

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

_____	X	
CHINA DEVELOPMENT INDUSTRIAL	:	
BANK,	:	Index No. 650957/2010
	:	
Plaintiff,	:	The Honorable Melvin L. Schweitzer
	:	
vs.	:	Mot. Seq. No. <b>11</b>
	:	
MORGAN STANLEY & CO.	:	Individual Assignment Part 45
INCORPORATED, et al.,	:	
	:	AFFIRMATION OF JASON C. DAVIS IN
Defendants.	:	SUPPORT OF PLAINTIFF'S MOTION TO
	:	COMPEL PRODUCTION OF DOCUMENTS
_____	X	FROM MORGAN STANLEY

I, JASON C. DAVIS, an attorney admitted to practice before the courts of the State of New York, affirm the following to be true under penalty or perjury, pursuant to Rule 2106 of the New York Civil Practice Law and Rules:

1. I am a member of the law firm Robbins Geller Rudman & Dowd LLP, attorneys for plaintiff China Development Industrial Bank (“CDIB”).

2. I submit this Affirmation in support of CDIB’s Motion to Compel Production of Documents from Morgan Stanley.

3. CDIB has met and conferred in good faith with counsel for Morgan Stanley & Co. Incorporated and Morgan Stanley & Co. International plc (collectively, “Morgan Stanley”) in an effort to resolve the issues that are the subject of this motion. *See* Dkt. No. 151. CDIB’s good-faith efforts included telephonic meet-and-confer discussions, written correspondence and, on July 31, 2012, an in-person disclosure conference with counsel for Morgan Stanley, and the Court’s law clerk, Mr. Jay Wilker. The in-person disclosure conference occurred with the benefit of letter briefing in advance of the conference. *Id.*

4. On July 31, 2012 at the Court-ordered disclosure conference, counsel for Morgan Stanley, James P. Rouhandeh, stated that the reason why he did not produce the Morgan Stanley document attached to the Froeba Report as Exhibit B was because it was “totally irrelevant.”

5. On July 27, 2012, CDIB’s investigator had a telephone conversation with Mr. Eric Kaplan, who used to work at Morgan Stanley and whose name appears on Exhibit B to the Froeba Report. That exhibit is an e-mail that United States District Court Judge Scheindlin ordered to be filed publicly in a different case. Mr. Kaplan told CDIB’s investigator that Morgan Stanley employee Howard Hubler was the head of the group in which Morgan Stanley employees Steven Shapiro and Frank Telesca worked, and that Hubler was their ultimate boss, though there may have been other managers between Hubler and Shapiro and Telesca. On July 31, 2012 at the Court-



ordered disclosure conference, counsel for Morgan Stanley confirmed that Shapiro and Telesca did work in Hubler's group. *See* Exhibit 33 hereto. All of this information is consistent with other facts summarized in CDIB's motion to compel, filed herewith.

6. Except as excerpted or highlighted, attached are true and correct copies of the following documents:

Exhibit 1:	<b>FILED UNDER SEAL.</b> Morgan Stanley Securitized Products Group Organizational Chart.
Exhibit 2:	<b>FILED UNDER SEAL.</b> E-mail thread including Morgan Stanley executives Geoffrey Kott, Jonathan Horowitz, Graham Jones, Angela Liu and Philip Blumberg re: STACK – CCB, dated March 16, 2007.
Exhibit 3:	<b>FILED UNDER SEAL.</b> Morgan Stanley STACK 2006-1 CDO Trading Committee Presentation, dated February 16, 2006.
Exhibit 4:	Plaintiff's Second Request for Production of Documents to Morgan Stanley & Co. Incorporated and Morgan Stanley & Co. International plc, dated July 18, 2012.
Exhibit 5:	<b>FILED UNDER SEAL.</b> Letter from Jason C. Davis to James P. Rouhandeh, dated June 8, 2012.
Exhibit 6:	Renee Schultes and Jonathan Sibun, <i>Morgan Stanley creates new trading group</i> , Financial News, April 17, 2006.
Exhibit 7:	Excerpts from Michael Lewis, <i>The Big Short: Inside the Doomsday Machine</i> (2010).
Exhibit 8:	<b>FILED UNDER SEAL.</b> E-mail or electronic meeting note to Morgan Stanley executives Howard Hubler, John Pearce, Jonathan Horowitz, Joseph Naggar, Philip Blumberg, Graham Jones and others from Lucy Chang, dated February 15, 2006.
Exhibit 9:	<i>Trader Axed, Others Next at Morgan Stanley</i> , Asset Backed Alert, Harrison Scott Publications Inc., November 9, 2007.
Exhibit 10:	<b>FILED UNDER SEAL.</b> SPG CDO Warehouse Committee Minutes, dated February 17, 2006.
Exhibit 11:	<b>FILED UNDER SEAL.</b> Excerpts from Preference Share Purchase Agreement between STACK 2006-1 LTD and Morgan Stanley Asset Funding Inc.

Exhibit 12:	Michael Corkery, <i>Morgan Stanley, Not Goldman, Was the Real CDO Hitter</i> , The Wall Street Journal, May 13, 2010.
Exhibit 13:	<i>People Briefs; Former Morgan Exec Joins Highland</i> , HedgeWorld.com, April 3, 2008.
Exhibit 14:	<b>FILED UNDER SEAL.</b> E-mail from Erik Siegel to Jonathan Horowitz re: Three Items, dated August 8, 2006.
Exhibit 15:	<b>FILED UNDER SEAL.</b> Originator Distribution – STACK MS Counterparty Chart.
Exhibit 16:	<b>FILED UNDER SEAL.</b> E-mail from Jonathon Horowitz to Howard Hubler, Joseph Naggar, John Pearce, Benjamin Friedland, Graham Jones, Elena Miteva and others re: TCW Closing Event, dated February 27, 2006.
Exhibit 17:	<b>FILED UNDER SEAL.</b> E-mail from Jonathan Horowitz to Angela Liu and Erik Siegel re: Stack 06-1, dated March 22, 2007.
Exhibit 18:	<b>FILED UNDER SEAL.</b> E-mail thread from Judy Lim to Lydia Lu, dated March 22, 2007.
Exhibit 19:	Greg Smith, <i>Why I Am Leaving Goldman Sachs</i> , The New York Times, March 14, 2012.
Exhibit 20:	Excerpts from Registration Statements on Form S-3 Under the Securities Act of 1933, signed March 25, 2003, March 10, 2004, January 5, 2005, December 23, 2005, February 15, 2006, March 9, 2006 and March 10, 2006.
Exhibit 21:	<b>FILED UNDER SEAL.</b> Originator Distribution – STACK 2006-1 Chart.
Exhibit 22:	Letter from Jason C. Davis to Daniel Schwartz, dated March 19, 2012.
Exhibit 23:	Letter from Stephen D’Antonio, Managing Director of Morgan Stanley, to the U.S. Securities and Exchange Commission re: General Comments on ABS-Related Provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, dated November 18, 2010.
Exhibit 24:	Excerpts from the Deposition of Morgan Stanley executive Anton Peterson, taken November 22, 2011, ordered to be filed publicly in <i>Abu Dhabi Commercial Bank v. Morgan Stanley &amp; Co. Inc.</i> , No. 1:08-cv-07508-SAS-DCF (S.D.N.Y.).
Exhibit 25:	Excerpts from Official Transcript, Interview of Tony Peterson by the United States of America Financial Crisis Inquiry Commission, dated October 14, 2010.

Exhibit 26:	Excerpts from Official Transcript, “The Financial Crisis at the Community Level – Sacramento, Ca” Hearing by the United States of America Financial Crisis Inquiry Commission, dated September 23, 2010; Excerpts from Official Transcript, Interview of D. Keith Johnson by the United States of America Financial Crisis Inquiry Commission, dated September 2, 2010; All Clayton Trending Reports, 1st Quarter 2006 – 2nd Quarter 2007.
Exhibit 27:	Letter from Paul T. Bossidy, Clayton Holdings CEO, to the Honorable Phil Angelides, Financial Crisis Inquiry Commission, dated September 30, 2010.
Exhibit 28:	Excerpts from Morgan Stanley 4th Quarter Earnings Conference Call, dated December 19, 2007.
Exhibit 29:	<b>FILED UNDER SEAL.</b> Stack CDO Collateral Chart.
Exhibit 30:	Letter from Jason C. Davis to James P. Rouhandeh, dated August 2, 2011.
Exhibit 31:	<i>Abu Dhabi Commercial Bank v. Morgan Stanley &amp; Co. Inc.</i> , No. 1:08-cv-07508-SAS-DCF (S.D.N.Y.), Defendants’ Joint Memorandum of Law in Support of Their Motion for Summary Judgment Pursuant to Federal Rule of Civil Procedure 56(c), filed July 2, 2012.
Exhibit 32:	<b>FILED UNDER SEAL.</b> E-mails related to grandfathering, and Morgan Stanley and the credit rating agencies’ course of conduct in rating products while worrying about “going to jail” in rating such products. Morgan Stanley has stated it would produce documents such as these but Morgan Stanley has yet to complete its production; therefore, it is unclear what, if any, disputes remain about whether Morgan Stanley will comply with its obligations to produce more documents that are similar to these documents.
Exhibit 33:	Letter from Jason C. Davis to James P. Rouhandeh and Daniel J. Schwartz, dated August 2, 2012.

I declare under penalty of perjury under the laws of the State of New York that the foregoing is true and correct. Executed this 24th day of August 2012 at San Francisco.

  
 JASON C. DAVIS

# EXHIBIT 1

# Morgan Stanley

## Securitized Products Group

Tony Tufariello

Signs \$50 billion RMBS registration statement with Hubler and Shapiro. Ex. 20.

Shorts \$2 billion of subprime RMBS. Ex. 28.

### Global Proprietary Credit Group



Hubler



Naggar

Telesca

Pearce

Shapiro

Mendelsohn

Others

Hubler's "Right-Hand Man." Ex. 9.

- 1) Invites Hubler Indy Car racing in Las Vegas. Ex. 16.
- 2) Says "I like" the idea of calling AAA STACK CDO the "Hitman." Ex. 2.

Shorted subprime RMBS for Morgan Stanley in 2006. Ex. 12.

Headed near-prime residential mortgage-backed securities business in Global Proprietary Trading Group. Ex. 13.

### CDOs

Horowitz

Kahdjaivi

Blumberg

Jones

Miteva

Others

Jokes to Horowitz and Jones that AAA STACK CDO should be named "Shitbag" or "Nuclear Holocaust." Ex. 2

Work in "Hubler's Group" and

(1) Receive Clayton reports showing massive "waiver" scam, e.g., 91% of loans with bad appraisals "waived" into RMBS. Froeba Report, Exs. D,E.

(2) Receive emails showing "very flagrant" appraisal violations by "all sellers" of subprime loans to Morgan Stanley's RMBS team. Froeba Report, Ex. B.

Invited to Stack CDO approval committee meeting

Ex. 8.

# EXHIBIT 2

---

**From:** Blumberg, Philip (FID) [Philip.Blumberg@morganstanley.com]  
**Sent:** Friday, March 16, 2007 1:44 PM  
**To:** Jones, Graham (FID); Kott, Geoffrey (FID)  
**Cc:** Weisberg, Dana (FID)  
**Subject:** RE: STACK - CCB

or ... Subprime Meltdown 2007

Philip Blumberg - Vice President  
Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-2820  
Fax: +1 646 202-9220  
Philip.Blumberg@morganstanley.com

---

From: Blumberg, Philip (FID)  
Sent: Friday, March 16, 2007 9:42 AM  
To: Jones, Graham (FID); Kott, Geoffrey (FID)  
Cc: Weisberg, Dana (FID)  
Subject: RE: STACK - CCB

How about

\* Nuclear Holocaust 2007-1

\*

\* ShitBag 2007-1

\*

\* Mike Tyson's Punchout 2007-1

\*

Fludderfish 2007-1

Just kidding (in case you couldn't tell) --- I like Chalfont 2007-1 ---  
it's a pain to say, but it's a very special place

Philip Blumberg - Vice President  
Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-2820  
Fax: +1 646 202-9220  
Philip.Blumberg@morganstanley.com

---

From: Jones, Graham (FID)



Sent: Friday, March 16, 2007 9:37 AM  
To: Kott, Geoffrey (FID); Blumberg, Philip (FID)  
Cc: Weisberg, Dana (FID)  
Subject: RE: STACK - CCB

OK, here are some name suggestions:

- \* MSCDOREPACK
- \* Burbage (Shakespeare's principal actor)
- \* Sarabi (just to annoy Cee - but also a name of a Disney character which might make it copyrighted)
- \* Chalfont (first part of the name of the village that I was brought up in)

Graham Jones - Vice President  
Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-2061  
Fax: +1 212 507-4891  
Graham.Jones@morganstanley.com

---

From: Horowitz, Jonathan (FID)  
Sent: Friday, March 16, 2007 8:57 AM  
To: Kott, Geoffrey (FID); Jones, Graham (FID); Liu, Angela (FID)  
Cc: Weisberg, Dana (FID); Blumberg, Philip (FID)  
Subject: RE: STACK - CCB

I like it

Jonathan Horowitz - Managing Director  
Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-1497  
Fax: +1 212 507-4511  
Jonathan.Horowitz@morganstanley.com



---

From: Kott, Geoffrey (FID)  
Sent: Friday, March 16, 2007 8:49 AM  
To: Horowitz, Jonathan (FID); Jones, Graham (FID); Liu, Angela (FID)  
Cc: Weisberg, Dana (FID); Blumberg, Philip (FID)  
Subject: RE: STACK - CCB

Sounds like Jon is voting for "Hitman".

---

From: Horowitz, Jonathan (FID)  
Sent: Friday, March 16, 2007 8:42 AM  
To: Jones, Graham (FID); Liu, Angela (FID)  
Cc: Weisberg, Dana (FID); Blumberg, Philip (FID); Kott, Geoffrey (FID)  
Subject: RE: STACK - CCB

I don't care about the name. just pick something and run with it.

Jonathan Horowitz - Managing Director

Morgan Stanley | Fixed Income

1585 Broadway | Floor 02

New York, NY 10036

Phone: +1 212 761-1497

Fax: +1 212 507-4511

Jonathan.Horowitz@morganstanley.com

---

From: Jones, Graham (FID)  
Sent: Friday, March 16, 2007 8:41 AM  
To: Horowitz, Jonathan (FID); Liu, Angela (FID)  
Cc: Weisberg, Dana (FID); Blumberg, Philip (FID); Kott, Geoffrey (FID)  
Subject: RE: STACK - CCB

Well, in that case we will need a name for the program. Right now we have this as the working name:

"Coliseum SPC, acting for the account of STACK 06-I, 2007-I Segregated Portfolio"

However we cannot use the name Coliseum which is the legal umbrella for many trades and it would be confusing to add it to the STACK name.

We should change this to "Coliseum SPC, acting for the account of [SHELF NAME], 2007-I Segregated Portfolio"

The shelf name could be something as uncreative as:

- \* MSCDORP (MS CDO Repack)
- \* Or name it after some famous (but not too famous) person

Any name that we select would have to be run past some group that checks for similar names. We need some creative juices flowing. Is anybody around here creative?

Graham Jones - Vice President  
Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-2061  
Fax: +1 212 507-4891  
Graham.Jones@morganstanley.com

---

From: Horowitz, Jonathan (FID)  
Sent: Friday, March 16, 2007 7:46 AM  
To: Liu, Angela (FID); Jones, Graham (FID)  
Cc: Weisberg, Dana (FID)  
Subject: RE: STACK - CCB

Graham, let's do what we can to get this on BBerg asap and create some sort of trade ticket. My understanding is that they just need a term sheet to get this on bberg. You can coordinate with Dana on this.  
thanks

Jonathan Horowitz - Managing Director  
Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-1497  
Fax: +1 212 507-4511  
Jonathan.Horowitz@morganstanley.com

---

From: Liu, Angela (FID)  
Sent: Friday, March 16, 2007 6:58 AM  
To: Jones, Graham (FID)  
Cc: Horowitz, Jonathan (FID)  
Subject: STACK - CCB

Hi Graham,

CCB called today and emphasized that they will want to see a Bloomberg trade ticket by next week the latest, or they will run into internal booking problems. From our perspective, getting a trade ticket will ensure that we have some kind of record to lock them in - with all the headlines in the subprime market, this kind of safety measures are essential.

I understand that the rating agencies are still doing the work and you are doing your best to push them, but if we can have the trade listed first with "e" next to the ratings, that will be great.

