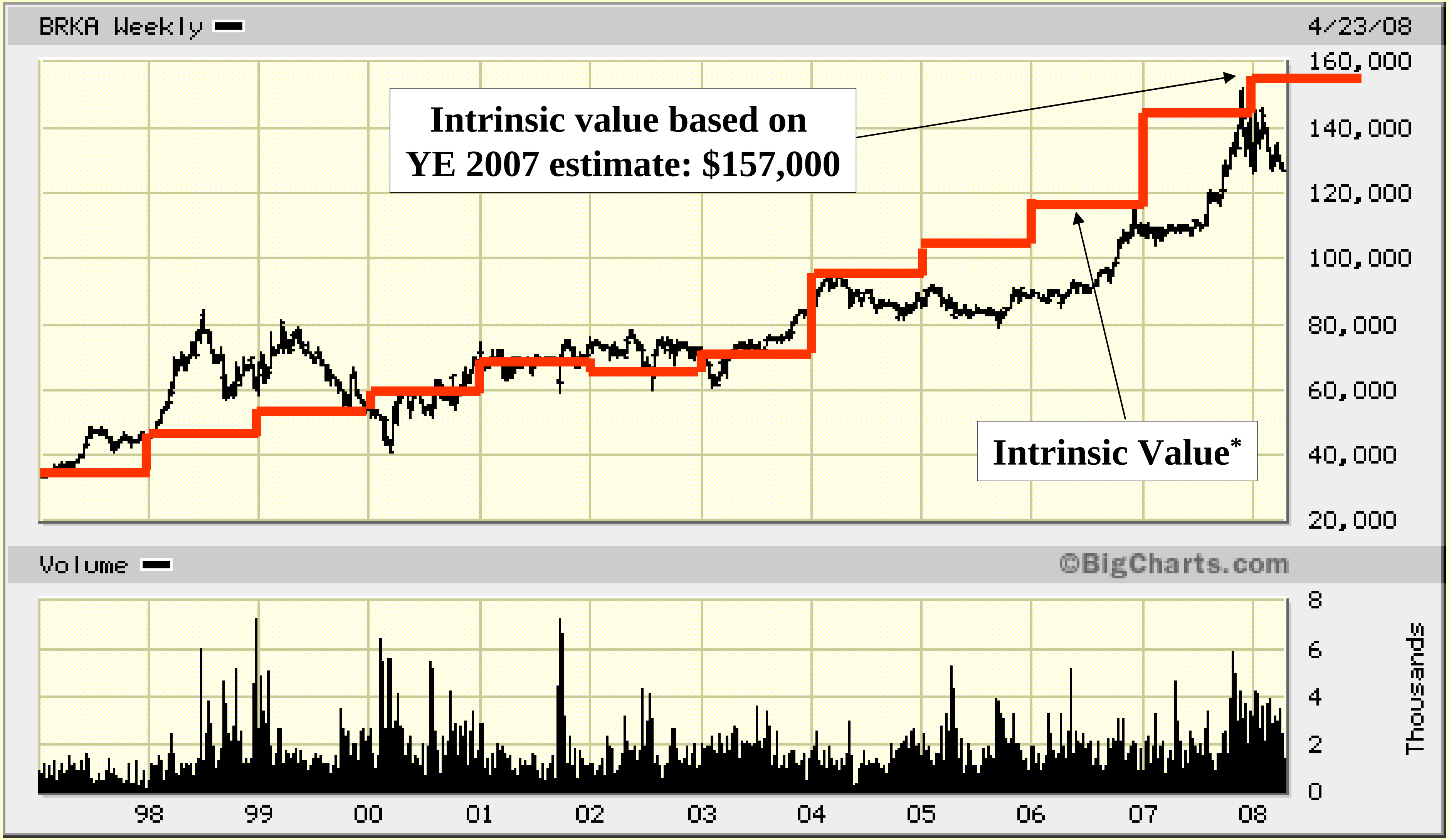
1. Allied Capital
2. Ambac
3. Bear Stearns
4. Capital One Financial
5. Farmer Mac
6. General Growth Properties
7. Lehman Brothers
8. MBIA
9. Moody's
10. PMI
11. Simon Property Group
12. Wachovia
13. Washington Mutual

Applying the 12 Multiple: 2001 – 2007

Year End	Investments Per Share	Pre-tax EPS Excluding All Income From Investments*	Intrinsic Value Per Share	Subsequent Year Stock Price Range
2001	$47,460	-$1,289	$64,000	$59,600-$78,500
2002	$52,507	$1,479	$70,000	$60,600-$84,700
2003	$62,273	$2,912	$97,000	$81,000-$95,700
2004	$66,967	$3,003	$103,000	$78,800-$92,000
2005	$74,129	$3,600	$117,300	85,700-$114,200
2006	$80,636	$5,200-$5,400**	143,000-144,400	107,200-151,650
2007	$90,343	$5,500-$5,700***	156,300-158,700	?

* Unlike the table on page 4 of the 2007 Annual Report, we include earnings from Berkshire's insurance businesses.
** Actual result was $6,492, but we reduce this to assume the 2nd-worst year ever for super-cat losses.
*** Actual result was $6,270 but we reduce the pre-tax, pre-investment-income margins of the insurance businesses by 400 basis points (from 14% to 10%) to reflect Buffett's guidance in the Annual Report.

Berkshire Remains Approximately 20% Undervalued



* Investments per share plus 12x pre-tax earnings per share (excluding all income from investments) for the prior year.

Fairfax Financial

Fairfax and Its Primary Subsidiaries Had a Great 2007

	2007	2006
Earnings per Share (diluted)	$ 58.38	$ 11.92
Book Value per Share	$ 230.01	$ 150.16
Growth in Book Value per Share	53.2%	9.2%
Investments per Share	$ 1,075.05	$ 948.62

	Combined Ratio	Net Earnings	Return on Avg. Equity	2001-2007 Compound Annual Growth Rate
Northbridge	92.3%	273	22.8%	21.9%
Crum & Forster (US GAAP)	92.2%	293	24.6%	18.9%
OdysseyRe (US GAAP)	95.5%	596	25.9%	20.8%

Combined Ratio

	2002	2003	2004	2005	2006	2007
Northbridge	97.4%	92.6%	87.7%	92.9%	98.0%	92.3%
Crum & Forster (US GAAP)	107.4%	114.1%	111.8%	97.3%	90.5%	92.2%
OdysseyRe (US GAAP)	99.7%	97.1%	97.2%	117.6%	94.4%	95.5%

Source: Fairfax presentation, year end 2007

Fairfax's Financial Strength Has Improved Dramatically

	2003	2004	2005	2006	2007	Q1 08
Holdco Cash and Marketable Securities	$410	$567	$559	$784	$972	$1,155

	Year End 2003	Year End 2005	Year End 2007	Q1 08
Subsidiary Debt	784	933	915	911
Holdco Obligations	1,588	1,610	1,256	1,121
Total Debt	2,371	2,543	2,171	2,032
Holdco Cash and Marketable Securities	410	559	963	1,132
Net Debt	1,961	1,984	1,208	900
Total Equity & Minority Interest	2,896	3,396	5,843	6,401
Net Debt / Net Total Capital	**40.4%**	**36.9%**	**17.1%**	**12.3%**
Total Debt / Total Capital	**45.0%**	**42.8%**	**27.1%**	**24.1%**

