

An Overview of the Housing and Economic Crisis, Why There Is More Pain to Come, and Two Investment Ideas

Whitney Tilson & Glenn Tongue

T2 Accredited Fund, LP

Tilson Offshore Fund, Ltd.

T2 Qualified Fund, LP

Value Investing Congress

October 20, 2009

T2 Partners LLC

**T2 Partners Management L.P.
Manages Hedge Funds and Mutual Funds
and is a Registered Investment Advisor**

145 E. 57th Street, 10th Floor

New York, NY 10022

(212) 386-7160

Info@T2PartnersLLC.com

www.T2PartnersLLC.com

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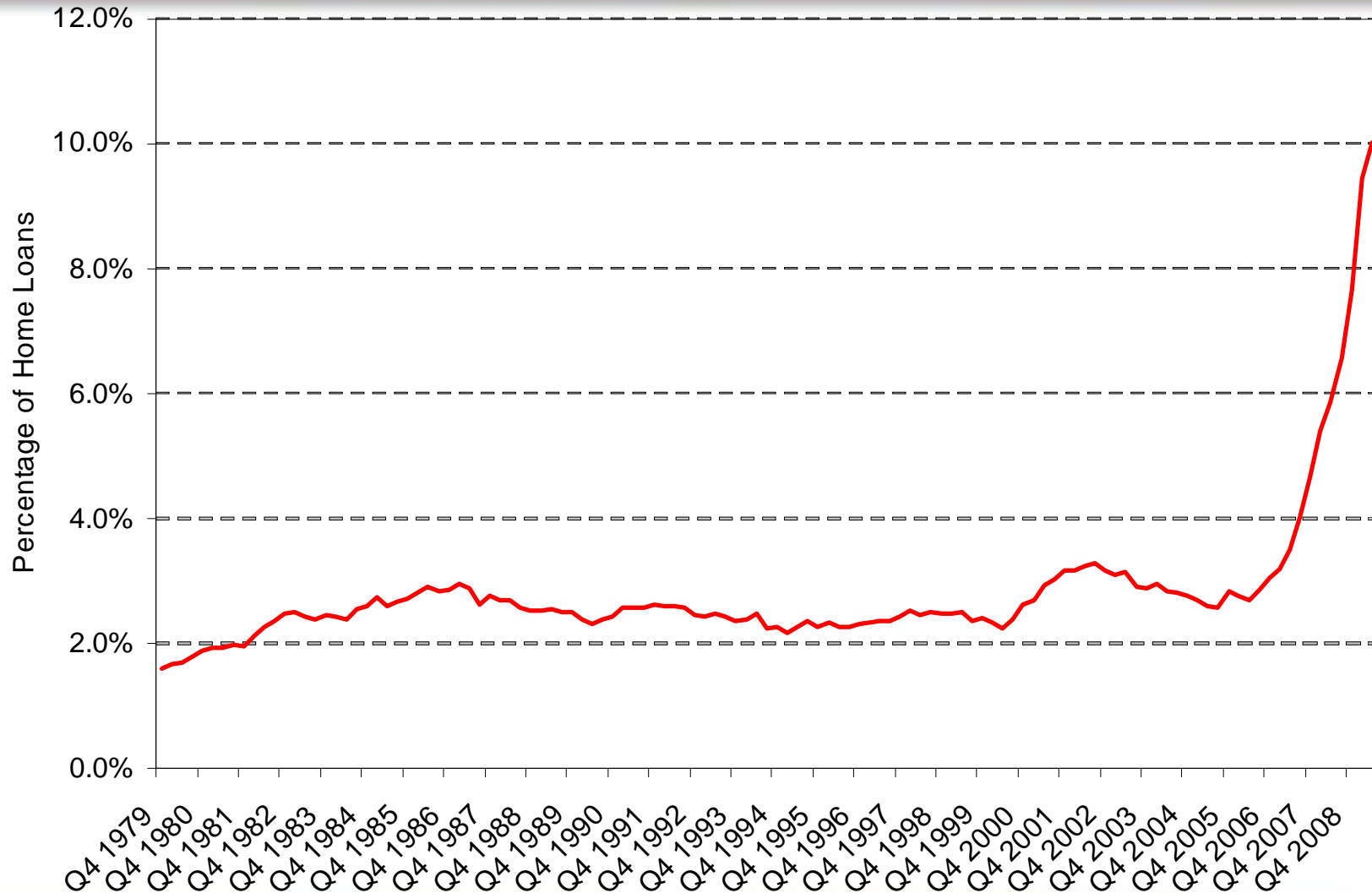
PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS AND FUTURE RETURNS ARE NOT GUARANTEED.

Background on the U.S. Housing Market

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A Record 10% of Mortgages on 1-to-4 Family Homes Were Delinquent or in Foreclosure as of Q2 2009

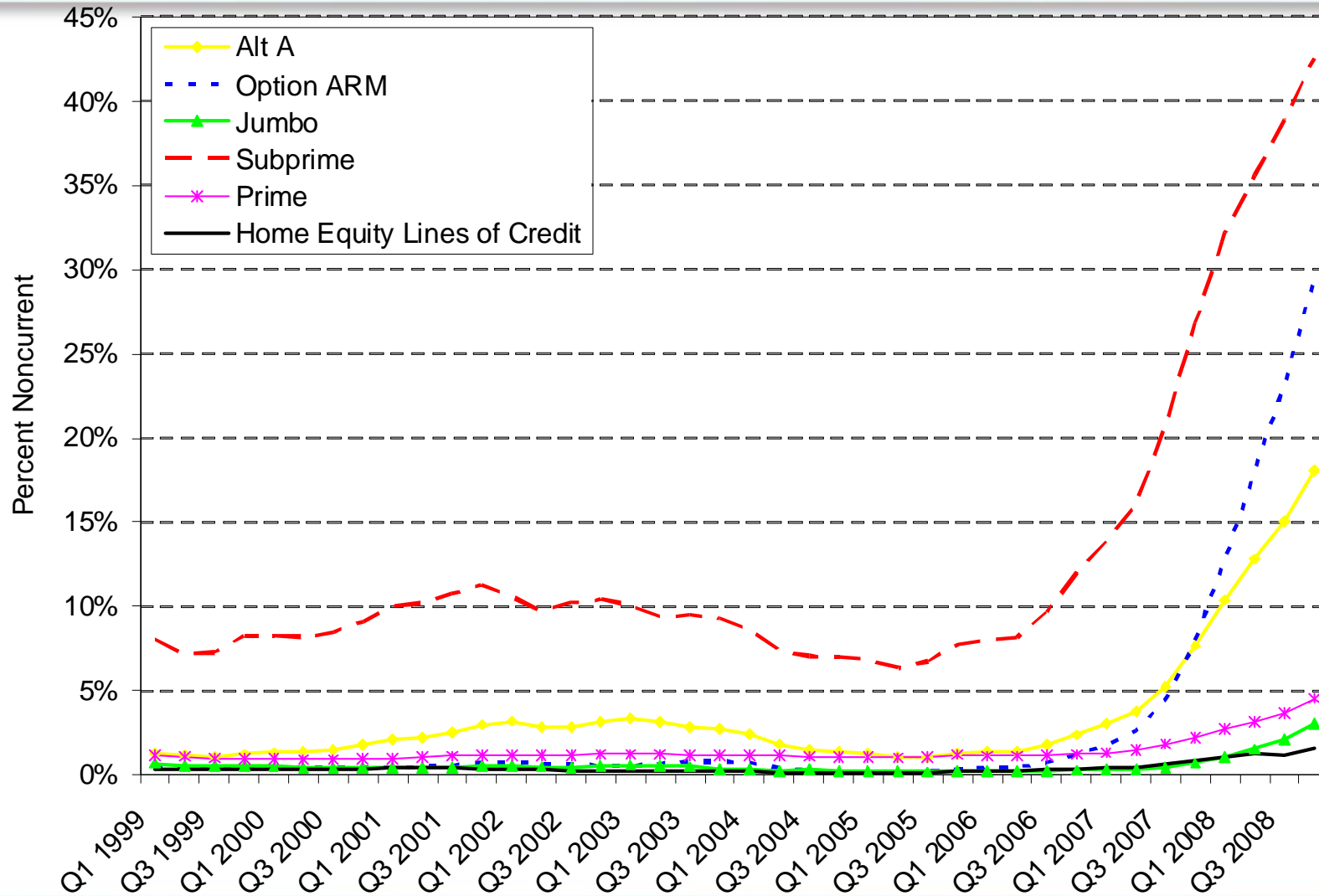
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Source: National Delinquency Survey, Mortgage Bankers Association; T2 Partners estimates. Note: Delinquencies (60+ days) are seasonally adjusted.

All Types of Loans Are Seeing a Surge in Delinquencies, Led by Subprime

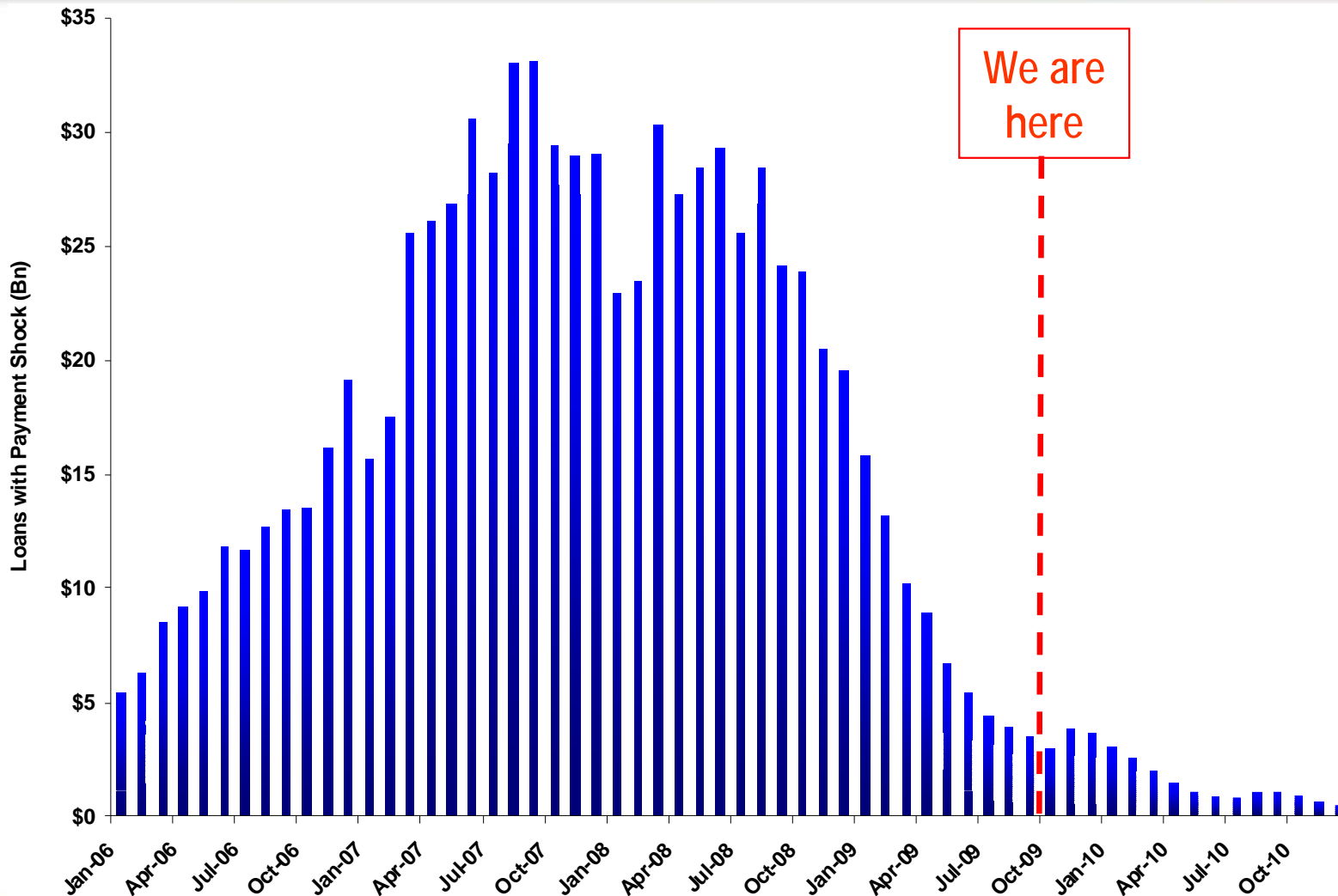
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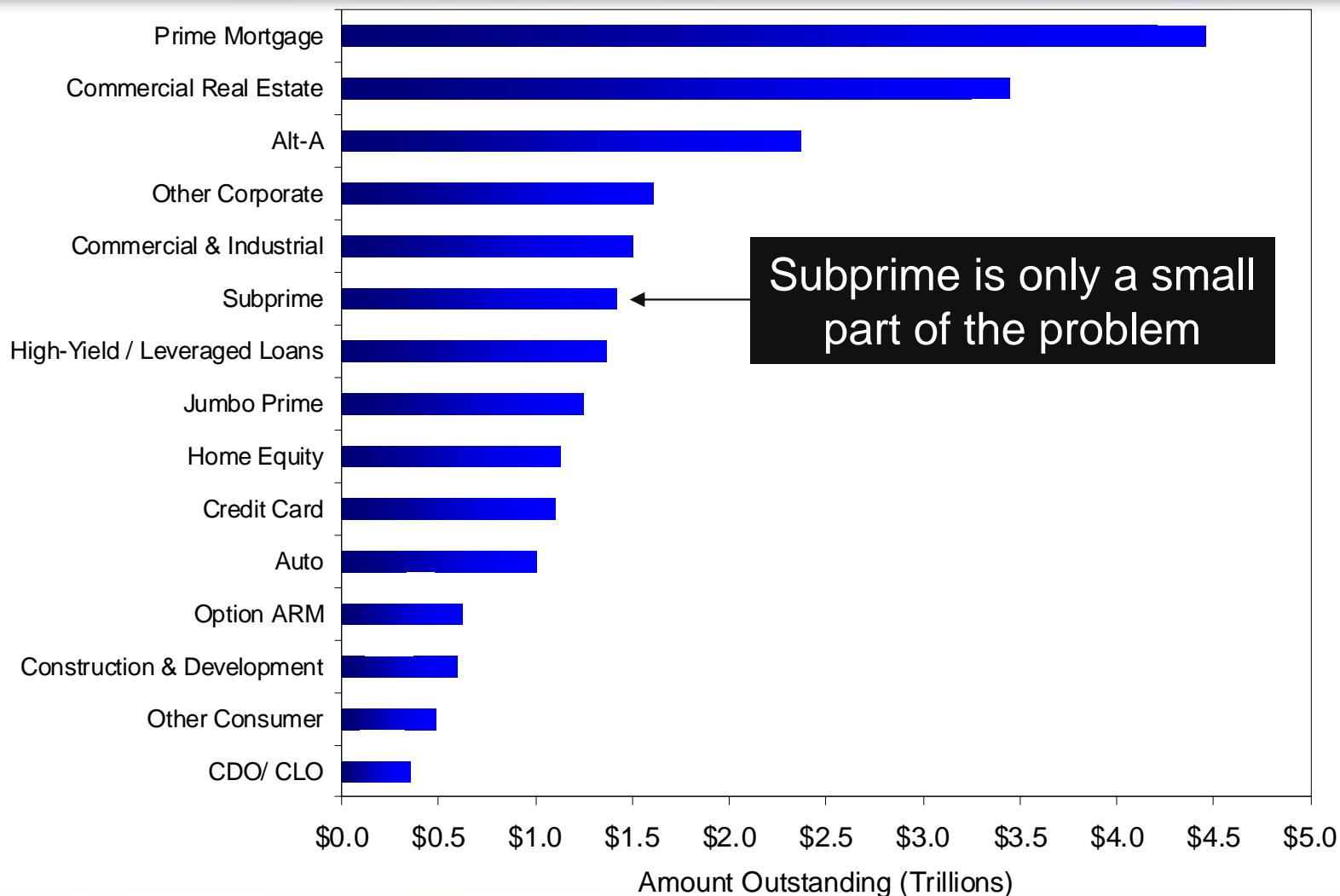
Sources: Amherst Securities, LoanPerformance; National Delinquency Survey, Mortgage Bankers Association; FDIC Quarterly Banking Profile; T2 Partners estimates. Note: Prime is seasonally adjusted.

The Wave of Resets from Subprime Loans Is Mostly Behind Us

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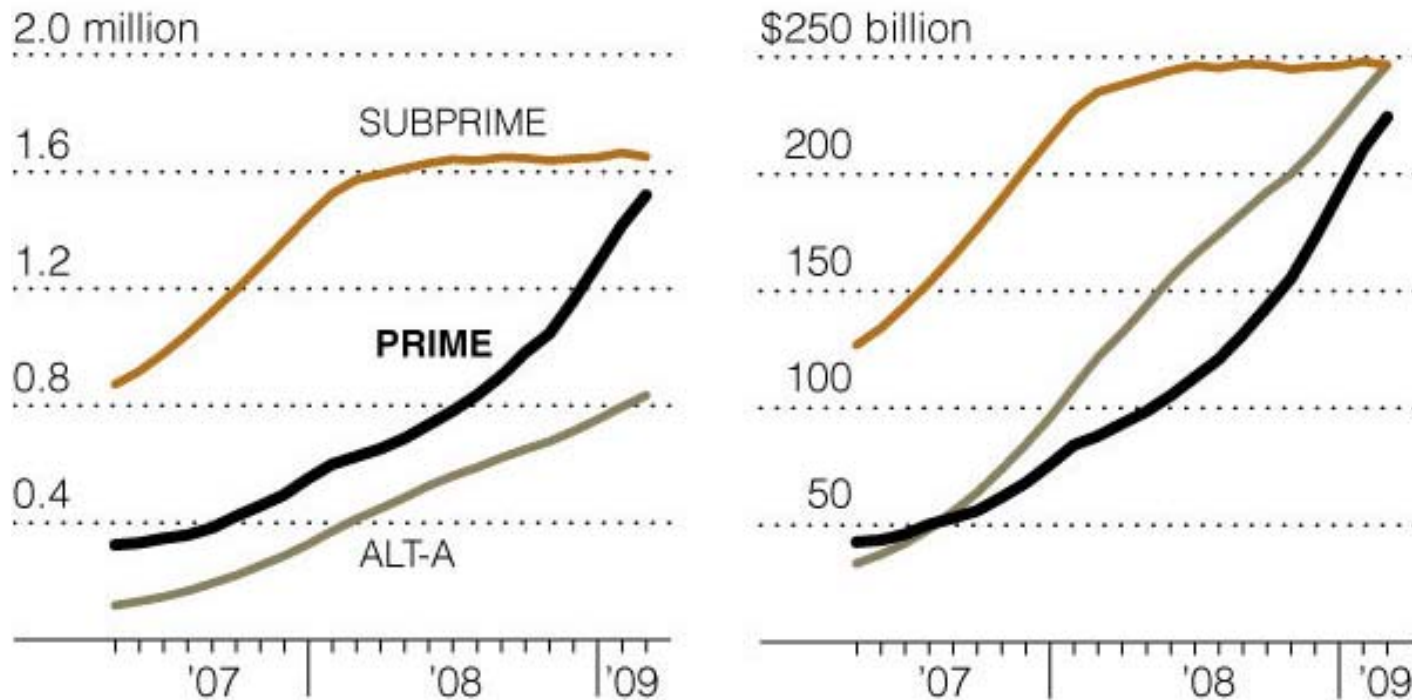


The Mortgage Meltdown Has Moved Beyond Subprime



Delinquencies of Prime and Alt-A Mortgages Are Soaring

Loans past due at least 90 days, in foreclosure or real estate owned*



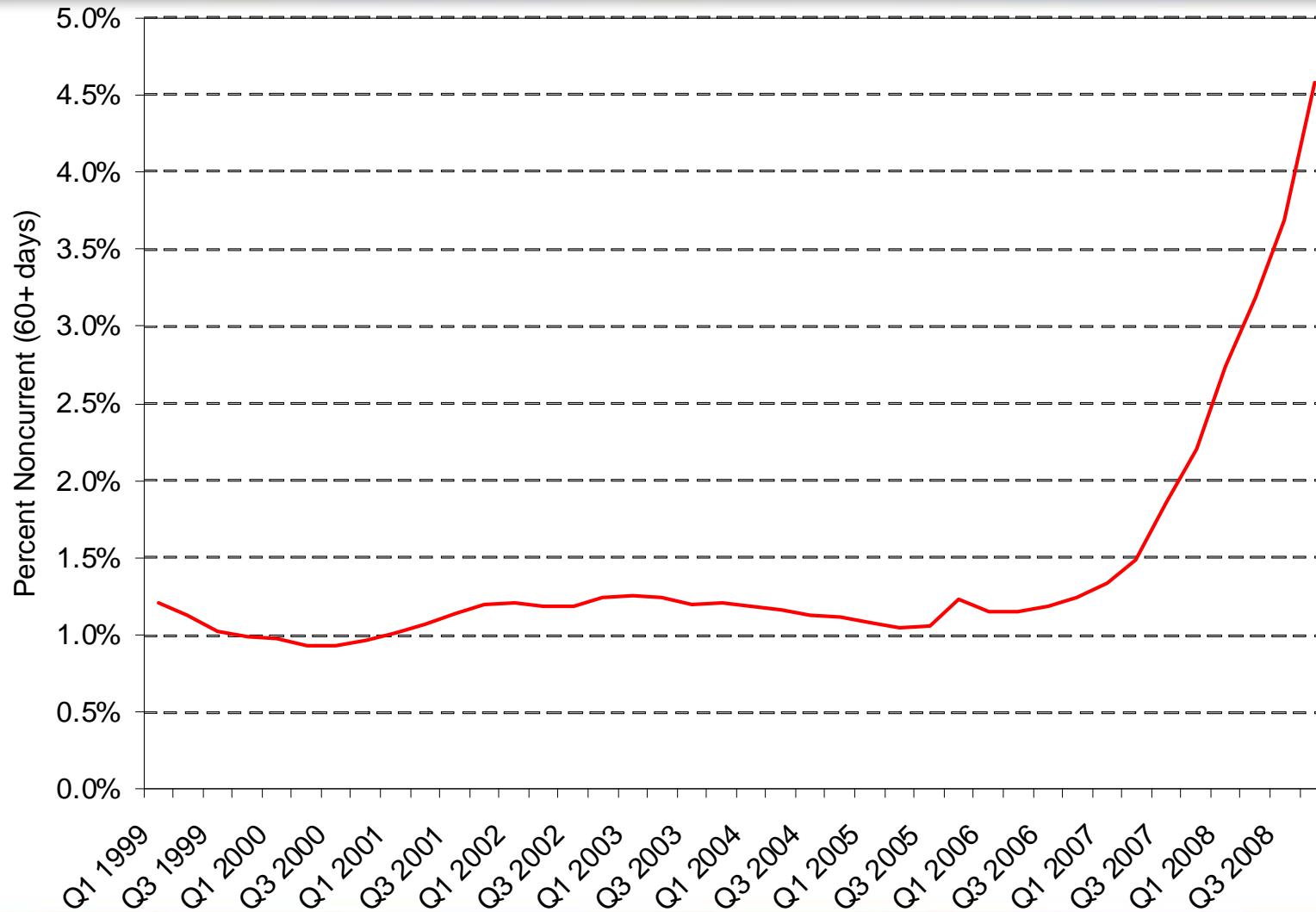
*Real estate owned loans are those that have deteriorated to the point that the bank has taken control of the house.