Thanks a lot

Angela Liu - Vice President

Morgan Stanley | Securitized Products Group

Three Exchange Square | Floor 29

Central, Hong Kong

Phone: +852 2848 7181

Cell: +852 9189 0616

Fax: +852 3407 5431

Angela.Y.Liu@morganstanley.com

# EXHIBIT 3

# STACK 2006-1

## CDO Trading Committee Presentation

February 2006

Morgan Stanley

CONFIDENTIAL

MS\_CDIB\_000092719

## Table of Contents

<b>Section 1</b>	Executive Summary
<b>Section 2</b>	Transaction Overview
<b>Section 3</b>	Proposed Financing Terms
<b>Section 4</b>	Economic Analysis
<b>Section 5</b>	Collateral Accumulation
<b>Section 6</b>	Market Summary
<b>Section 7</b>	Key Considerations
<b>Section 8</b>	Accounting Implications

Section 1

# Executive Summary

Morgan Stanley

## Executive Summary

## Transaction Description

Transaction Description	
Assets:	Mezzanine Cash/Synthetic ABS CDO
Average Rating:	(Baa2/BBB)/(Baa3/BBB-) <sup>(1)</sup>
Minimum Rating:	Ba3/BB-
Transaction Size	\$500MM
Maximum Warehouse Balance	\$500MM (\$175MM Cash, \$325MM Synthetic)
Manager:	TCW
MS Role:	Sole Book-runner
Status:	Verbally mandated; about to sign engagement letter
Expected Pricing Date:	April 30, 2006
Warehouse Economics:	
• Expected Gross Accrued Interest Income (A)	\$1.00MM
• MS Treasury Financing Charge (B)	\$0.50MM
• MS Warehouse Revenue (A – B ) = (C)	\$0.50MM
MS Structuring/Placement Fee (D)	\$6.25MM
Total MS Revenue (C + D )	\$6.75MM
MS Underwriting Commitment:	
• Equity	None
• Debt	None
Manager Commitment:	
• Equity	None
MS Team:	
• Finance/Structuring	Jon Horowitz, Graham Jones
• Risk Management/Trading	Joseph Naggar, John Pearce



## Executive Summary

## Warehouse Terms

	Standard Terms	Exceptions
<b>Size:</b>	Up to \$500MM (\$175MM cash, \$325MM synthetic); ramp-up to be negotiated between Morgan Stanley risk manager and the CDO Manager	
<b>Term:</b>	6 months	
<b>Form:</b>	Preference Share Purchase Agreement (Cash Assets)	
<b>Haircut:</b>	None. MS finances 100% of each purchase.	
<b>MS Risk:</b>	<p>If the warehouse is terminated, MS will assume any gains or losses associated with liquidating the collateral except in the case of termination due to a Collateral Manager Event where the CDO Manager will assume any losses associated with liquidating the Collateral.</p> <p>Collateral Manager Events include:</p> <ul style="list-style-type: none"> <li>Termination of the Agreement/Engagement Letter by TCW</li> <li>A material breach by TCW under the Agreement/Engagement Letter or Interim Collateral Management Agreement</li> <li>An adverse business or financial change at TCW or any affiliate of TCW which, in the judgment of Morgan Stanley, materially impairs the ability of Morgan Stanley to market Notes issued in connection with the transaction</li> <li>If the transaction does not close due to gross negligence, bad faith, or willful misconduct of TCW</li> </ul>	<ul style="list-style-type: none"> <li>No key person event or corporate material adverse change event</li> <li>For the "Termination" Collateral Management Event to be invoked, certain key conditions of the Engagement Letter must be satisfied (e.g. TCW satisfied there is no risk of consolidation from, acceptable documentation)</li> <li>Maximum TCW exposure is \$1MM</li> </ul>
<b>MS Financing Compensation:</b>	90% of the warehouse carry	
<b>Conditions to Opening Financing Line:</b>	<ul style="list-style-type: none"> <li>Acceptable documentation (signed Engagement Letter, Interim Collateral Management Agreement, Credit Agreement and Security Agreement)</li> <li>Mutual agreement with CDO Manager as to target timing and structure of transaction</li> <li>All trading pre-approved by trading desk/finance team</li> </ul>	
<b>Credit and Trading Losses and Defaults:</b>	<p>If the Transaction closes:</p> <ul style="list-style-type: none"> <li>Any losses and gains associated with the Collateral will be borne by the Issuer to the extent possible</li> </ul> <p>If the Transaction fails to close:</p> <ul style="list-style-type: none"> <li>MS will assume credit losses, trading losses and any losses related to defaults after liquidation except in the case of termination due to a Collateral Manager Event where the CDO Manager will assume the risk of loss associated with liquidating the Collateral</li> </ul>	

## Executive Summary

## Warehouse Terms (cont'd)

	Standard Terms	Exceptions
<b>Minimum Assets Required to Close Transaction:</b>	80% of the targeted collateral size	<ul style="list-style-type: none"><li>• Approximately 2/3 of the Collateral will be sourced synthetically</li></ul>
<b>CDO Eligibility Collateral Parameters:</b>	<ul style="list-style-type: none"><li>• Adherence to all CDO Eligibility Collateral Parameters</li></ul>	
<b>Embedded Option for MS:</b>	<ul style="list-style-type: none"><li>• Pre-Approval of all credits</li><li>• Unrestricted ability to sell credits</li><li>• After 6 months, MS has right to price smaller deal</li><li>• Ability to terminate warehouse unilaterally</li></ul>	
<b>Manager Ability to Terminate:</b>	Yes, provided that the CDO Manager will absorb losses associated with the liquidation of the collateral.	
<b>Hedges (ABS transactions)</b>	All fixed rate collateral to be hedged, subject to Morgan Stanley approval	

Section 2

## Transaction Overview

Morgan Stanley

## Transaction Overview

# Transaction Overview

The New York CDO team is seeking the approval to finance a portfolio of up to \$175MM of cash U.S. dollar denominated ABS securities and up to \$325 MM of ABS CDS (the "Collateral") during a ramp up period of up to 6 months. The Transaction will be managed by TCW.

## Expected Transaction

- Morgan Stanley has been engaged by TCW act as sole book-runner for a \$500MM ABS CDO transaction (the "Transaction") backed by assets with a weighted average rating of "[Baa2/Baa3]."
- The Transaction will be our third ABS CDO with TCW, and our first mezzanine ABS CDO with them
- The Transaction will be an innovative hybrid cash/synthetic ABS CDO
  - Provides for unfunded super senior risk transfer due to the inclusion of synthetic assets
  - Morgan Stanley may provide the Supersenior CDS or may source it from a third party
- The Transaction represents attractive business for Morgan Stanley:
  - Approximately \$6.25MM in fees to Morgan Stanley
  - League table credit
  - Ability to short up to \$325MM of credits into the CDO

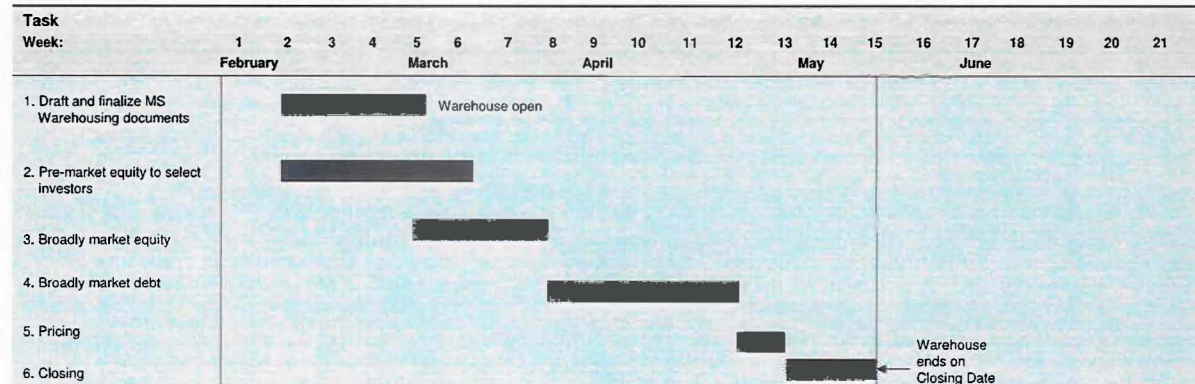
Class	Par Amount \$MM	% of Structure %	Price %
Class I Super Senior CDS (AAA/Aaa)	325.0	65.0	100
Class II Funded Senior Notes (AAA/Aaa)	80.0	16.0	100
Class III Funded Senior Notes (Aa2/AA)	32.0	6.4	100
Class IV Funded Mezzanine Notes (A2/A)	10.5	2.1	100
Class V Funded Mezzanine Notes (Baa2/BBB)	27.5	5.5	100
Subordinated Notes	25.0	5.0	100

Morgan Stanley



## Transaction Overview

## Marketing Process



- Timing of the Transaction is primarily driven by collateral accumulation, as further described below:
  - Approve financing and identify synthetic portfolio  
*February, 2006*
  - Begin broad marketing of the Equity/Subordinated Notes; begin cash and synthetic collateral accumulation once progress is made on equity marketing  
*March, 2006*
  - Launch remainder of the debt and equity broadly after the CDO SPV has identified [65-80]% of the assets, most of which would be sourced synthetically  
*April, 2006*
  - Spreads on the synthetic assets would be set prior to the Pricing Date
  - Pricing Date: *April 19, 2006*
  - Closing Date: *May 10, 2006*; warehouse ends
- If the Transaction does not close, Morgan Stanley will determine, in its sole discretion, the appropriate outcome of the warehoused collateral

## Transaction Overview

## Warehouse Forward Calendar

Deal Summary	
Pricing Date	April 19, 2006
End Date	May 10, 2006
Size	\$500MM
Rating	Baa2/Baa3
Type	Mezzanine ABS CDO

Risk Measures	
Fixed %	0%
Max Exp. IR01	Negligible <sup>(1)</sup>
Avg. Exp. IR01	Negligible <sup>(1)</sup>
Max. Exp. PV01	\$250K <sup>(2)</sup>
Avg. Exp. PV01	\$122.5K <sup>(2)</sup>

Warehouse Schedule	
Date	Expected Financed Amount (\$MM)
3/6/2006	—
3/13/2006	—
3/20/2006	75
3/27/2006	150
4/3/2006	225
4/10/2006	300
4/17/2006	350
4/24/2006	400
5/1/2006	450
5/8/2006	500

## Notes

1. Exposure to interest rate movements for fixed rate assets will be hedged as such assets are acquired.
2. Assumes a 5 year weighted average life for the collateral and stated Warehouse Schedule.

## Transaction Overview

# Transaction Background

**Transaction Description****Morgan Stanley Experience**

- This will be Morgan Stanley's twelfth ABS CDO; and fourth hybrid ABS CDO
- Morgan Stanley is a leader in the synthetic ABS space, and therefore has the ability to source a great deal of the portfolio synthetically
- Additionally, Morgan Stanley has the ability to retain the Supersenior exposure, if desired

**Prior MS ABS CDO Securitization Experience**

- Northlake, Duke V, Duke VII, Inman Square, Sherwood Funding, Inman Square 2, Tourmaline, Sherwood Funding II, Bayberry, TABS 2005-4, Alpha Mezz 2006-1 (in market)

**Due Diligence Procedures**

- TCW and this transaction have been approved by the CDO Mandate Committee

Section 3

## Proposed Financing Terms

Morgan Stanley

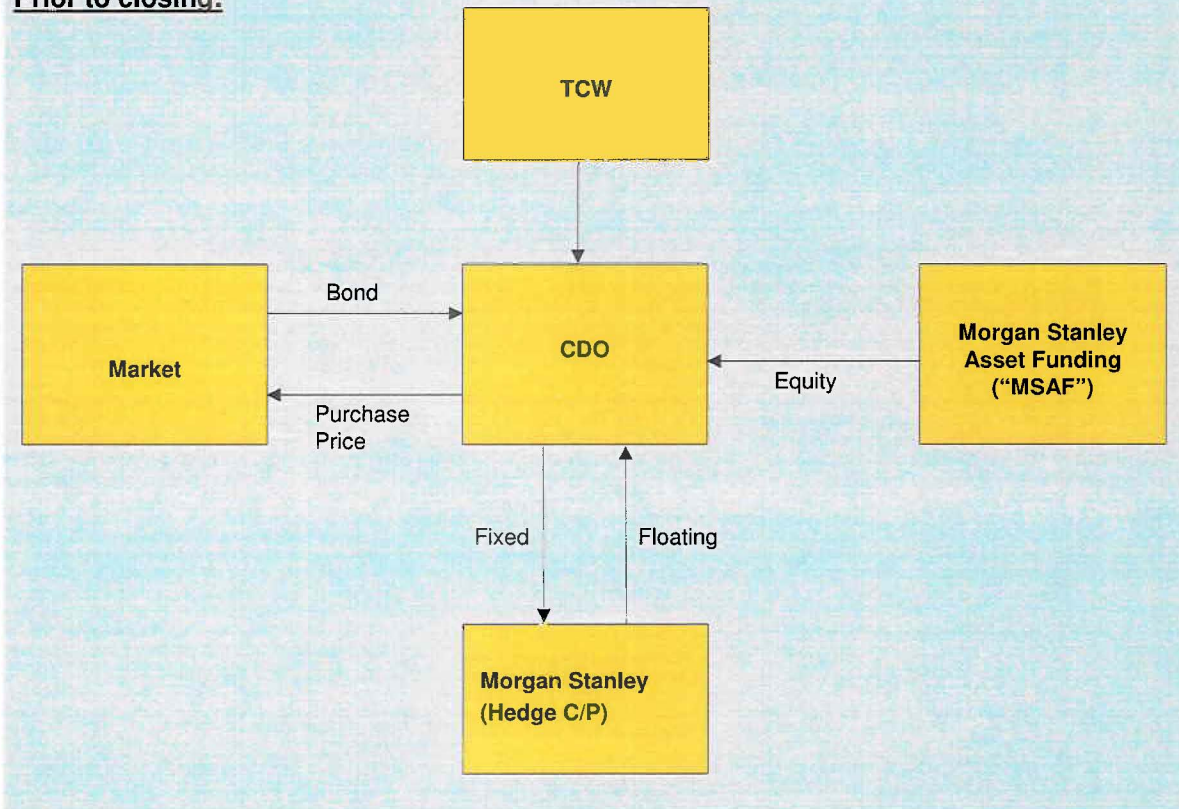


Proposed Financing Terms

# Financing Structure

ABS CDO Transactions

Prior to closing:

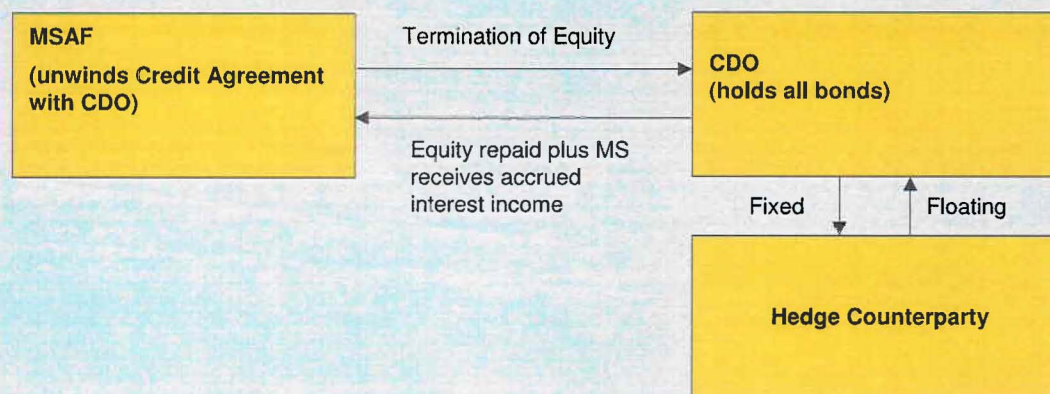


Morgan Stanley

## Proposed Financing Terms

## Financing Structure (cont'd)

## ABS CDO Transactions

At closing:

Proposed Financing Terms

## Financing Agreements

### Brief Description

- **Interim Collateral Management Agreement:** agreement which authorizes TCW to identify, purchase and sell collateral on behalf of the CDO SPV
- **Preferred Share Purchase Agreement :** agreements whereby MSAF lends money to the CDO SPV to enable the CDO SPV to purchase ABS assets. The Preferred Share Purchase Agreement terminates/matures and the preferred shares come due on the Closing Date



## Proposed Financing Terms

# Financing Terms

**Warehouse Mechanics**

- Morgan Stanley will start warehousing up to \$175MM par amount of cash Collateral, and up to \$325MM of synthetic Collateral, subject to the execution of the Financing Agreements.
- The Collateral acquisition line shall be provided for up to 6 months prior to pricing. Morgan Stanley may choose to extend the warehouse or to liquidate the Collateral.
- Before the Transaction enters into any trade, credit approval will be obtained from Morgan Stanley's ABS trader/risk manager and the structuring team members will confirm compliance with the parameters of the Transaction.
- After the pricing of the CDO, the Collateral acquisition line will be extended to include all the ABS securities that are necessary to ramp up the Transaction prior to closing. The period between pricing and closing shall be approximately 3 weeks. Collateral must meet the target eligibility criteria of the Transaction. Morgan Stanley shall have the right to direct TCW to sell any Collateral.