Source: Fairfax presentation, year end 2007; Q1 08 earnings release

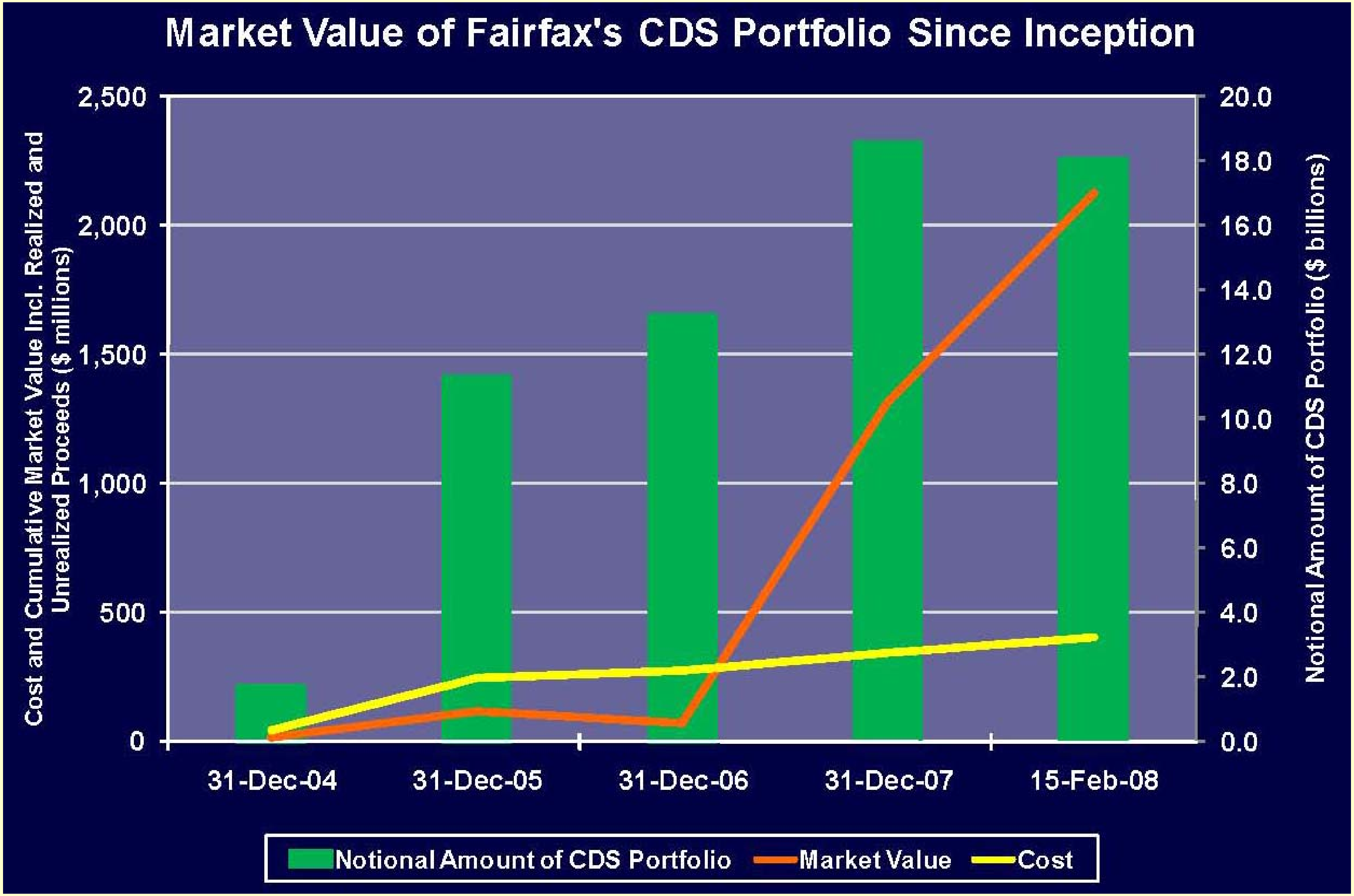
Hamblin Watsa's Investment Performance Has Been Spectacular

	5 Years to Dec. 31 '07	10 Years to Dec. 31 '07	15 Years to Dec. 31 '07
Common Stocks	25.9%	18.5%	19.5%
S&P 500	12.8%	5.9%	10.4%
Bonds	10.9%	9.1%	10.1%
Merrill Lynch U.S. Corporate Index	4.6%	6.1%	6.5%

Source: Hamblin Watsa Investment Counsel - Annualized Rate of Return (%).

Notes: Common Stocks returns exclude hedging. Bonds do not include returns from credit default swaps.

Fairfax's CDS Portfolio Has Paid Off In a Big Way



Fairfax Financial Is Trading At a Low Multiple of Book Value, Even If the Entire CDS Portfolio is Excluded

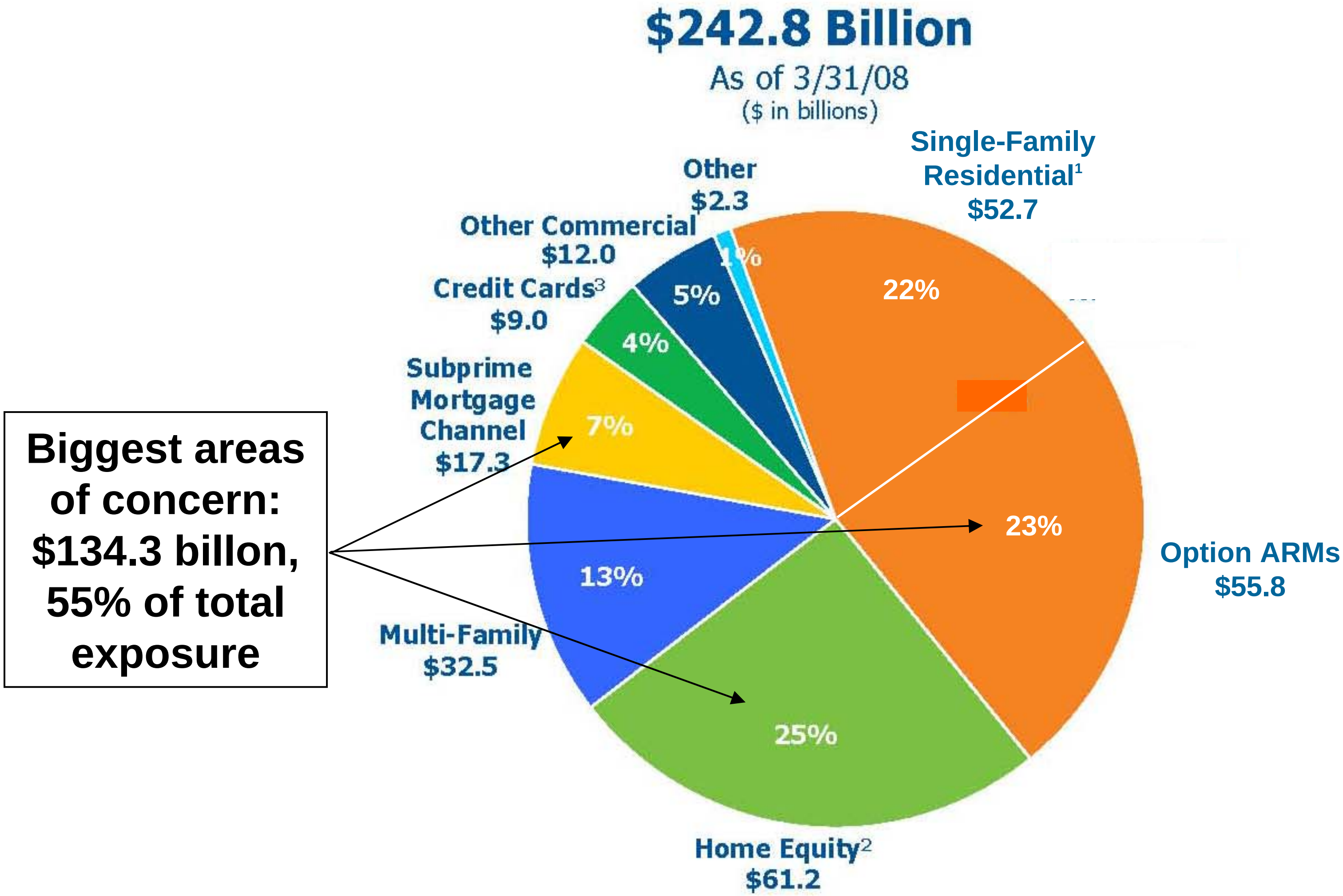
- Price (5/6/08): $282.75
- Market cap (5/6/08): $5.1 billion
- Tangible book value (3/31/08): $4.76 billion
- P/B: 1.07

- Tangible book value, subtracting $304.6 million loss on CDSs from 4/1/08 – 4/25/08): $4.46 billion
- P/B (adjusted): 1.14

- Tangible book value, subtracting entire CDS portfolio of $990.9 million on 3/31/08: $3.77 billion
- P/B (adjusted): 1.35