Source: First American CoreLogic

THE NEW YORK TIMES

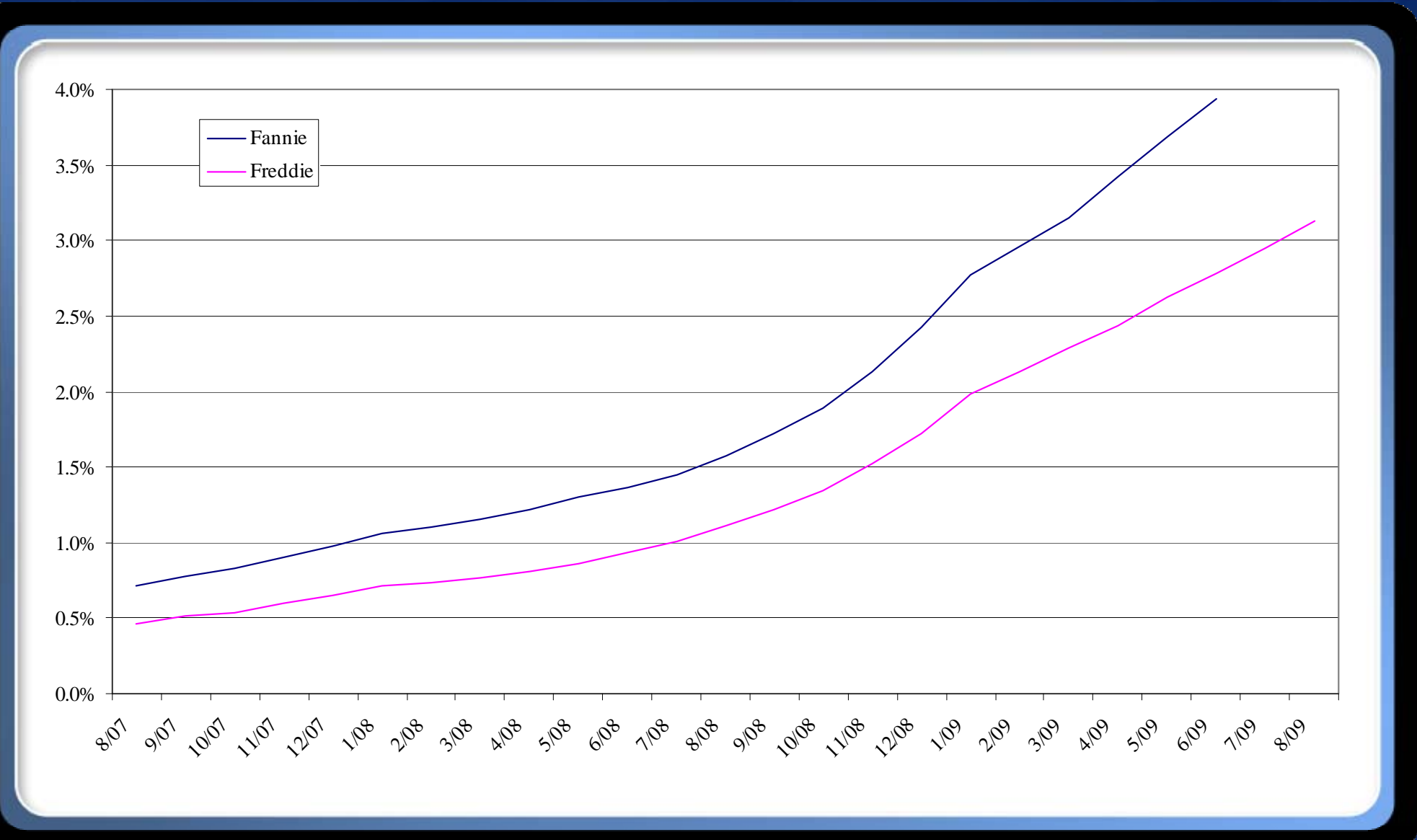
Delinquencies of Prime Mortgages Are Soaring

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Source: Mortgage Bankers Association National Delinquency Survey.

Fannie Mae and Freddie Mac Serious Delinquencies Are Soaring



Note: Serious delinquencies are loans that have missed three or more consecutive payments (90+ days).

Source: Company filings.

15 States With the Highest Prime Mortgage Foreclosure Rates

Prime mortgage foreclosure rates

March 2009

0.3% 1.0 2.0 5.0



U.S.
1.4%



Florida	5.0%	Ohio	1.5%	Maine	1.1%
Nevada	3.3	Indiana	1.5	Rhode Island	1.1
Arizona	2.1	Illinois	1.4	Idaho	1.1
California	1.8	Michigan	1.2	Maryland	1.1
New Jersey	1.6	Georgia	1.1	South Carolina	1.0

Two Waves of Losses Are Behind Us... But Three Are Looming

Losses Mostly Behind Us

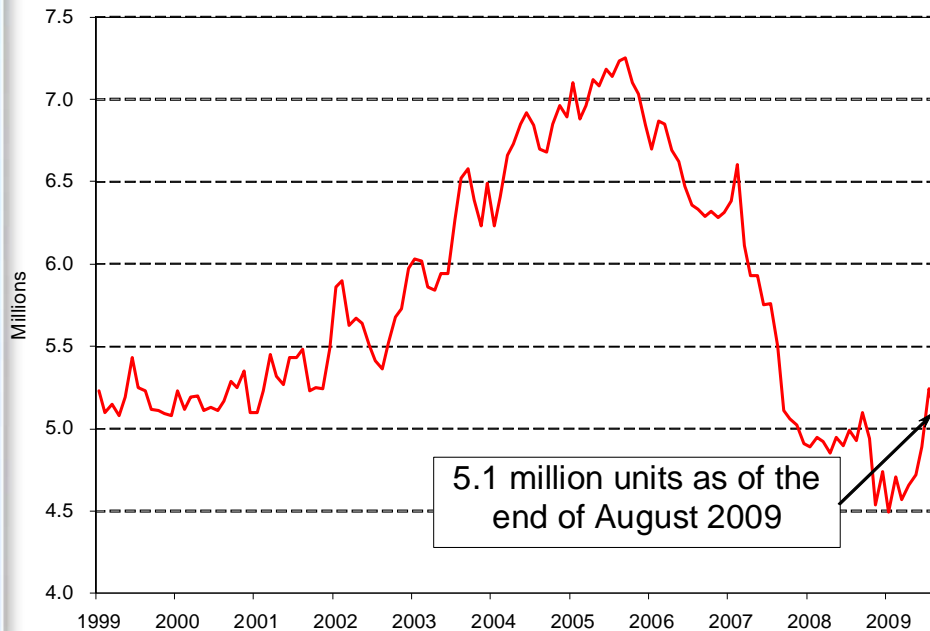
- Wave #1: Borrowers committing (or the victim of) fraud, as well as speculators, who defaulted quickly. Timing: beginning in late 2006 (as soon as home prices started to fall) into 2008. Mostly behind us.
- Wave #2: Mostly subprime borrowers who defaulted when their mortgages reset due to payment shock. Timing: early 2007 (as two-year teaser subprime loans written in early 2005 started to reset) to the present. Now tapering off as low interest rates mitigate payment shock.

Losses Mostly Ahead of Us

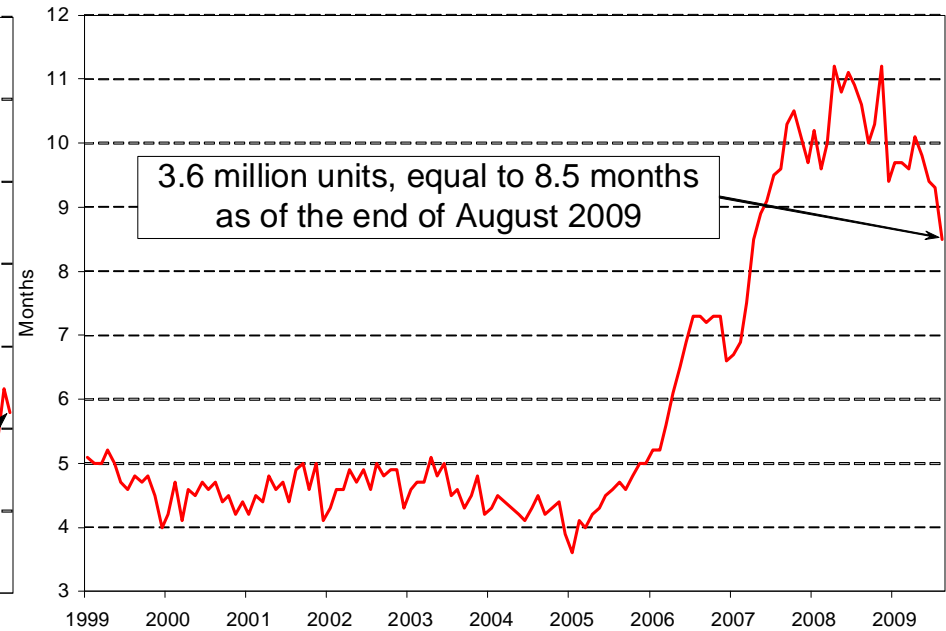
- Wave #3: Prime loans (most of which are owned or guaranteed by the GSEs) defaulting due to job loss and home price declines (i.e., underwater homeowners). Timing: started to surge in early 2008 to the present.
- Wave #4: Jumbo prime, second lien and HELOCs (most of which are on banks' books) defaulting due to job loss and home price declines/underwater homeowners. Timing: started to surge in early 2008 to the present.
- Wave #5: Losses among loans outside of the housing sector, the largest of which will be in the \$3.5 trillion area of commercial real estate. Timing: started to surge in early 2008 to the present.

Existing Homes Sales Have Risen in Recent Months, Leading to a Decline in Inventory – But Inventory Is Still at Double Historical Levels – And Shadow Inventory Lurks

Annualized Rate of Existing Home Sales

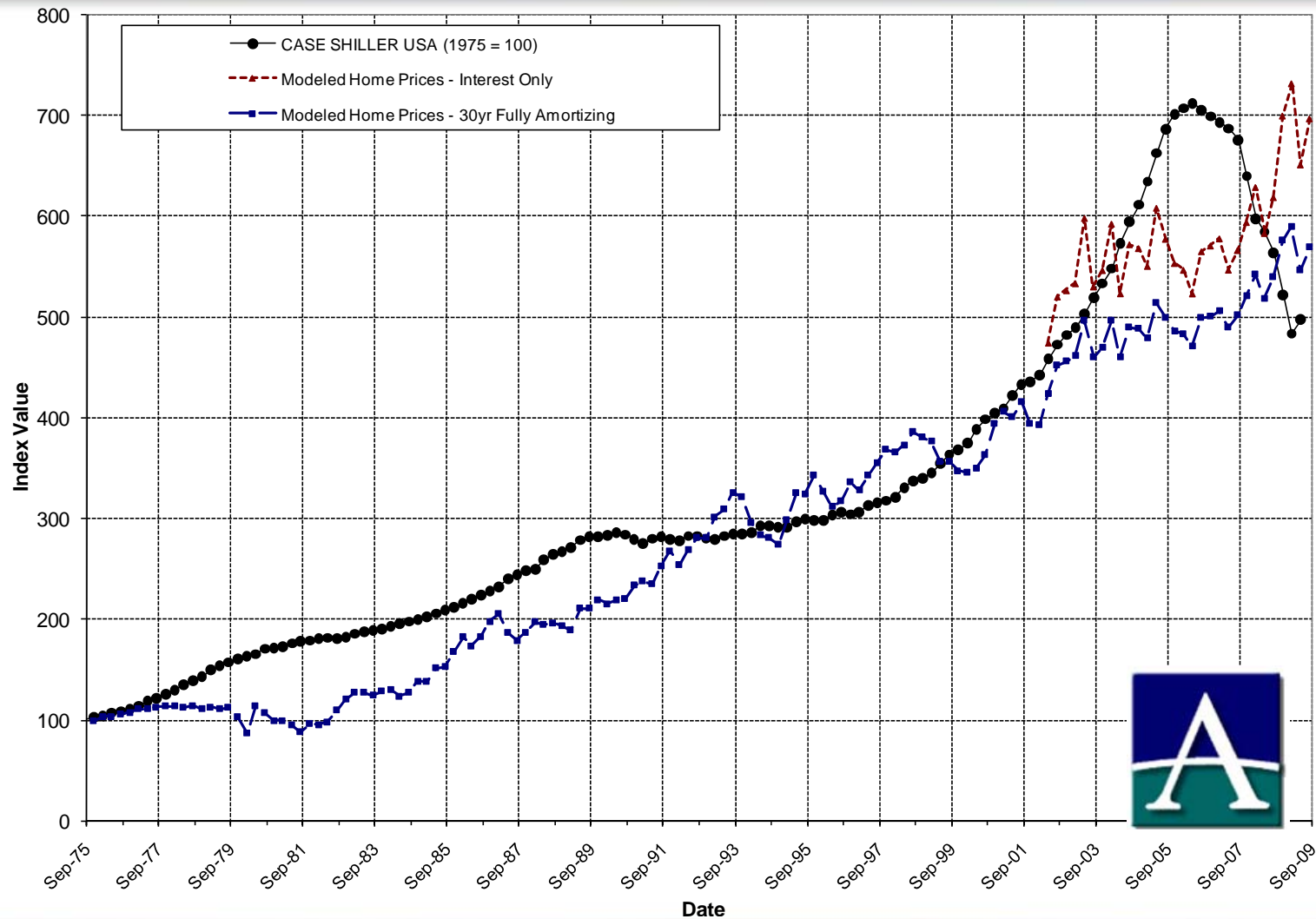


Months Supply



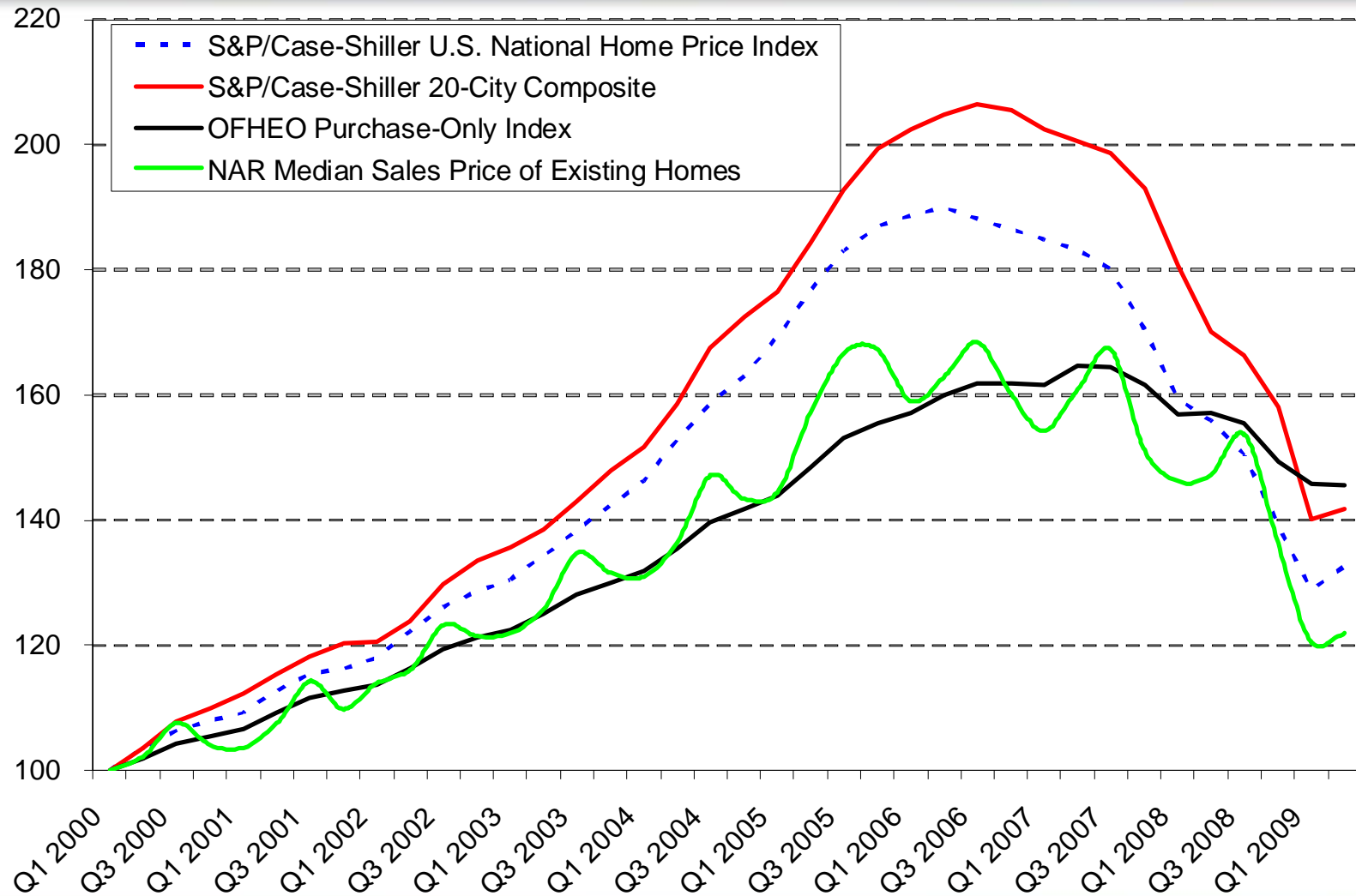
Home Prices Look Affordable Due to Price Declines and Ultra-Low Interest Rates

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Source: Case-Shiller, Bureau of Labor Statistics, Amherst Securities.

Home Prices Were in an Unprecedented Freefall Until A Bounce in Recent Months



Sources: Standard & Poor's, OFHEO Purchase-Only Index, NATIONAL ASSOCIATION OF REALTORS® Existing Home Sales data series.

Recent Signs of Stabilization Are Likely the Mother of All Head Fakes

Rather than representing a true bottom, recent signs of stabilization are likely due to seven factors that are (or are likely to be) short-term:

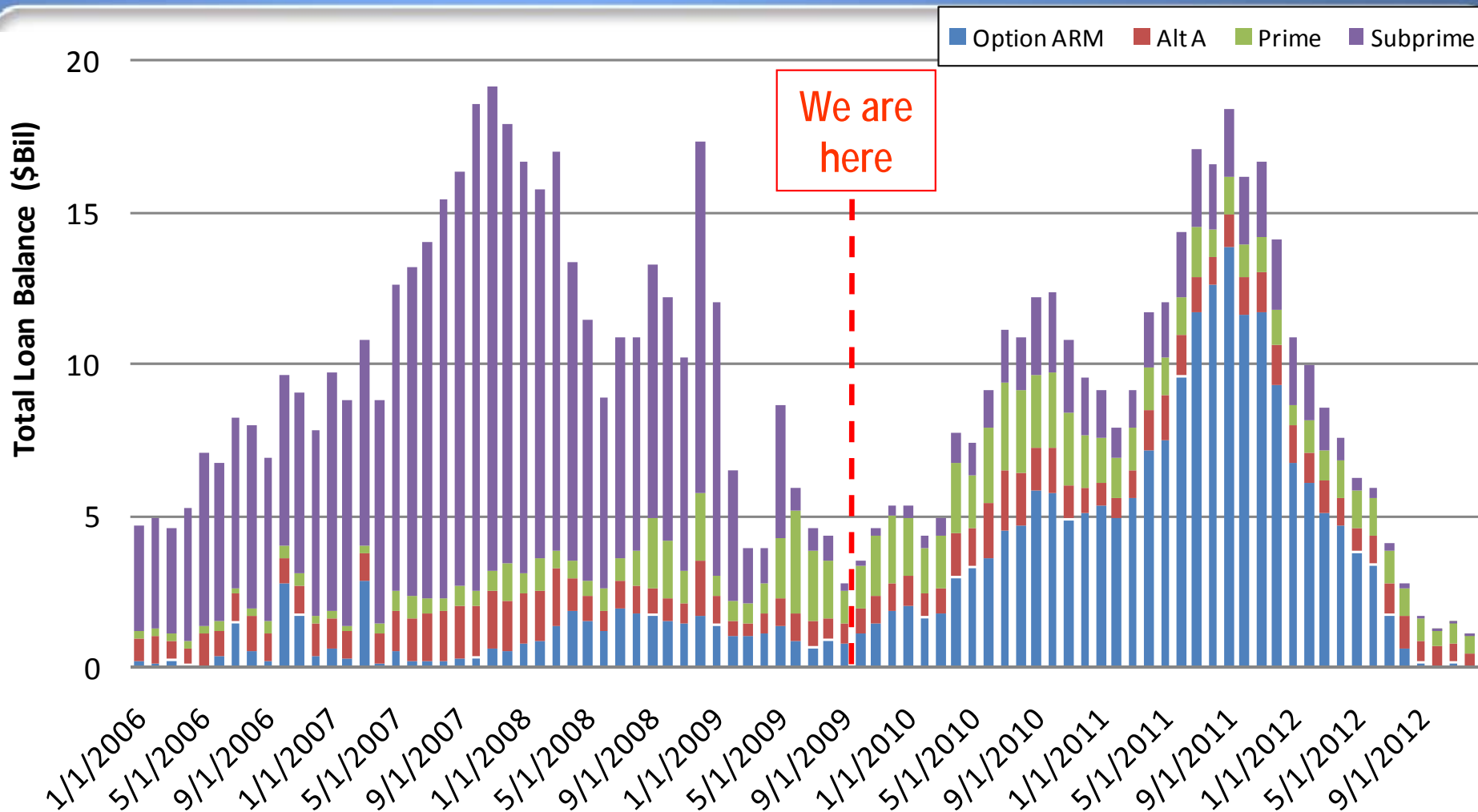
1. Ultra-low interest rates
2. The \$8,000 tax credit for first-time homebuyers
3. More middle- and upper-end homes are being sold (either voluntarily or via foreclosure), which has the effect of raising the price at which the average home is sold – but more defaults of higher priced homes is *very* bad news for mortgage holders
4. A decline in resets
5. A reduction in the inventory of foreclosed homes
6. The FHA is providing massive support to the housing market, in part by doing extremely risky lending
7. Home sales and prices are seasonally strong in April-July due to tax refunds and the spring selling season

Another Wave of Resetting Loans Is On the Horizon

The Last Wave Was Driven By Subprime Loans;