## Proposed Financing Terms

## Financing Terms (cont'd)

- Morgan Stanley will earn 90% of the Net Carried Interest “Interest Income.” If the Transaction does not close, Morgan Stanley will bear 100% of any net loss associated with advances made by Morgan Stanley on its share of the portfolio. Interest Income and net proceeds associated with the Collateral will be distributed as follows:
  - (A) If the Transaction closes:
    - (1) On the Transaction’s Closing Date, 90% of all Interest Income will be distributed to Morgan Stanley
    - (2) On the Transaction’s Closing Date, 10% of all Interest Income will be distributed to TCW
    - (3) Any losses and gains associated with the Collateral will be borne by the Issuer
  - (B) If the Transaction fails to close:

Morgan Stanley will be entitled to all Interest Income and net proceeds associated with the Collateral. TCW will be entitled to its share of the carried interest if the collateral is liquidated and such share is not needed to cover losses. Except to the extent described under the “Collateral Manager Event” provision below, if the transaction fails to close, any losses that arise from the liquidation of the collateral shall be borne by Morgan Stanley. Morgan Stanley shall not bear losses associated with collateral that it does not finance. Any gains that arise from the liquidation of the collateral will be allocated 100% to Morgan Stanley.
- Morgan Stanley retains the right to review the size of the Collateral acquisition line based upon significant market movements. This arrangement is subject to market conditions acceptable to TCW and Morgan Stanley prior to the initiation of any Collateral purchases. Morgan Stanley must also consent to any sales that result in trading losses.
- To the extent that the transaction closes, any losses will be borne by the Issuer to the extent feasible. To the extent a Collateral Manager Event occurs under the Interim Collateral Management Agreement, the CDO Manager will bear 100% of the risk of loss associated with the Collateral up to a maximum of \$1MM. A Collateral Manager Event includes the termination of the Agreement/Engagement Letter by the CDO Manager.

Section 4

## Economic Analysis

Morgan Stanley

CONFIDENTIAL

MS\_CDIB\_000092719

## Economic Analysis

## Economic Benefits

**Morgan Stanley Benefits:**

	Base Case	Worst Case
• Approximately \$6MM in Structuring/Placement Fees to Morgan Stanley	\$6.25MM	\$3.0MM
• Expected gross carried interest of \$1.0MM to Morgan Stanley	\$1.0MM	\$0.5MM
– Expect finance charge of \$0.5MM to Morgan Stanley	\$0.5MM	\$0.25MM
– Current regulatory capital charge to Morgan Stanley to be provided	N/A	N/A
– Regulatory capital charge to Morgan Stanley post Basel II	N/A	N/A
• Ability to buy single-name default protection		
• Increased trading volume for ABS desk		
• Increased market/league table presence in CDO market		
• If for any reason the Transaction does not close then Morgan Stanley earns all of the carry of the financed collateral, except for TCW's share which is not used to cover losses		

**IRR Calculation:**

• IRR Equity <i>inclusive</i> of Morgan Stanley Fees	22%–27%
• IRR Equity <i>exclusive</i> of Morgan Stanley Fees	17%–22%
• To the extent that MS retains the CDO securities, consolidation issues may arise	

Section 5

## Collateral Accumulation

Morgan Stanley

CONFIDENTIAL

MS\_CDIB\_000092719



## Collateral Accumulation

### Collateral Selection Process

- TCW chooses Collateral to be purchased by the Issuer
- Before the Issuer enters into any trade, the following checks have to be performed:
  - Credit approval by JD Pearce as Morgan Stanley's ABS CDO credit risk manager
  - CDO structuring team members will confirm compliance with the parameters of the Transaction

### Marking

- SPG will mark the portfolio on a weekly basis or more frequently as needed
- The financing exposure will be reflected in a weekly SPG management report

### Hedging

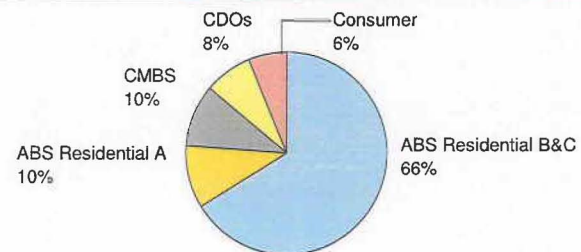
- The Issuer (at the direction of TCW, with Morgan Stanley approval) will hedge fixed rate ABS assets with treasury shorts or interest rate swaps
- These positions will hedge the ultimate interest rate hedge for the Transaction
- On the pricing date, the treasury short positions will be unwound, and the existing interest rate swaps will be rolled into the swap which is executed by the Issuer

## Collateral Accumulation

## ABS CDO Collateral Parameters

Parameters	Limit
Maximum Moody's Rating Factor	550
Maximum Average Life	[7.0] years
Maximum CMBS Securities	[10.0]%
Max CDOs	[10.0]%
Maximum PIKable CDOs	[10.0]%
Maximum Single Issuer Concentration	[1.25]%
Maximum Below Investment Grade	[10]%

## Projected Sector Breakdown



Section 6

## Market Summary

Morgan Stanley

CONFIDENTIAL

MS\_CDIB\_000092719

## Market Summary

## Current CDO Market Conditions

## CDO Market Summary

- Selected Mezzanine ABS transactions priced in the past two months
- Expected spread levels for ABS CDOs currently in the market are shown below

Rating	Mezzanine ABS
AAA—Senior	L + 30 bps—32 bps
AAA—Junior	L + 50 bps—55 bps
AA	L + 70 bps—80 bps
A	L + 155 bps—185 bps
BBB	L + 375 bps—425 bps
BB	N/A

## Market Summary

Selected Recent ABS CDO Pricings<sup>(1)</sup>

## Sherwood Funding II

11/22/2005

Size: \$500MM, Underwriters: Morgan Stanley (Structuring Lead), J.P. Morgan (Joint), Manager: Church Tavern Advisors LLC

Class	Size (\$)	Ratings (Moody's/S&P)	WAL (Years)	Coupon
A-1	322.5	Aaa/AAA	6.9	3mL+27.5
A-2	77.5	Aaa/AAA	6.9	3mL+ 50
B	45.0	Aa2/AA	6.9	3mL+57
C	10.0	A2/A	6.9	3mL+155
D	21.0	Baa2/BBB	6.9	3mL+315
Eqty.	24.0	NR	Residual	N/A

## South Coast Funding VIII

12/08/2005

Size: \$506MM, Underwriter: Merrill Lynch, Manager: TCW Asset Management

Class	Size (\$)	Ratings (S&P/Fitch)	WAL (Years)	Coupon
A1	345.00	Aaa/AAA	5.6	3mL+32
A2	57.25	Aaa/AAA	6.1	3mL+50
B	44.00	Aa2/AA	6.1	3mL+60
C	12.00	A2/A	6.1	3mL+150
D	23.75	Baa2/BBB	6.1	3mL+400
E	5.00	Ba1/BB+	6.1	3mL+600
Preferred Shares	19.50			

Morgan Stanley

Notes  
1. Source: MCM, IFR



## Market Summary

Selected Recent ABS CDO Pricings (cont'd) <sup>(1)</sup>

## Stack 2005-2

03/01/2005

Size: \$500MM, Underwriter: Barclays, Collateral Manager: TCW Asset Management

Class	Size (\$)	Ratings (S&P/Fitch)	WAL (Years)	Coupon
A	350.0	N/A	N/A	N/A
B	50.0	Aaa/AAA	7.0	3mL+52
C	40.0	Aa2/AA	7.0	3mL+65
D	20.0	A2/A	7.0	3mL+175
E	16.5	Baa2/BBB	4.9	3mL+320
F	7.5	Ba1/BB+	7.0	3mL+675
Preferred Shares	16.0	NP/NR		

Section 7

## Key Considerations

Morgan Stanley

CONFIDENTIAL

MS\_CDIB\_000092719

## Key Considerations

## Transaction Strengths

## Transaction Strengths

## Innovative Structure

- Morgan Stanley created the first hybrid cash/synthetic ABS CDO
- Efficient super senior risk transfer

## CDO Manager

- TCW is the largest manager of CDOs
- Proven track record of successfully executing transactions

## Firm Relationship

- Long firm relationship at different levels of the organization
- Important trading partner



## Key Considerations

## Risks and Mitigants

Risk Factors	Mitigants
<ul style="list-style-type: none"> <li>Ability to place the entire capital structure</li> </ul>	<ul style="list-style-type: none"> <li>Strong market demand for ABS CDO paper</li> </ul>
<ul style="list-style-type: none"> <li>New Type of Structure</li> </ul>	<ul style="list-style-type: none"> <li>Successful execution of similar transactions for TCW</li> </ul>
<ul style="list-style-type: none"> <li>Fees dependent upon successful execution of CDO</li> </ul>	<ul style="list-style-type: none"> <li>Recent success of similar structure by Morgan Stanley and others</li> </ul>
<ul style="list-style-type: none"> <li>No haircut</li> </ul>	<ul style="list-style-type: none"> <li>ABS CDOs are an established asset class</li> </ul>
<ul style="list-style-type: none"> <li>Credit Spread Widening</li> </ul>	<ul style="list-style-type: none"> <li>Morgan Stanley's approval required for each credit to be purchased and for each credit to be sold</li> <li>100% of the carry is available to Morgan Stanley for any losses on the disposition of the warehoused assets</li> </ul>
<ul style="list-style-type: none"> <li>Length of warehouse</li> </ul>	<ul style="list-style-type: none"> <li>Hedges in place (e.g., ABSpoke)</li> <li>Morgan Stanley's ability to unilaterally liquidate the collateral</li> <li>Morgan Stanley may be shorting a number of credits into the CDO, altering the risk dynamics</li> </ul>
<ul style="list-style-type: none"> <li>CDO Manager Termination</li> </ul>	<ul style="list-style-type: none"> <li>6 month maturity date</li> <li>Morgan Stanley can terminate the warehouse line at any time</li> <li>Review size of line based on market conditions</li> <li>If TCW terminates the engagement unilaterally, TCW will compensate Morgan Stanley for any warehouse losses upon liquidation (up to a maximum of \$1M)</li> </ul>

Section 8

## Accounting Implications

Morgan Stanley

CONFIDENTIAL

MS\_CDIB\_000092719

Accounting Implications

## Accounting Implications

Upon closing the transaction, Morgan Stanley does not expect to consolidate the SPV under FIN 46R or FAS 140 because:

- On the closing date, financing arrangements with the Issuer will be terminated. All financed collateral will reside with the Issuer without recourse to Morgan Stanley
- Morgan Stanley expects to sell 100% of the equity to third parties
- Morgan Stanley expects to sell 100% of the debt/liabilities to third parties

# EXHIBIT 4

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

<hr/>		X
CHINA DEVELOPMENT INDUSTRIAL	:	
BANK,	:	Index No. 650957/2010
	:	
Plaintiff,	:	The Honorable Melvin L. Schweitzer
	:	
vs.	:	Individual Assignment Part 45
	:	
MORGAN STANLEY & CO.	:	PLAINTIFF'S SECOND REQUEST FOR
INCORPORATED, et al.,	:	PRODUCTION OF DOCUMENTS TO
	:	MORGAN STANLEY & CO.
Defendants.	:	INCORPORATED AND MORGAN
	:	STANLEY & CO. INTERNATIONAL PLC.
<hr/>		X

PLEASE TAKE NOTICE that pursuant to New York Civil Practice Law and Rule ("CPLR") §3120, defendants Morgan Stanley & Co. Incorporated and Morgan Stanley & Co. International plc must produce for inspection and copying the documents and things described below, which shall be provided for inspection and copying at the law firm of Robbins Geller Rudman & Dowd LLP, 58 South Service Road, Suite 200, Melville, New York, within 20 days after service of these requests, at 10:00 a.m., or at such other location and date upon which the parties may mutually agree. Following the Instructions and Definitions set forth in Attachment A hereto, produce:

REQUEST NO. 1:

Due Diligence Reports and related communications from the files of Anthony Tufariello, Jon Horowitz, Howard Hubler, Joseph Naggar, John Pearce, Erik Siegel, Graham Jones, Gary Mendelsohn, Frank Telesca and Steven Shapiro concerning the STACK Collateral Originators, including, but not limited to, the documents attached hereto as Exhibits A-D.

REQUEST NO. 2:

The December 9, 2011 deposition transcript (with exhibits) of Anton Peterson taken in *Abu Dhabi Commercial Bank v. Morgan Stanley & Co. Inc., et al.*, No. 1:08-CV-07508 (S.D.N.Y.). *See, e.g.*, Ex. E.

REQUEST NO. 3:

Summary Due Diligence Reports and related communications concerning U.S. residential mortgage loans that Morgan Stanley received from Clayton Holdings, including, but not limited to, the documents attached hereto as Exhibits C and D.

REQUEST NO. 4:

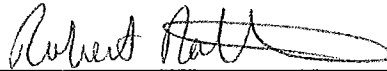
Due Diligence Reports and related communications concerning the Morgan Stanley RMBS that were included in the STACK CDO.

REQUEST NO. 5:

Any document containing the word "Clayton" in it, from the files of the custodians identified in Request No. 1, above.

DATED: July 18, 2012

ROBBINS GELLER RUDMAN  
& DOWD LLP



---

ROBERT M. ROTHMAN

SAMUEL H. RUDMAN  
ROBERT M. ROTHMAN  
MARK T. MILLKEY  
JOSEPH RUSSELLO  
58 South Service Road, Suite 200  
Melville, NY 11747  
Telephone: 631/367-7100  
631/367-1173 (fax)

ROBBINS GELLER RUDMAN  
& DOWD LLP  
SPENCER A. BURKHOLZ  
MAUREEN E. MUELLER  
655 West Broadway, Suite 1900  
San Diego, CA 92101  
Telephone: 619/231-1058  
619/231-7423 (fax)

ROBBINS GELLER RUDMAN  
& DOWD LLP  
JASON C. DAVIS  
MATTHEW S. MELAMED  
Post Montgomery Center  
One Montgomery Street, Suite 1800  
San Francisco, CA 94104  
Telephone: 415/288-4545  
415/288-4534 (fax)

Attorneys for Plaintiff



## **ATTACHMENT A**

### **DEFINITIONS**

1. “All” means all or any, and “any” means all or any.
2. “Analysis” and “Analyses” means any analysis whatsoever, including, but not limited to, financial, economic, industry, investment, performance, risk or other analysis whether in the form of narratives, models, or any other form.
3. “And” and “or” shall be construed either conjunctively or disjunctively to bring within the scope of this request any information that might otherwise be construed to be outside its scope.
4. “CDIB” means China Development Industrial Bank and any of its parents, subsidiaries, divisions, related or affiliated organizations, and present and former partners, directors, agents, employees, representatives, and attorneys.
5. “CDO” means Collateralized Debt Obligation.
6. “CDS” means Credit Default Swap.
7. “Clayton Holdings” refers to Clayton Holdings LLC and any of its parents, subsidiaries, divisions, related or affiliated organizations, and present and former partners, directors, agents, employees, representatives, and attorneys.
8. “Communication” means the transmittal of information (in the form of facts, ideas, inquiries or otherwise), or any statement between two or more persons or entities, whether given orally, in writing, conveyed through an electronic medium, or any other method or medium, including any copy, audio, visual, electronic, or other recording or transcript thereof.
9. “Document” means, without limitation and in the broadest sense possible, all copies and drafts of any written, recorded or graphic material, whether printed, recorded, or reproduced by any mechanical or electronic process, or written or produced by hand, including without limitation: agreements or contracts; communications; correspondence; letters; telegrams; telexes; teletypes; memoranda; record books; notes; reports; opinions; electronic mail (including all primary and back-up files); summaries, notes, memoranda, tape recordings, or other records of personal conversations, or interviews; diaries; appointment books; minutes, notes, memoranda, or other records of meetings, conferences, or telephone calls; or any other documents or writing of whatever description, including, but not limited to, any information contained in any computer although not yet in printed form in the possession, custody, or control of you, your agents, your attorneys, or any other persons acting or purporting to act on your behalf.