WaMu Since 1/1/07

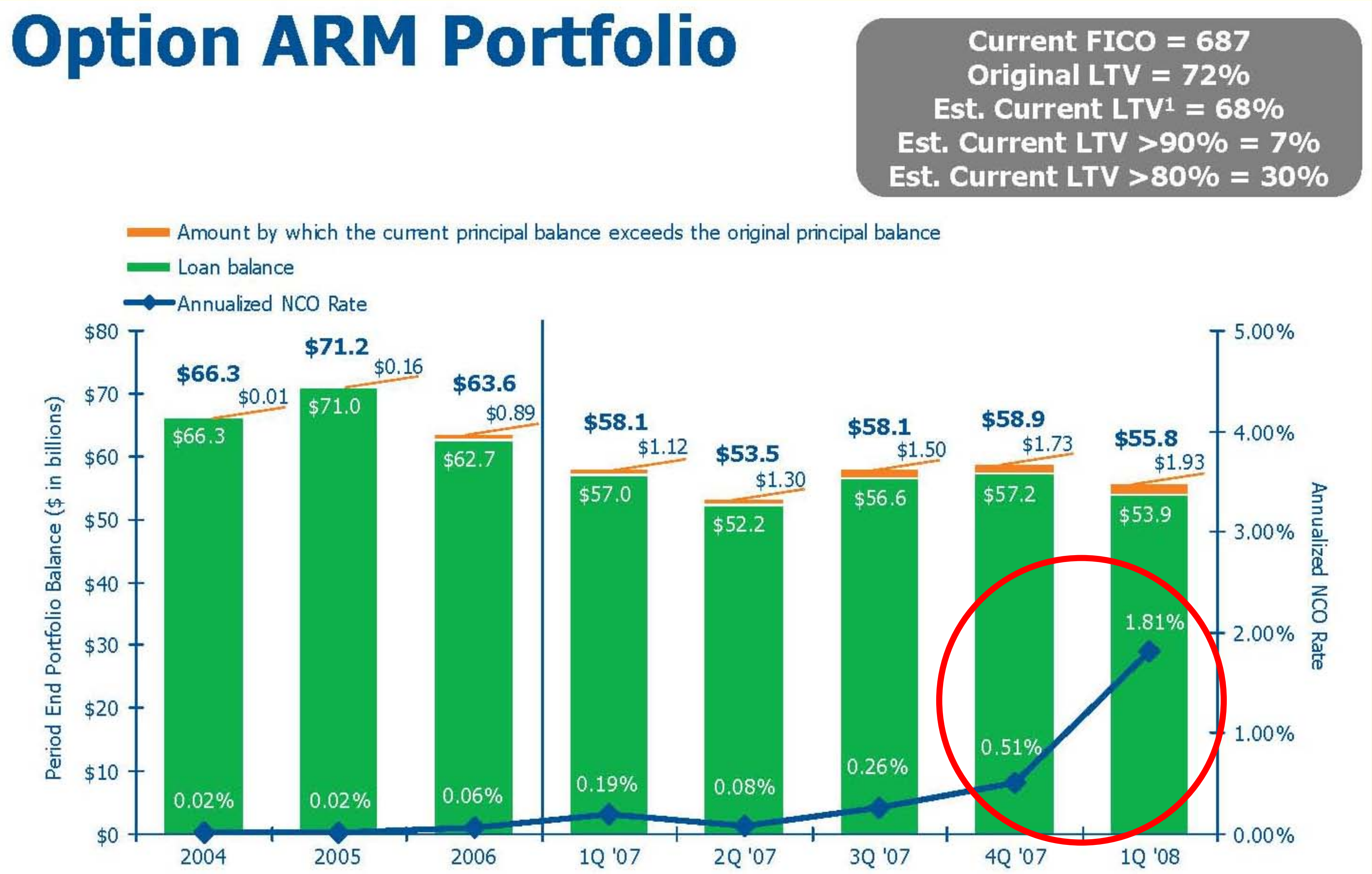
WaMu's Loan Portfolio Mix



[1]Single-Family Residential excludes Custom and Builder Construction and home loans in the Subprime Mortgage Channel.
[2]Home Equity excludes home equity loans in the Subprime Mortgage Channel.
[3]Managed Credit Card balances are $17.4 billion higher.

WaMu Source: WaMu Q1 08 Credit Risk Management presentation

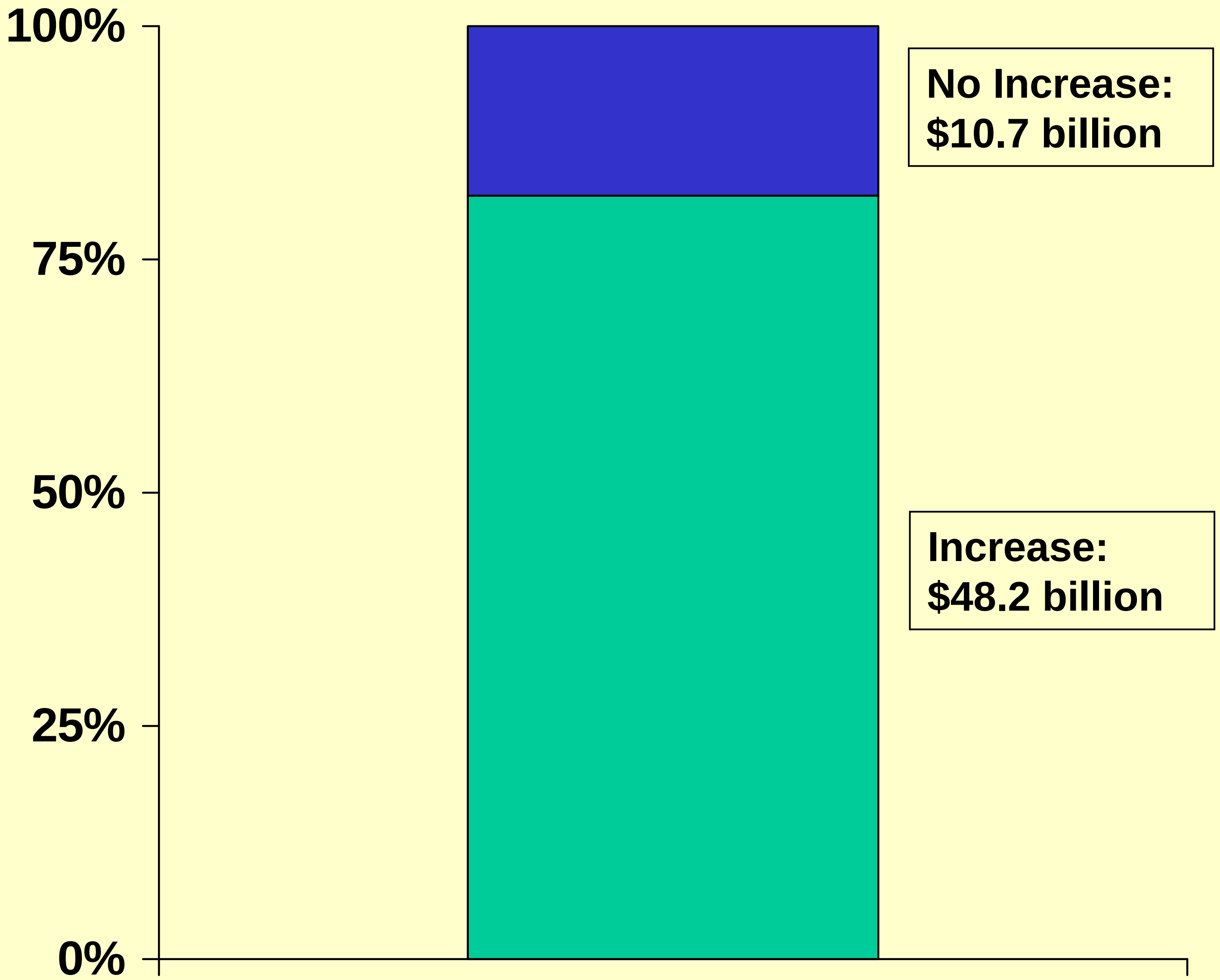
Net Charge Offs Are Rising Rapidly in WaMu's Option ARM Portfolio



[1]Estimated loan-to-value calculation based on OFHEO December 2007 data (released February 2008).