This Time, It Will be Option ARMs

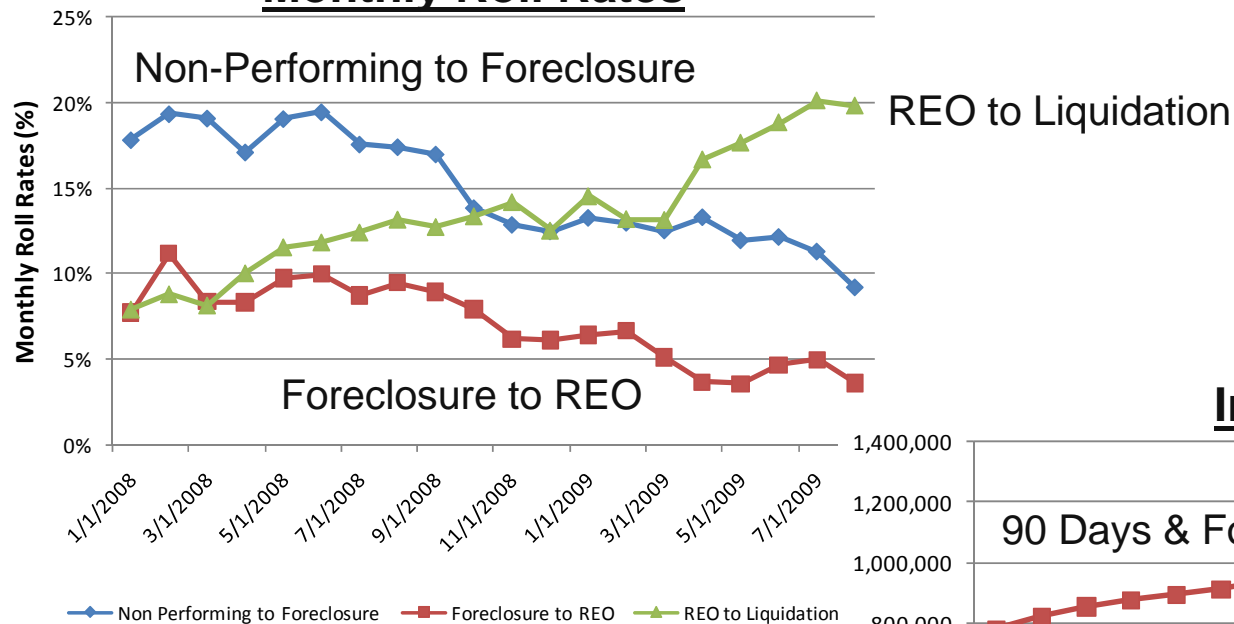
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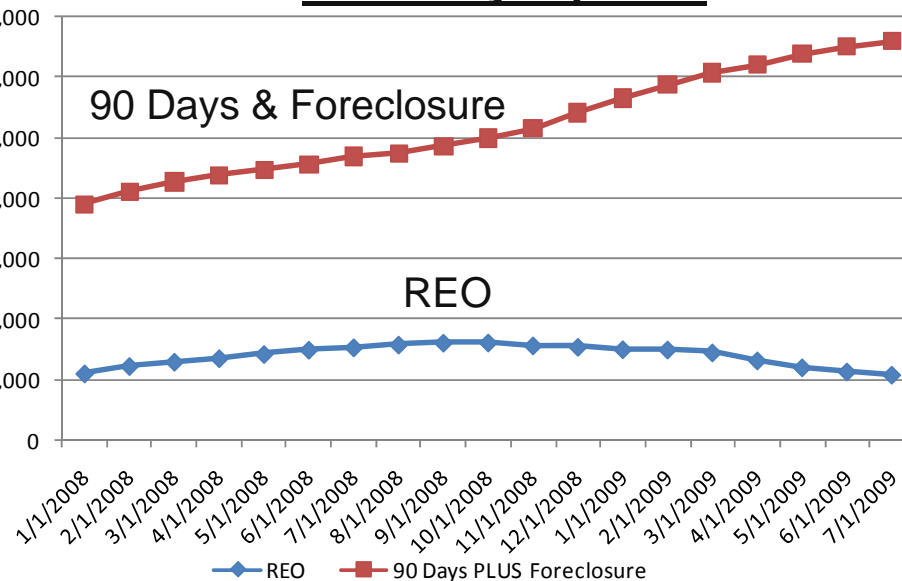
Source: Loan Performance, Amherst Securities.

Banks Are Selling Their REO, But Foreclosures Have Plunged By More Than Half, Ballooning the Inventory Pipeline

Monthly Roll Rates

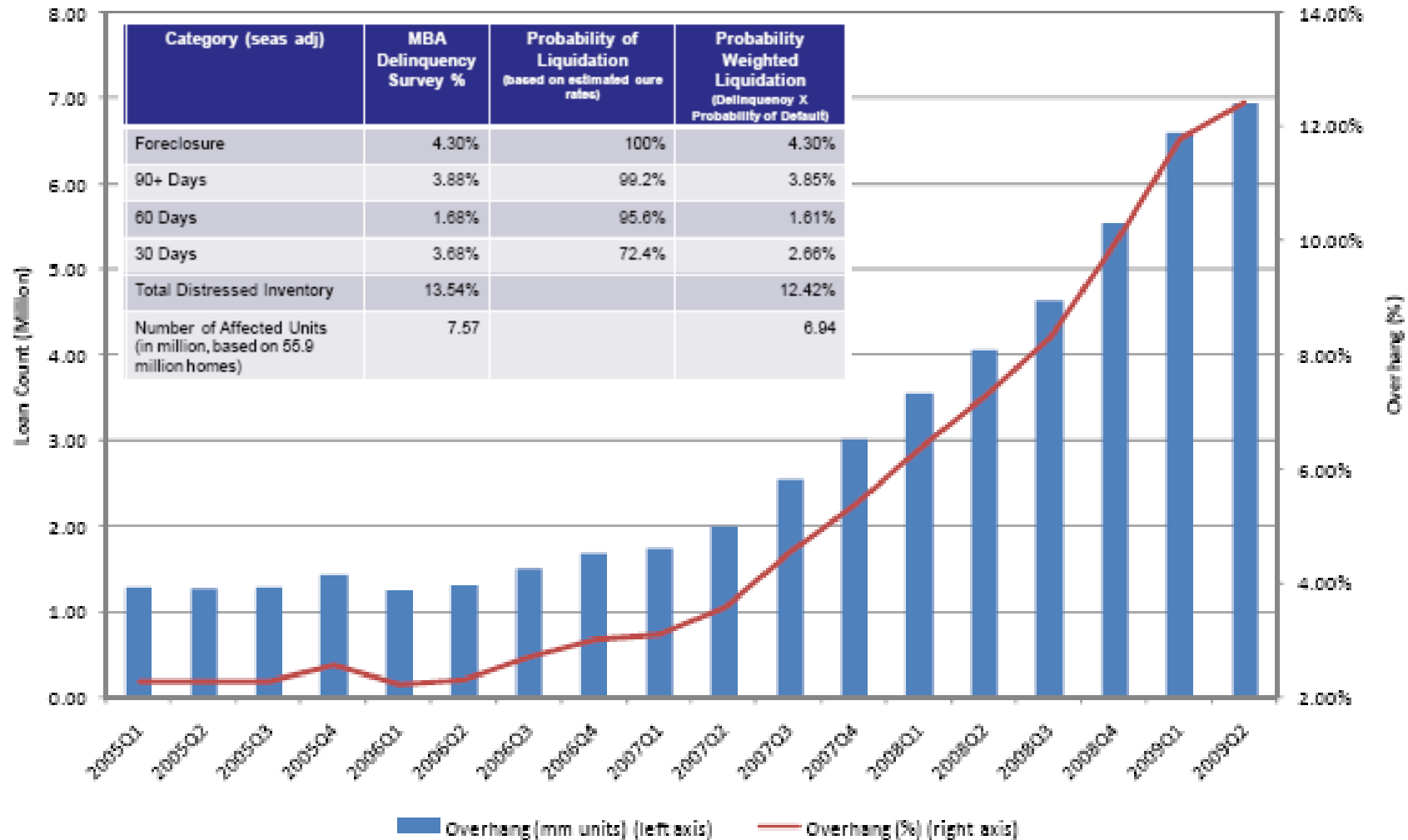


Inventory Pipeline



Source: Loan Performance, Amherst Securities.

The Current "Housing Overhang" Is 7 Million Homes – Which Doesn't Include Any New Defaults, Which Are Running at Approximately 300,000/Month!



Source: Mortgage Bankers Association, Loan Performance, Amherst Securities.

FHA's Loan Book Is a Rapidly Growing Disaster

17.9% of Loans Are in Some Stage of Default; For 2007 Loans, It's 32.4%

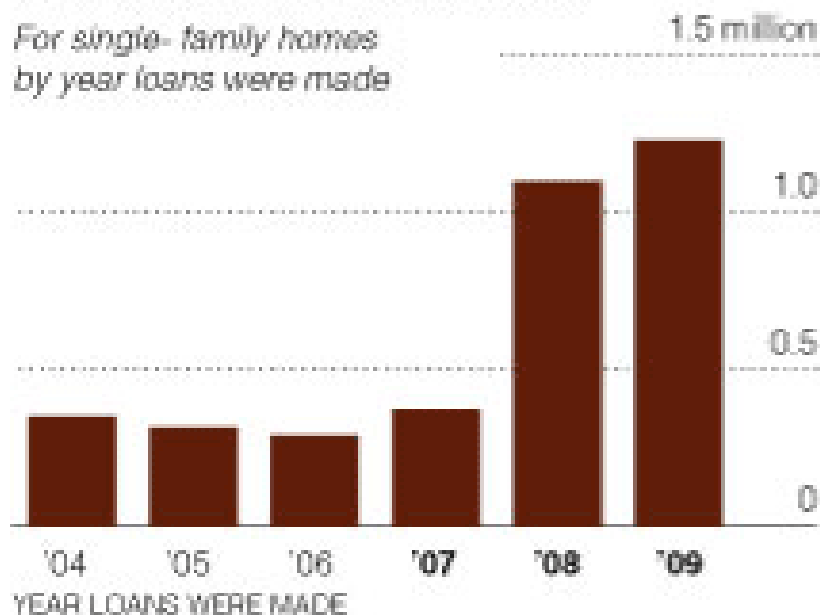
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A Troubled Portfolio

The Federal Housing Administration sharply expanded the number of mortgages it insured to help support the housing market. Now half of its portfolio covers loans made since the beginning of 2007.

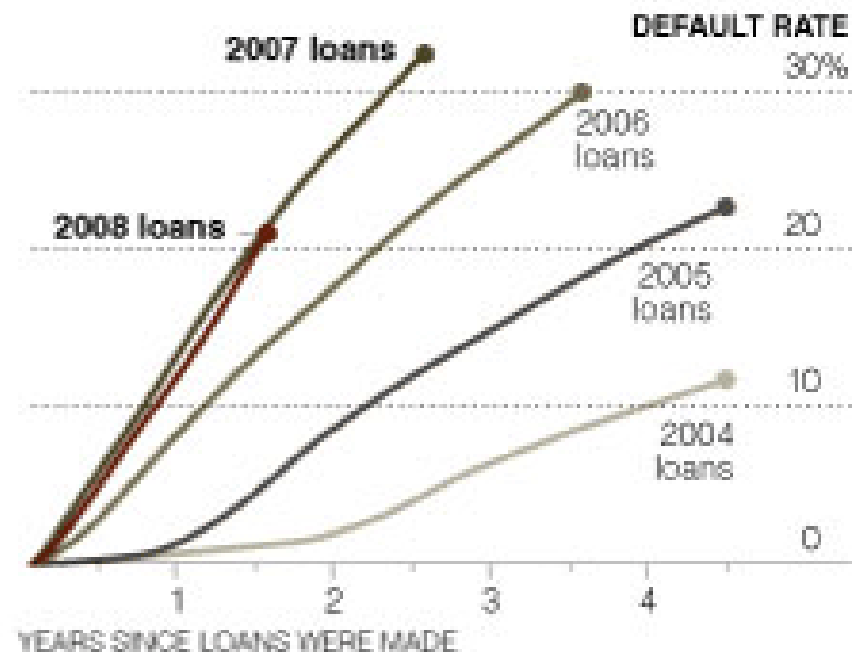
F.H.A. PORTFOLIO OF LOANS INSURED

For single-family homes by year loans were made



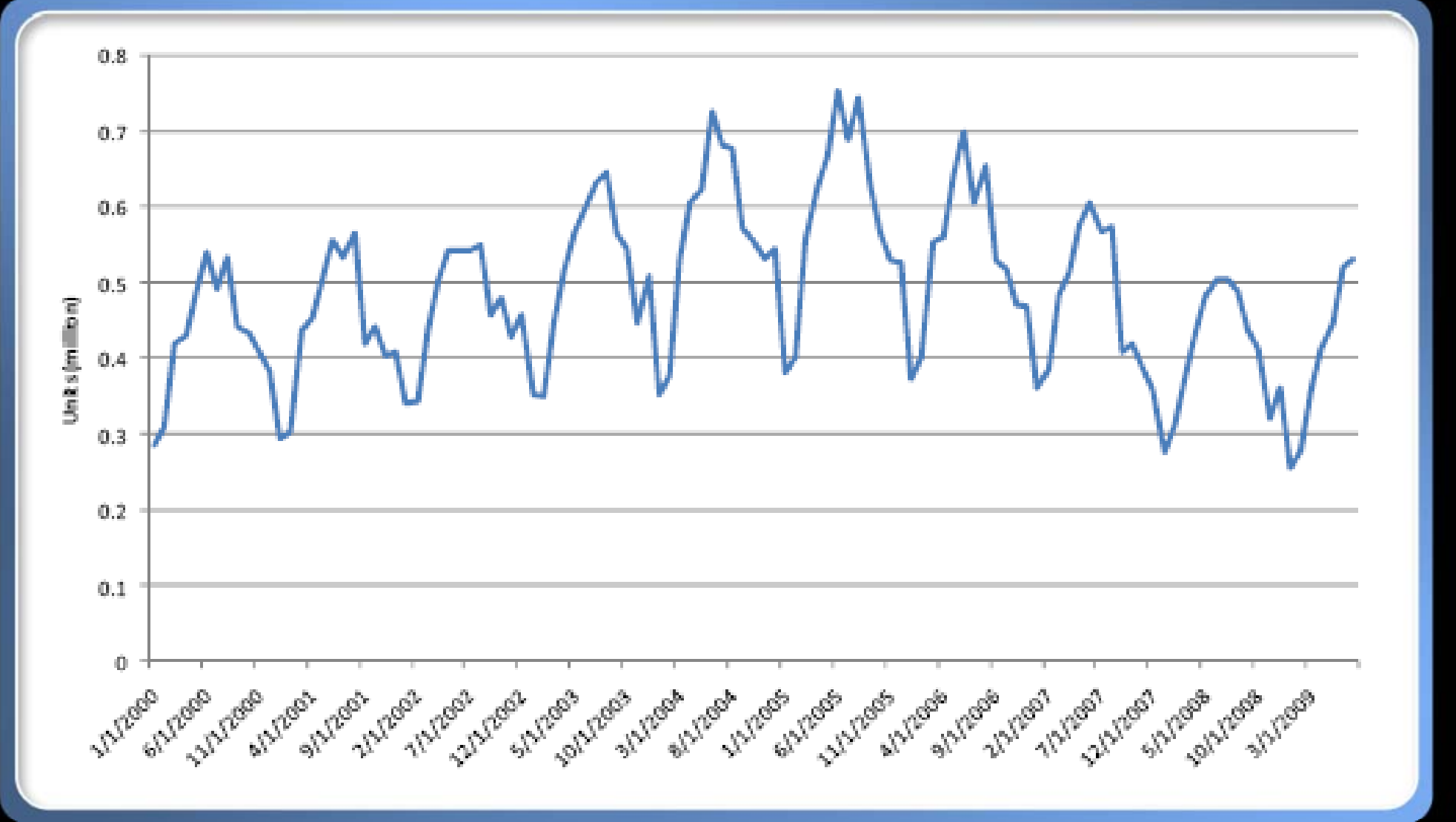
Source: Federal Housing Administration

But those recent loans have also been among the worst performing — and they are running into trouble faster than loans from earlier years.



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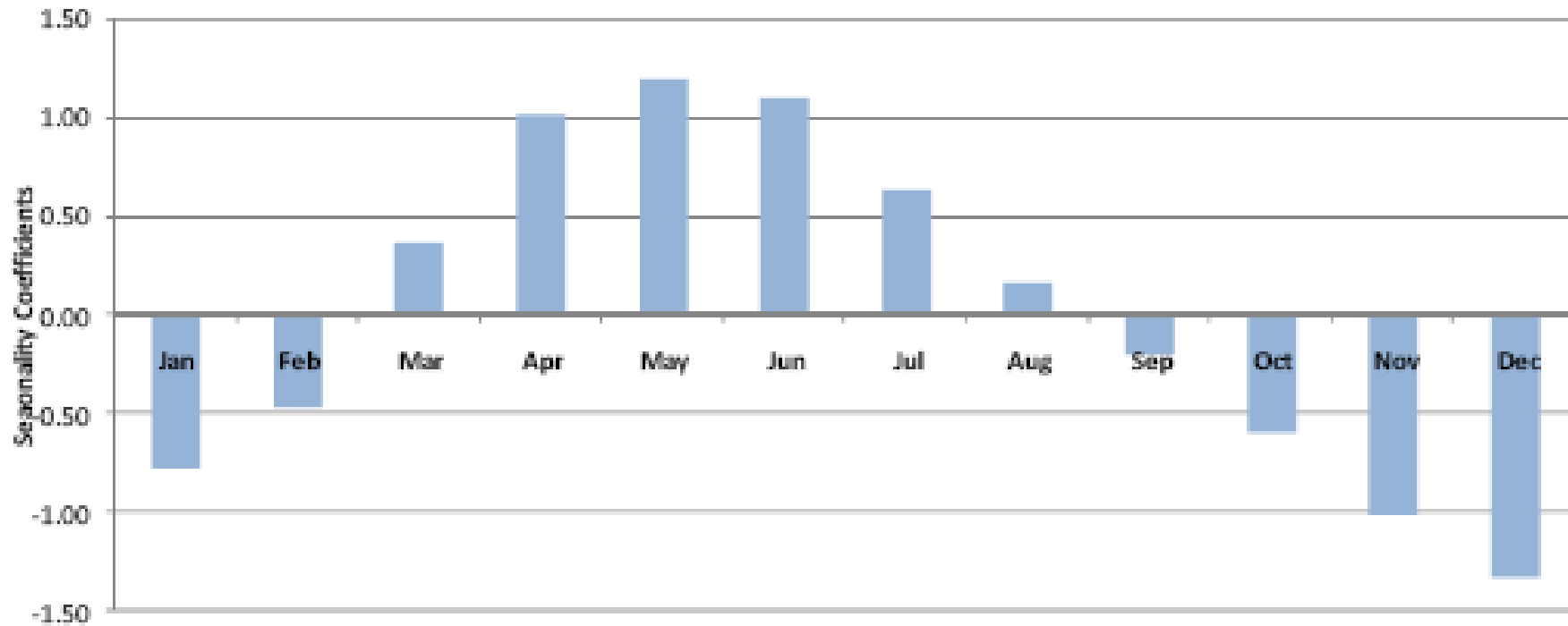
Existing Home Sales Are Highly Seasonal



Source: National Association of Realtors.

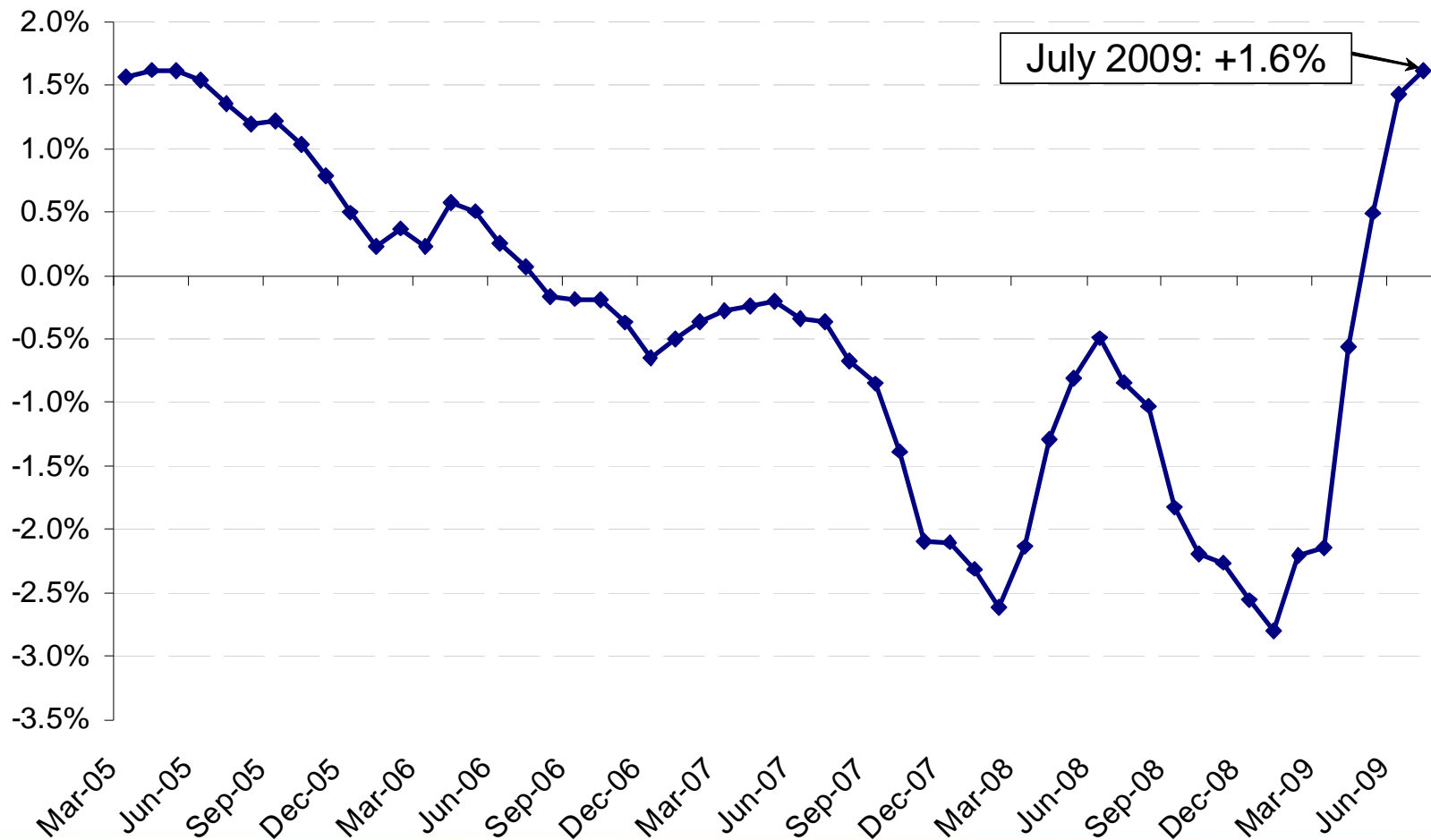
Existing Home Sales Are Highly Seasonal

HPA Seasonality Coefficient -- Deviation From Mean



Home Prices Bounced From April-July...