10. "Due Diligence Reports" refers to credit, compliance, valuation, loan to value (LTV), broker price opinion (BPO), or any other, similar Analyses. Exhibits A-E provide examples of such documents.
11. "Including" means including, but not limited to.
12. "Moody's" means Moody's Investors Service, Inc. and any division, related or affiliated organization, and present and former partners, directors, agents, employees, representatives, and attorneys of Moody's Investors Service.
13. "Morgan Stanley" means Morgan Stanley & Co. Incorporated and/or Morgan Stanley & Co. International plc (formerly known as Morgan Stanley & Co. International Limited), and any divisions, related or affiliated organizations, and present and former partners, directors, agents, employees, representatives, and attorneys of Morgan Stanley.
14. "Morgan Stanley RMBS" refers to the RMBS referenced by or included in the STACK CDO collateral pool that Morgan Stanley underwrote, arranged, or worked on in any capacity, including, but not limited to, the transactions (and their underlying loan pools) referenced in Exhibit F hereto.
15. "Relating to" means concerning, referring, describing, pertaining to, evidencing, reflecting, regarding, constituting, involving, or touching upon in any way, in whole or in part. Each of these terms may be used interchangeably herein and will be treated as encompassing all these meanings.
16. "RMBS" means Residential Mortgage Backed Security.
17. "S&P" means Standard & Poor's Ratings Services and any division, related or affiliated organizations, and present and former partners, directors, agents, employees, representatives, and attorneys of Standard & Poor's Rating Services.
18. "STACK CDO" means the CDO described in the July 20, 2006 offering memorandum (*see* Dkt. No. 11, Ex. 1), the related Investor Presentation (*see* Dkt. No. 11, Ex. 8), and related CDS documentation (*see* Dkt. No. 11, Exs. 3-5).
19. "STACK Collateral Originators" refers to the U.S. residential mortgage loan originators identified in Columns AB, AD and AF of the document produced by Morgan Stanley in this matter at Bates number MS\_CDIB\_000072151.
20. "TCW" means TCW Asset Management Company, and any of its parents, subsidiaries, divisions, related, or affiliated organizations, and present and former partners, directors, agents, employees, representatives, and attorneys.
21. In the document requests and definitions, the singular includes the plural and vice versa, and a verb tense includes all other tenses where the clear meaning is not distorted by the addition of another tense or tenses.

## INSTRUCTIONS

1. In complying with this request, you are required to furnish all documents within your possession, custody, or control, regardless of where they may be located. Included are documents within the possession, custody, or control of any person or entity controlled by or acting on your behalf.
2. A document is deemed to be in your possession, custody, or control if it is in your physical custody, or if it is in the physical custody of any other person and you (a) own such document in whole or in part; (b) have a right, by contract, statute, or otherwise to use, inspect, examine, or copy such document on any terms; (c) have an understanding, express or implied, that you may use, inspect, examine, or copy such document on any terms; or (d) have, as a practical matter, been able to use, inspect, examine, or copy such document when you sought to do so.
3. Unless otherwise instructed, each request shall be construed independently and not by reference to any other request for purposes of limitation.
4. If a portion of a document is responsive to any request, the entire document should be produced.
5. For documents not in English, Morgan Stanley is to produce the document in its native language along with any translations of the document possessed by Morgan Stanley or Morgan Stanley's Counsel.
6. If any documents are within the scope of any request for production, but are being withheld, in whole or in part, by reasons of any claim of privilege, the attorney asserting the privilege shall identify the nature of the privilege (including work product) claimed, indicate the state's privilege rule being invoked, and provide the following information:
  - (a) the type of document, letter or memorandum;
  - (b) the general subject matter of the document;
  - (c) the date of the document; and
  - (d) such other information as is sufficient to identify the document for a subpoena *duces tecum*, including, where appropriate, the author of the document, the addressees of the document, and any other recipients shown in the document, and, where not apparent, the relationship of the author, addressees, and recipients to each other.
7. If any document responsive to these requests was but is no longer in the possession or subject to the control of Morgan Stanley, state whether it is: (a) missing or lost; (b) has been destroyed; (c) has been transferred, voluntarily or involuntarily, to others; or (d) has been otherwise disposed of, and in each instance explain the circumstances surrounding such disposition thereof and state the date or approximate date thereof.

8. Documents produced pursuant to these requests shall be produced as they are kept in the ordinary course of business, including electronically stored information and documents, such as spreadsheets. Electronic documents and data that are electronically searchable should be produced in a form that does not remove or degrade this feature.
9. Unless otherwise stated, these requests are for all responsive documents dated on or after January 1, 2005.
10. This is a continuing request for production of documents that requires, as necessary, additional productions pursuant to CPLR §3101(h).
11. Pursuant to CPLR §3122 you have 20 days after service of these requests to object, describing with reasonable particularity each objection, to the extent you have any objections.

AFFIDAVIT OF SERVICE BY HAND DELIVERY

I, the undersigned, declare:

1. That declarant is and was, at all times herein mentioned, a citizen of the United States and employed in the City of Melville in the County of Suffolk, over the age of 18 years, and not a party to or interested party in the within action; that declarant's business address is 58 South Service Road, Suite 200, Melville, New York 11747.

2. That on July 18, 2012, declarant caused to be served by hand delivery, the **NOTICE OF PLAINTIFF'S SECOND REQUEST FOR PRODUCTION OF DOCUMENTS TO MORGAN STANLEY & CO. INCORPORATED & MORGAN STANLEY & CO. INTERNATIONAL PLC** to the parties listed on the attached Service List.

I declare under penalty of perjury that the foregoing is true and correct. Executed on July 18, 2012, at Melville, New York.

  
\_\_\_\_\_  
KELLY STADELMANN

STACK CDO CDIB

Service List - 7/17/2012 (10-0120)

Page 1 of 1

**Counsel For Defendant(s)**

James P. Rouhandeh  
William J. Fenrich  
Daniel J. Schwartz  
Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, NY 10017  
212/450-4000  
212/701-5800(Fax)

**Counsel For Plaintiff(s)**

Robert M. Rothman  
Mark T. Millkey  
Joseph F. Russello  
Robbins Geller Rudman & Dowd LLP  
58 South Service Road, Suite 200  
Melville, NY 11747  
631/367-7100  
631/367-1173(Fax)

Spencer A. Burkholz  
Maureen E. Mueller  
Robbins Geller Rudman & Dowd LLP  
655 West Broadway, Suite 1900  
San Diego, CA 92101  
619/231-1058  
619/231-7423(Fax)

Jason C. Davis  
Robbins Geller Rudman & Dowd LLP  
Post Montgomery Center  
One Montgomery Street, Suite 1800  
San Francisco, CA 94104  
415/288-4545  
415/288-4534(Fax)

# EXHIBIT A

*See* Expert Report of Mark N. Froeba, PF2 Securities Evaluations,  
Dated August 13, 2012, Ex. B.



# EXHIBIT B

*See* Expert Report of Mark N. Froeba, PF2 Securities Evaluations,  
Dated August 13, 2012, Ex. A.

# EXHIBIT C

*See* Expert Report of Mark N. Froeba, PF2 Securities Evaluations,  
Dated August 13, 2012, Ex. D.

# EXHIBIT D

*See* Expert Report of Mark N. Froeba, PF2 Securities Evaluations,  
Dated August 13, 2012, Ex. C.

# EXHIBIT E

*See* Expert Report of Mark N. Froeba, PF2 Securities Evaluations,  
Dated August 13, 2012, Ex. E.

# EXHIBIT F

STACK CDO Collateral Sample	Witness Signatories of S-3 Registration	Witness Signatories of S-3/A	Originators	Witness NRSROs	Performance
MSAC 2005-HE7 B3 Steven Shapiro \$5,000,000 Anthony Tufariello SEC File: 333-121914  See Exhibit 38.1	Steven Shapiro  See Exhibit 38.2	Steven Shapiro  See Exhibit 38.3	WMC Mortgage Corp. Decision One New Century  See Exhibit 38.4	Moody's S&P  See Exhibit 38.4	24.91% Foreclosure 2.75% Bank Owned 5.57% Bankruptcy 33.23% Total See Exhibit 38.5
MSAC 2006-NC1 Steven Shapiro \$5,000,000 Anthony Tufariello SEC File: 333-121914  See Exhibit 38.1	Steven Shapiro  See Exhibit 38.2	Steven Shapiro  See Exhibit 38.3	New Century  See Exhibit 38.6	Moody's S&P  See Exhibit 38.6	14.67% Foreclosure 3.38% Bank Owned 5.60% Bankruptcy 23.65% Total See Exhibit 38.7
MSM 2006-6AR 1B1 Anthony Tufariello \$2,733,000 SEC File: 333-130684  See Exhibit 38.1	Anthony Tufariello  See Exhibit 38.8	Anthony Tufariello  See Exhibit 38.9	American Home Morgan Stanley MortgageIT Others Undisclosed  See Exhibit 38.10	Moody's S&P  See Exhibit 38.10	20.44% Foreclosure 4.42% Bank Owned 4.05% Bankruptcy 28.91% Total See Exhibit 38.11
MSM 2006-6AR 1B2 Anthony Tufariello \$163,000 SEC File: 333-130684 See Exhibit 38.1	Anthony Tufariello  See Exhibit 38.8	See above  See Exhibit 38.9	See above  See Exhibit 38.10	See above  See Exhibit 38.10	See above  See Exhibit 38.11
MSAC 2006-NC4 Steven Shapiro \$4,000,000 Anthony Tufariello SEC File: 333-130694 Howard Hubler  See Exhibit 38.1	Steven Shapiro Anthony Tufariello Howard Hubler  See Exhibit 38.12	Steven Shapiro Anthony Tufariello Howard Hubler  See Exhibit 38.13	New Century  See Exhibit 38.13	Moody's S&P  See Exhibit 38.14	23.57% Foreclosure 4.71% Bank Owned 3.83% Bankruptcy 32.11% Total See Exhibit 38.15
MSM 2006-8AR 1B1 Anthony Tufariello \$806,000 SEC File: 333-130684  See Exhibit 38.1	Anthony Tufariello  See Exhibit 38.8	Anthony Tufariello  See Exhibit 38.9	Morgan Stanley Wachovia Mortgage Others Undisclosed  See Exhibit 38.16	Moody's S&P  See Exhibit 38.16	14.30% Foreclosure 2.76% Bank Owned 2.46% Bankruptcy 19.52% Total See Exhibit 38.17
MSM 2006-8AR 1B2 Anthony Tufariello \$806,000 See Exhibit 38.1	Anthony Tufariello  See Exhibit 38.8	See above  See Exhibit 38.9	See above  See Exhibit 38.10	See above  See Exhibit 38.10	See above  See Exhibit 38.11
MSM 2006-8AR 1B3 Anthony Tufariello \$1,150,000 See Exhibit 38.1	Anthony Tufariello  See Exhibit 38.8	See above  See Exhibit 38.9	See above  See Exhibit 38.10	See above  See Exhibit 38.10	See above  See Exhibit 38.11
MSM 2006-8AR 2B3 Anthony Tufariello \$2,170,485 See Exhibit 38.1	Anthony Tufariello  See Exhibit 38.8	See above  See Exhibit 38.9	See above  See Exhibit 38.10	See above  See Exhibit 38.10	See above  See Exhibit 38.11
MSM 2006-16AX Anthony Tufariello \$500,000 SEC File: 333-130684  See Exhibit 38.1	Anthony Tufariello  See Exhibit 38.8	Anthony Tufariello  See Exhibit 38.9	American Home MortgageIT Others Undisclosed  See Exhibit 38.18	Moody's S&P  See Exhibit 38.18	28.14% Foreclosure 5.42% Bank Owned 5.28% Bankruptcy 38.84% Total See Exhibit 38.19
IXIS 2005-HE4 B3 Anthony Tufariello \$5,000,000 Steven Shapiro SEC File: 333-121914  See Exhibit 38.20	Steven Shapiro  See Exhibit 38.21	Steven Shapiro  See Exhibit 38.21	First Horizon Fremont First NLC Others  See Exhibit 38.22	Moody's S&P  See Exhibit 38.22	31.67% Foreclosure 6.42% Bank Owned 8.55% Bankruptcy 46.64% Total See Exhibit 38.23
IXIS 2006-HE1 B3 Anthony Tufariello \$5,000,000 Steven Shapiro SEC File: 333-113543  See Exhibit 38.24	Steven Shapiro  See Exhibit 38.25	Steven Shapiro  See Exhibit 38.25	First NLC Encore Others  See Exhibit 38.26	Moody's S&P  See Exhibit 38.26	21.50% Foreclosure 7.35% Bank Owned 5.31% Bankruptcy 34.16% Total See Exhibit 38.27
IXIS 2006-HE2 B1 Anthony Tufariello \$2,000,000 Steven Shapiro SEC File: 333-113543  See Exhibit 38.24	Steven Shapiro  See Exhibit 38.25	Steven Shapiro  See Exhibit 38.25	Accredited Home First NLC New Century Others  See Exhibit 38.28	Moody's S&P  See Exhibit 38.28	20.37% Foreclosure 7.83% Bank Owned 4.30% Bankruptcy 32.50% Total See Exhibit 38.29



# EXHIBIT 5

Jason C. Davis  
JDavis@rgdlaw.com

June 8, 2012

VIA E-MAIL

James P. Rouhandeh, Esq.  
Daniel J. Schwartz  
Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, NY 10017

Re: *China Development Industrial Bank v. Morgan Stanley & Co., Inc., et al.*  
Supreme Court of the State of New York, County of New York  
Index No.: 650957/2010

Dear Jim and Daniel:

I write to address some of the issues the parties discussed at the May 31, 2012 discovery conference in the above-referenced matter and your related letters.

**A. Filing Procedure for Confidential Documents**

Your June 5, 2012 letter suggests that the parties are permitted to file confidential materials in a redacted form on the public docket, while delivering nonredacted copies to the Court's chambers in a sealed envelope. We think this proposal makes sense but is incomplete. The Court will need to modify the protective order or its individual practices, or both, to permit the parties to follow the proposal. We also think that whomever designates the relevant materials "confidential" should state why they must be sealed. Such an explanation will assist the Court in determining whether the materials must be sealed. Please consider these points and let us know your views. We are probably close to an agreement on process but should discuss the best approach to present to the Court.

**B. Morgan Stanley's Points**

**1. Morgan Stanley Custodians Siegel, Naggar, Pearce and Mendelsohn**

Your letter dated today states that Morgan Stanley will produce documents from the files of Siegel, Naggar, Pearce and Mendelsohn. We do not understand your point about Stoval and should discuss your search protocol for the other custodians in light of the issues identified below. Also, please advise what role Friedland played in the transaction.

718213\_1

**CONFIDENTIAL**

James P. Rouhandeh  
Daniel J. Schwartz  
June 8, 2012  
Page 2

**2. Morgan Stanley's Search Terms & Due Diligence Reports**

We have several issues with Morgan Stanley's disclosure obligations and the use of search terms. For example, it seems Morgan Stanley believes it is permitted to use, *exclusively*, search terms to find and produce relevant documents. Morgan Stanley does not need a search term to produce many documents, such as due diligence reports relating to the RMBS collateral in the STACK CDO. Nor does Morgan Stanley need search terms to produce communications with TCW and the rating agencies. We would like to better understand how Morgan Stanley is using search terms. Please be prepared to discuss this point at our next meet and confer discussion.

**3. Morgan Stanley's Metadata**

There are some issues with the metadata that Morgan Stanley produced in connection with the production it made the day before the May 31, 2012 disclosure conference with Mr. Wilker. The "subject" and "from" lines appear to have been deleted. Please check this point with your technical support staff so that we can work with you to fix the metadata issue.

**4. Deficiencies with Morgan Stanley's June 21, 2011 Letter**

We are concerned about the process that Morgan Stanley followed to generate the list of individuals. As you know, Naggar, Pearce, Mendelsohn, Hubler and many others who have information relevant to the STACK CDO and its collateral assets, are not listed in Jim's June 21, 2011 letter. Yet Morgan Stanley repeatedly used that letter as a basis for refusing discovery and stating that certain custodians had "nothing" to do with the STACK CDO when, in fact, they did. Please update the June 21, 2011 letter by next week with all of the custodians who have information concerning the STACK CDO, which, by definition, includes its ratings and collateral.

**5. Audio Files**

Morgan Stanley has not produced any audio files to date. CDIB has done so. It is our understanding that broker dealers' compliance groups sometimes keep internal recordings for compliance purposes. It is also our understanding that they sometimes monitor and save "instant messaging." Yet no audio files and no instant messages are in any productions. Please confirm that Morgan Stanley is searching for such materials.