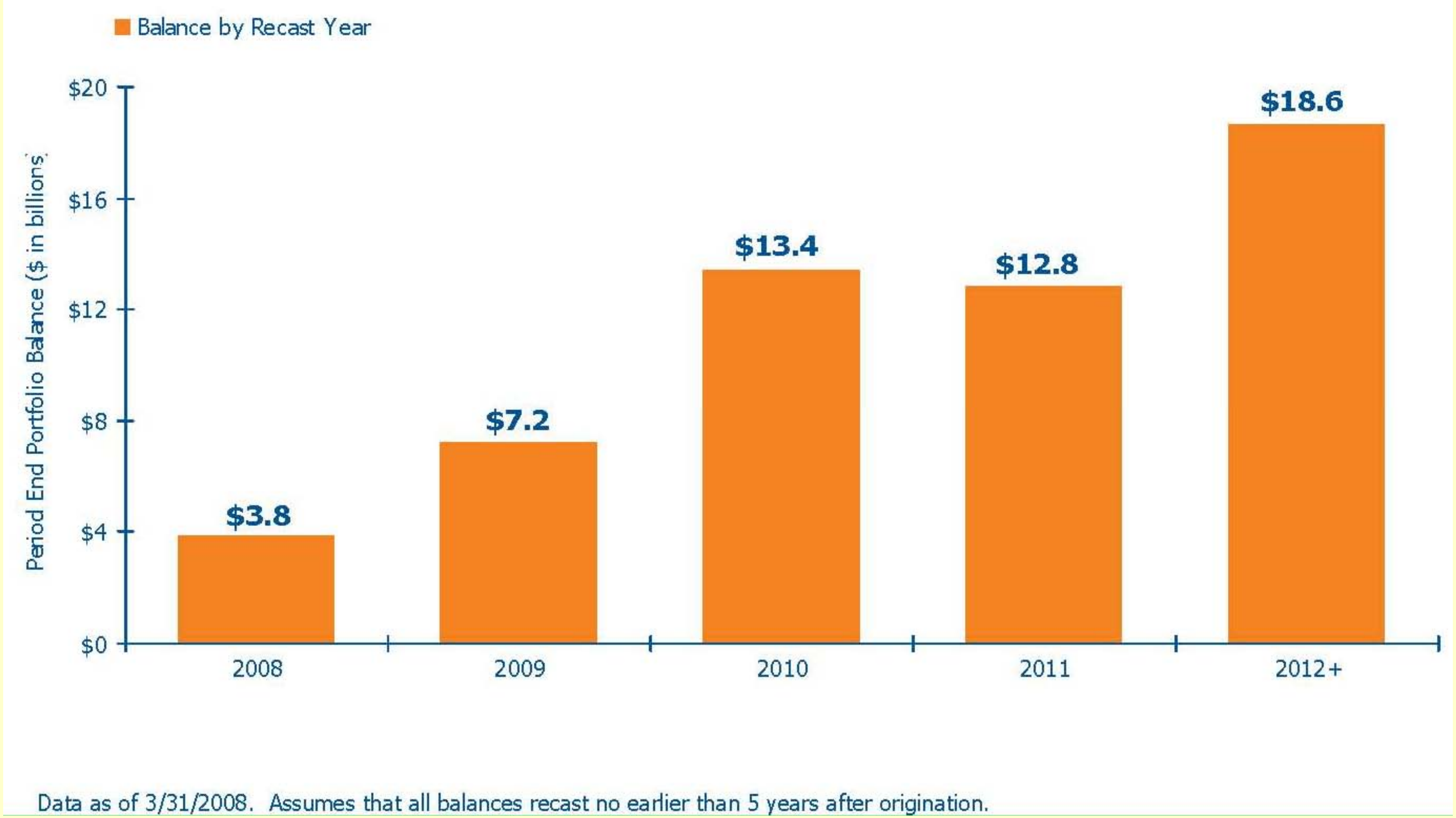
Source: WaMu Q1 08 Credit Risk Management presentation

82% of WaMu's Option ARM Portfolio Experienced a Net Increase in Negative Amortization During 2007



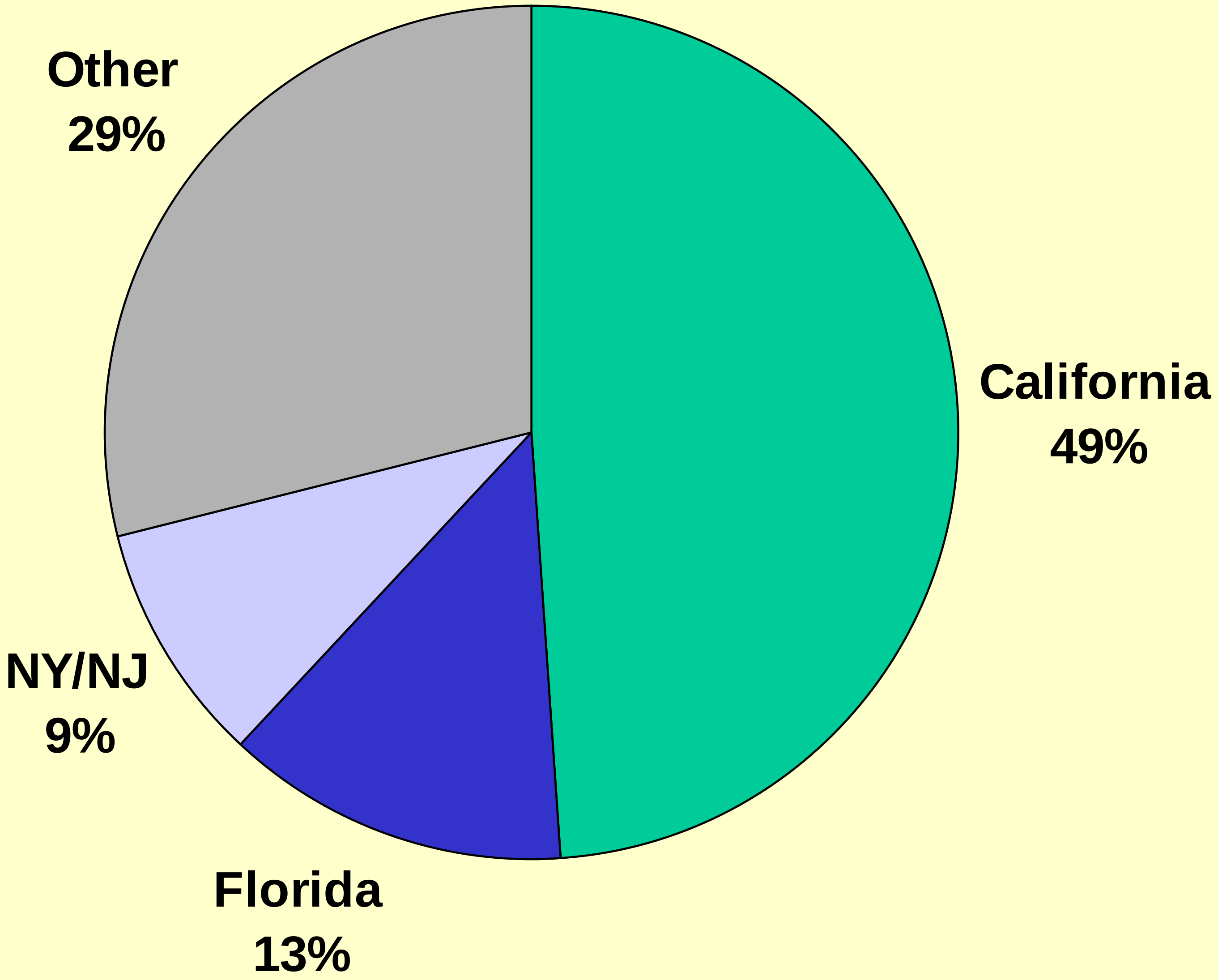
Source: WaMu 2007 10K, page 57.