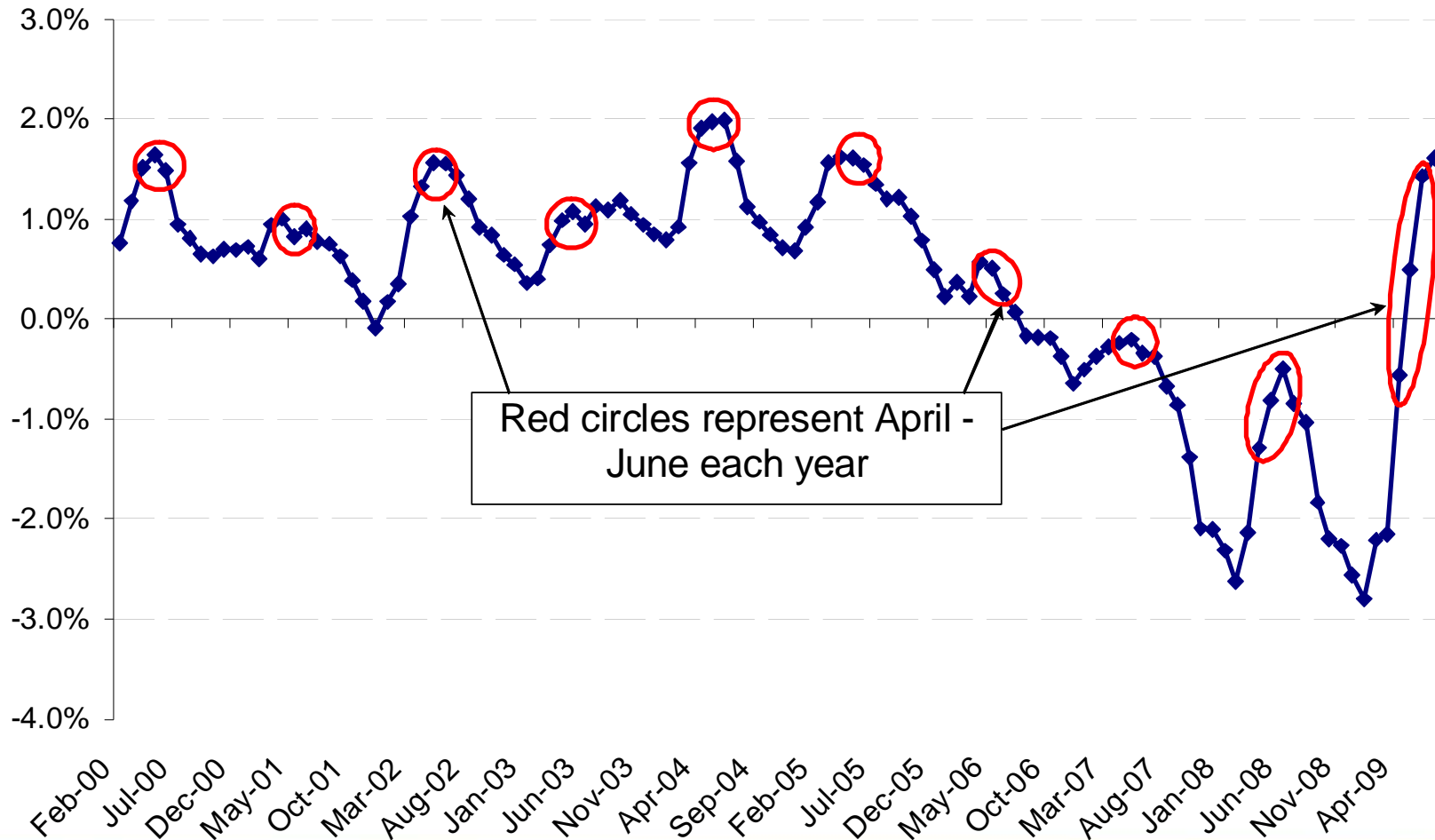
Sequential Home Prices March 2005-July 2009



Source: S&P Case-Shiller 20-city index.

...But They *Always* Bounce in the Spring and Early Summer!

Sequential Home Prices February 2000-July 2009



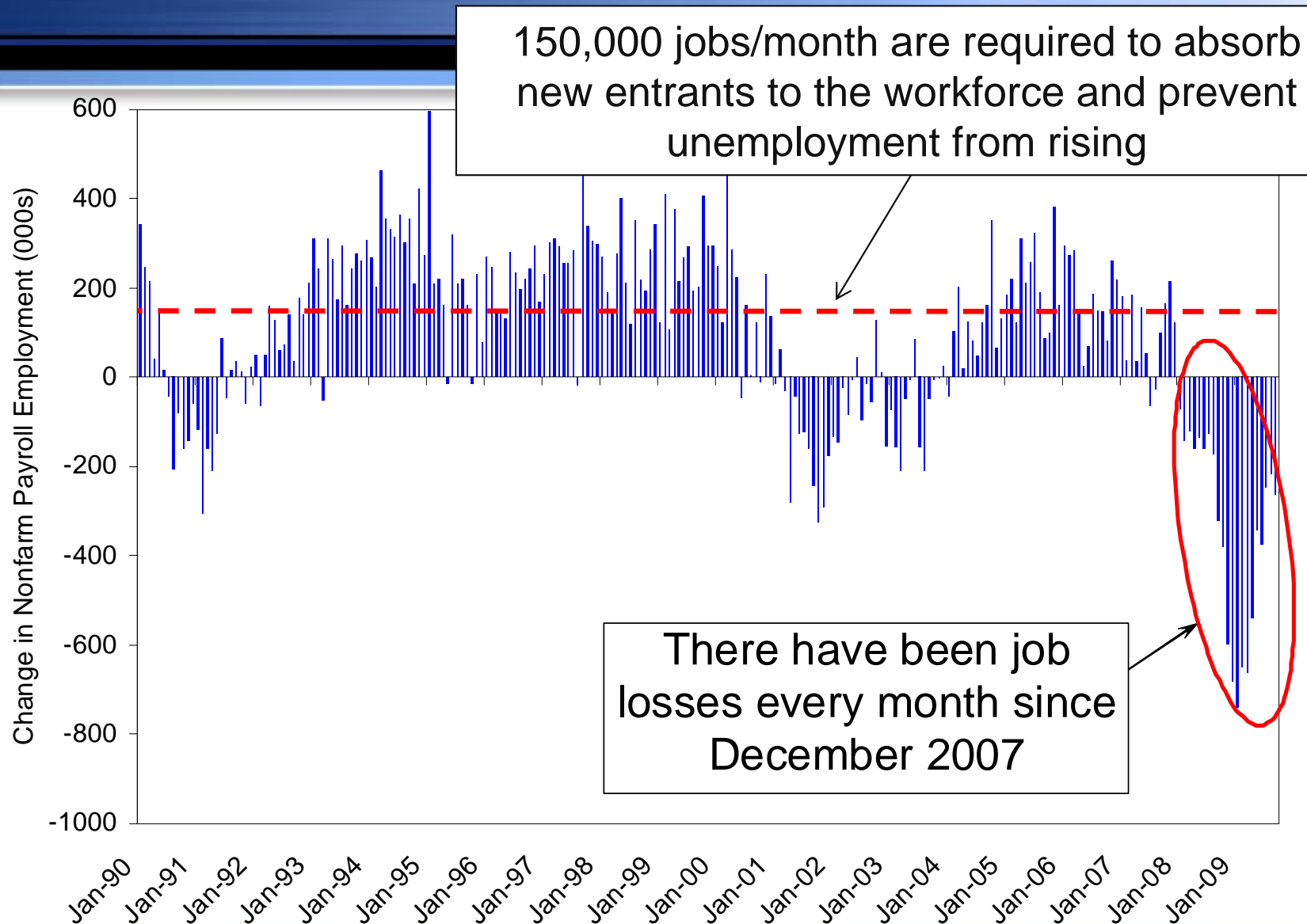
Source: S&P Case-Shiller 20-city index.

- We think housing prices will reach fair value/trend line, down 40% from the peak based on the S&P/Case-Shiller national (not 20-city) index, which implies roughly a 10% further decline from where prices were as of the end of Q2 2009
- The key question is whether housing prices will go crashing through the trend line and fall well below fair value. This is a real possibility, though continued massive government subsidies could prevent it. In the long-term, housing prices will likely settle around fair value, but in the short-term prices will be driven both by psychology as well as supply and demand. The recent bounce in home prices has improved psychology, but the supply-demand trends are very unfavorable
 - There is a huge mismatch between supply and demand, due largely to the tsunami of foreclosures. In addition, the “shadow” inventory of foreclosed homes already exceeds one year and there will be millions more foreclosures over the next few years, creating a large overhang of excess supply that will likely cause prices to overshoot on the downside, as they did in California
- Therefore, we expect housing prices to decline at least 40% from the peak, bottoming in mid-2010
- We are also quite certain that wherever prices bottom, there will be no quick rebound
 - There’s too much inventory to work off quickly, especially in light of the millions of foreclosures over the next few years
 - We don’t think the economy is likely to provide a tailwind, as we expect tepid economic growth at best for a number of years

**The Current Unemployment Situation Is the
Most Severe Since the Great Depression**

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There Have More Than 8 Million Jobs Lost So Far in This Recession, Though the Monthly Rate of Losses Has Eased in Recent Months



The Unemployment Rate Continues to Rise, Reaching 9.8% in September

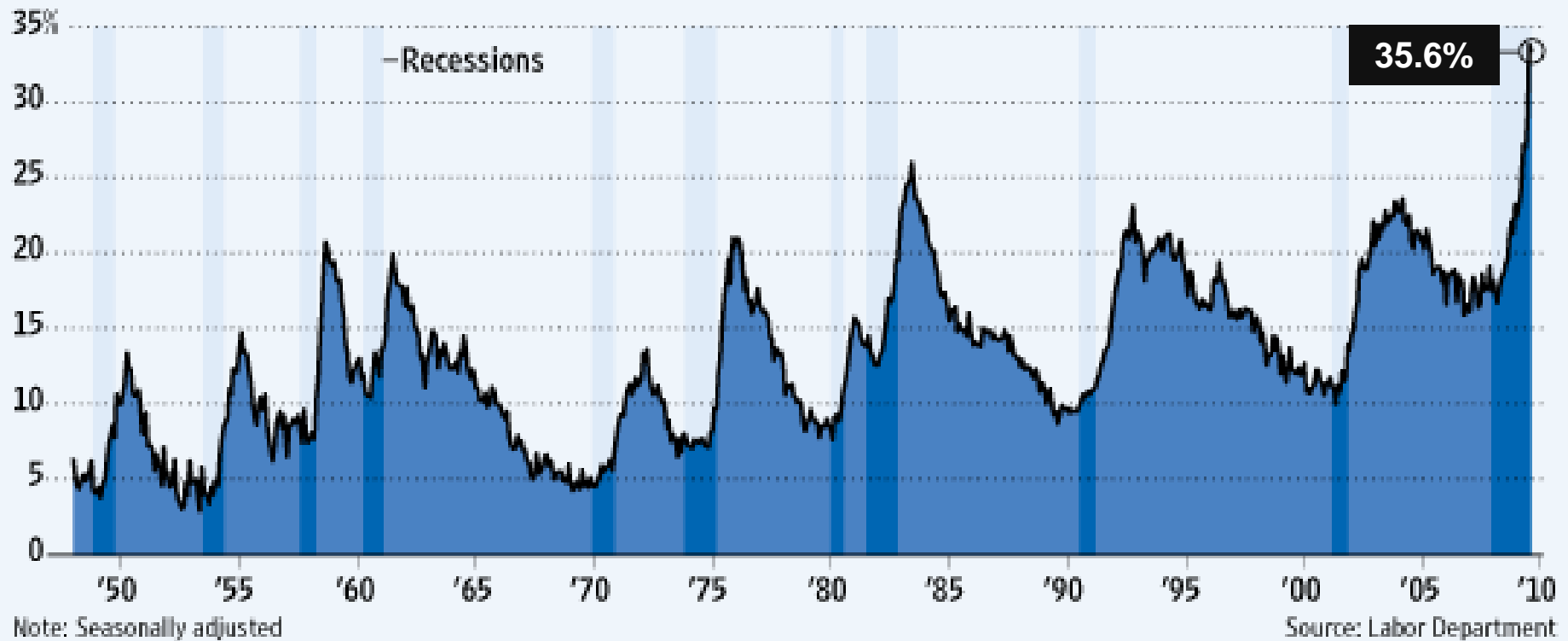
If part-time and discouraged workers are factored in, the unemployment rate would have been 17.0% in September. The labor force participation rate was 65.2%, the lowest in 22 years. Finally, the average work week hit a record low of 33.0 hours. To return to the average of 33.8 hours would be the equivalent of three million new jobs *not* created.



Chronic Unemployment Is Skyrocketing

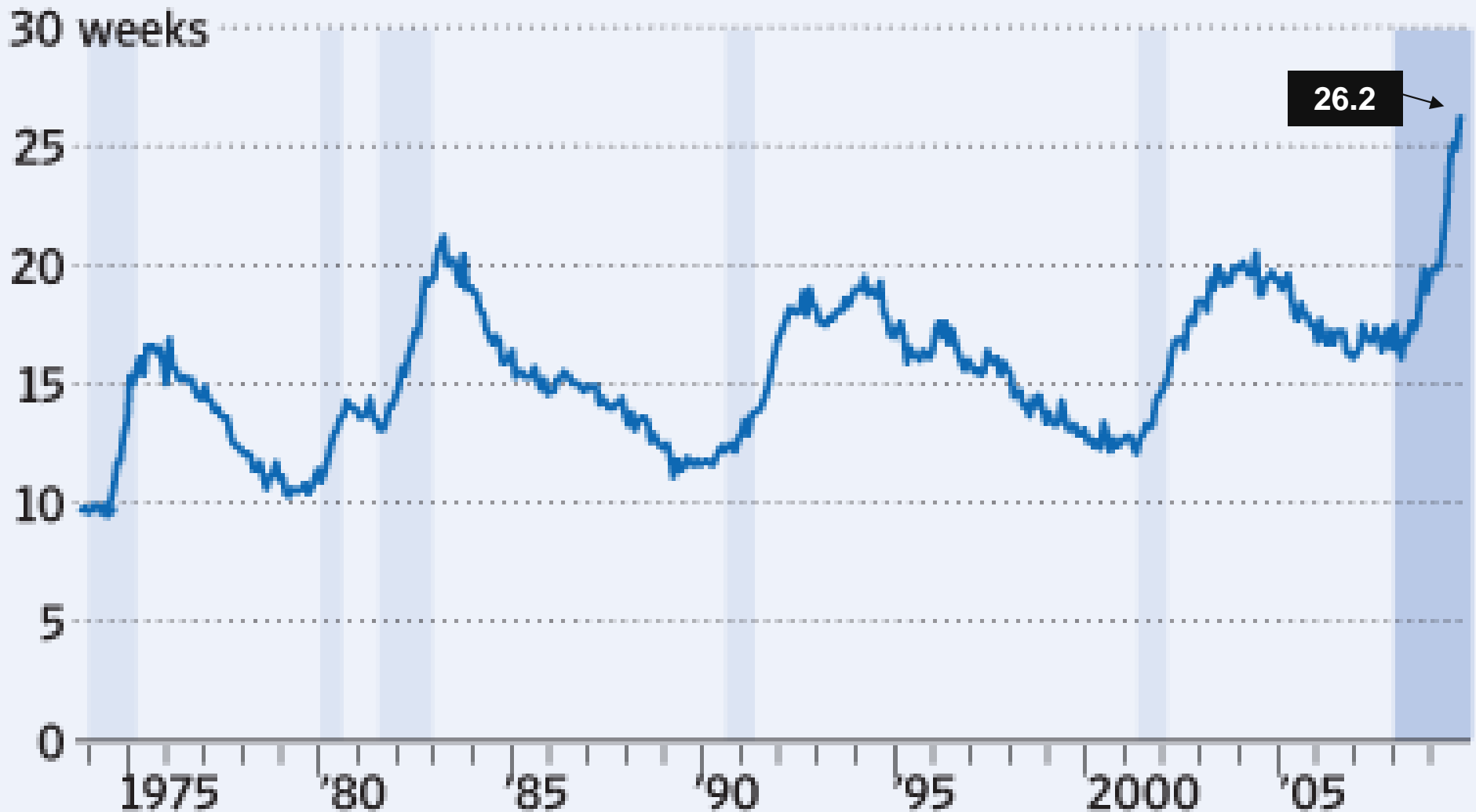
Long Waits

The proportion of the unemployed who have been out of work for more than 26 weeks hit a high this year.



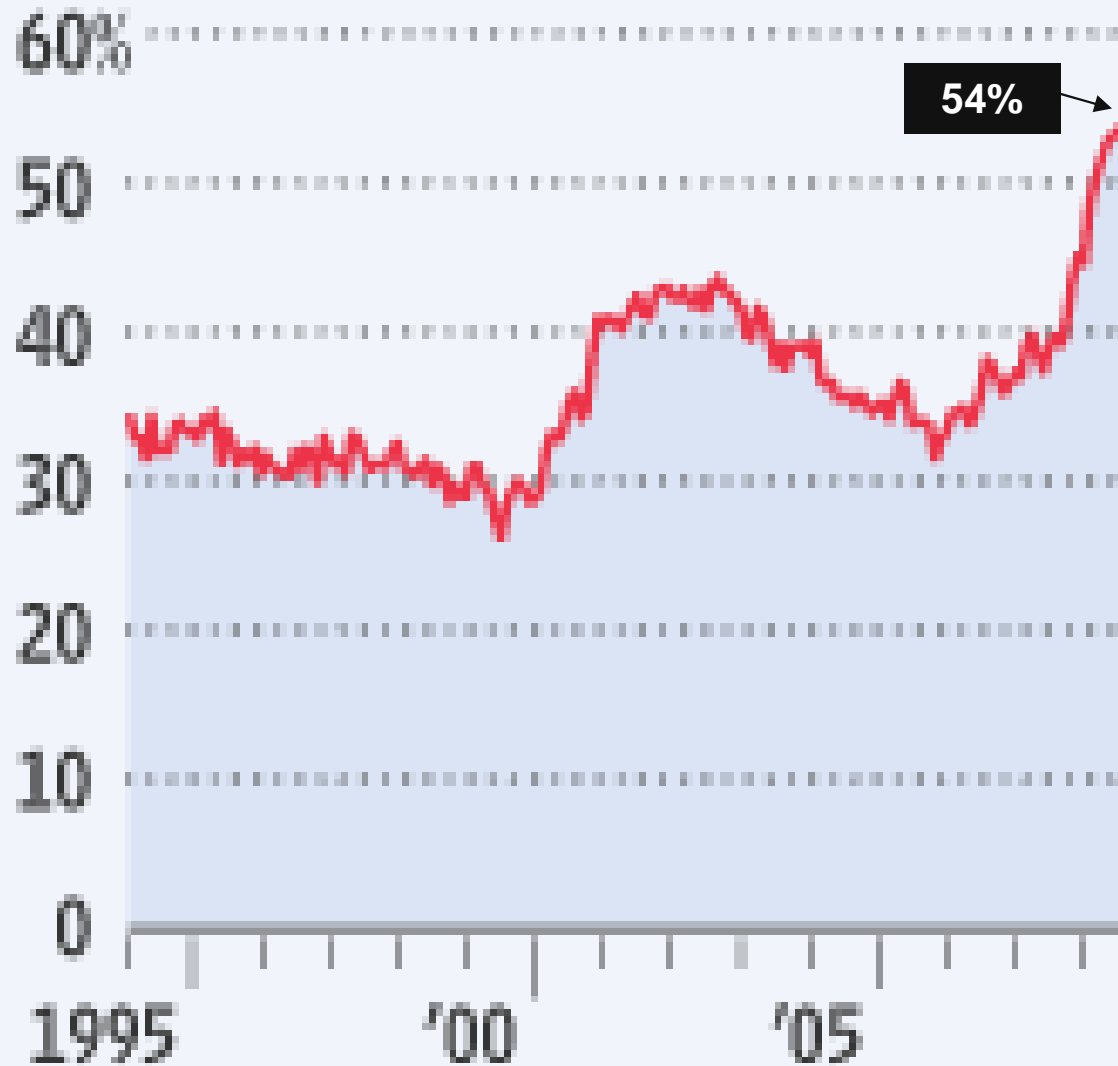
The Average Weeks Unemployed is 26.2

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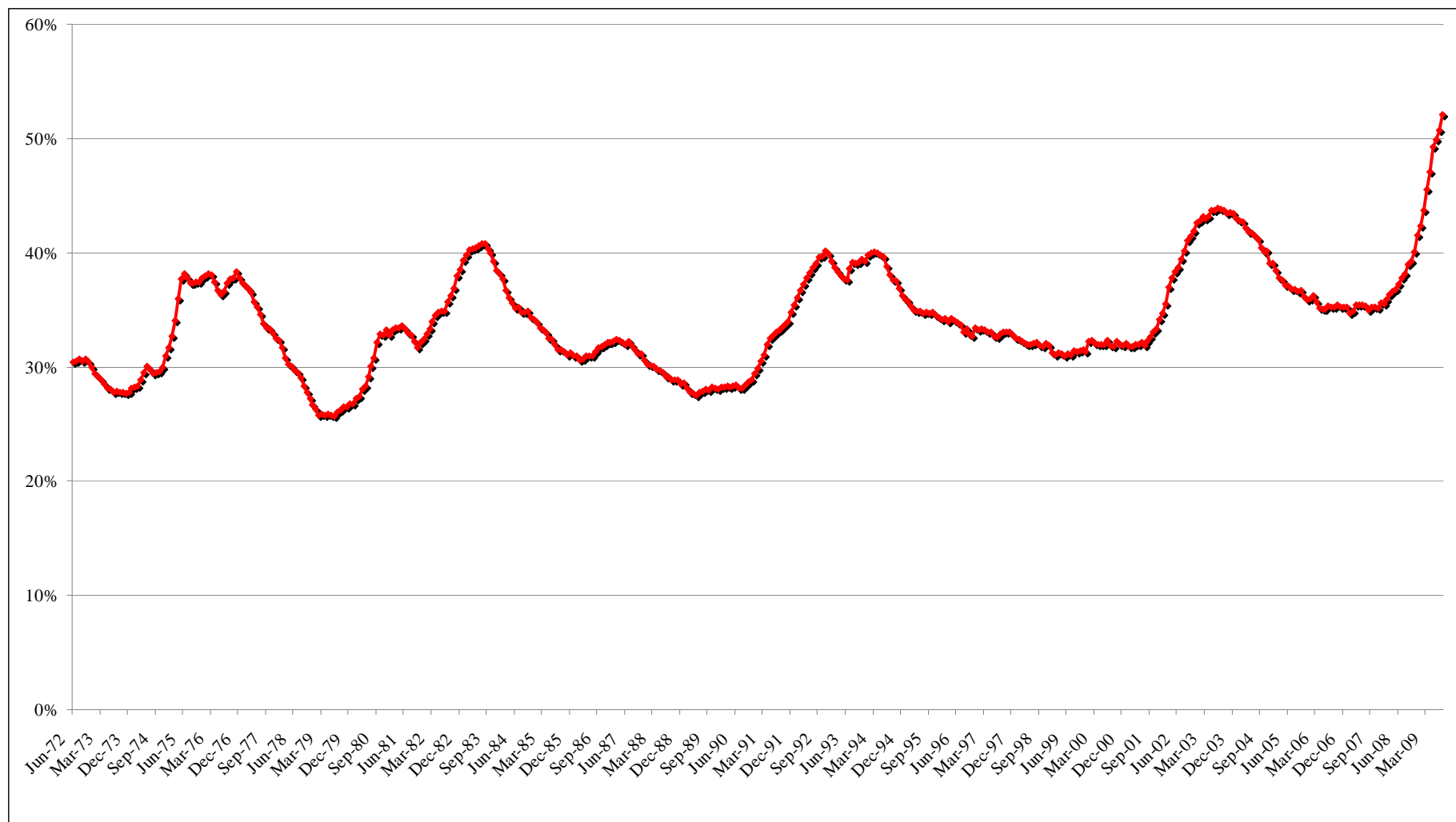
The Percentage of Unemployed Not on Temporary Layoff Has Risen to 54%