**6. Organizational Chart**

We are surprised that Morgan Stanley has still found no organizational charts showing where Hubler and his team fit into the Morgan Stanley organization. It seems likely that some planning would

James P. Rouhandeh  
Daniel J. Schwartz  
June 8, 2012  
Page 3

have gone into Hubler's new shorting program, which appears to have started first with the STACK CDO, and then moved onto an entire department on the 25th floor of Morgan Stanley's headquarters. Please confirm that Morgan Stanley has no organizational charts showing where Hubler or any of the other STACK custodians fit in the Morgan Stanley organization.

#### **7. Clayton & Due Diligence Reports**

No due diligence reports have been produced regarding the STACK CDO collateral assets. Please advise when these reports will be produced.

#### **C. CDIB's Points**

##### **1. Search Terms**

One of the issues Morgan Stanley raised during the discovery conference relates to CDIB's purported "failure" to identify the search terms it has used to search for responsive documents. While CDIB disagrees with Morgan Stanley's contention, and in fact, has told Morgan Stanley on numerous occasions the search terms it is using, CDIB agreed to provide Morgan Stanley a list of the search terms it has used to date. That list is attached as Exhibit A. As we stated during the conference, however, the list is not exhaustive and CDIB will continue to add to it as it continues its production, which is not yet complete. We also pointed out that despite Morgan Stanley's repeated complaints about CDIB's "refusal" to identify search terms, Morgan Stanley has not proposed a single term it believes CDIB should use. Morgan Stanley agreed to provide a list of proposed search terms once it has had the opportunity to review CDIB's search terms another time. We look forward to receiving Morgan Stanley's proposed search terms.

##### **2. Custodians**

During the conference, Morgan Stanley requested that CDIB identify the custodians whose files have been searched. CDIB's productions to date have been made from files previously collected by CDIB from Philip Tsao, Jamie Huang and Frances Liu. These files are in the "STACK User" folder. CDIB has found additional electronic files for Jamie Huang and Emily Ku and is producing documents from those files as well. As we have explained, however, Jamie Huang and Frances Liu are likely to have most of the key documents. Also, Emily Ku is also likely to have documents regarding the parties' dealings after the STACK sale occurred in April 2007. CDIB is continuing to search for documents from the files of these individuals and others who are likely to have relevant information in a prioritized way. We continue to search for, and provide documents from, the foregoing custodians and will next focus on Jerry Cheng and Jesse Chou. The search period for everything other than information concerning Morgan Stanley's argument that it persuaded CDIB to "ratify" Morgan

James P. Rouhandeh  
Daniel J. Schwartz  
June 8, 2012  
Page 4

Stanley's fraud is January 2006 through April 2007. We are looking for documents suggesting Morgan Stanley told CDIB that it had defrauded CDIB for a longer time period, including 2009. Although we have searched for and produced documents from the 2010 period, we do not believe it makes sense to focus on producing documents dated after 2009. Please let us know whether you disagree and why.

Next, we note that Jim's June 5, 2012 letter incorrectly states that CDIB agreed to provide a chart identifying the custodians for the November 2011 production on a document-by-document basis by June 8, 2012. CDIB will provide the requested information as soon as possible, but at no time during the discovery conference did CDIB represent that it would provide that information by today's date. We are thinking of the best way to resolve the issues you raised about that production and expect to have a solution next week.

### **3. CDIB's Investments in Other U.S. Mortgage-Related Securities**

Morgan Stanley also asked CDIB to identify its investments in U.S. mortgage-related securities. As we explained during the conference, CDIB is working to compile a list of its investments in addition to the two CDIB previously identified, Southcoast and Countrywide, and a third, Nautilus, that Morgan Stanley identified based on its review of the documents CDIB has produced to date. CDIB has also identified a Westways CDO and a Freddie Mac & Fannie Mae CMO that are potentially responsive and is searching for documents about those transactions. Thus, at this time we believe there are five potentially relevant U.S. mortgage-related investments: Southcoast CDO; Nautilus CDO; Westways CDO; Freddie/Fannie CMO; and Countrywide CDS. CDIB continues to work to identify any other U.S. mortgage-related investments and will update Morgan Stanley if it identifies any other investments during the relevant time.

### **4. CDIB Organizational Structure**

As CDIB has explained several times, and as we reiterated during the conference, CDIB has been unable to locate a formal organizational chart identifying the CDIB personnel involved in the STACK CDO investment and other U.S. mortgage-related investments. CDIB will continue to search for one. In lieu of a formal organizational chart, CDIB agreed to provide and Morgan Stanley agreed to accept a narrative description of the departments and personnel who may have participated in the STACK CDO deal and other U.S. mortgage-related investments. Accordingly, the following reflects CDIB's current understanding of the relevant groups and personnel. Their positions may have changed over time.

#### Global Fixed Income Department

- Philip Tsao, President/Head of Fixed Income

James P. Rouhandeh  
Daniel J. Schwartz  
June 8, 2012  
Page 5

Treasury Department

- Jamie Huang, Senior Vice President of Treasury Department
- Johnny Liu, Senior Vice President of Treasury Department
- Frances Liu, Head of the Credit Derivatives Trading Desk
- Emily Ku, Credit Derivatives Trading, Desk Trader
- Jerry Cheng, Credit Derivatives Trading, Desk Trader
- Jesse Chou, Credit Derivatives Trading, Desk Trader
- Ching-Ming Chao, Compliance

Risk Management Department

- David Chou, Senior Vice President of Risk Management/Chief Risk Management Officer
- Ching-Ping Lin, Manager of Risk Management Department
- Chang-Ju Chen, Person-in-Charge, Risk Management Department

Credit Department

- Tong-Ching Lin, Senior Manager, Credit Department
- Bing-Chen Chang, Person-in-Charge, Risk Management Department

Operation Department

- Lydia Cheng, Operation Department Manager
- Calvin Lee, Person-in-Charge, Operation Department
- Kinya Li, Person-in-Charge, Operation Department
- Kelly Chen, Person-in-Charge, Operation Department
- Rozanna Mao, Manager, Operation Department



James P. Rouhandeh  
Daniel J. Schwartz  
June 8, 2012  
Page 6

**D. CDIB's Discovery Extension Proposal**

During the conference, CDIB proposed what it believes is a reasonable extension to the current fact discovery schedule. Specifically, CDIB proposed that the parties complete all document production by August 31, 2012. Once that production is complete, the parties will propose deadlines for any additional, targeted discovery and any third-party discovery. CDIB also proposed that the parties participate in court-supervised discovery conferences every 30 days to discuss any unresolved issues and provide updates on the status of each party's document production. The next conference is scheduled for July 13, 2012 at 11:00 a.m.

Please let us know when you are available to meet and confer about the foregoing issues.

Very truly yours,

  
JASON C. DAVIS

JCD:mm  
Attachment



## EXHIBIT A

STACK  
NUDHY  
BPO  
Break\*  
Cashflow\*  
CDOROM  
Clayton\*  
Correlation  
Delinquen\*  
Diversity  
Due near3 diligence  
Evaluator\*  
Exception\*  
Grandfather&  
\*Hubler\*  
IXIS 2006-HE1\*  
IXIS 2006-HE2\*  
LTV\*  
MSAC 2006-NC1\*  
MSAC 2006-NC4\*  
MSM 2006-16AX\*  
MSM 2006-6AR\*  
MSM 2006-8AR\*  
Recovery  
\*Shapiro\*  
Southcoast  
Countywide

# EXHIBIT 6



# FINANCIAL NEWS

Monday, 17 October 2011

## Morgan Stanley creates new trading group

Renée Schultes and Jonathan Sibun

17 Apr 2006

**Morgan Stanley has moved five traders from its securitised products group to a new proprietary trading desk in New York.**

The global proprietary credit group will be run like a hedge fund and focus on trading opportunities in secured asset classes in the cash and derivatives markets.

Howie Hubler, managing director, will head the team and report to Tony Tufariello, global head of the securitised products group.

The group has moved floors within the bank and could trade with other banks.

Its establishment is part of a reorganisation of the securitised products group, which will separate buy-side client business from principal activities, previously part of the client businesses.

Thirty staff, including structurers, researchers, support staff and the five traders, will move to the principal business. Tufariello told staff in a memo the move would "enhance our client-oriented sales and trading businesses and take advantage of proprietary trading and investment opportunities".

John Mack, Morgan Stanley chief executive, identified mortgages, emerging markets, leveraged finance and derivatives as the bank's best opportunities last November.

The principal group will include global commercial real estate lending and warehousing, the residential principal group and the global proprietary credit group. The client-facing group will cover secondary trading, capital markets and issuer coverage of asset-backed securities.

A Morgan Stanley spokesman said it was considering whether to replicate the US reorganisation in London.

In a similar move, Citigroup restructured its securitisation business last week to align it more closely with its proprietary trading business. William Cumming, former co-head of securitised markets, will lead the global special situations group in Europe.

In January, Citigroup created a joint venture between the group involved in proprietary trading and its global securitised markets group. The two groups book investments centrally but share risk and profits.

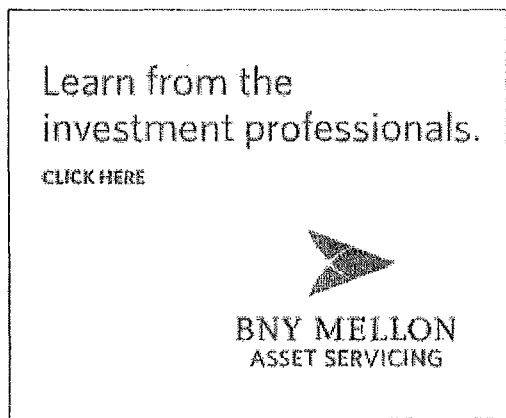
Who is the 'Goldman Sachs rules the world' trader?

[Fink calls for \\$2 trillion European bank rescue plan](#)

[Fears grow over regulatory crunch](#)

[Chi-X Europe calls in expert to shape market data strategy](#)

[2]



[FINANCE JOBS](#)

[POST A JOB](#)

[Junior GSE Trader - UBS AG](#)

[Commercial Finance Analyst - Robert Half](#)

[Finance Analyst - Robert Half](#)

[Credit & Portfolio Function Manager - Citigroup Inc.](#)

[More jobs from FINS.com»](#)

[Finance careers newsletter»](#)

# EXHIBIT 7



#1 NEW YORK TIMES BESTSELLER

best-selling author of  
THE BLIND SIDE



# MICHAEL LEWIS

## THE BIG SHORT

INSIDE THE DOOMSDAY MACHINE

WITH A NEW AFTERWORD

Copyright © 2011, 2010 by Michael Lewis

All rights reserved

Printed in the United States of America

First published as a Norton paperback 2011

For information about permission to reproduce selections from this book,  
write to Permissions, W. W. Norton & Company, Inc.,  
500 Fifth Avenue, New York, NY 10110

For information about special discounts for bulk purchases, please contact  
W. W. Norton Special Sales at [specialsales@wwnorton.com](mailto:specialsales@wwnorton.com) or 800-233-4830

Manufacturing by Courier Westford

Book design by Lovedog Studio

Production manager: Anna Oler

Library of Congress Cataloging-in-Publication Data

Lewis, Michael (Michael M.)

The big short : inside the doomsday machine / Michael Lewis.—1st ed.

p. cm.

ISBN 978-0-393-07223-5 (hardcover)

1. United States—Economic conditions—2001-2009. 2. Global Financial Crisis,  
2008-2009. 3. Financial crises—United States—History—21st century. I. Title.

HC106.83.L5 2010

330.973—dc22

2010004804

ISBN 978-0-393-33882-9 pbk.

W. W. Norton & Company, Inc.

500 Fifth Avenue, New York, N.Y. 10110

[www.wwnorton.com](http://www.wwnorton.com)

W. W. Norton & Company Ltd.

Castle House, 75/76 Wells Street, London W1T 3QT

4 5 6 7 8 9 0



## CHAPTER NINE

# A Death of Interest

Howie Hubler had grown up in New Jersey and played football at Montclair State College. Everyone who met him noticed his thick football neck and his great huge head and his overbearing manner, which was interpreted as both admirably direct and a mask. He was loud and headstrong and bullying. "When confronted with some intellectual point about his trades, Howie wouldn't go to an intellectual place," said one of the people charged with supervising Hubler in his early days at Morgan Stanley. "He would go to 'Get the hell out of my face.'" Some people enjoyed Hubler, some people didn't, but, by early 2004, what others thought didn't really matter anymore, because for nearly a decade Howie Hubler had made money trading bonds for Morgan Stanley. He ran Morgan Stanley's asset-backed bond trading, which effectively put him in charge of the firm's bets on subprime mortgages. Right up to the point the subprime mortgage bond market boomed, and changed what it meant to be an asset-backed bond trader, Hubler's career had resembled Greg Lippmann's. Like every other asset-backed bond trader, he'd been

playing a low-stakes poker game rigged in his favor, since nothing had ever gone seriously wrong in the market. Prices fell, but they always came back. You could either like asset-backed bonds or you could love asset-backed bonds, but there was no point in hating them, because there was no tool for betting against them.

Inside Morgan Stanley, the subprime mortgage lending boom created a who-put-chocolate-in-my-peanut-butter moment. The firm had been a leader in extending into consumer loans the financial technology used to package corporate loans. Morgan Stanley's financial intellectuals—their quants—had been instrumental in teaching the rating agencies, Moody's and S&P, how to evaluate CDOs on pools of asset-backed bonds. It was only natural that someone inside Morgan Stanley should also wonder if he might invent a credit default swap on an asset-backed bond. Howie Hubler's subprime mortgage desk was creating bonds at a new and faster rate. To do so, Hubler's group had to "warehouse" loans, sometimes for months. Between the purchase of the loans and the sale of the bonds made up of those loans, his group was exposed to falling prices. "The whole reason we created the credit default swap was to protect the mortgage desk run by Howie Hubler," said one of its inventors. If Morgan Stanley could find someone to sell it insurance on its loans, Hubler could eliminate the market risk of warehousing home loans.

As originally conceived, in 2003, the subprime mortgage credit default swap was a one-off, nonstandard insurance contract, struck between Morgan Stanley and some other bank or insurance company, outside the gaze of the wider market. No ordinary human being had ever heard of these credit default swaps or, if Morgan Stanley had its way, ever would. By design they were arcane, opaque, illiquid, and thus conveniently difficult for anyone but Morgan Stanley to price. "Bespoke," in market parlance. By late 2004 Hubler had grown cynical about certain subprime mortgage bonds—and wanted to find clever ways to bet against them. The same idea had occurred to Morgan

Stanley's intellectuals. In early 2003 one of them had proposed that they cease to be intellectuals and form a little group that he, the intellectual, would manage—a fact that the traders would quickly forget. “One of the quants actually creates all this stuff and they [Hubler and his traders] stole it from him,” said a Morgan Stanley bond saleswoman who observed the proceedings up close. One of Hubler's close associates, a trader named Mike Edman, became the official creator of a new idea: a credit default swap on what amounted to a timeless pool of subprime loans.

One risk of betting against subprime loans was that, as long as house prices kept rising, borrowers were able to refinance, and pay off their old loans. The pool of loans on which you've bought insurance shrinks, and the amount of your insurance shrinks with it. Edman's credit default swap solved this problem with some fine print in its contracts, which specified that Morgan Stanley was buying insurance on the last outstanding loan in the pool. Morgan Stanley was making a bet not on the entire pool of subprime home loans but on the few loans in the pool least likely to be repaid. The size of the bet, however, remained the same as if no loan in the pool was ever repaid. They had bought flood insurance that, if a drop of water so much as grazed any part of the house, paid them the value of the entire house.

Thus designed, Morgan Stanley's new bespoke credit default swap was virtually certain one day to pay off. For it to pay off in full required losses in the pool of only 4 percent, which pools of subprime mortgage loans experienced in *good times*. The only problem, from the point of view of Howie Hubler's traders, was finding a Morgan Stanley customer stupid enough to take the other side of the bet—that is, to get the customer to sell Morgan Stanley what amounted to home insurance on a house designated for demolition. “They found one client to take the long side of the triple-B tranche of some piece of shit,” says one of their former colleagues, which is a complicated

way of saying that they found a mark. A fool. A customer to be taken advantage of. “That's how it starts—it drives Howie's first trade.”

By early 2005 Howie Hubler had found a sufficient number of fools in the market to acquire 2 billion dollars' worth of these bespoke credit default swaps. From the point of view of the fools, the credit default swaps Howie Hubler was looking to buy must have looked like free money: Morgan Stanley would pay them 2.5 percent a year over the risk-free rate to own, in effect, investment-grade (triple-B-rated) asset-backed bonds. The idea appealed especially to German institutional investors, who either failed to read the fine print or took the ratings at face value.