Option ARM Portfolio Resets



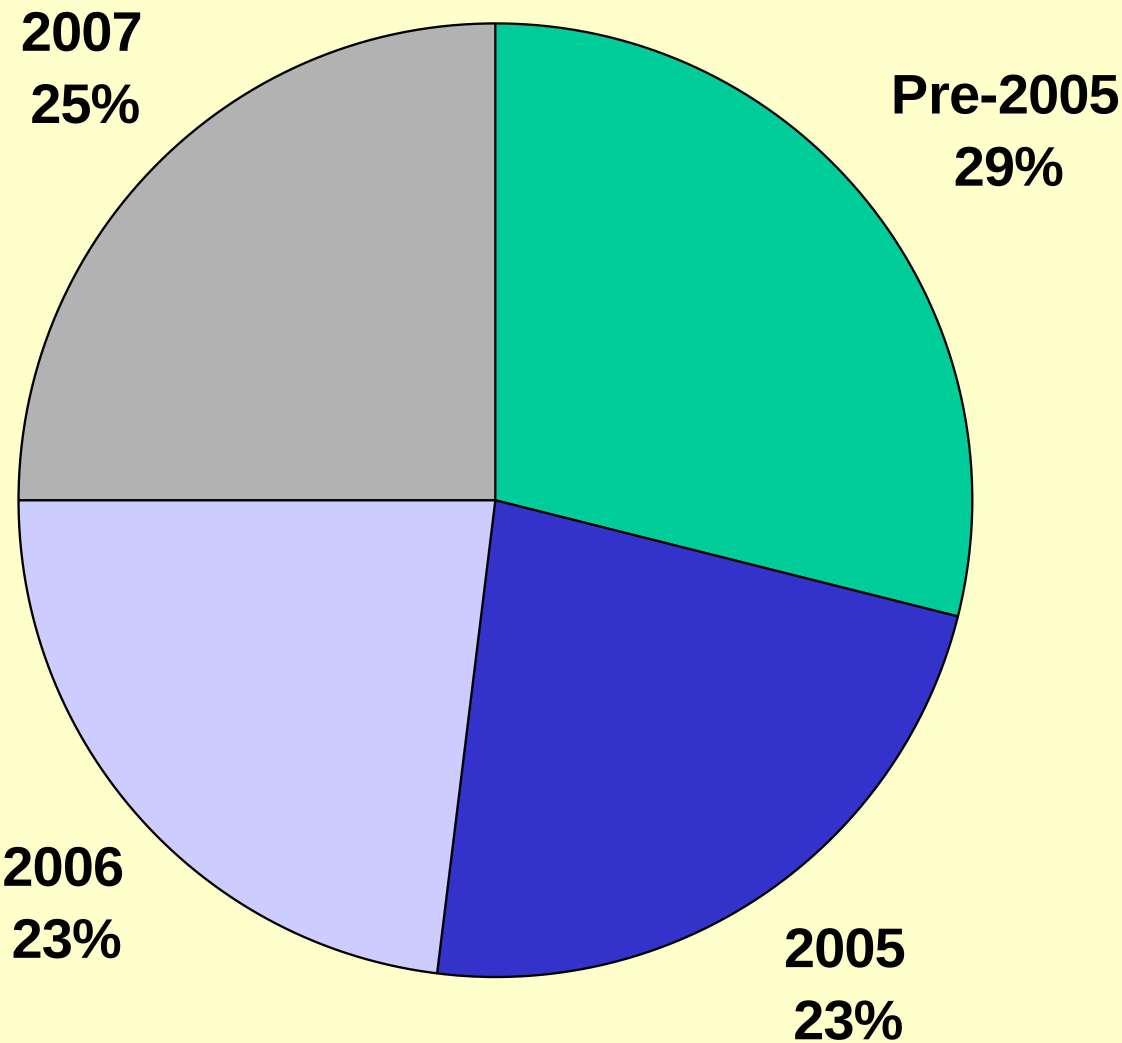
Source: WaMu Q1 08 Credit Risk Management presentation

62% of WaMu's Option ARM Portfolio Is in California and Florida



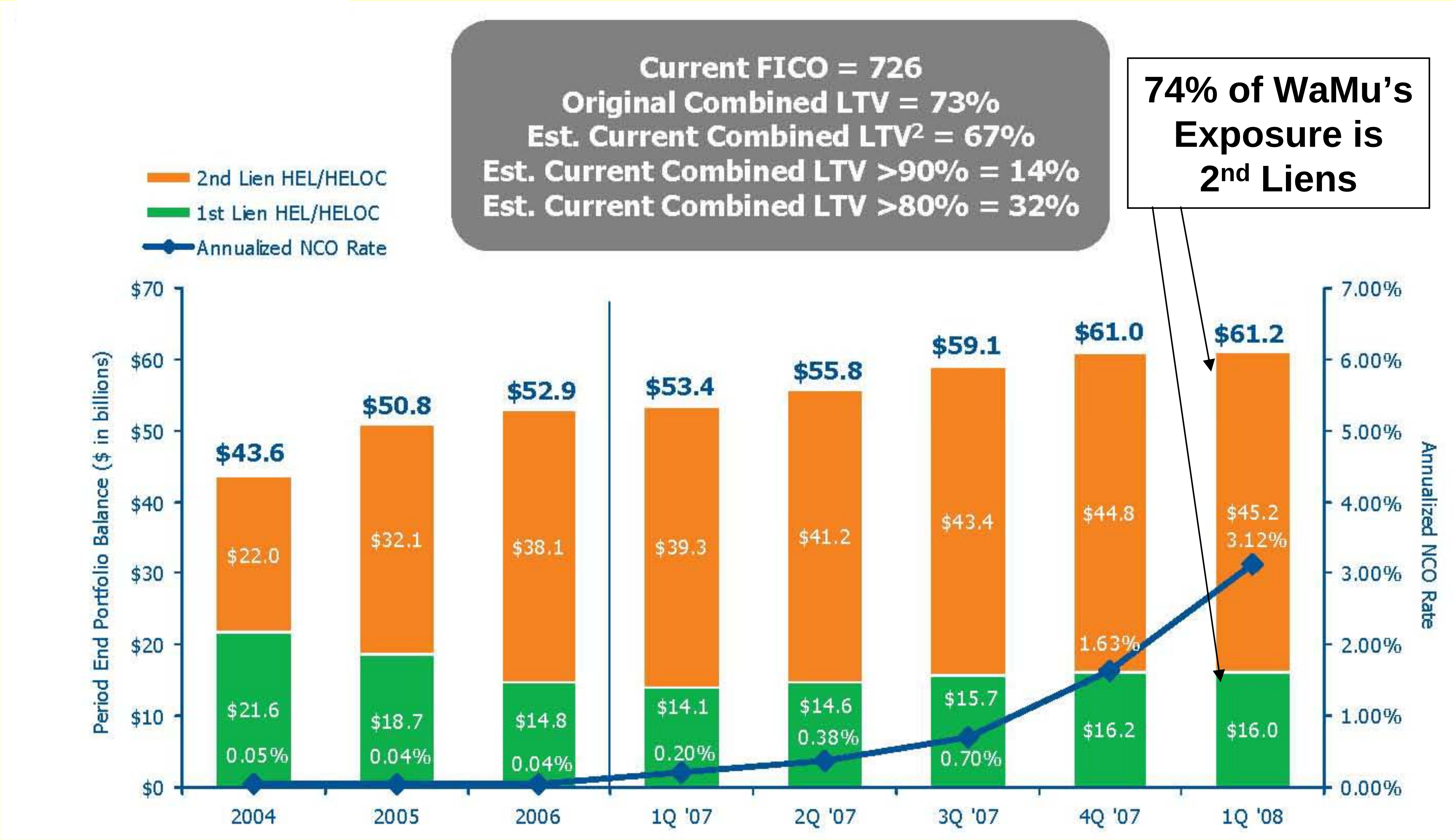
Source: WaMu 2007 10K, page 58.

71% of WaMu's Option ARM Portfolio Was Originated in the Peak Bubble Years of 2005-2007



Source: WaMu 2007 10K, page 57.

Net Charge Offs Are Rising Rapidly in WaMu's Home Equity Loan/HELOC Portfolio[1]



[1]Excludes home equity loans in the Subprime Mortgage Channel.

[2]Estimated loan-to-value calculation based on OFHEO December 2007 data (released February 2008).

Source: WaMu Q1 08 Credit Risk Management presentation

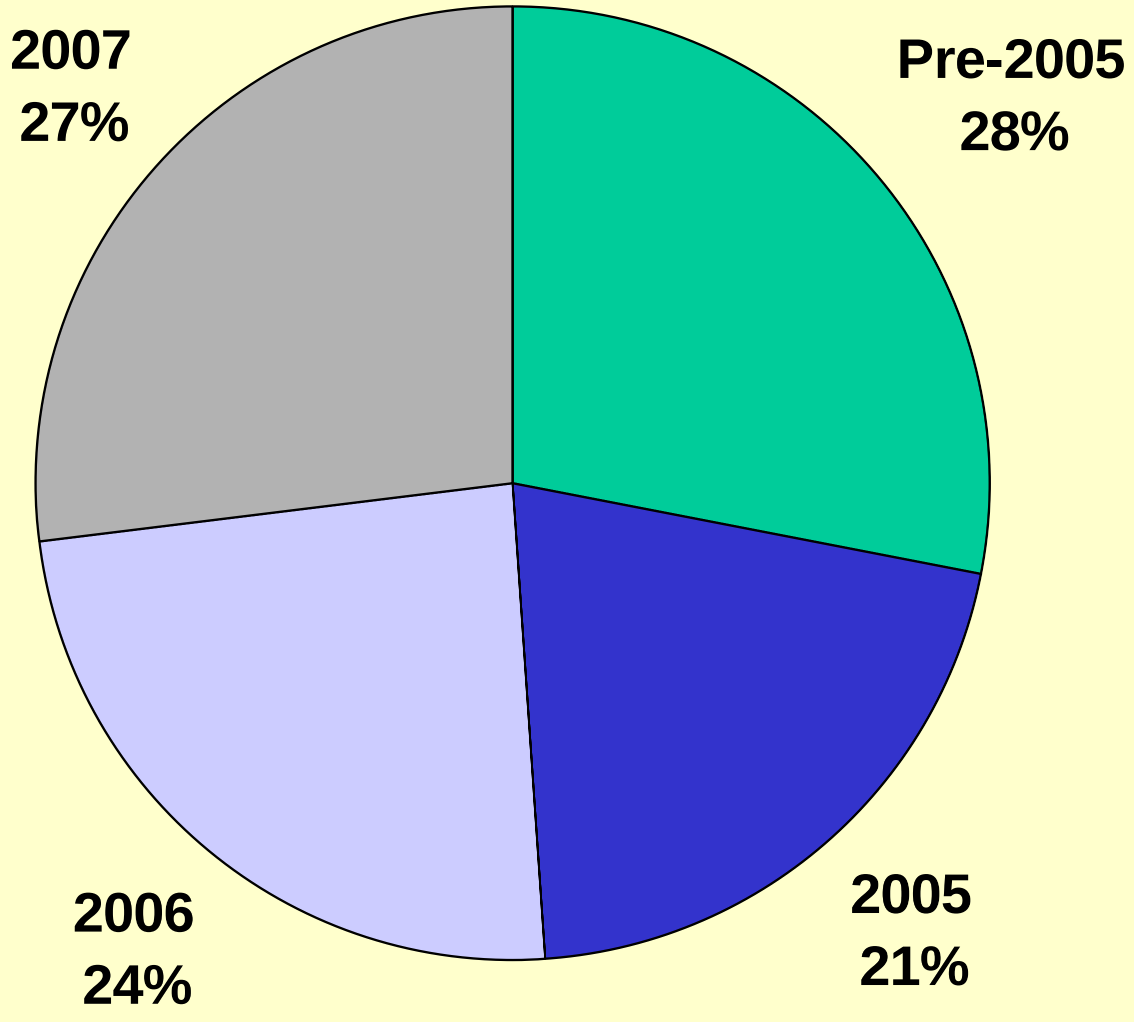
WaMu Has More Exposure to Home Equity Loans Than Any Other Large Bank With the Exception of Countrywide