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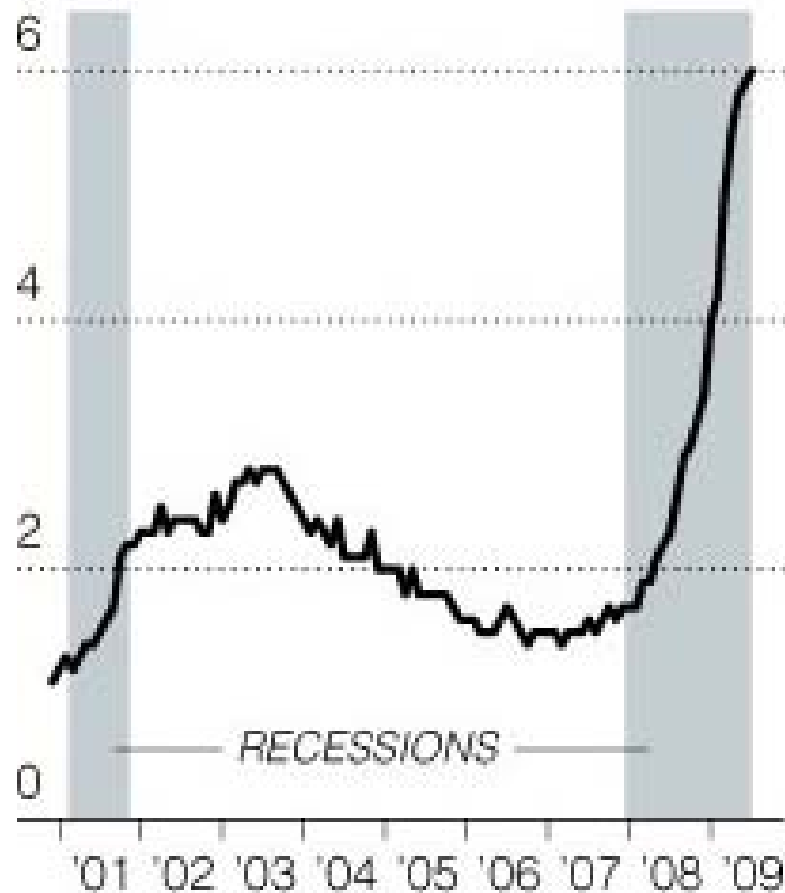
The Proportion of Unemployed Whose Unemployment Benefits Have Expired Has Soared

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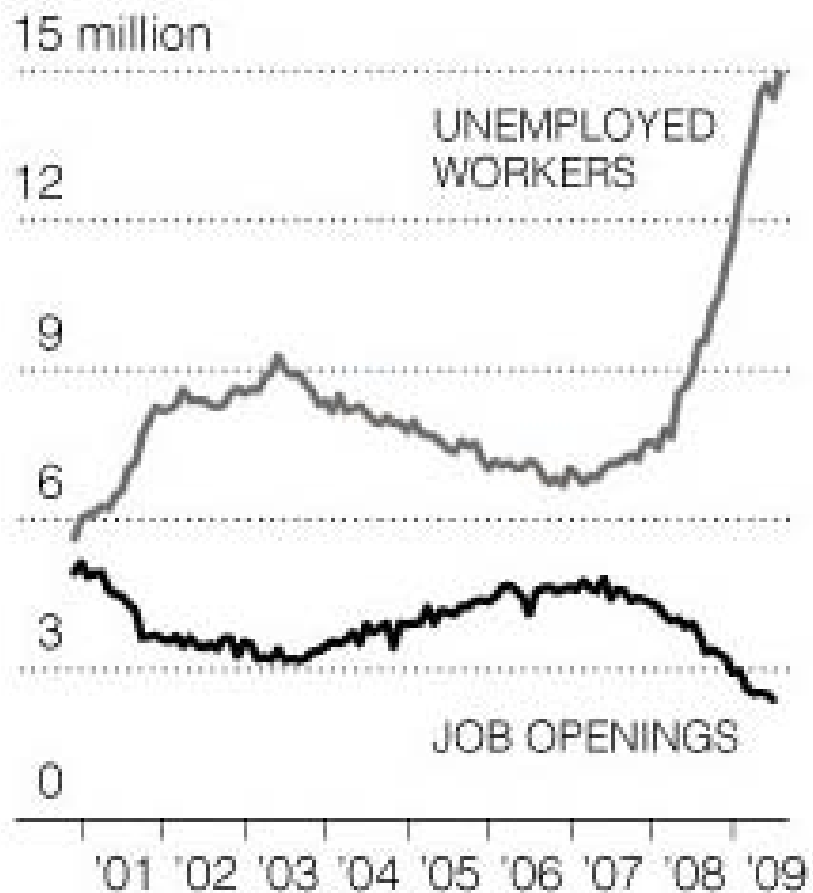


There Are Now Six Unemployed People for Every Job Opening

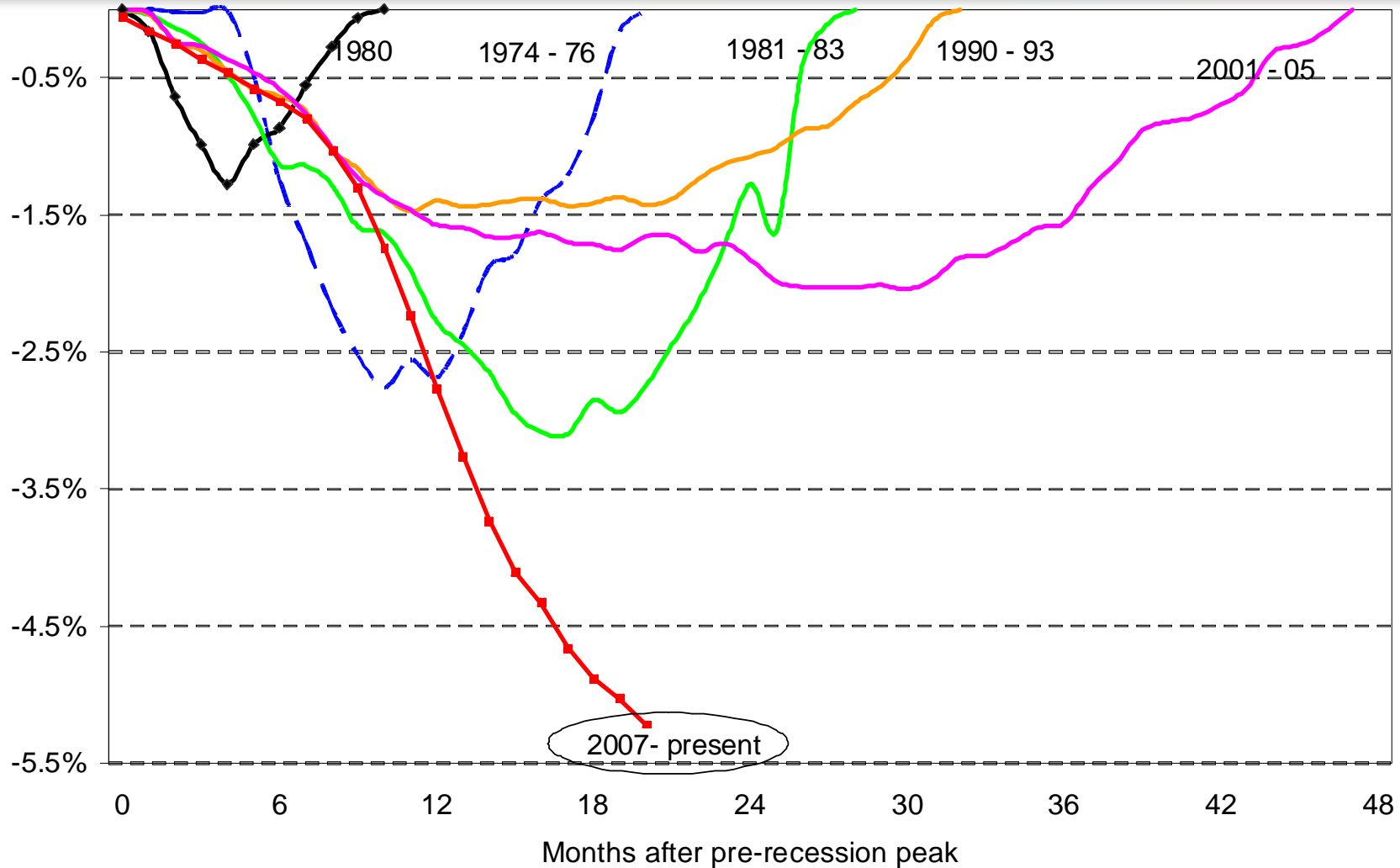
The number of unemployed people for each job opening has soared ...



... as job openings have fallen and unemployment has risen.



5.2% of All Jobs Have Disappeared, Far Worse Than Any of the Past Five Recessions

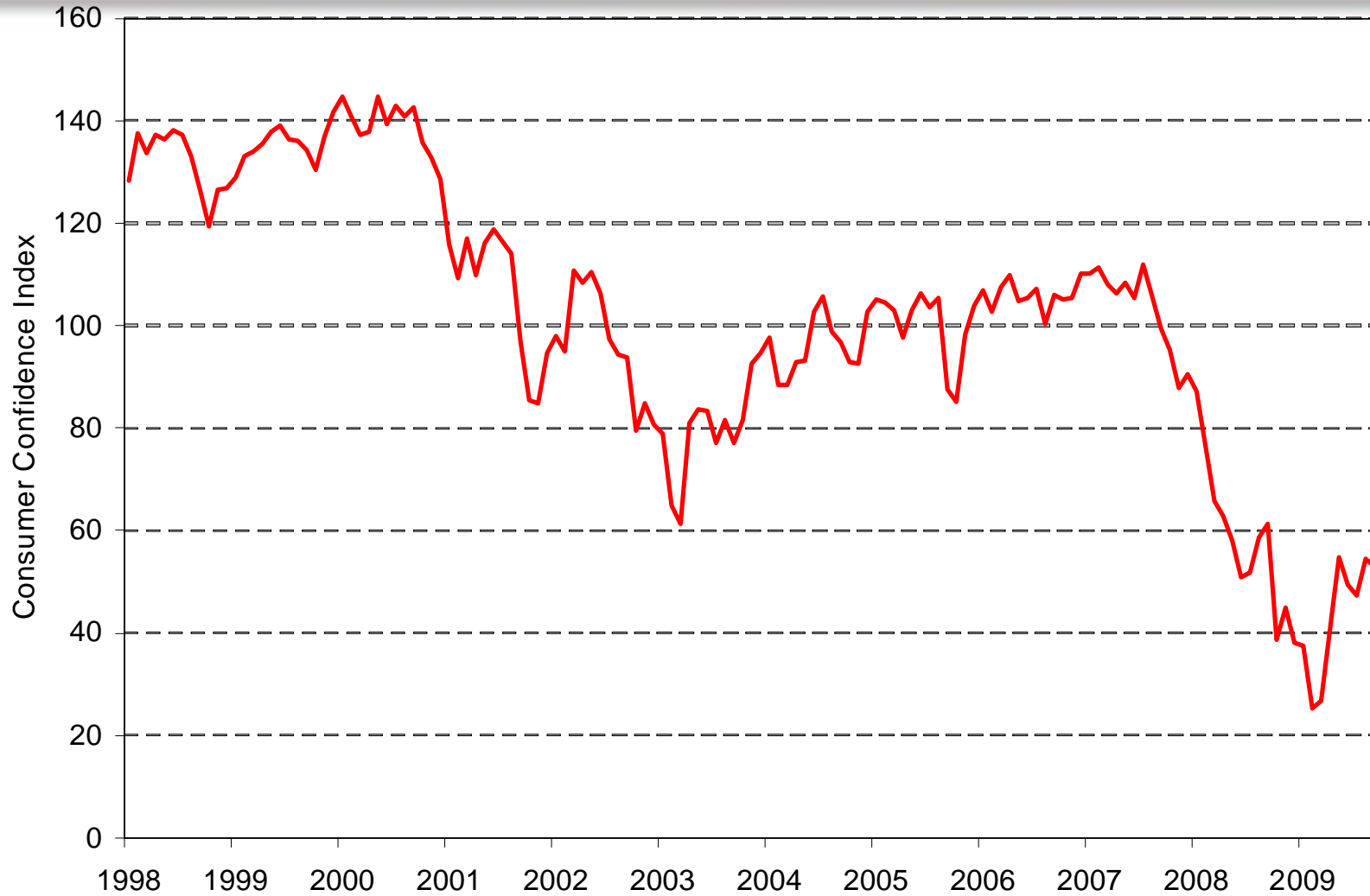


Consumer Spending, Which Accounts for 70% of GDP, Is Weak and Likely to Remain So

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Consumer Confidence Has Rebounded Somewhat But Remains Low

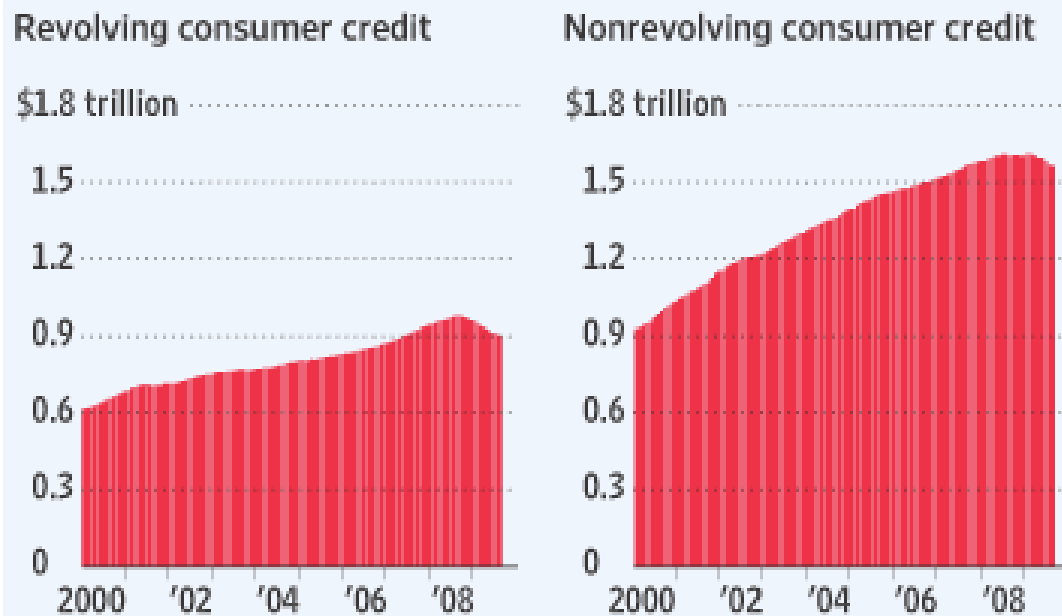
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Note: 1985=100. Source: The Conference Board (www.pollingreport.com/consumer.htm)

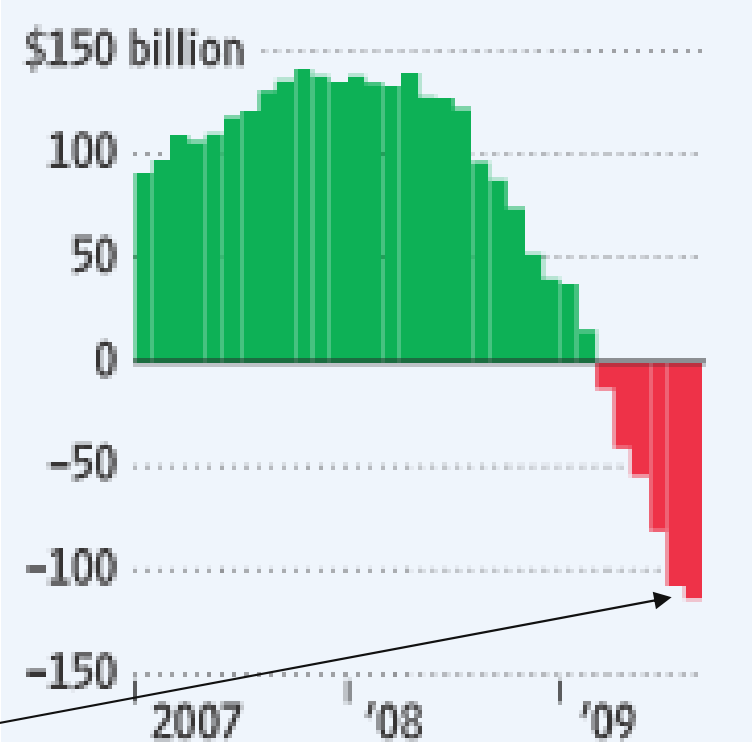
Total Consumer Credit Is Falling Sharply

Total Amount of Revolving and Nonrevolving Consumer Credit Outstanding



Note: Data are based on consumer credit that is owned and securitized, seasonally adjusted.

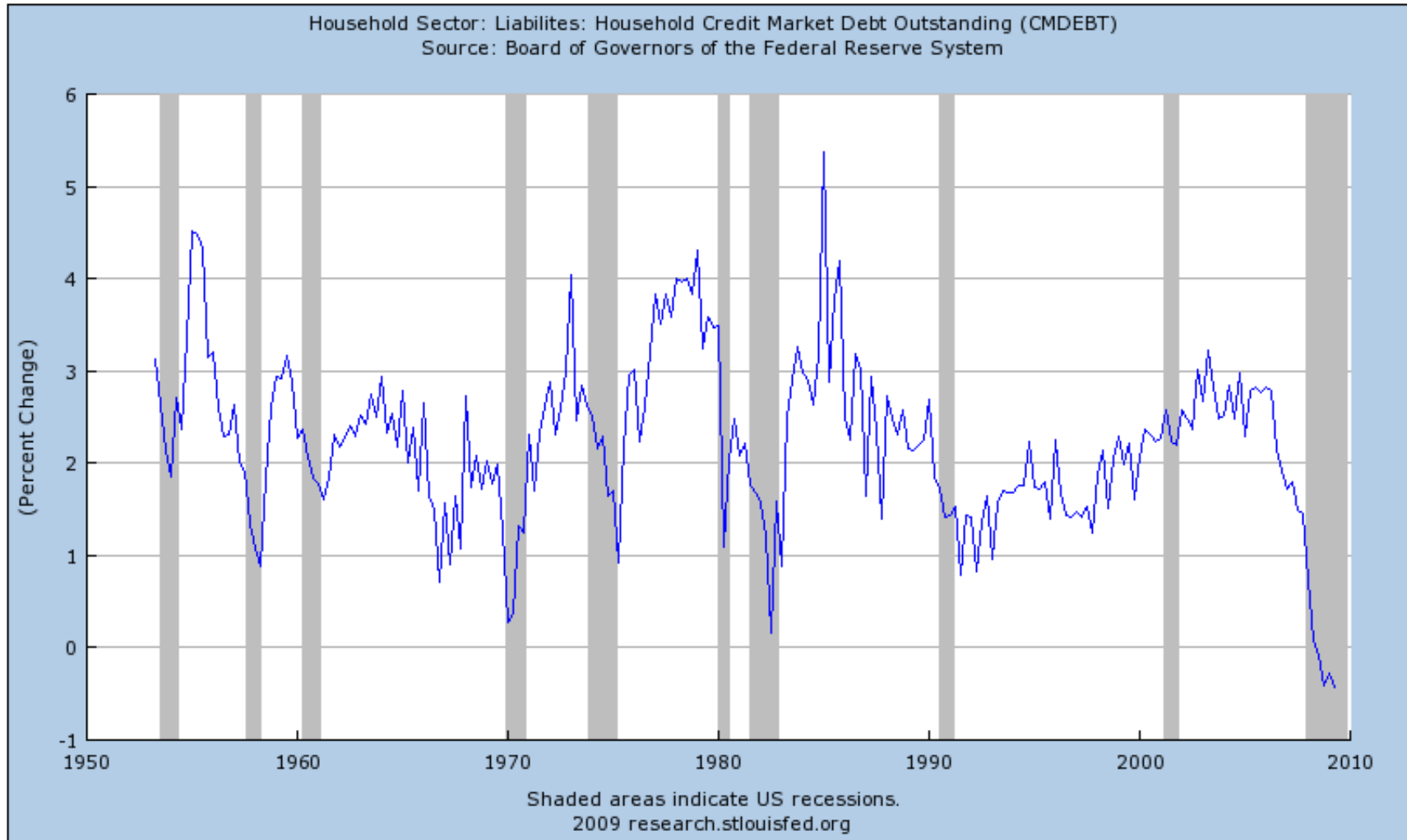
Total Consumer Credit Outstanding (Change From Year Earlier)



Down \$119 billion or 4.6% from its peak in 7/08.
Down \$12 billion in August, a 5.8% seasonally adjusted annual rate, the seventh straight month of declines, the longest stretch since 1991.