By the spring of 2005, Howie Hubler and his traders believed, with reason, that these diabolical insurance policies they'd created were dead certain to pay off. They wanted more of them. It was now, however, that Michael Burry began to agitate to buy standardized credit default swaps. Greg Lippmann at Deutsche Bank, a pair of traders at Goldman Sachs, and a few others came together to hammer out the details of the contract. Mike Edman at Morgan Stanley was dragged kicking and screaming into their discussion, for the moment credit default swaps on subprime mortgage bonds were openly traded and standardized, Howie Hubler's group would lose their ability to peddle their murkier, more private version.

It's now April 2006, and the subprime mortgage bond machine is roaring. Howie Hubler is Morgan Stanley's star bond trader, and his group of eight traders is generating, by their estimate, around 20 percent of Morgan Stanley's profits. Their profits have risen from roughly \$400 million in 2004 to \$700 million in 2005, on their way to \$1 billion in 2006. Hubler will be paid \$25 million at the end of the year, but he's no longer happy working as an ordinary bond trader. The best and the brightest Wall Street traders are quitting their big firms to work at hedge funds, where they can make not tens but hundreds of millions.

was costing us two hundred million dollars." To offset the running cost, Hubler decided to sell some credit default swaps on triple-A-rated subprime CDOs, and take in some premiums of his own.\* The problem was that the premiums on the supposedly far less risky triple-A-rated CDOs were only one-tenth of the premiums on the triple-Bs, and so to take in the same amount of money as he was paying out, he'd need to sell credit default swaps in roughly ten times the amount he already owned. He and his traders did this quickly, and apparently without a great deal of discussion, in half a dozen or so massive trades, with Goldman Sachs and Deutsche Bank and a few others.

By the end of January 2007, when the entire subprime mortgage bond industry headed to Las Vegas to celebrate itself, Howie Hubler had sold credit default swaps on roughly 16 billion dollars' worth of triple-A tranches of CDOs. Never had there been such a clear expression of the delusion of the elite Wall Street bond trader and, by extension, the entire subprime mortgage bond market: Between September 2006 and January 2007, the highest-status bond trader inside Morgan Stanley had, for all practical purposes, purchased \$16 billion in triple-A-rated CDOs, composed entirely of triple-B-rated subprime mortgage bonds, which became valueless when the underlying pools of subprime loans experienced losses of roughly 8 percent. In effect, Howie Hubler was betting that some of the triple-B-rated subprime bonds would go bad, but not all of them. He was smart enough to be cynical about his market but not smart enough to realize how cynical he needed to be.

Inside Morgan Stanley, there was apparently never much question whether the company's elite risk takers should be allowed to buy \$16 billion in subprime mortgage bonds. Howie Hubler's proprietary trading group was of course required to supply information about

\* Here it's useful to remember that selling a credit default swap on a thing leaves you with the same financial risk as if you owned it. If the triple-A CDO ends up being worth zero, you lose the same amount whether you bought it outright or sold a credit default swap on it.

its trades to both upper management and risk management, but the information the traders supplied disguised the nature of their risk. The \$16 billion in subprime risk Hubler had taken on showed up in Morgan Stanley's risk reports inside a bucket marked "triple A"—which is to say, they might as well have been U.S. Treasury bonds. They showed up again in a calculation known as value at risk (VaR). The tool most commonly used by Wall Street management to figure out what their traders had just done, VaR measured only the degree to which a given stock or bond had jumped around in the past, with the recent movements receiving a greater emphasis than movements in the more distant past. Having never fluctuated much in value, triple-A-rated subprime-backed CDOs registered on Morgan Stanley's internal reports as virtually riskless. In March 2007 Hubler's traders prepared a presentation, delivered by Hubler's bosses to Morgan Stanley's board of directors, that boasted of their "great structural position" in the subprime mortgage market. No one asked the obvious question: What happens to the great structural position if subprime mortgage borrowers begin to default in greater than expected numbers?

Howie Hubler was taking a huge risk, even if he failed to communicate it or, perhaps, understand it. He'd laid a massive bet on very nearly the same CDO tranches that Cornwall Capital had bet against, composed of nearly the same subprime bonds that FrontPoint Partners and Scion Capital had bet against. For more than twenty years, the bond market's complexity had helped the Wall Street bond trader to deceive the Wall Street customer. It was now leading the bond trader to deceive himself.

At issue was how highly correlated the prices of various subprime mortgage bonds inside a CDO might be. Possible answers ranged from zero percent (their prices had nothing to do with each other) to 100 percent (their prices moved in lockstep with each other). Moody's and Standard & Poor's judged the pools of triple-B-rated bonds to have a correlation of around 30 percent, which did not mean anything

like what it sounds. It does not mean, for example, that if one bond goes bad, there is a 30 percent chance that the others will go bad too. It means that if one bond goes bad, the others experience very little decline at all.

The pretense that these loans were not all essentially the same, doomed to default en masse the moment house prices stopped rising, had justified the decisions by Moody's and S&P to bestow triple-A ratings on roughly 80 percent of every CDO. (And made the entire CDO business possible.) It also justified Howie Hubler's decision to buy 16 billion dollars' worth of them. Morgan Stanley had done as much as any Wall Street firm to persuade the rating agencies to treat consumer loans as they treated corporate ones—as assets whose risks could be dramatically reduced if bundled together. The people who had done the persuading saw it as a sales job: They knew there was a difference between corporate and consumer loans that the rating agencies had failed to grapple with. The difference was that there was very little history to work with in the subprime mortgage bond market, and no history at all of a collapsing national real estate market. Morgan Stanley's elite bond traders did not spend a lot of time worrying about this. Howie Hubler trusted the ratings.

The Wall Street bond traders on the other end of the phone from Howie Hubler came away with the impression that he considered these bets entirely risk-free. He'd collect a tiny bit of interest . . . for nothing. He wasn't alone in this belief, of course. Hubler and a trader at Merrill Lynch argued back and forth about a possible purchase by Morgan Stanley, from Merrill Lynch, of \$2 billion in triple-A CDOs. Hubler wanted Merrill Lynch to pay him 28 basis points (0.28 percent) over the risk-free rate, while Merrill Lynch only wanted to pay 24. On a \$2 billion trade—a trade that would, in the end, have transferred a \$2 billion loss from Merrill Lynch to Morgan Stanley—the two traders were arguing over interest payments amounting to \$800,000 a year. Over that sum the deal fell apart. Hubler had the

same nit-picking argument with Deutsche Bank, with a difference. Inside Deutsche Bank, Greg Lippmann was now hollering at the top of his lungs that these triple-A CDOs could one day be worth zero. Deutsche Bank's CDO machine paid Hubler the 28 basis points he craved and, in December 2006 and January 2007, cut two deals, of \$2 billion each. "When we did the trades, the whole time we were both like, 'We both know there is no risk in these things,'" said the Deutsche Bank CDO executive who dealt with Hubler.

In the murky and curious period from early February to June 2007, the subprime mortgage market resembled a giant helium balloon, bound to earth by a dozen or so big Wall Street firms. Each firm held its rope; one by one, they realized that no matter how strongly they pulled, the balloon would eventually lift them off their feet. In June, one by one, they silently released their grip. By edict of CEO Jamie Dimon, J.P. Morgan had abandoned the market by the late fall of 2006. Deutsche Bank, because of Lippmann, had always held on tenuously. Goldman Sachs was next, and did not merely let go, but turned and made a big bet against the subprime market—further accelerating the balloon's fatal ascent.\* When its subprime hedge funds crashed in June, Bear Stearns was forcibly severed from its line—and the balloon drifted farther from the ground.

\* The timing of Goldman's departure from the subprime market is interesting. Long after the fact, Goldman would claim it had made that move in December 2006. Traders at big Wall Street firms who dealt with Goldman felt certain that the firm did not reverse itself until the spring and early summer of 2007, after New Century, the nation's biggest subprime lender, filed for bankruptcy. If this is indeed when Goldman "got short," it would explain the chaos in both the subprime market and Goldman Sachs, perceived by Mike Burry and others, in late June. Goldman Sachs did not leave the house before it began to burn; it was merely the first to dash through the exit—and then it closed the door behind it.

Not long before that, in April 2007, Howie Hubler, perhaps having misgivings about the size of his gamble, had struck a deal with the guy who ran the doomed Bear Stearns hedge funds, Ralph Cioffi. On April 2, the nation's largest subprime mortgage lender, New Century, was swamped by defaults and filed for bankruptcy. Morgan Stanley would sell Cioffi \$6 billion of his \$16 billion in triple-A CDOs. The price had fallen a bit—Cioffi demanded a yield of 40 basis points (0.40 percent) over the risk-free rate. Hubler conferred with Morgan Stanley's president, Zoe Cruz; together they decided that they'd rather keep the subprime risk than realize a loss that amounted to a few tens of millions of dollars. It was a decision that wound up costing Morgan Stanley nearly \$6 billion, and yet Morgan Stanley's CEO, John Mack, never got involved. "Mack never came and talked to Howie," says one of Hubler's closest associates. "The entire time, Howie never had a single sit-down with Mack."\*

By May 2007, however, there was a growing dispute between

\* There is some dispute about the conversations between Hubler and Cruz. The version of events offered by people close to Zoe Cruz is that she was worried about the legal risk of doing business with Bear Stearns's troubled hedge funds, and that Hubler never completely explained the risk of triple-A-rated CDOs to her, and led her to believe that Morgan Stanley stood no chance of suffering a huge loss—probably because Hubler himself didn't understand the risk. Hubler's friends claim that Cruz seized effective control of Hubler's trade and prevented him from ditching some large chunk of his triple-A CDOs. In my view, and in the view of Wall Street traders, Hubler's story line is far less plausible. "There's no fucking way he said, 'I have to get out now' and she said no," says one trader close to the situation. "No way Howie ever said, 'If we don't get out now we might lose ten billion dollars.' Howie presented her with a case for not getting out." The ability of Wall Street traders to see themselves in their success and their management in their failure would later be echoed, when their firms, which disdained the need for government regulation in good times, insisted on being rescued by government in bad times. Success was individual achievement; failure was a social problem.

Howie Hubler and Morgan Stanley. Amazingly, it had nothing to do with the wisdom of owning \$16 billion in complex securities whose value ultimately turned on the ability of a Las Vegas stripper with five investment properties, or a Mexican strawberry picker with a single \$750,000 home, to make rapidly rising interest payments. The dispute was over Morgan Stanley's failure to deliver on its promise to spin Hubler's proprietary trading group off into its own money management firm, of which he would own 50 percent. Outraged by Morgan Stanley's foot-dragging, Howie Hubler threatened to quit. To keep him, Morgan Stanley promised to pay him, and his traders, an even bigger chunk of GPCG's profits. In 2006, Hubler had been paid \$25 million; in 2007, it was understood, he would make far more.

A month after Hubler and his traders improved the terms of trade between themselves and their employer, Morgan Stanley finally asked the uncomfortable question: What happened to their massive subprime mortgage market bet if lower-middle-class Americans defaulted in greater than expected numbers? How did the bet perform, for instance, using the assumption of losses generated by the most pessimistic Wall Street analyst? Up to that point, Hubler's bet had been "stress tested" for scenarios in which subprime pools experienced losses of 6 percent, the highest losses from recent history. Now Hubler's traders were asked to imagine what would become of their bet if losses reached 10 percent. The demand came directly from Morgan Stanley's chief risk officer, Tom Daula, and Hubler and his traders were angered and disturbed that he would issue it. "It was more than a little weird," says one of them. "There was a lot of angst about it. It was sort of viewed as, These folks don't know what they're talking about. If losses go to ten percent there will be, like, a million homeless people." (Losses in the pools Hubler's group had bet on would eventually reach 40 percent.) As a senior Morgan Stanley executive outside Hubler's group put it, "They didn't want

to show you the results. They kept saying, *That state of the world can't happen.*"

It took Hubler's traders ten days to produce the result they really didn't want to show anyone: Losses of 10 percent turned their complicated bet in subprime mortgages from a projected profit of \$1 billion into a projected loss of \$2.7 billion. As one senior Morgan Stanley executive put it, "The risk officers came back from the stress test looking very upset." Hubler and his traders tried to calm him down. Relax, they said, those kinds of losses will never happen.

The risk department had trouble relaxing, however. To them it seemed as if Hubler and his traders didn't fully understand their own gamble. Hubler kept saying he was betting against the subprime bond market. But if so, why did he lose billions if it collapsed? As one senior Morgan Stanley risk manager put it, "It's one thing to bet on red or black and know that you are betting on red or black. It's another to bet on a form of red and not to know it."

In early July, Morgan Stanley received its first wake-up call. It came from Greg Lippmann and his bosses at Deutsche Bank, who, in a conference call, told Howie Hubler and his bosses that the \$4 billion in credit default swaps Hubler had sold Deutsche Bank's CDO desk six months earlier had moved in Deutsche Bank's favor. Could Morgan Stanley please wire \$1.2 billion to Deutsche Bank by the end of the day? Or, as Lippmann actually put it—according to someone who heard the exchange—*Dude, you owe us one point two billion.*

Triple-A-rated subprime CDOs, of which there were now hundreds of billions of dollars' worth buried inside various Wall Street firms, and which were assumed to be riskless, were now, according to Greg Lippmann, only worth 70 cents on the dollar. Howie Hubler had the same reaction. *What do you mean seventy? Our model says they*

*are worth ninety-five*, said one of the Morgan Stanley people on the phone call.

*Our model says they are worth seventy*, replied one of the Deutsche Bank people.

*Well, our model says they are worth ninety-five*, repeated the Morgan Stanley person, and then went on about how the correlation among the thousands of triple-B-rated bonds in his CDOs was very low, and so a few bonds going bad didn't imply they were all worthless.

At which point Greg Lippmann just said, *Dude, fuck your model. I'll make you a market. They are seventy-seventy-seven. You have three choices. You can sell them back to me at seventy. You can buy some more at seventy-seven. Or you can give me my fucking one point two billion dollars.*

Morgan Stanley didn't want to buy any more subprime mortgage bonds. Howie Hubler didn't want to buy any more subprime-backed bonds: He'd released his grip on the rope that tethered him to the rising balloon. Yet he didn't want to take a loss, and insisted that, despite his unwillingness to buy more at 77, his triple-A CDOs were still worth 95 cents on the dollar. He simply handed the matter to his superiors, who conferred with their equivalents at Deutsche Bank, and finally agreed to wire over \$600 million. The alternative, for Deutsche Bank, was to submit the matter to a panel of three Wall Street banks, randomly selected, to determine what these triple-A CDOs were actually worth. It was a measure of the confusion and delusion on Wall Street that Deutsche Bank didn't care to run that risk.

At any rate, from Deutsche Bank's point of view, the collateral wasn't that big a deal. "When Greg made that call," said a senior Deutsche Bank executive, "it was like last on the list of the things we needed to do to keep our business running. Morgan Stanley had seventy billion dollars in capital. We knew the money was there."

There was even some argument inside Deutsche Bank as to whether Lippmann's price was accurate. "It was such a big number," said a person involved in these discussions, "that a lot of people said it couldn't possibly be right. Morgan Stanley couldn't possibly owe us one point two billion dollars."

They did, however. It was the beginning of a slide that would end just a few months later, in a conference call between Morgan Stanley's CEO and Wall Street's analysts. The defaults mounted, the bonds universally crashed, and the CDOs composed of the bonds followed. Several times on the way down, Deutsche Bank offered Morgan Stanley the chance to exit its trade. The first time Greg Lippmann called him, Howie Hubler might have exited his \$4 billion trade with Deutsche Bank at a loss of \$1.2 billion; the next time Lippmann called, the price of getting out had risen to \$1.5 billion. Each time, Howie Hubler, or one of his traders, argued about the price, and declined to exit. "We fought with those cocksuckers all the way down," says one Deutsche Bank trader. And, all the way down, the debt collectors at Deutsche Bank sensed the bond traders at Morgan Stanley misunderstood their own trade. They weren't lying; they genuinely failed to understand the nature of the subprime CDO. The correlation among triple-B-rated subprime bonds was not 30 percent; it was 100 percent. When one collapsed, they all collapsed, because they were all driven by the same broader economic forces. In the end, it made little sense for a CDO to fall from 100 to 95 to 77 to 70 and down to 7. The subprime bonds beneath them were either all bad or all good. The CDOs were worth either zero or 100.