Regulatory Data: Home Equity Exposure Defined as Second Lien Closed-End Loans and Revolving 1-4 Family Loans

	Institution	% of Gross Loans	% of Assets	% of Equity	Growth: 2005-2007
1	Countrywide Financial Corporation	30.89%	16.35%	236.23%	-23.30%
2	Washington Mutual, Inc.	25.98%	19.36%	258.25%	19.91%
3	First Horizon National Corporation	25.95%	18.12%	314.15%	-9.92%
4	National City Corporation	21.88%	17.52%	196.45%	-10.14%
5	Wells Fargo & Company	20.71%	14.76%	178.27%	23.95%
6	Huntington Bancshares Incorporated	17.83%	13.21%	121.45%	50.17%
7	SunTrust Banks, Inc.	16.96%	12.39%	123.20%	25.68%
8	Commerce Bancorp, Inc.	15.90%	5.78%	102.27%	41.72%
9	PNC Financial Services Group, Inc.	15.67%	8.16%	76.32%	10.76%
10	JPMorgan Chase & Co.	15.27%	5.43%	68.86%	36.25%
11	Fifth Third Bancorp	13.45%	10.25%	124.19%	-2.29%
12	Regions Financial Corporation	13.35%	9.11%	64.82%	119.82%
13	Bank of America Corporation	12.90%	6.83%	79.86%	67.48%
14	KeyCorp	12.03%	9.09%	117.37%	-6.92%
15	Sovereign Bancorp, Inc.	10.83%	7.40%	88.63%	-36.72%
16	U.S. Bancorp	10.36%	6.92%	78.12%	9.76%
17	M&T Bank Corporation	10.25%	7.59%	75.88%	6.22%
18	Citigroup Inc.	8.15%	3.21%	61.83%	70.55%
19	BB&T Corporation	8.15%	5.64%	59.16%	15.27%
20	Wachovia Corporation	8.03%	4.99%	50.83%	15.40%
21	Synovus Financial Corp.	7.13%	5.78%	55.24%	33.51%
22	Marshall & Ilsley Corporation	6.61%	5.11%	43.52%	-8.44%
23	Popular, Inc.	5.81%	3.91%	48.52%	5.27%
24	Zions Bancorporation	5.39%	3.98%	39.82%	42.06%
25	Capital One Financial Corporation	2.41%	1.65%	10.20%	68.73%
	Median	**12.90%**	**7.40%**	**78.12%**	**15.40%**
	Mean	**13.68%**	**8.90%**	**106.94%**	**22.59%**

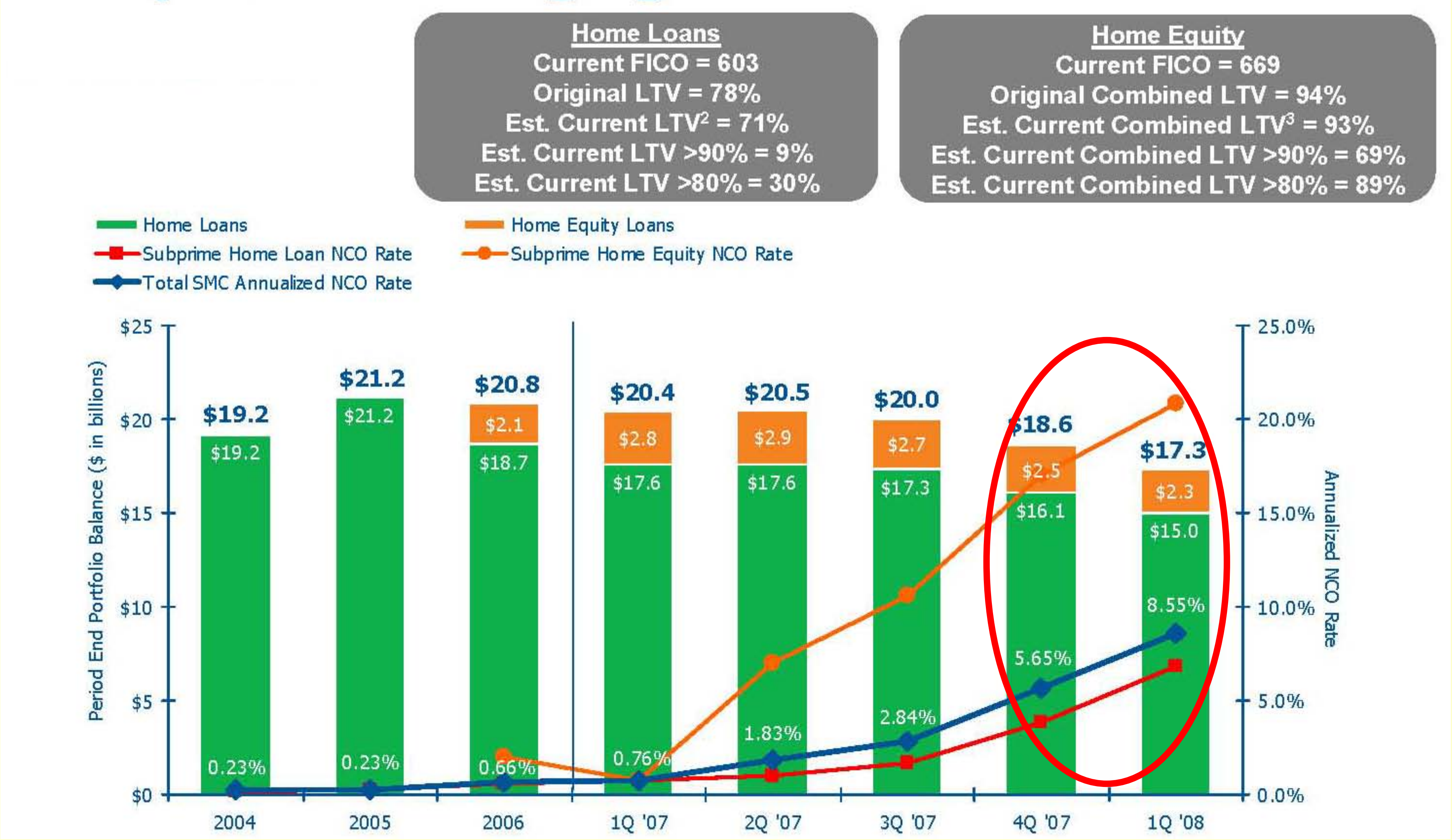
Source: *U.S. Home Equity Woes: Banks Grapple With Higher Losses*, Fitch, 3/14/08

72% of WaMu's Home Equity Loan and HELOC Portfolio Was Originated in the Peak Bubble Years of 2005-2007



Source: WaMu 2007 10K, page 54.