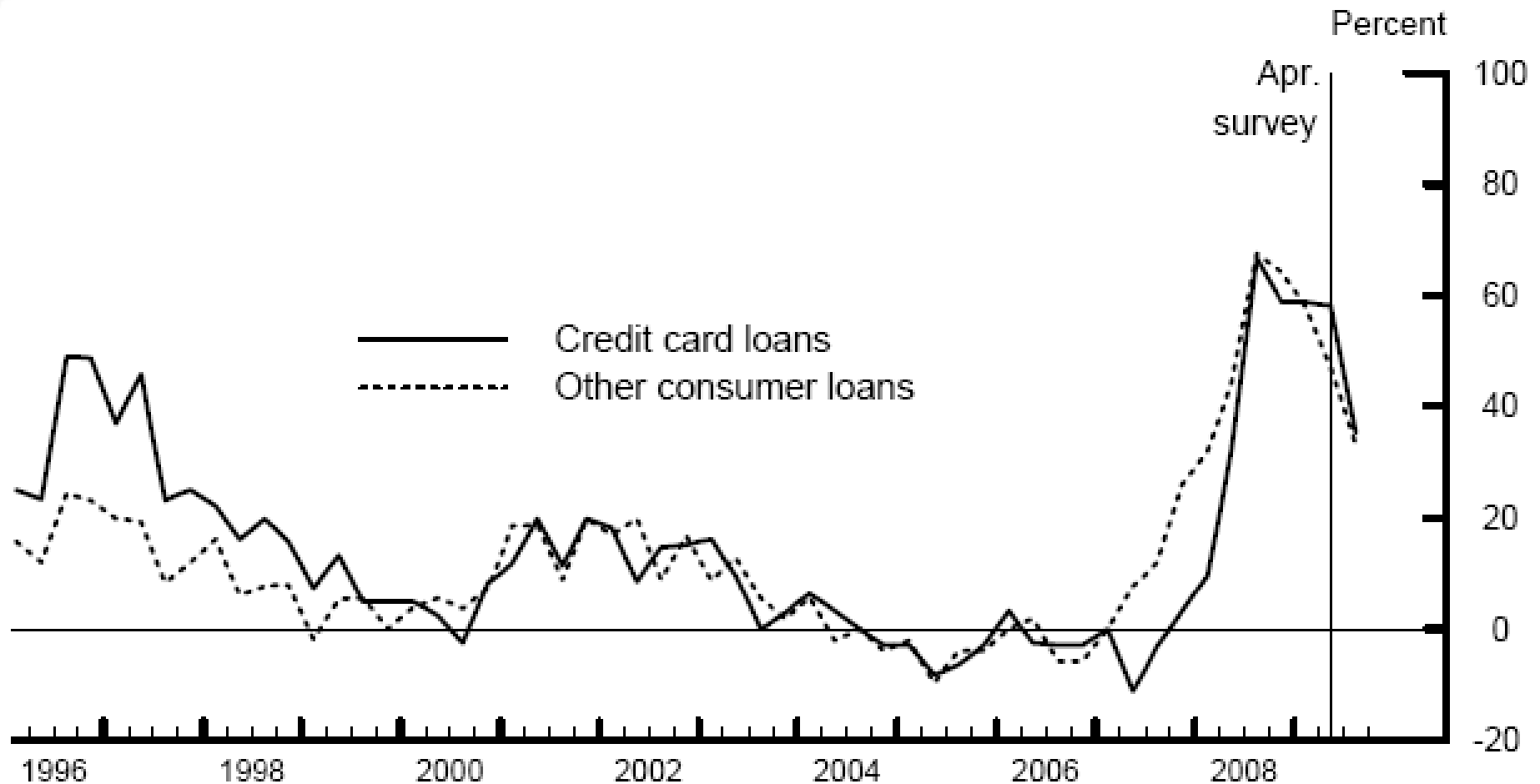
Household Credit Market Debt Outstanding Has Declined for the First Time Since This Was Measured Beginning in the Early 1950s

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The Percentage of Banks Tightening Standards for Consumer Loans Has Risen Sharply

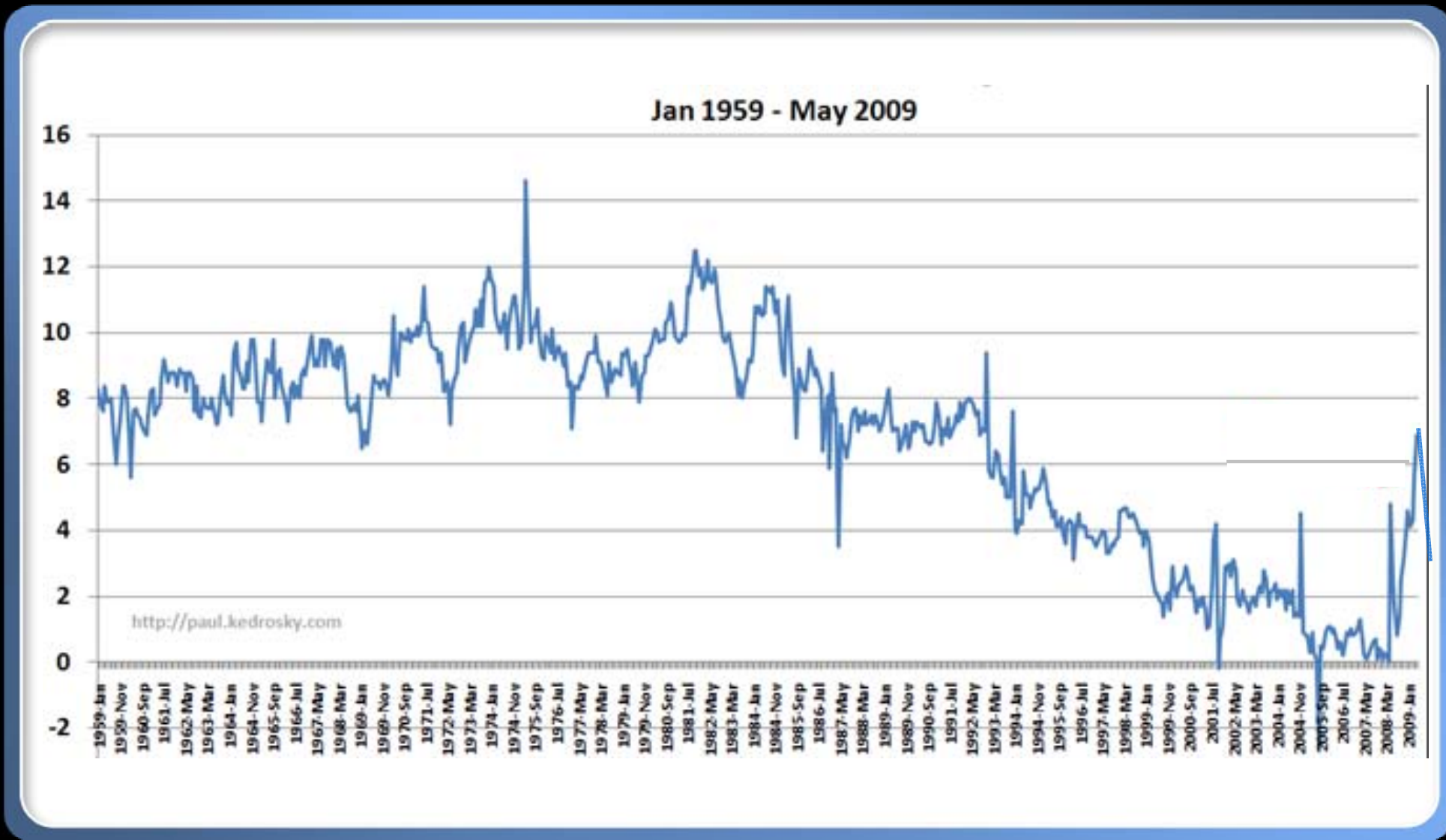
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Source: Federal Reserve Board Senior Loan Officer Opinion Survey on Bank Lending Practices, July 2009.

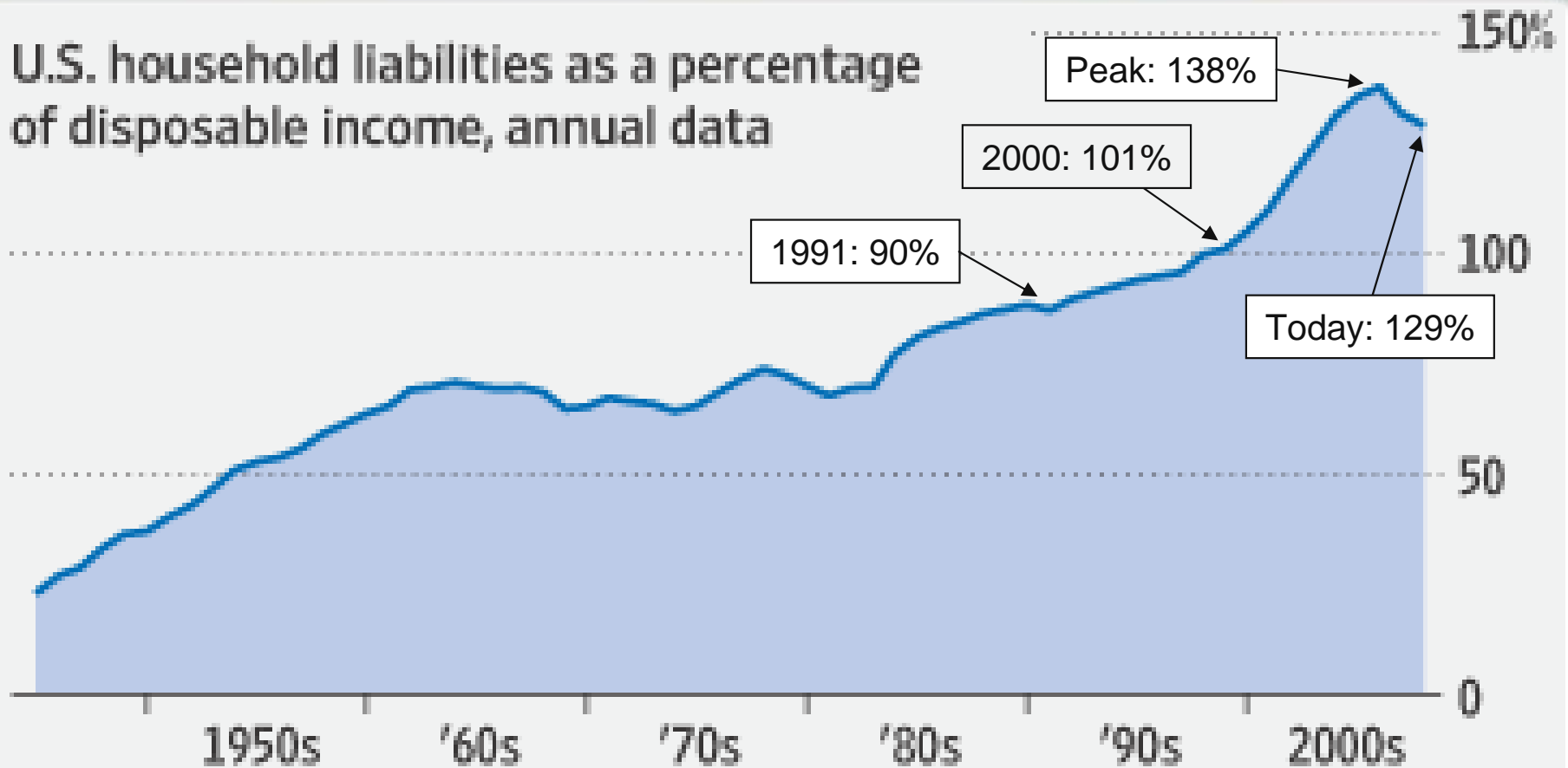
The U.S. Savings Rate Hit a 15-Year High of 6.9% in May, but Fell to 3.0% in August

This is good news in the long run, but could be a severe economic headwind in the short run, given that consumer spending is 2/3 of GDP



Household Liabilities as a Percentage of Disposable Income Remains Very High

U.S. household liabilities as a percentage of disposable income, annual data



Notes: Includes nonprofit organizations; 2009 figure is for the second quarter

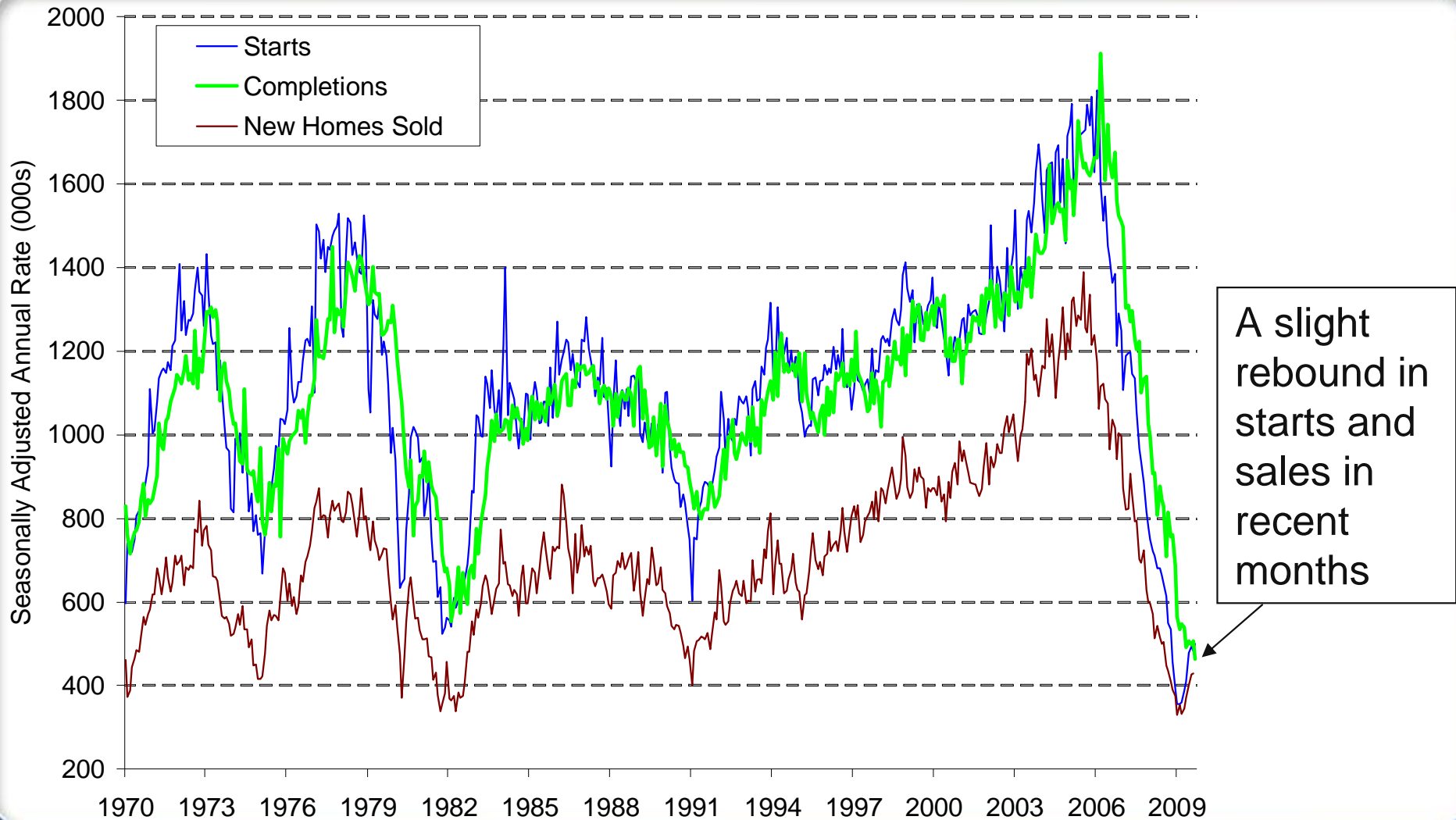
Investment Idea #1

**Short the Homebuilders Via the
iShares Dow Jones US Home Construction ETF (ITB)**

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Housing Starts, Completions and Sales Are At or Near All-Time Lows

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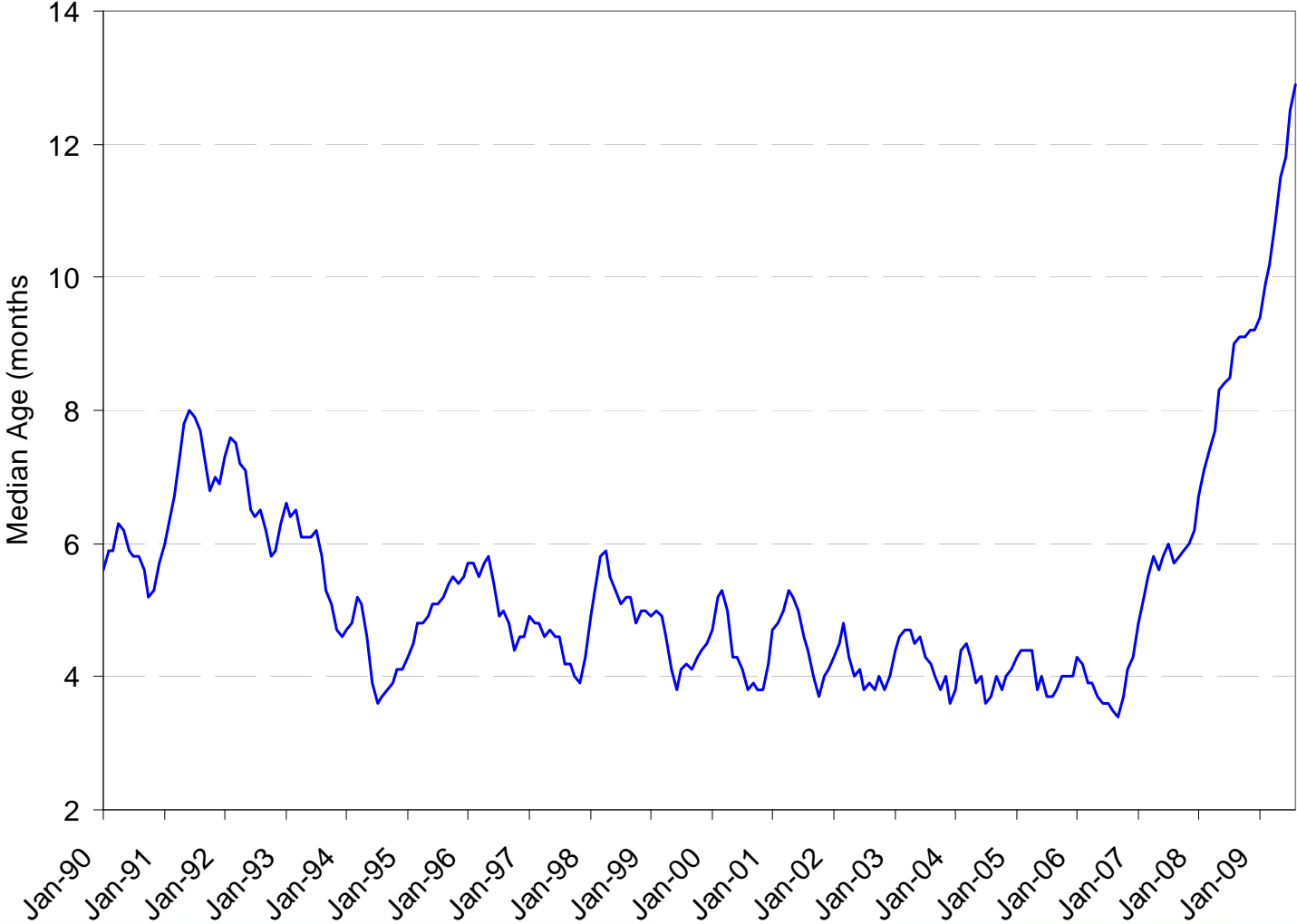


Source: Commerce Department, data through 9/09.

There Is an Enormous Inventory Glut of New Homes

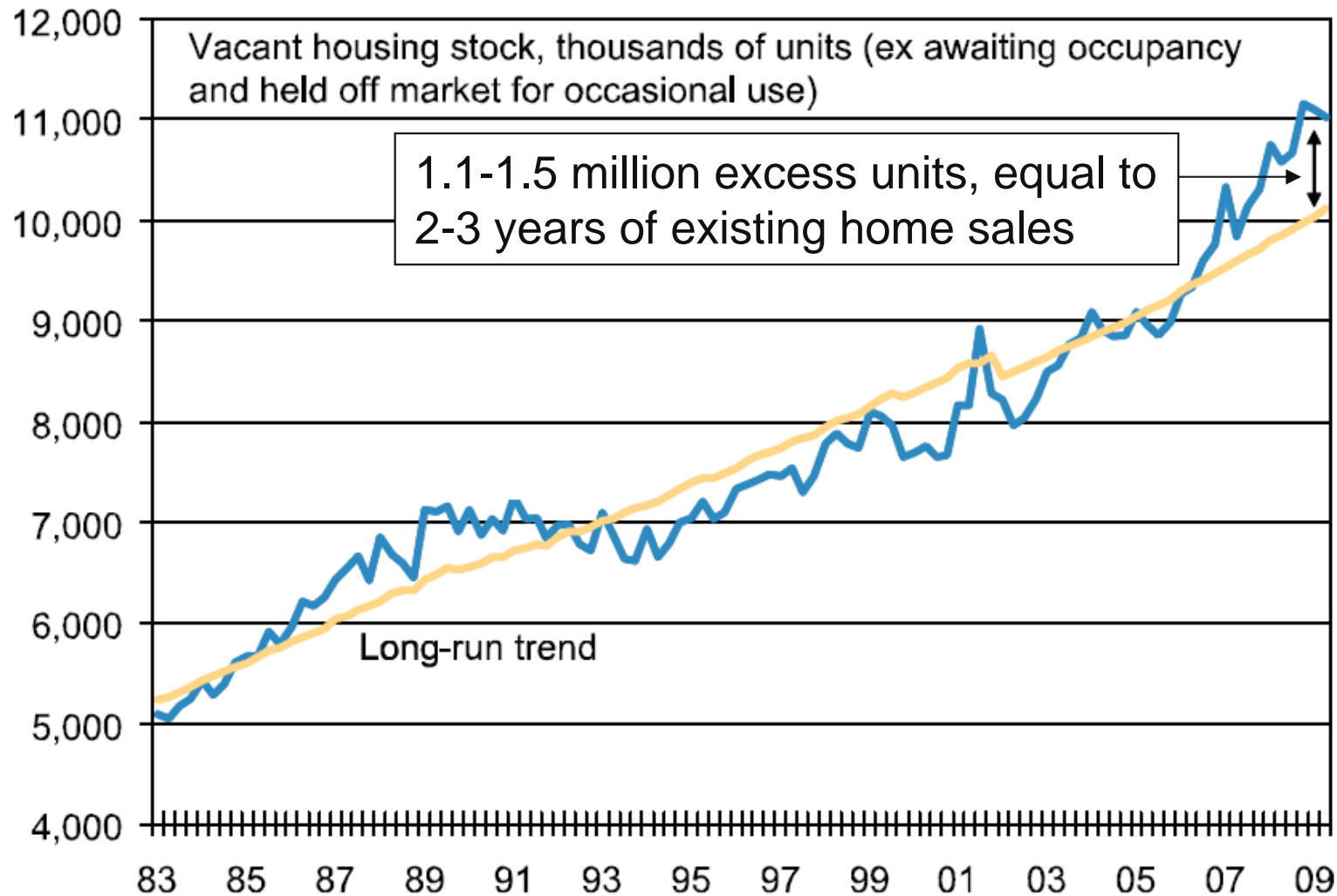
The Average New Home Has Been on the Market for 12.9 Months

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Source: Census Bureau, through 8/09.