At a price of 7, Greg Lippmann allowed Morgan Stanley to exit a trade it had entered into at roughly 100 cents on the dollar. On the first \$4 billion of Howie Hubler's \$16 billion folly, the loss came to roughly \$3.7 billion. By then Lippmann was no longer speaking to Howie Hubler, because Howie Hubler was no longer employed at

Morgan Stanley. "Howie was on this vacation thing for a few weeks," says one member of his group, "and then he never came back." He'd been allowed to resign in October 2007, with many millions of dollars the firm had promised him at the end of 2006, to prevent him from quitting. The total losses he left behind him were reported to the Morgan Stanley board as a bit more than \$9 billion: the single largest trading loss in the history of Wall Street. Other firms would lose more, much more; but those losses were typically associated with the generation of subprime mortgage loans. Citigroup and Merrill Lynch and others sat on huge piles of the things when the market crashed, but these were the by-product of their CDO machines. They owned subprime mortgage-backed CDOs less for their own sake than for the fees that their deals would generate once they had sold them. Howie Hubler's loss was the result of a simple bet. Hubler and his traders thought they were smart guys put on earth to exploit the market's stupid inefficiencies. Instead, they simply contributed more inefficiency.

Retiring to New Jersey, with an unlisted number, Howie Hubler took with him the comforting sense that he was not the biggest fool at the table. He might have let go of the balloon rope too late to save Morgan Stanley, but, as he fell to earth, he could look up at the balloon drifting higher in the sky and see Wall Street bodies still dangling from it. In early July, just days before Greg Lippmann had called him to ask for \$1.2 billion, Hubler had found a pair of buyers for his triple-A-rated CDOs. The first was the Mizuho Financial Group, a trading arm of Japan's second biggest bank. As a people, the Japanese had been bewildered by these new American financial creations, and steered clear of them. Mizuho Financial Group, for some reason that would remain known only to itself, set itself up as a clever trader of U.S. subprime bonds, and took \$1 billion in subprime-backed CDOs off Morgan Stanley's hands.

The other, bigger, buyer was UBS—which took \$2 billion in Howie Hubler’s triple-A CDOs, along with a couple of hundred million dollars’ worth of his short position in triple-B-rated bonds. That is, in July, moments before the market crashed, UBS looked at Howie Hubler’s trade and said, “We want some of that, too.” Thus Howie Hubler’s personal purchase of \$16 billion in triple-A-rated CDOs dwindled to something like \$13 billion. A few months later, seeking to explain to its shareholders the \$37.4 billion it had lost in the U.S. subprime markets, UBS would publish a semi-frank report, in which it revealed that a small group of U.S. bond traders employed by UBS had lobbied hard right up until the end for the bank to buy even more of other Wall Street firms’ subprime mortgage bonds. “If people had known about the trade, it would have been open revolt,” said one UBS bond trader close to the action. “It was a very controversial trade in UBS. It was kept very, very secret. There were a lot of people, had they known the trade was happening, would have screamed eight ways from Sunday. We took the correlation trade off Howie’s hands when everyone knew the correlation was one.” (Which is to say, 100 percent.) He further explained that the traders at UBS who executed the trade were motivated mainly by their own models—which, at the moment of the trade, suggested they had turned a profit of \$30 million.

On December 19, 2007, Morgan Stanley held a call for investors. The company wanted to explain how a trading loss of \$9.2 billion—give or take a few billion—had more than overwhelmed the profits generated by its fifty thousand or so employees. “The results we announced today are embarrassing for me; for our firm,” began John Mack. “This was a result of an error in judgment incurred on one desk in our Fixed Income area, and also a failure to manage that risk appropriately. . . . Virtually all write downs this quarter were the result of trading about [*sic*] a single desk on our mortgage business.” The CEO explained that Morgan Stanley had certain “hedges”



# EXHIBIT 8

MS\_CDIB\_000101643 (2)  
From: "Chang, Lucy \(\FID\)\" <Lucy.Chang@morganstanley.com>  
To: "Hubler, Howard \(\FID\)\" <Howard.Hubler@morganstanley.com>  
"Zaremba, Tracey \(\FID\)\" <Tracey.Zaremba@morganstanley.com>  
"Pearce, John \(\FID\)\" <John.Pearce@morganstanley.com>  
"Horowitz, Jonathan \(\FID\)\" <Jonathan.Horowitz@morganstanley.com>  
"Naggar, Joseph \(\FID\)\" <Joseph.Naggar@morganstanley.com>  
"Mocco, Raymond \(\FID\)\" <Raymond.Mocco@morganstanley.com>  
"Taylor, Zachary \(\FID\)\" <Zachary.Taylor@morganstanley.com>  
"Blumberg, Philip \(\FID\)\" <Philip.Blumberg@morganstanley.com>  
"Jones, Graham \(\FID\)\" <Graham.Jones@morganstanley.com>  
"Smetana, Caroline Reiss \(\FID\)\" <Caroline.R.Smetana@morganstanley.com>  
BCC: nobody@autoreply.ms.com  
Date: Feb 15 2006 21:28:55  
Subject: Updated: Proposed CDO Warehouse Committee

When: Friday, February 17, 2006 8:30 AM-9:00 AM (GMT-05:00) Eastern Time (US & Canada).  
Where: 1585 / 2G

\*~\*~\*~\*~\*~\*~\*~\*~\*~\*

Agenda:

1) STACK CDO

-----  
Dial-In Information is as follows:

Domestic: 1.800.761.8522  
International: 1.617.801.9619  
3+ Dial In: 3+761-5581  
3+761-5582  
Chairperson Passcode: 83735853  
Participant Passcode: 70617084

Confidential  
MS\_CDIB\_000101643

# EXHIBIT 9



[FREE Three-week trial of Asset-Backed Alert's newsletter](#)

**Trader Axed, Others Next at Morgan Stanley**

Asset Backed Alert, Harrison Scott Publications Inc. (November 9, 2007)

Morgan Stanley has dismissed at least one trader who contributed to billions of dollars of losses it suffered on investments tied to subprime mortgages.

Managing director Howard "Howie" Hubler, who had been running a proprietary trading unit that saw its fortunes crumble when the debt market took a dive this summer, was fired Nov. 2. Just days later, word got out that Morgan Stanley would join other Wall Street firms that have been taking huge writedowns on mortgage-related holdings.

Morgan Stanley had set up Hubler's so-called global proprietary credit group in April 2006 to trade a range of structured products with an undisclosed amount of the bank's own money. His unit had been turning a handsome profit until the market tanked just over a year later.

More firings are a virtual certainty. In fact, the jobs of all 20-30 staffers in Hubler's unit are in jeopardy, if they aren't gone already. "You always cut off the head first," one trader said.

Morgan Stanley said Wednesday that it had lost \$3.7 billion on investments related to subprime mortgages in the first two months of its fiscal fourth quarter, which began Sept. 1. A day earlier, The Wall Street Journal reported that two analysts had pegged the bank's probable writedowns at \$3 billion to \$6 billion for its entire fourth quarter.

Unlike its rivals, Morgan Stanley doesn't appear to be taking most of those hits because it warehoused troubled assets or retained securities as an underwriter. Rather, the losses stem mainly from proprietary activities that left it with a hefty exposure to CDOs backed by pools of subprime-mortgage bonds.

The extent to which the declines are directly linked to Hubler's team isn't clear, but it stands to reason that his group's activities played a major role. While Morgan Stanley declined to comment, speculation had already been brewing for some time that the unit would eventually have to own up to losses.

The bank, known as one of the most sophisticated proprietary traders on the street, also lost \$480 million on quantitative stock trades during the third quarter, according to the Wall Street Journal.

Morgan Stanley formed Hubler's group as part of a move that split its structured-product trading desk into two. On one side is a "principal" unit tasked with boosting profits by betting Morgan Stanley's own cash - something the bank became interested in after seeing rival Goldman Sachs post big profits through proprietary trades. On the other side, a "client-facing" group deals with outside customers.

Hubler, regarded as a star trader, was allowed to hand-pick the staffers for his division, which fell within the principal unit. They included a number of well-respected proprietary traders and dealmakers.

One of them, Joseph Naggar, jumped to a buy-side position at hedge fund operator GoldenTree Asset Management about two weeks ago. Insiders at Morgan Stanley say Naggar wasn't necessarily headed for the chopping block at the time, but that his move may have been motivated by fears that Hubler's unit would be dissolved.

Naggar was a right-hand man to Hubler, playing a key role in orchestrating many of the team's risky CDO trades. Word is that he started reaching out to GoldenTree months ago.

# EXHIBIT 10

**SPG CDO Warehouse Committee Minutes**  
**February 17, 2006**

**Issues**

The committee met to approve a new transaction: STACK 2006-1.

**STACK 2006-1**

- \$500MM mezzanine cash/synthetic ABS CDO for TCW
- Seeking warehouse approval for up to \$500MM of (\$175MM cash and \$325MM synthetic) (rated Ba3/BB- or better)
- 6 month commitment

**Actions**

- The warehouse line for STACK 2006-1 was approved as presented.

**Presenters**

Graham Jones, Jon Horowitz

**Attendees**

Jon Horowitz, Zach Taylor, Joe Naggar, Erik Siegel, Caroline Reiss Smetana, Graham Jones, John Pearce (phoned in)

# EXHIBIT 11



PREFERENCE SHARE PURCHASE AGREEMENT

This PREFERENCE SHARE PURCHASE AGREEMENT, dated as of April 11, 2006 (this "Agreement"), between STACK 2006-1 LTD., a company duly incorporated and existing under the laws of the Cayman Islands (the "Issuer"), and MORGAN STANLEY ASSET FUNDING INC., a Delaware corporation (the "Purchaser").

WHEREAS, on or prior to the date hereof, the Issuer has duly authorized the issuance and sale of 170,000 or more uncertificated preference shares, par value US\$0.01 per share (the "Preference Shares") which will be sold to the Purchaser in accordance with the terms of this Agreement at a price of US\$1,000 per share;

WHEREAS, the Issuer intends to purchase, from time to time, certain Collateral Debt Securities (as defined below) and to finance the purchase of such Collateral Debt Securities by selling Preference Shares to the Purchaser;

WHEREAS, the Issuer and TCW Asset Management Company ("TCW") have entered into an interim collateral management agreement (the "Interim Collateral Management Agreement"), dated as of the date hereof, pursuant to which TCW will act as interim collateral manager to the Issuer (in such capacity, the "Interim Collateral Manager") in order to facilitate the acquisition of such Collateral Debt Securities by the Issuer; and

WHEREAS, the Issuer intends to enter into a hybrid cash/synthetic collateralized debt obligation transaction (the "CDO Transaction");

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Definitions.

"Account Control Agreement": the account control agreement, dated as of the date hereof, among the Trustee, the Issuer and the Purchaser.

"Accrual Rate": (x) if such Collateral Debt Security is a floating rate obligation, LIBOR plus the Discount Margin and (y) if such Collateral Debt Security is a fixed rate obligation, LIBOR plus the Swap Equivalent Spread. For purposes of this definition, "Discount Margin" means the discount margin of such Collateral Debt Security and "Swap Equivalent Spread" means the spread of such Security over the swap curve, in each case, as agreed upon by the Purchaser and the Interim Collateral Manager, on behalf of the Issuer, at the time the Issuer purchases such Collateral Debt Security.

"Aggregate Redemption Balance": as of any time of determination, an amount not less than zero equal to (a) the sum of all Purchase Prices paid by the Purchaser (whether or not subsequently repaid), *minus* (b) the aggregate amount of payments made to the Purchaser whether in cash pursuant to Section 7(b) or by application of Fair Market Values pursuant to Section 7(c) to reduce the Aggregate Redemption Balance prior to such time.

"Approval Procedures": the procedures specified in Schedule A.



## SCHEDULE A

### Approval Procedures

1. **General Rule.** The Issuer may not purchase or enter into any commitment to purchase any Collateral Debt Security or enter into any Hedge Position unless such Security or Hedge Position has been Approved by the Purchaser and such Approval has not lapsed or been rescinded, in each case as described below.

2. **Standard for Approval.** A Security or Hedge Position will be considered "Approved" by the Purchaser if approved by both (a) the Morgan Stanley trader specified in the table below for the relevant asset class and (b) a member of the Morgan Stanley CDO structuring desk actively involved in the CDO Transaction; *provided, however*, that (i) each such approval shall automatically lapse upon the earlier to occur of the close of business on the fifth Business Day after the approval has been given or the date on which the Issuer or the Interim Collateral Manager, as applicable, obtains actual knowledge of a material adverse event with respect to such Security or Hedge Position and (ii) any such approval may be withdrawn by Morgan Stanley at any time prior to the time at which the Issuer actually becomes obligated to purchase such Security or enters into such Hedge Position.

3. **Approval Mechanics.** Ben Friedland will serve as the point person at Morgan Stanley for approval of any Security or Hedge Position. Such point person will contact the Morgan Stanley trader and CDO structuring desk contact that must approve the Security or Hedge Position. The Issuer (or the Interim Collateral Manager on behalf of the Issuer) will request approval for each specific Security and/or Hedge Position over the phone, via Bloomberg Financial Markets Commodities News or via email. The Morgan Stanley trader for each asset class who is required to provide approval of each Security and any related Hedge Position is:

Asset Class	Trader
Subprime RMBS	John Pearce
CDOs	Erik Siegel
Credit Cards, Auto	John Pearce
CMBS, Real Estate CDOs, REITs	Scott Stelzer
Resi A, Alt. A	Gary Mendelsohn

Once the Issuer or the Interim Collateral Manager has received Approval on behalf of the Issuer and executes the purchase of a Security, the Interim Collateral Manager's sales coverage shall promptly provide a trade ticket with respect to such Approved Security and a confirmation with respect to the related Approved Hedge Position to the Morgan Stanley operations group.

4. **Approval Review Process.** The Purchaser will typically conduct the review of a Security or Hedge Position during the trading day on which such Approval is requested, and will use its best efforts to conduct the review within 48 hours from the time all requested

NY2\1622250\12\YRQ\$12\DOC\64058.0064

information (other than information that cannot be obtained without unreasonable cost or delay) has been provided to Morgan Stanley.

5. Informational Requirements. While the Purchaser would not expect to do so in all cases, the Purchaser or its affiliate may ask the Issuer (or the Interim Collateral Manager on behalf of the Issuer) to provide information (other than information that cannot be obtained without unreasonable cost or delay) on certain Collateral Debt Securities prior to providing its approval with respect thereto, including, but not limited to, the following:

(i) New Issue Bonds: Most up-to-date prospectus, rating presale report, term sheet and/or preliminary prospectus, sources and uses, and verification of modeling by third party service (e.g. Trepp, Intex, or Conquest).

(ii) Additional Information for Secondary Purchases: Most recent remittance or relevant trustee report, servicer watch list and explanation of delinquent loans on CMBS deals, if applicable.

(iii) Additional Information for Below Investment Grade Bonds: Asset Summary Report books (if available) and internal credit memo.

In addition, the Interim Collateral Manager will provide to Morgan Stanley regular updates regarding the status of the Collateral Debt Securities (including, to the extent reasonably available, the collateral underlying the Collateral Debt Securities) and the Hedge Positions and any additional information reasonably requested and reasonably available with respect to the Collateral Debt Securities and/or the Hedge Positions (including, without limitation, final deal documentation, cdi files and additional collateral stratifications).

# EXHIBIT 12



THE WALL STREET JOURNAL  
WSJ.com

May 13, 2010, 11:54 AM ET

## Morgan Stanley, Not Goldman, Was the Real CDO Hitter

By Michael Corkery

Goldman Sachs may be synonymous with CDOs thanks to the SEC allegations and last month's epic Congressional hearing.

But it was Morgan Stanley traders who came across as the real hitters in the mortgage business. [In his book "The Greatest Trade Ever: The Behind-The-Scenes Story of How John Paulson Defied Wall Street and Made Financial History,"](#) the WSJ's Greg Zuckerman described a visit between Morgan and Paulson traders in 2006.

