

**Date: June 28, 2011**

**From: Dr. Donald R. van Deventer and Dr. Robert A. Jarrow (Kamakura Corporation)**

**Key Events Selected by Diane Urquhart**

May 30, 2006 Foreclosure Rates Rise Across the U.S., National Public Radio.

June 30, 2006 Case-Shiller home price index for the 10-city Composite Index peaks.

September, 2006 National Association of Realtors report drop in existing home sales prices.

**September 27, 2006 CIBC buys \$680 million worth of protection from ACA on Abacus deal and CIBC sells protection to Goldman.**

**Dec. 13, 2006 CIBC reaches the end of a three-year prohibition on certain structured transactions in 2003 Enron settlement with DOJ**

**December 15, 2006 CIBC Lead underwriter of \$2.5 billion CDO of RMBS Securities, Triaxx 2006-1**

December 31, 2006 Center for Responsible Lending reports record number of home loan defaults began in December 2006.

January 3, 2007 Ownit Mortgage Solutions Inc. files for Chapter 11

January 31, 2007 Nearly 10% of all subprime loans were delinquent, a 68% increase from January 2006.

February 13, 2007 ResMae declares bankruptcy, the third subprime mortgage lender to do so

February 22, 2007 Wall Street Journal labels the developing crisis —Subprime Carnage. The index of credit default swaps, ABX-HE, linked to BBB- asset-backed securities falls 24% since January 18.

January 19, 2007 DBRS effectively shuts down the synthetic Non Bank ABCP market in Canada with new rating methodology. (1)

January 29, 2007 American Securitization Forum Conference, 6600 industry experts, Elizabeth McCaul speech on subprime mortgage fraud (1)

**February 28, 2007 CIBC's Trading & Securitization Credit Risk Management (TSCRM) receives an email from CIBC's Debt Capital Markets to provide notice that the Mark-to-Market on aggregate ACA exposure would be increasing to \$110 million from \$20 million.**

February 2007 During the month of February the ABX Index fell indicating a drop of more than 23% in the value of subprime RMBS securities.

**March 2, 2007 CIBC's exposure to ACA increased to \$90 million and appeared on the —excess sheets. At this time, CIBC no longer permitted any new transactions with ACA due to the excess.**

March 14, 2007 —Subprime market - Isolated or Tipping Point? article in Bloomberg raises specter of large losses in subprime mortgage lending.

March 31, 2007 \$400 million of the Gemstone 7 CDO structured by Deutsche Bank and HBK, 36% of the issue, goes unsold.

March 31, 2007 Almost two-thirds of the Anderson Mezzanine 2007-1 CDO structured by Goldman Sachs goes unsold.

**April 17, 2007 CIBC meeting with ACA's CFO, Head of Credit for Structured Finance, and other senior personnel from ACA.**

April 28, 2007 Bloomberg reports \$450 billion of subprime debt sold in 2006 has lost 37% of value

**April 28, 2007 CIBC is lead underwriter for \$503 million Tricadia 2007-8 a CDO of CDOs. By August 1, 2007, CIBC still has not been able to sell \$445 million of the \$508 million deal.**

**May 1, 2007 CIBC's Market Risk Management (MRM) calculated an exposure to ACA of \$271.5 million. Prior to approval of the ACA transactions, exposure had been determined solely on the basis of expected loss. ... given the problems in the subprime mortgage market, the Bank determined that the credit risk exposure should include a marked to market component in the potential exposure calculation.**

May 4, 2007 UBS closes \$1.8 billion Dillon Read hedge funds due to subprime mortgage losses

**May 30, 2007 Tom Woods, CIBC CFO, advises CIBC Audit Committee of softness in CDO space and impact on market valuation.**

**May 31, 2007 Brian Shaw states that CIBC's subprime-related CDO exposure was not a —major risk. Steve McGirr, Head of Risk Management resigns and Leslie Rahl joins the CIBC Board.**

**June 15, 2007 CIBC strongly denies speculation that it is involved in CDOs and has significant exposure to the U.S. subprime market but does acknowledge ownership of around \$330 million of subprime assets.**

June 17, 2007 Two Bear Stearns subprime hedge funds collapse.

June 20, 2007 Merrill Lynch seizes \$850 million in assets from the two Bear Stearns hedge funds. Merrill tries to auction the bonds, but the auction fails.

**June 22, 2007 CIBC says subprime exposure speculation not true. (Source: Globe & Mail)**

June 23, 2007 Reuters reports that 50 major mortgage lenders have failed.

**June 25, 2007 CIBC notes market liquidity and availability of independent pricing have declined dramatically in recent months, particularly in last 2-3 weeks as Bear Stearns related hedge funds reduce risk, and notes material declines in ABX and TABX which have increased RMBS risk and reflect deteriorating housing market fundamentals. Analysis being carried out on creditworthiness of mono-lines and opportunities to mitigate counterparty risk including a detailed analysis being carried out on the underlying assets of super senior tranches including those hedged by ACA in order to enhance valuation and establish levels of sub-prime defaults that could result in a material loss.**

June 29, 2007 ACA Capital Holdings pulls equity offering (1)

**July 9, 2007 CIBC spokesperson states —Speculation that CIBC could have exposure to the subprime market of up to \$2.6 billion was simply not true! (Source: Reuters)**

July 10, 2007 S&P placed on credit watch 612 subprime RMBS with an original value of \$7.35 billion. Moody's downgraded 399 subprime RMBS with an original value of \$5.2 billion.