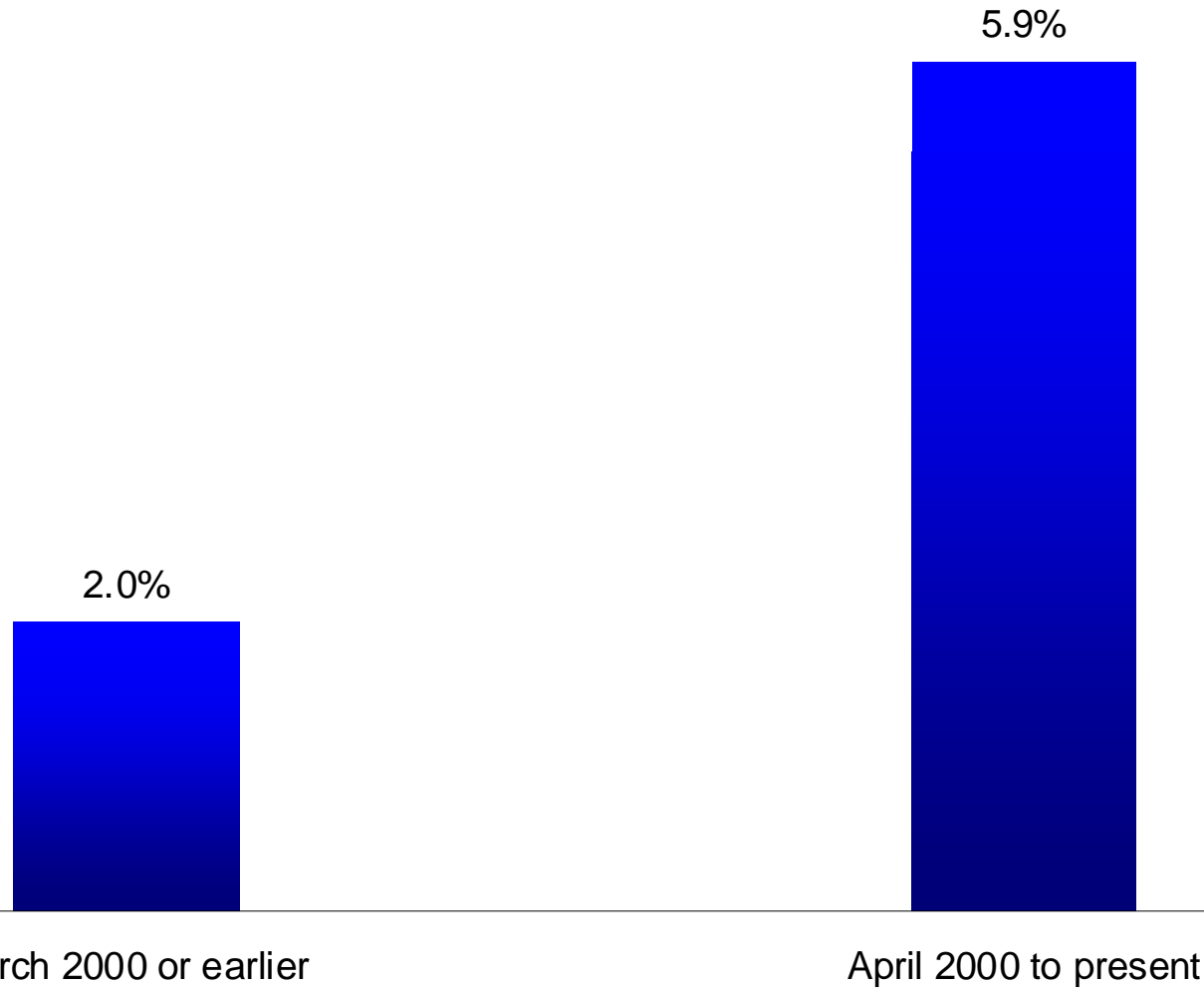
Vacant Housing Stock Creates an Enormous Inventory Overhang



Nearly 6% of Homes Built This Decade Are Vacant

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Vacancy Rate By Date of Construction



Source: Census Bureau, through Q4 2008.

Unlike Past Housing Downturns, New Home Sales Have Fallen Far More Than Existing Home Sales

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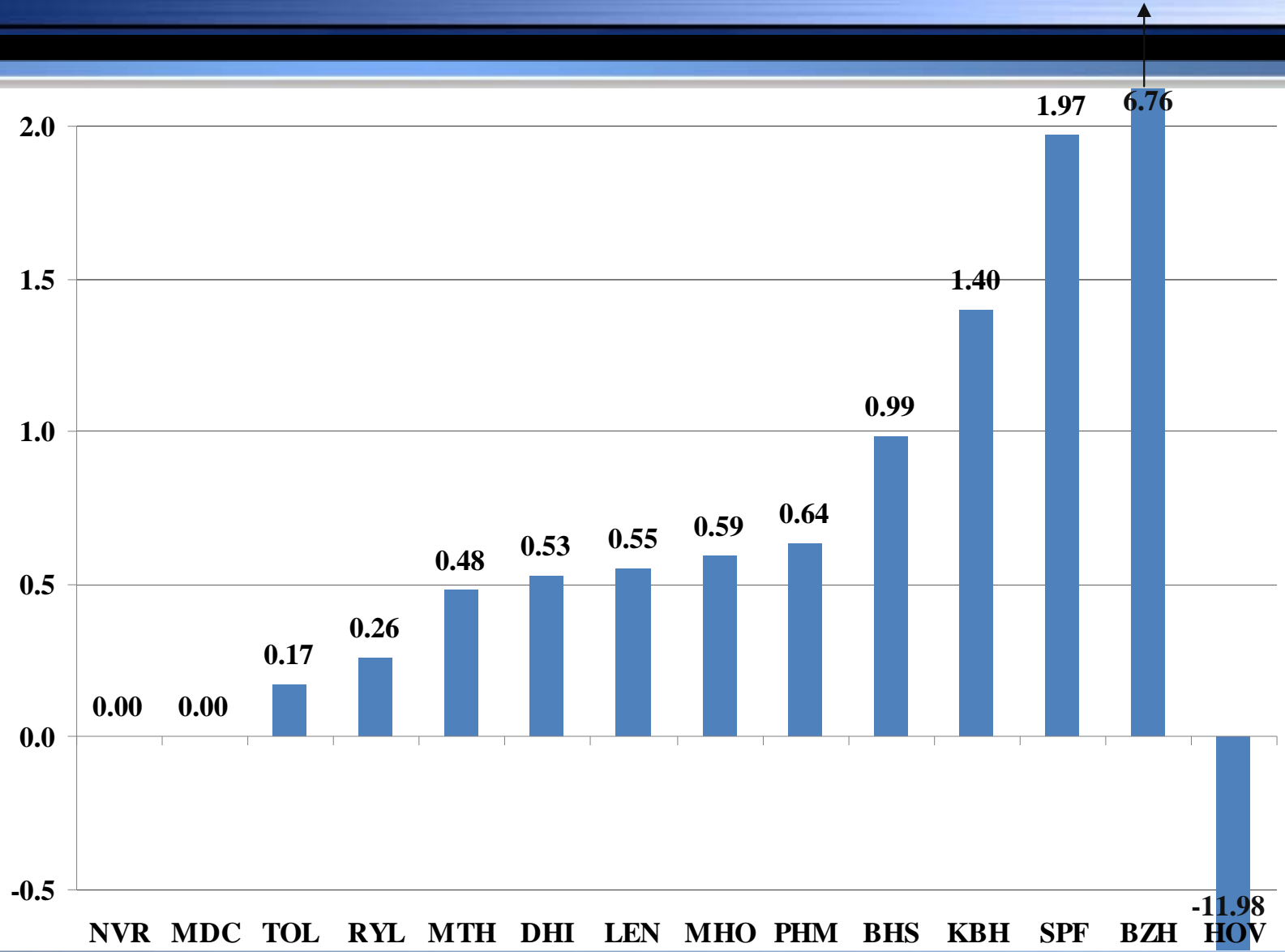
Seasonally adjusted annual rate of sales

Change from 1976 annual rate, three-month moving average



Source: National Assoc. of Realtors (existing sales) and Census Bureau (new sales), both via Haver Analytics; chart from the New York Times, 6/27/09; manually updated through 8/09.

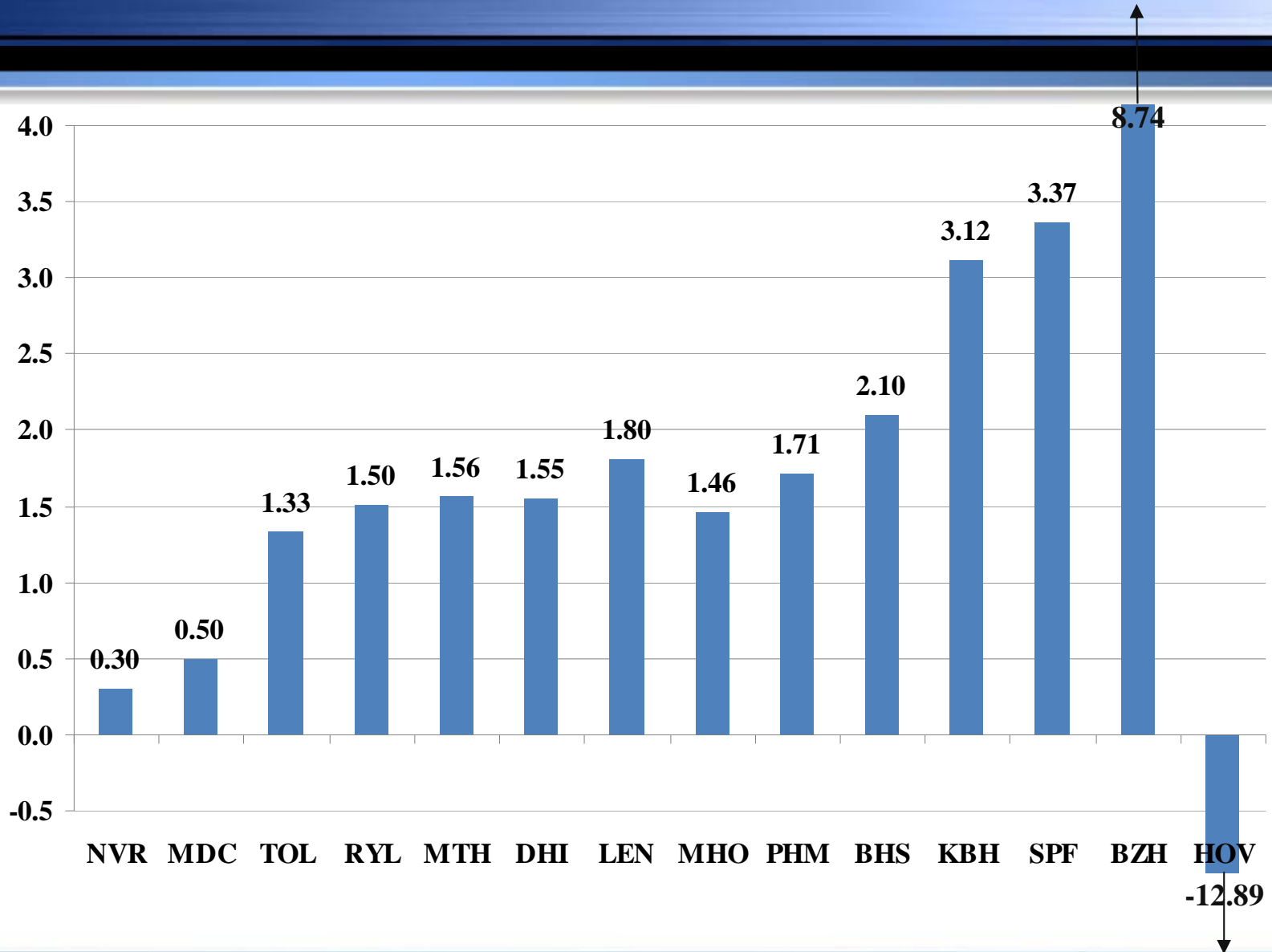
Debt-to-Equity Ratio of Major Homebuilders



Source: Company filings.

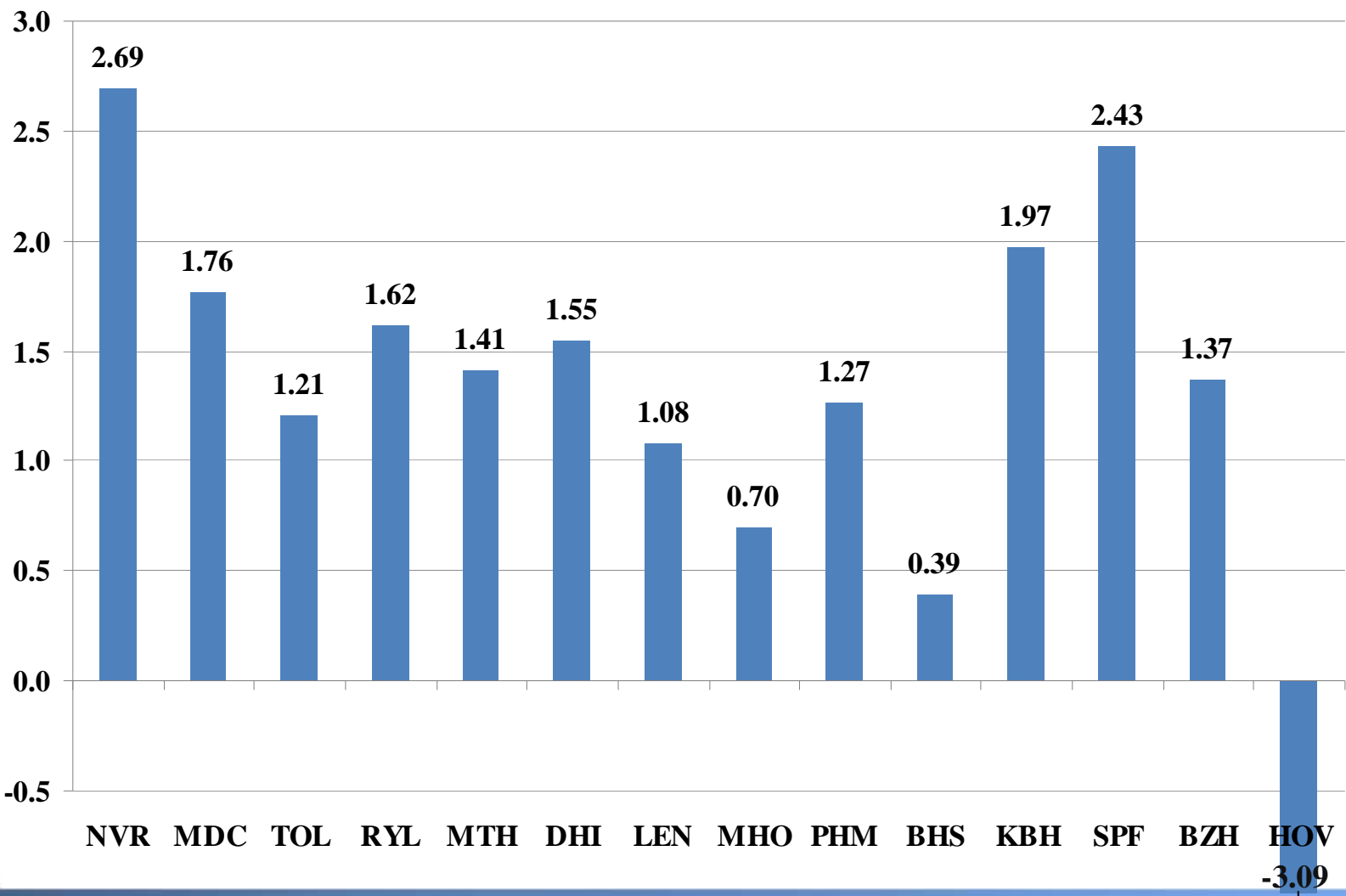
Inventory-to-Equity Ratio of Major Homebuilders

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Source: Company filings.

Price-to-Book Ratio of Major Homebuilders



Source: Company filings.

Investment Idea #2
Iridium (IRDM)

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- Iridium is the world's only communication provider with the ability to provide real-time voice and data communications over 100% of the earth's service by virtue of the company's 66-satellite low-earth orbit (LEO) constellation. In addition, Iridium is one of the few satellite operators with the ability to provide effective voice, machine-to-machine (M2M), and high-speed data services.
- One of two major players in Global Satellite Communications industry
- Single subscriber device works worldwide
- Motorola spent \$5 billion launching satellites in late 1990s
- Filed for bankruptcy in 1999 with only 50,000 customers due to too much debt and clunky phones that didn't work inside buildings



Iridium Serves Many Different Markets

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Commercial Voice and Data

Q1 2009 Subscribers: 219,085
 2008 Service Revenue: \$122.0M
 2008 Commercial Revenue Growth: 28%

Government

Q1 2009 Subs: 31,163
 '08 Service Rev: \$67.8M
 '08 Rev Growth: 17%

Machine-to-Machine

Q1 2009 Subs: 77,613
 '08 Service Rev: \$11.2M
 '08 Rev Growth: 104%

Maritime

Voice & data communications in international waters; exclusive - Sea Area A4

- Crew calling
- Fisheries mgmt
- High Speed Data
- Long Range ID & Track

Aviation

Voice & data communications in the sky

- Flight following
- Cockpit communications
- Air safety services

Land

Commercial voice subscribers

- Disaster
- Emergency/rescue operations
- In-Network calling
- Regional Pricing
- Quality Guarantee

Voice & data communications in-theater

- Over-the-Horizon
- Netted
- Blue Force Tracking
- Unattended Sensors

Low latency, global applications

- Hundreds of apps
- Fleet management
- Container tracking
- Oil and Gas telemetry
- Oceanographic data
- Personal Locator Beacon

Commercial Growth

Overall Traffic: ↑12%

Voice Traffic: ↑7%

Data Traffic: ↑23%



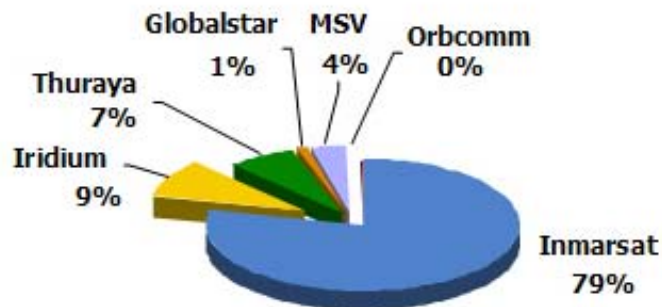
Note: Traffic growth reflects growth from 1Q08 to 1Q09

A Highly Attractive Business

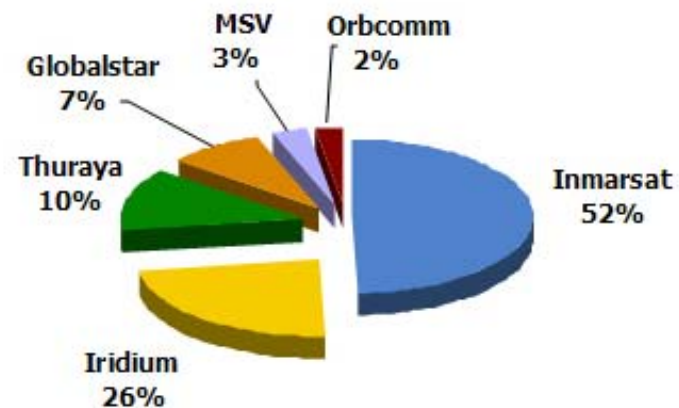
- Growing market share in a growing industry
- Huge barriers to entry
- US Department of Defense is an anchor customer (22% of revenues in Q2 '09)
- Very high and rapidly expanding margins
- New products and applications

Iridium's Market Share Has Grown Rapidly

Total MSS Market Share 2001 – \$0.6 billion



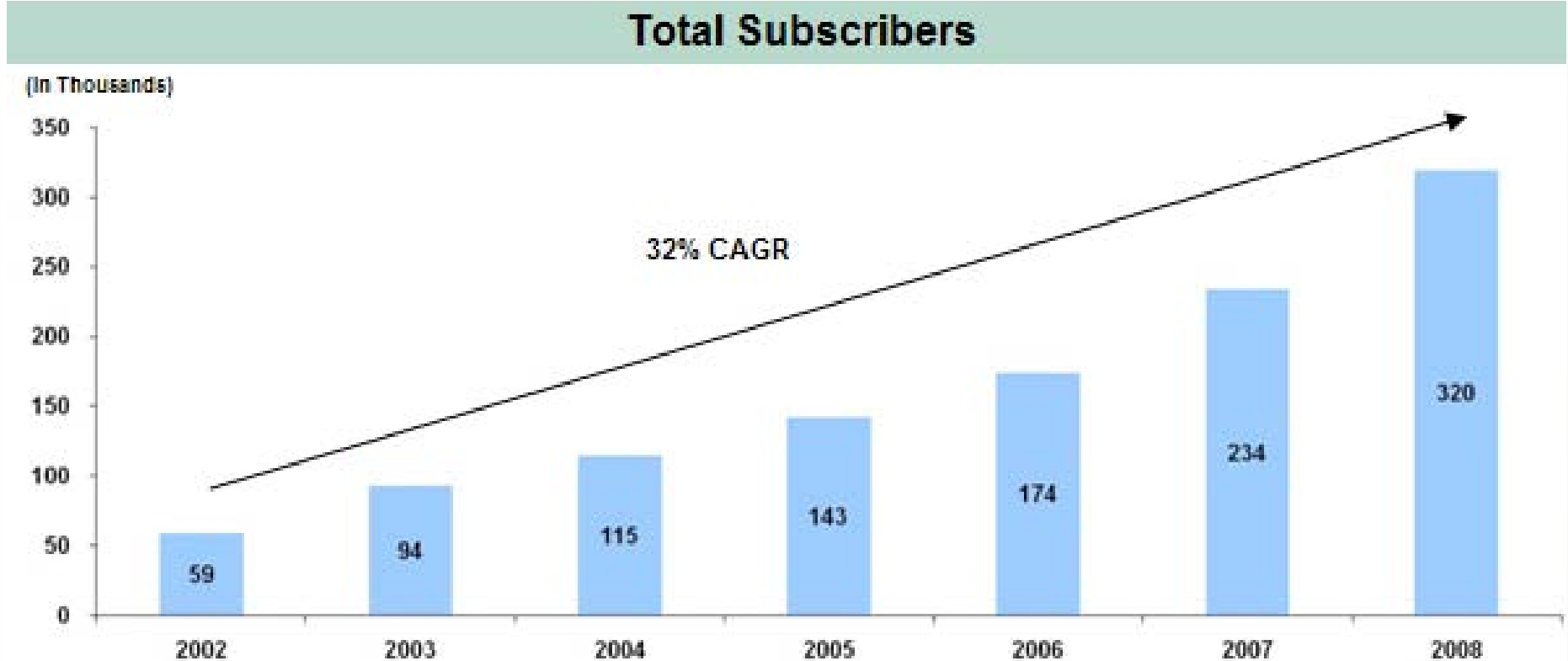
Total MSS Market Share 2008 - \$1.3 billion