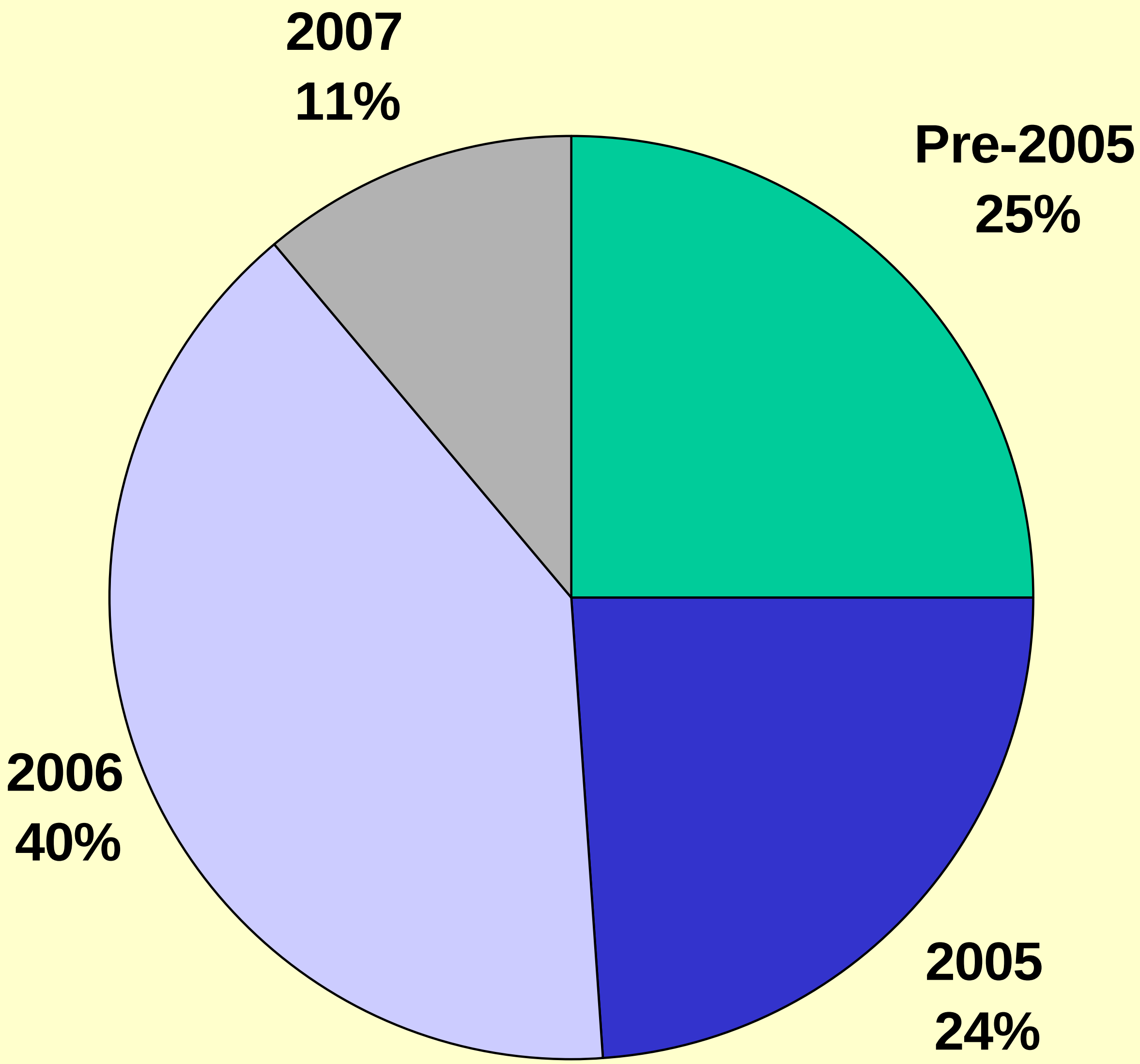
Net Charge Offs Are Rising Rapidly in WaMu's Subprime Portfolio[1]



[1]Comprised of mortgage loans purchased from recognized subprime lenders and mortgage loans originated under the Long Beach Mortgage name and held for investment.
[2]Estimated loan-to-value ratio based on OFHEO December 2007 data (released February 2008).
[3]Estimated combined loan-to-value ratio based on OFHEO December 2007 data (released February 2008).

Source: WaMu Q1 08 Credit Risk Management presentation

75% of WaMu's Subprime Portfolio Was Originated in the Peak Bubble Years of 2005-2007



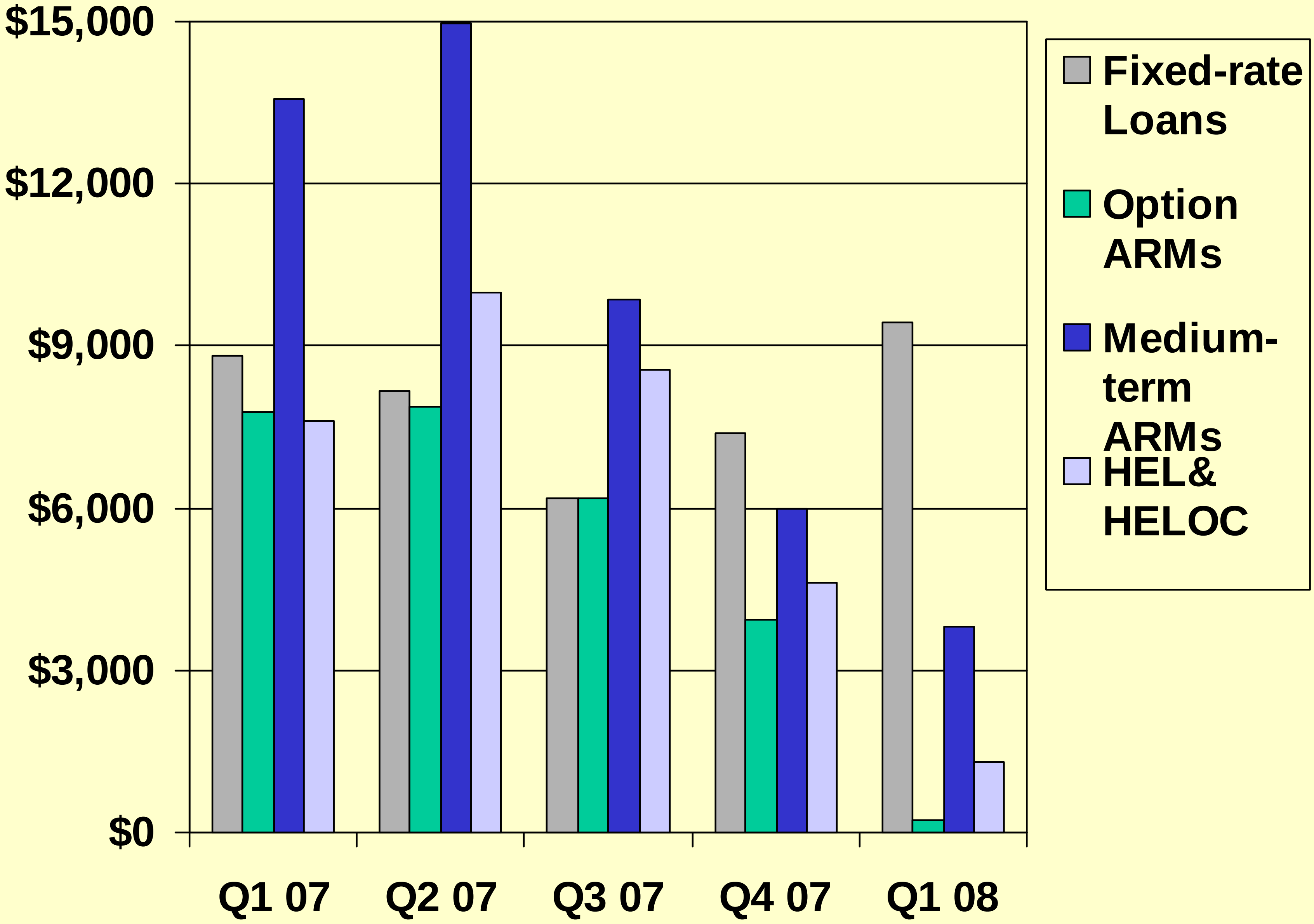
Source: WaMu 2007 10K, page 59.

Subprime Mortgage Channel Resets

Data as of 3/31/2008.
[1]Comprised of mortgage loans purchased from recognized subprime lenders and mortgage loans originated under the Long Beach Mortgage name and held for investment.