**July 10, 2007 CIBC issues press release on extent of CIBC's total exposure to CDOs stating its unhedged exposure to this sector is well below US\$2.6 billion (Source: Reuters)**

**July 12, 2007 S&P downgraded 498 of the 612 subprime RMBS issues placed on credit watch on July 10, 2007. (Source: Levin report, page 32).**

**July 12, 2007 CIBC holds a call with senior ACA executives to inquire about disparity between \$10 Billion subprime CDO exposure in March 2007 and current \$16 Billion...CIBC asks about sustainability of ACA's "A" rating in light of S&P RMBS downgrades.**

**July 13, 2007 CIBC CEO Gerry McCaughey advises Board that the Bank's CDO exposure is senior investment grade (mostly AAA).**

**After noting the distress in the CDO sector, he advises that there is ongoing discussion about risk mitigation strategies; however, he states that the Bank has concluded that the current environment does not lend itself to direct mitigation (outright sale or direct hedge) so management is exploring an indirect —macro hedge.**

**July 17, 2007 CIBC notes in a presentation to its Board that —[d]uring May and June, market conditions have deteriorated sharply and that —liquidity to exit the majority of our positions does not exist in current markets.**

**July 18, 2009 CIBC seeks info on ACA's exposure to BBB —CDO tranches; confirms that, by this point, CIBC has received a list of**

**CDOs that ACA has sold protection on.**

**July 19, 2007 CIBC senior executives attempt to determine whether there are any historical guideposts relating to whether CIBC should disclose CDO losses.**

**July 24, 2007 CIBC senior executives further discuss guideposts provided by past disclosures by US banks regarding large investment losses.**

**July 27, 2007 Goldman Sachs sends collateral call to CIBC for \$747 million as documented by this e-mail submitted to the US Congress during hearings by the Financial Crisis Inquiry Commission.**

**July 31, 2007 CIBC discloses that its exposure to the U.S. residential mortgage market was US\$1.7 billion as of July 31, 2007 (source: Q3 2007 Quarterly Report)**

**August 1, 2007 CIBC senior management advises Board that it has improved the Bank's measurement and methodologies for assessing counterparty credit risk for structured credits and recalibrated their valuation models to orient them to default downgrade analysis that is more severe.**

August 2, 2007 Bailout of IKB Deutsche Industriebank AG due to losses of up to one billion Euros on mortgage-related CDOs

August 13, 2007 17 Canadian structured investment vehicles fail when commercial paper is denied by Canadian banks

September 26, 2007 Bank of England announces an auction of 10 billion pounds sterling in emergency 3 month funds and agrees to accept mortgages from banks as collateral.

**September 27, 2007 CIBC applies to increase ACA's credit limit from \$30 million to \$1.9 billion.**

October 1, 2007 UBS announces a \$3.7 billion write-down.

October 5, 2007 Merrill Lynch writes down \$5.5 billion in losses on subprime investments (source: Reuters)

October 16, 2007 Citigroup announces \$3 billion in write-offs on subprime mortgages (Source: www.ft.com)

October 18, 2007 Bank of America writes off \$4 billion in losses (source: Bloomberg)

October 24, 2007 Merrill Lynch writes down \$7.9 billion on subprime mortgages and related securities (source: Bloomberg, www.ft.com)

**October 31, 2007 CIBC purchases common shares in the market under a normal course issuer bid.**

November 7, 2007 Morgan Stanley reports \$3.7 billion in subprime losses (source: Bloomberg)

November 9, 2007 US's fourth largest lender Wachovia revealed a \$1.1 billion loss due to decline in value of its mortgage debt

**November 12, 2007 S&P puts ACA on a negative credit watch after ACA announces a \$1 billion third quarter loss, formally wiping out their regulatory capital**

November 15, 2007 Barclays confirms a \$1.6 billion write down in the month of October on their subprime holdings.

**November 19, 2007 ACA Capital Holdings reports net losses for the quarter ended September 30, 2007 as 1,041 million ACA noted in its 10-Q, that, if downgraded below A-, collateral would have to be posted to comply with standard insurance agreements, and that 'Based on current fair values, we would not have the ability to post such collateral.**

December 3, 2007 Moody's says it has already cut or might cut ratings on debt of structured investment vehicles heavily invested in the subprime market in an amount up to \$116 billion.

**December 6, 2007 CIBC reveals for the first time the existence of \$9.8 billion in —hedged credit derivative exposure and \$3.5 billion hedged with one single A rated mono-line insurer, subsequently confirmed to be ACA**

December 19, 2007 S&P cuts ACA from —A to "CCC" junk.

January 21, 2008 ACA counterparties sign —forbearance agreement in which they agreed to waive all collateral requirements, policy claims, and termination rights until February 19, 2008.

January 29, 2008 The FBI announces an investigation of accounting fraud and insider trading at 14 lenders and investment banks.

January 30, 2008 S&P either downgraded or placed on credit watch over 8,200 ratings of subprime RMBS and CDO securities, representing issuance amounts of approximately \$270.1 billion and \$263.9 billion respectively.

February 20, 2008 ACA secures another 30-day extension from counterparties to come up with \$1.7 billion owed on CDOs that it insured.

**Feb. 28, 2008 CIBC announces \$2.9 billion write-down on US subprime related securities, that had been pre-announced at US\$1.7 billion on Dec. 6, 2007 in BNN interview and US \$2 billion on Dec. 19, 2007 media release**

(1) Urquhart added events.