	<u>COVERAGE</u>	<u>SERVICES</u>	<u>2008 REVs.</u>
	GEO – 3 + 8 legacy	Voice, Broadband	\$635M
	LEO – 66 + spares	Voice, Low & High Data	\$321M
	Regional GEO – 2	Voice, Broadband	\$127M
	Regional LEO – 48	Voice, Low Data	\$86M
	Global LEO – 24	Low Data	\$30M

Iridium Has Shown Extraordinary Growth in Subscribers

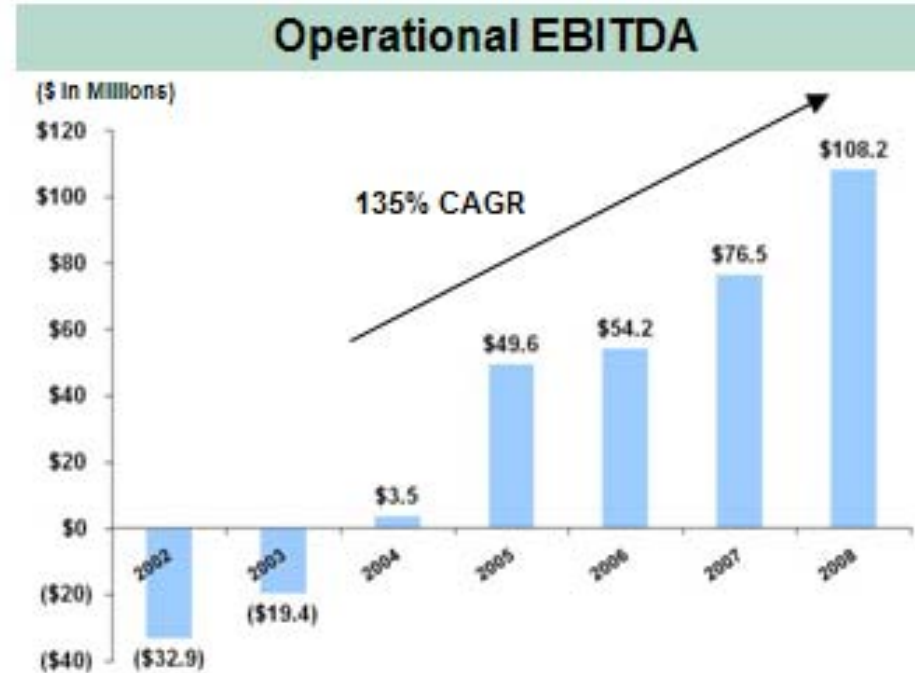
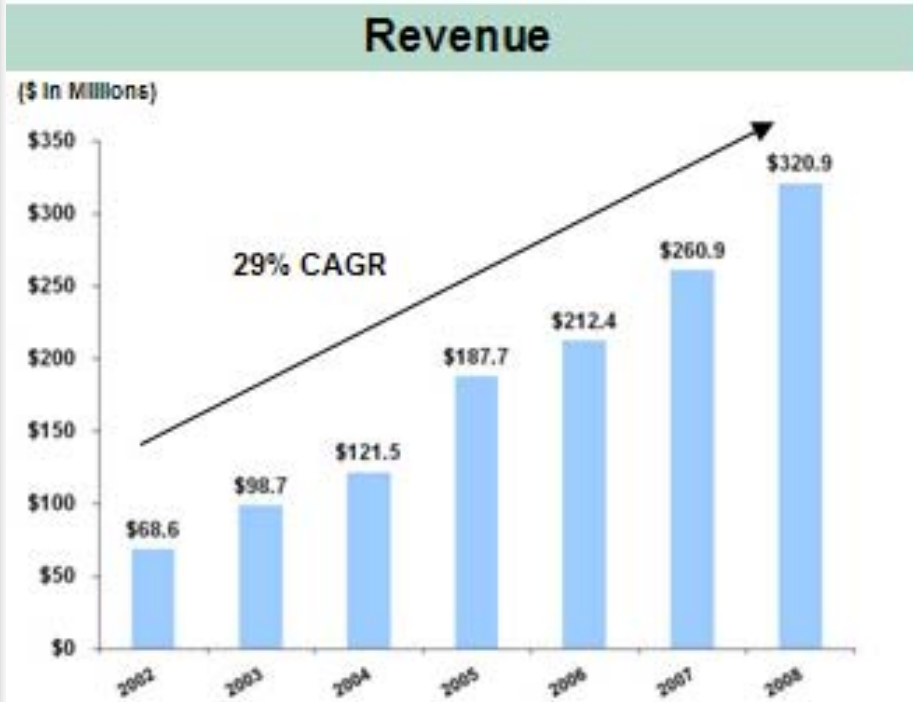
T2 Partners LLC



Up 24% YOY in Q2 '09 to 347,000 subscribers

Iridium Has Shown Extraordinary Growth in Revenue and Operational EBITDA

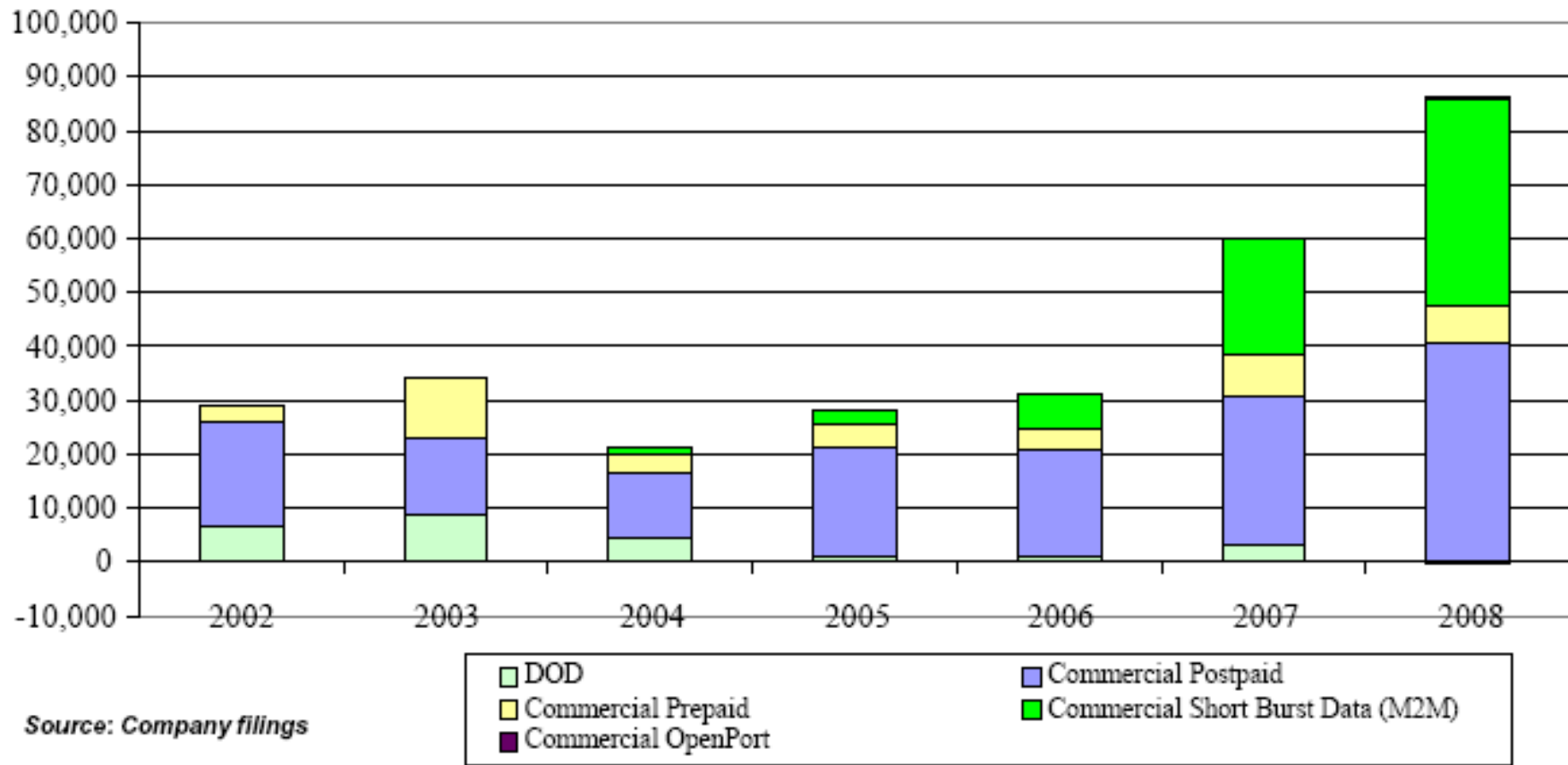
T2 Partners LLC



In Q2 '09, revenue was only up 1% due to weak equipment sales, but Operational EBITDA rose 32% and net income grew 53%.

Subscriber Growth Has Been Driven by Commercial and Machine-to-Machine

2002-2008 Subscriber Growth by Segment



Iridium's Stock Has Tumbled Since It Began Trading a Few Weeks Ago

T2 Partners LLC



Source: BigCharts.com.

Why Is Iridium Out of Favor?

- SPAC structure
 - Many SPAC shareholders were just in it for the cash payout upon consummation of a deal and are now selling
- Many warrant owners are shorting the stock
 - Iridium tried to mitigate technical issues:
 - Retired 30.5 million \$7 warrants
 - Issued 16 million new shares
 - Repurchased 15.9 million shares
- Large future funding requirement for Iridium NEXT
- Dismal record of early telecom satellite networks
- Prior bankruptcy

Iridium Came Public Via a SPAC Transaction

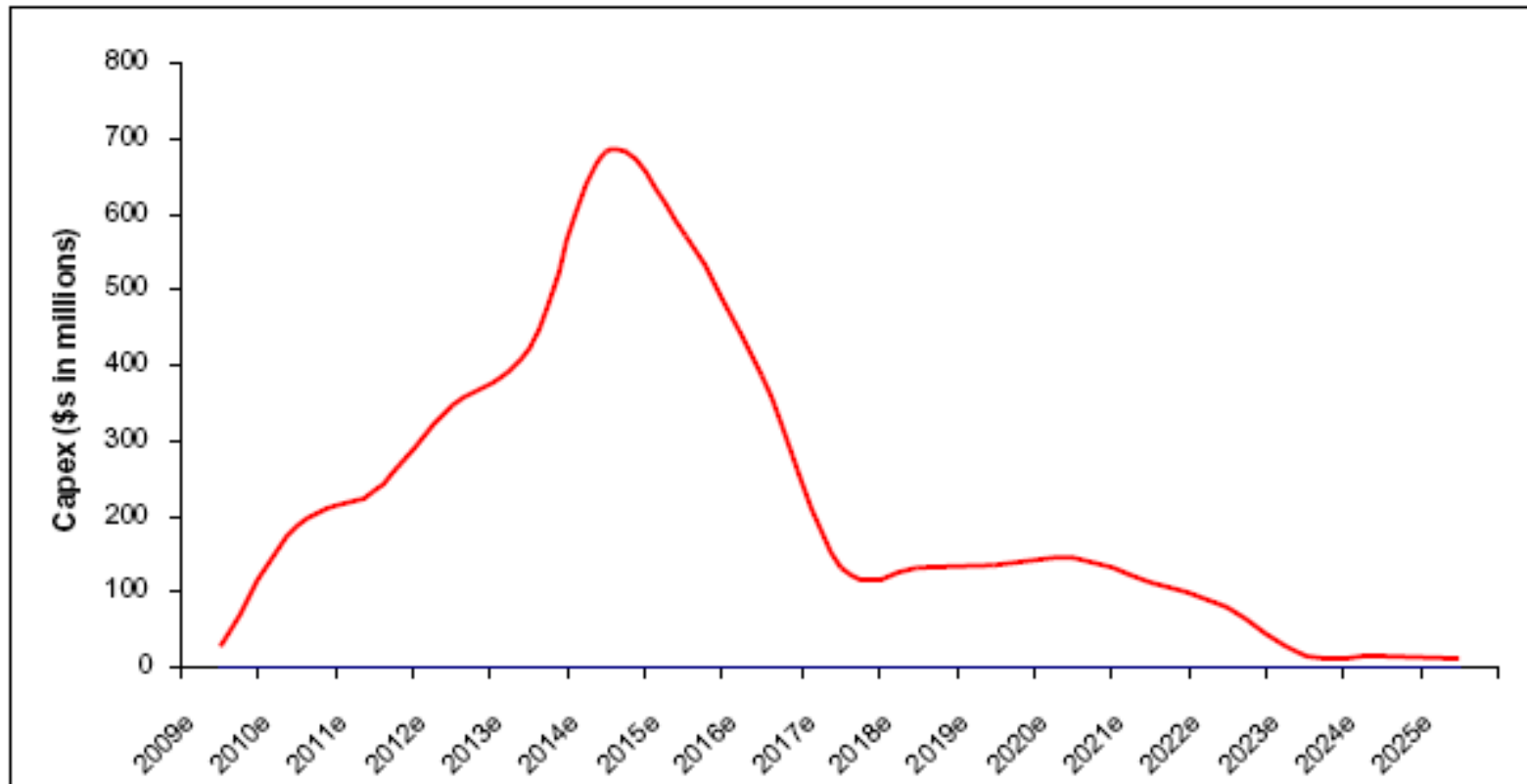
- SPACs have very poor track records in general
- But Iridium was acquired by a SPAC (Special Purpose Acquisition Company) controlled by Greenhill, a top quality private equity sponsor
- The deal price was negotiated during the market meltdown last fall (deal was announced 9/23/08), then the price was reduced in April and warrant dilution was cut back in July

- Current satellite constellation will need to be replaced starting in 2014
 - Backwards compatible (existing customers will not need to replace equipment)
 - Improved capacity and data rates
- Total cost: \$2.7 billion
 - Satellites: \$1.9 billion
 - Launch: \$0.6 billion
 - Other: \$0.2 billion
- Funding
 - Internally generated cash flow
 - Debt
 - Equity
 - Revenue offsets (hosted payloads)

Iridium's Cap Ex Requirements Will Rise to Fund Iridium Next, and Then Fall

T2 Partners LLC

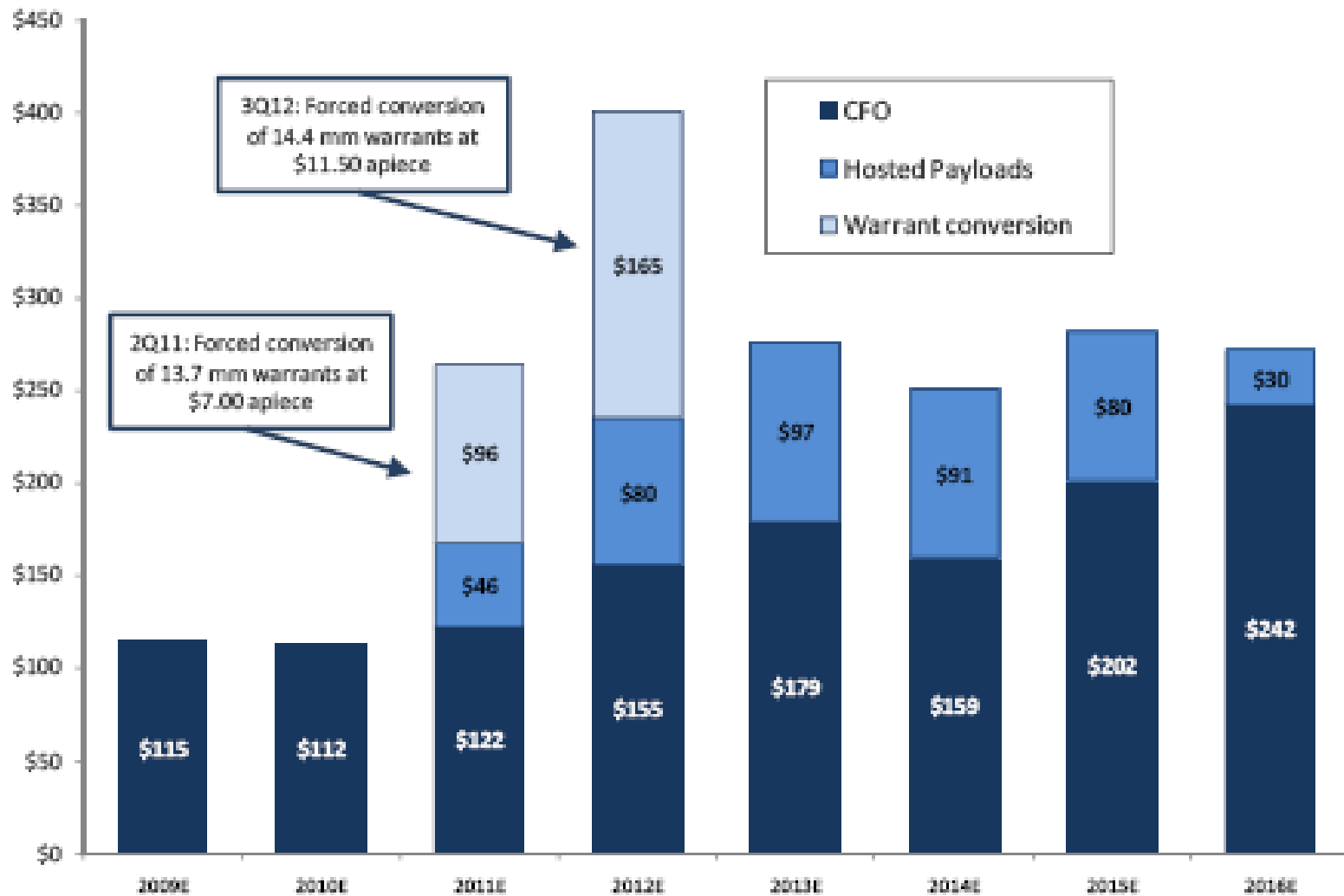
Iridium Capital Expenditures



Source: Company filings and Stifel Nicolaus estimates

Iridium Should Be Able to Fund Iridium NEXT From Cash Flow, Hosted Payloads and Warrant Conversion

T2 Partners LLC

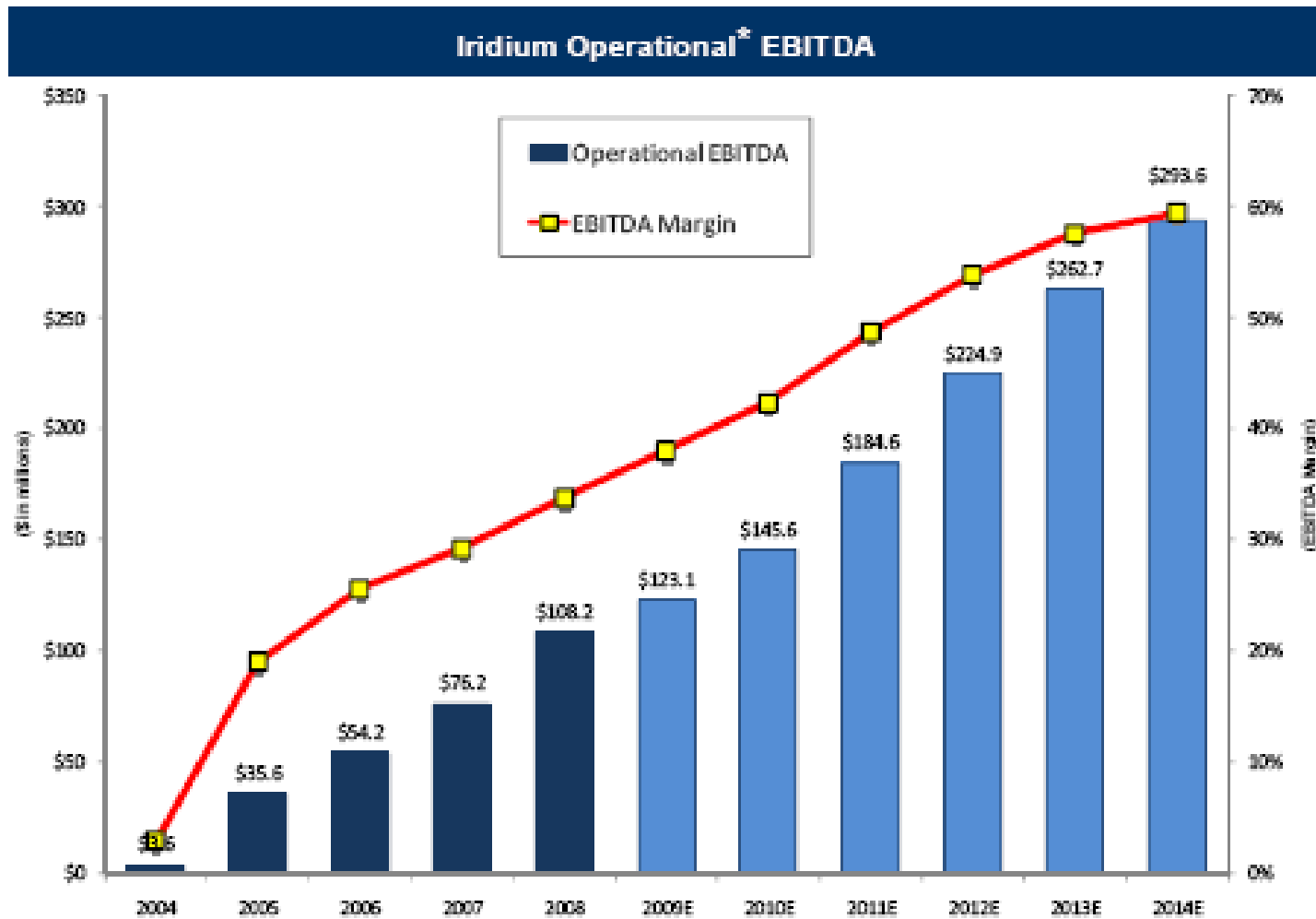


Source: Raymond James estimates.

Share price (10/19/09):	\$8.38
Shares outstanding:	68.2 million
\$7 warrants	13.5 million
\$11.50 warrants	14.4 million
Market cap:	\$572 million
Less cash:	\$80 million
Enterprise value:	\$492 million
2009 EBITDA (E)	\$130
EV/EBITDA:	3.8x

Iridium's Operational EBITDA is Projected to Double in Only Three Years

T2 Partners LLC



*Note: Operational EBITDA excludes NEXT development costs, GHQ transaction costs, and other non-recurring items.

We Expect a Mid-20% IRR on This Investment for Many Years to Come

T2 Partners LLC

Stock Price Based on EV/EBITDA Multiples

<u>Multiple</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
8	\$25.36	\$31.20	\$37.77
9	\$29.05	\$35.22	\$42.10
10	\$32.74	\$39.25	\$46.43

IRR

<u>Multiple</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
8	21%	21%	24%
9	23%	23%	26%
10	26%	25%	28%

- Low current valuation multiple (40% discount to closest public comp, Inmarsat)
- Rapid growth in earnings
- Removal of legacy SPAC investors
- Warrant holders finish hedging (shorting the stock)
- Removal of uncertainty overhang related to future capital expenditures