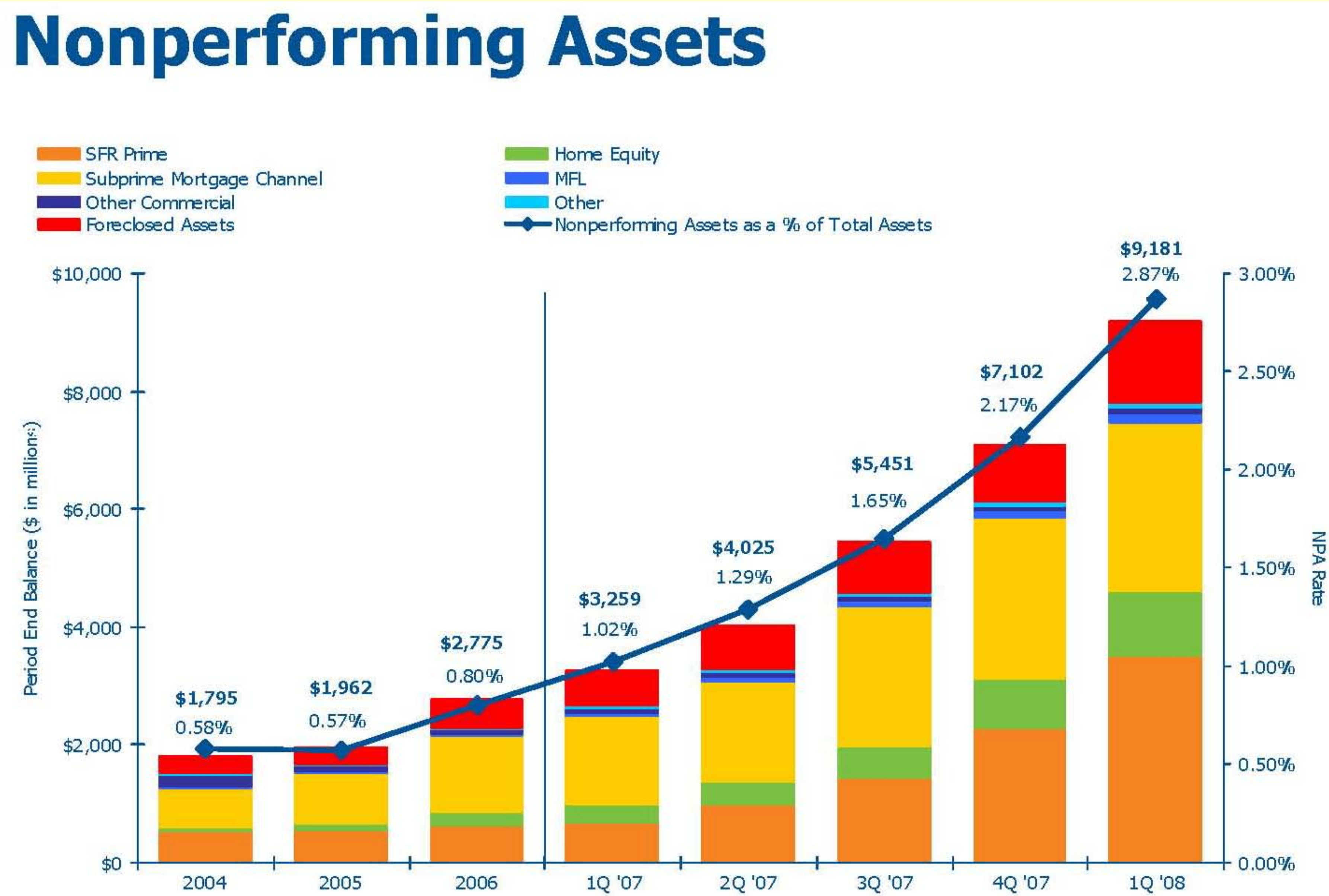
Source: WaMu Q1 08 Credit Risk Management presentation

Loan Volumes of Fixed-Rate Loans Have Risen, While ARM and HEL/HELOC Loan Volumes Have Tumbled



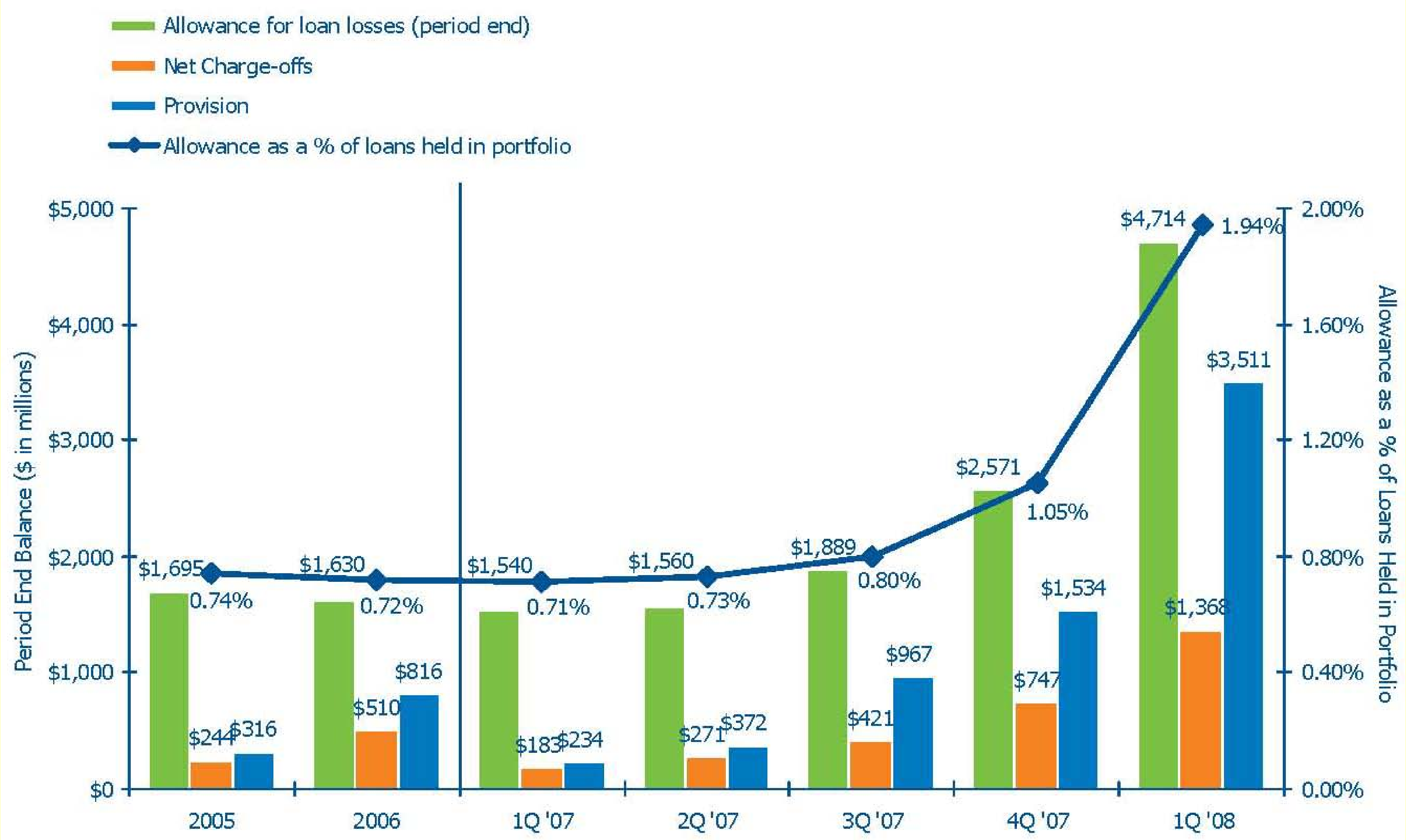
Source: WaMu Q1 08 earnings release

WaMu's Total Nonperforming Assets



Source: WaMu Q1 08 Credit Risk Management presentation

WaMu’s Allowance for Loan Losses



 Source: WaMu Q1 08 Credit Risk Management presentation

WaMu's Estimates for Cumulative Remaining Losses in Its Home Loan Portfolio

- Estimate of cumulative remaining loss on home loans equal to approximately $12 to $19 billion expected over the next 3 to 4 years
- Quarterly provision is heavily influenced by the pace of actual charge-offs
- 2008 expected to be the peak year for provisioning
- Majority of home price decline expected by Q2 '09

Credit Scenario Drivers	Baseline (Low)	Aggressive (High)
Estimate of Cumulative Remaining Loss	***$12 billion***	***$19 billion***
National Economy	Borderline recession	Deep recession
Federal Reserve and Federal Policies	Modest Fed cuts of 25-50 bps	Fed cuts of 100+ bps Additional Fiscal Stimulus
Financial Market Conditions	Market liquidity remains constrained	Significantly constrained liquidity
Home Price Depreciation Portfolio-weighted average California	Additional from 12/31/07 ~ 13% ~ 18%	Additional from 12/31/07 ~ 30% ~ 35%