At the time, Morgan traders were far ahead of Paulson in figuring how to make big so-called short bets against the mortgage market:

*Brad Rosenberg, Paulson's bond trader, invited two Morgan Stanley traders, John Pearce and Joseph Naggar, to visit the office, hoping to learn more about the market and include Morgan Stanley as one of its brokers on Paulson's big trade.*

*Pearce and Naggar showed up in khaki pants and polo shirts, saying they didn't have much time to talk because they were late for a golf outing with other clients.*

*"Let's try to make this as brief as we can," Naggar said. Pellegrini and Rosenberg, in suits and ties, handed the Morgan Stanley traders a list of subprime mortgage-backed bonds that the firm was hoping to bet against.*

*"Here are the names we'd like to put more shorts on," Pellegrini said. Pearce and Naggar didn't seem to have much interest in trading with Paulson's team, though, or in spending time on their questions.*



---

*"It sounds like a good trade; maybe we'll do it," Pearce said, with a laugh. Pearce was just humoring them, Rosenberg thought. As they ended the meeting, Pearce said, "Well, if we get more capacity, we'll put it on for you."*

---

*Pearce and Naggar already had placed a few bearish subprime trades for their own firm, though they didn't want to let that on in the meeting.*

---

Contrast the swagger of the polo-shirt wearing Morgan traders with the profile that has emerged of Goldman CDO trader Fabrice Tourre, who expressed personal misgivings to his girlfriends about selling mortgage securities, and his stoic appearance at that congressional hearing. (Still, Tourre does refer to himself as the "Fabulous" Fab in one oft-quoted email, so he doesn't lack at least ironic confidence)

Of course, Morgan Stanley's overall mortgage bets resulted in multi-billion dollar mortgage-related losses in 2007 and 2008, which brought the firm to the brink of collapse. Goldman and Paulson profited handsomely from their mortgage bets. That in large part explains why Goldman, Tourre and Paulson are such targets of public and lawmaker anger, and why Morgan's traders will likely remain footnotes in the history of the mortgage collapse.

Copyright 2008 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit [www.djreprints.com](http://www.djreprints.com)

# EXHIBIT 13



Copyright 2008 ProQuest Information and Learning  
All Rights Reserved  
ProQuest SuperText  
Copyright 2008 HedgeWorld USA  
Reuters Hedgeworld (New York)

April 3, 2008 Thursday

**LENGTH:** 794 words

**HEADLINE:** People Briefs

**BYLINE:** HedgeWorld Staff

**BODY:**

Former Morgan Exec Joins Highland

NEW YORK (HedgeWorld.com) - Gary Mendelsohn, the former head of the prime and near-prime residential mortgage-backed securities business at Morgan Stanley, joined Highland Financial Holdings Group LLC as managing director and senior portfolio manager.

Mr. Mendelsohn was charged with trading fixed-rate and adjustable-rate agency-backed securities, non-agency AAA securities, subordinates, residuals and derivatives in his role at Morgan. Before that he was co-head of Morgan's residential whole loan trading business.

HFH Group is an alternative asset management firm that specializes in fixed-income securities.

Andrews Kurth Creates Subprime and Distressed Practice

HOUSTON - Corporate and litigation law firm Andrews Kurth LLP has formed a mixed disciplinary practice group, the Subprime and Distressed Assets Practice, to provide counsel on subprime-related issues such as assessment of potential claims and liabilities, responding to regulatory inquiries and creating strategic plans to respond to anticipated litigation.

The main team will be made up of senior partners and counsel, including partners Arthur Felsenfeld and Peter Goodman in New York. It also includes Robert Godlewski, partner; Chris Allen, counsel; and Tom Perich, partner, in Houston; and partners Bill Compton, David Barbour and Pat Sargent in Dallas.

The firm also has a team of former prosecutors to assist clients in the event of regulatory inquiry. This regulatory group is led by partner Spence Barasch, who is the former associate director in the Securities and Exchange Commission's Fort Worth, Texas, office.

"Both the SEC and the [Federal Bureau of Investigation] are investigating numerous companies for accounting fraud, insider trading and other violations related to risky loans," said Mr. Barasch in a statement. "Dealing with regulatory agencies is always a delicate endeavor, and is even more so in an environment where government agencies are viewing the subprime loan industry as the latest Enron'-style headline-making corporate scandal. Having competent and experienced counsel is essential."

Gain Capital Appoints CFO

BEDMINSTER, N.J. - Retail foreign exchange trading and services provider Gain Capital Holdings Inc. appointed Henry C. Lyons as chief financial officer. He joins the firm from ACI Worldwide where he was senior vice president and CFO. He has more than 20 years of financial experience.



Mr. Lyons will report to Gain Chief Executive Glenn Stevens in this newly created role. He will be responsible for financial accounting and reporting, strategic business planning and forecasting and corporate development and investor relations activities for Gain and its subsidiaries.

#### Life Settlement Adds Biz Development Head

NEW YORK - Life Settlement Solutions Inc., a provider of life settlements, appointed Tony Corrado Acquadro as vice president of business development. Mr. Acquadro will head the firm's New York office and reports to Chief Executive Larry Simon.

Mr. Acquadro joins LSS from DaVinci Investment Advisors Inc., where he was chairman.

"Life settlements are a non-correlated alternative asset class that provide an attractive investment solution for institutional investors searching for alpha and true diversification," said Mr. Simon in a statement. "We are pleased to have Tony lead our dedicated marketing effort as the industry gains significant traction among sophisticated investors."

#### NyamiNyami Launches Alternatives Job Site

AUSTIN, Texas - Niche job network NyamiNyami Holdings LLC has launched PrivateEquityJobs.com, a fee-based recruiting web site for the private equity and hedge fund industries. It is the first site in a planned network of alternative investment job sites, according to a statement.

The site aims to facilitate communication between candidates, hiring firms and service providers. After getting the core services to market, NyamiNyami plans to eventually add more content for candidates such as articles about market dynamics, career advice, interactive webinars, question-and-answer sessions with industry members and salary and compensation surveys.

"Our market analysis indicated a need for a dedicated resource for candidates, hiring firms, recruiters and professional firms that provides a focused and secure community for all stakeholders, ensuring interests are aligned in a manner that drives business success for all parties," said Simms Browning, chief executive of PrivateEquityJobs.com. "The Internet has become one of the primary methods for communication and research for firms and candidates and niche web sites are continuing to dominate the online job search market, with approximately 64% of all job searches."

NyamiNyami Holdings is the parent corporation of PrivateEquityJobs.com.

#### **CORRECTION:**

**LOAD-DATE:** April 4, 2008

# EXHIBIT 14

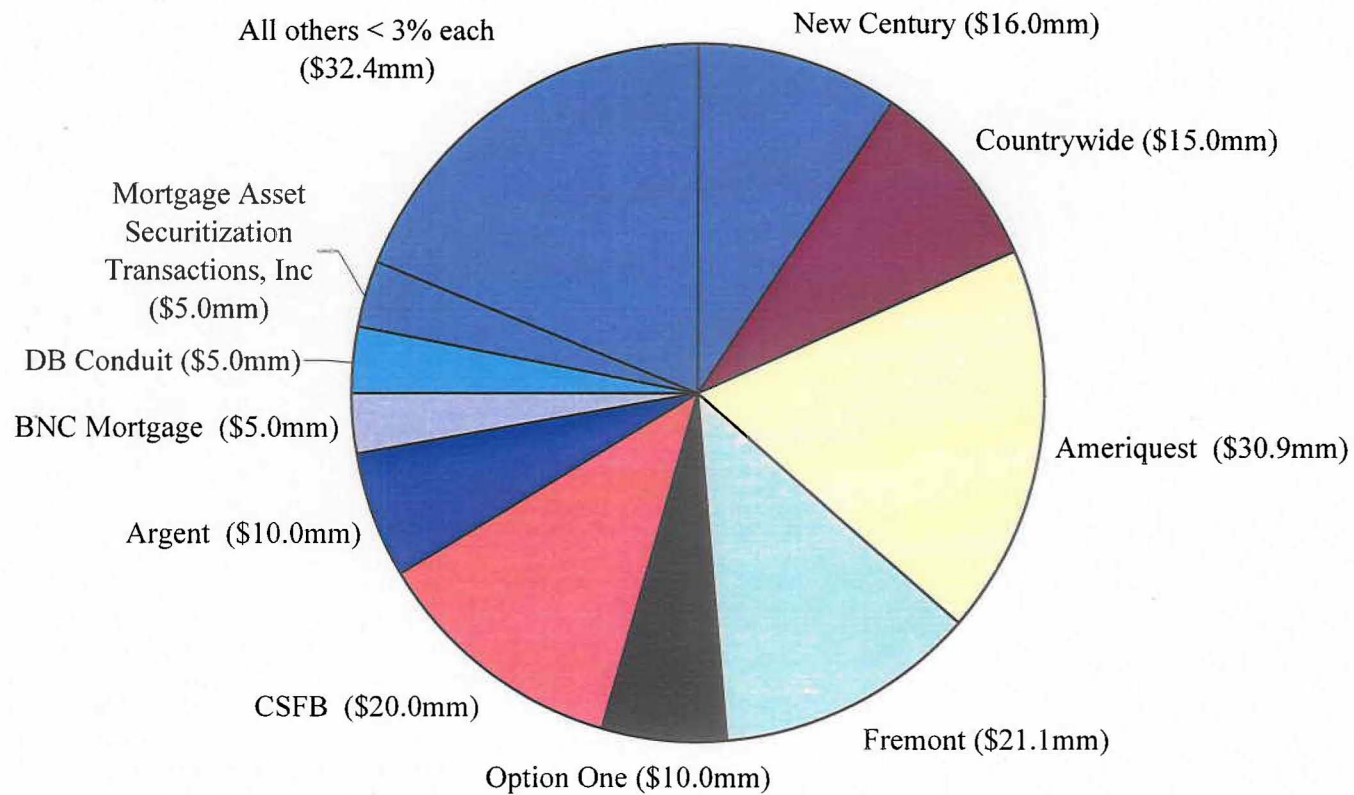
---

**From:** Siegel, Erik (FID) [Erik.Siegel@morganstanley.com]  
**Sent:** Tuesday, August 08, 2006 4:28 PM  
**To:** Horowitz, Jonathan (FID)  
**Subject:** three items

- prop guys would do a gsc type roll with magnetar and take everything from single a and up
- i didnt know we were long galaxy senior notes
- i am going to show the stack ss to prop

# EXHIBIT 15

### Originator Distribution - STACK MS Counterparty



Sources: See MS\_CIDB\_000071139, MS\_CDIB\_000199717, MS\_CDIB\_000072151, MS\_CDIB\_000071382, SEC

# EXHIBIT 16

---

**From:** Horowitz, Jonathan (FID) [Jonathan.Horowitz@morganstanley.com]  
**Sent:** Tuesday, February 28, 2006 12:30 AM  
**To:** Jones, Graham (FID)  
**Subject:** RE: TCW Closing Event

Good idea. Let's invite him

Jonathan Horowitz - Executive Director  
Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-1497  
Fax: +1 212 507-4511  
Jonathan.Horowitz@morganstanley.com

-----Original Message-----

From: Jones, Graham (FID)  
Sent: Monday, February 27, 2006 7:22 PM  
To: Horowitz, Jonathan (FID)  
Subject: Re: TCW Closing Event

Jon

I am available on that day. It might also be appropriate to invite Loris. He did the most work of any analysts in support of the deal as we approached closing and post close.

Graham

Graham Jones  
Morgan Stanley  
1585 Broadway  
New York, NY, 10036  
Phone: +1 212 761-2061  
Graham.Jones@morganstanley.com

-----Original Message-----

From: Horowitz, Jonathan (FID)  
To: Hubler, Howard (FID); Naggar, Joseph (FID); Pearce, John (FID); Hershy, Robert (FID); Friedland, Benjamin (FID); Jones, Graham (FID); Miteva, Elena (FID)  
CC: Rehkamp, Catherine (FID)  
Sent: Mon Feb 27 12:24:02 2006  
Subject: TCW Closing Event

All:

We're doing a TCW closing event at the Mario Andretti Racing School in Las Vegas. Dates are limited, and TCW proposed April 8. Note -- this is a Saturday (we couldn't do this during the week). Can you let me know if you are able to make it? If this works for enough people, we'll need to book this right away.

Thanks

Jonathan Horowitz - Executive Director  
Morgan Stanley | Fixed Income



1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-1497  
Fax: +1 212 507-4511  
Jonathan.Horowitz@morganstanley.com

# EXHIBIT 17

---

**From:** Khadjavi, Laya (FID) [Laya.Khadjavi@morganstanley.com]  
**Sent:** Thursday, March 22, 2007 2:18 PM  
**To:** Horowitz, Jonathan (FID); D'Antonio, Stephen (FID)  
**Cc:** Siegel, Erik (FID); Liu, Angela (FID)  
**Subject:** Re: STACK 06-1

Angela  
Fantastic job.  
Thank you.  
Laya

-----  
Sent from my BlackBerry Wireless Handheld

----- Original Message -----

**From:** Horowitz, Jonathan (FID)  
**To:** D'Antonio, Stephen (FID)  
**Cc:** Khadjavi, Laya (FID); Siegel, Erik (FID); Liu, Angela (FID)  
**Sent:** Thu Mar 22 09:00:37 2007  
**Subject:** STACK 06-1

Steve,

We sold \$275MM of the STACK 06-1 SS to China Development and Industrial Bank, a Taiwanese account. Level is +52 (unfunded). Great work by Angela Liu getting this done for us!

Jon

Jonathan Horowitz - Managing Director

Morgan Stanley | Fixed Income

1585 Broadway | Floor 02

New York, NY 10036

Phone: +1 212 761-1497

Fax: +1 212 507-4511

Jonathan.Horowitz@morganstanley.com

---

**From:** Siegel, Erik (FID) [Erik.Siegel@morganstanley.com]  
**Sent:** Thursday, March 22, 2007 12:45 PM  
**To:** Liu, Angela (FID); Horowitz, Jonathan (FID)  
**Cc:** Lim, JUDY (FID); Lu, Lydia (FID); D'Antonio, Stephen (FID)  
**Subject:** RE: STACK I SS - CDIB

grt job.

---

**From:** Liu, Angela (FID)  
**Sent:** Thursday, March 22, 2007 8:43 AM  
**To:** Horowitz, Jonathan (FID); Siegel, Erik (FID)  
**Cc:** Lim, JUDY (FID); Lu, Lydia (FID)  
**Subject:** STACK I SS - CDIB

Thanks for the great work from Lydia Lu, CDIB leaves us the following order on STACK I:

- \$275MM CDS on STACK I Supersenior swap btb with MS
- written confirmation from MS that they are assigned as the controlling class
- Aaa/AAA rating of the underlying tranche
- Deal listed on Bloomberg
- Commitment fee of 52bps
- Funded coupon of L+67bps

Thanks for the trade

Angela Liu - Vice President  
Morgan Stanley | Securitized Products Group  
Three Exchange Square | Floor 29  
Central, Hong Kong  
Phone: +852 2848 7181  
Cell: +852 9189 0616  
Fax: +852 3407 5431  
Angela.Y.Liu@morganstanley.com

# EXHIBIT 18

---

**From:** Lim, JUDY (FID) [JUDY.LIM@morganstanley.com]  
**Sent:** Friday, March 23, 2007 12:33 AM  
**To:** Lu, Lydia (FID)  
**Subject:** Fw: CDIB

----- Original Message -----

**From:** Horowitz, Jonathan (FID)  
**To:** Lim, JUDY (FID)  
**Sent:** Thu Mar 22 23:14:47 2007  
**Subject:** CDIB

Judy,

I just wanted to post you on a trade which Lydia Lu got done today with CDIB. The client sold protection on the supersenior tranche of a mezzanine ABS CDO, **STACK 2006-1**. One of our most **important axes** right now is moving our ABS CDO supersenior risk, and this trade is a **huge success for us**. Thanks again for your help!

Jon

Jonathan Horowitz - Managing Director

Morgan Stanley | Fixed Income

1585 Broadway | Floor 02

New York, NY 10036

Phone: +1 212 761-1497

Fax: +1 212 507-4511

Jonathan.Horowitz@morganstanley.com

# EXHIBIT 18.1



Message#: 141027

Message Sent: 02/28/2007 10:11:37

From: MSCDOTRADE@bloomberg.net|MS CDO TRADING|MORGAN STANLEY|3063|40745  
To: TUXEDO1@bloomberg.net|GAIL MCDONNELL|MORGAN STANLEY|3063|40745  
To: PMULLEN1@bloomberg.net|PAUL MULLEN|MORGAN STANLEY|3063|40745  
To: IVANA@bloomberg.net|IVANA KOMARCEVIC|MORGAN STANLEY|3063|40745  
To: LJPACE@bloomberg.net|LAWRENCE PACE|MORGAN STANLEY|3063|4155  
To: OHAYON@bloomberg.net|ERIC OHAYON|MORGAN STANLEY|3063|74543  
To: DGLADSTONE@bloomberg.net|DAVID GLADSTONE|MORGAN STANLEY & CO.|3063|379239  
To: DKAVOUR@bloomberg.net|DIMITRI KAVOUR|MORGAN STANLEY|3063|40745  
To: JANGLADE@bloomberg.net|JEROME ANGLADE|MORGAN STANLEY|3063|74543  
To: ARTHURLAI@bloomberg.net|ARTHUR LAI|MORGAN STANLEY|3063|15451  
To: RASK@bloomberg.net|JESPER RASMUSSEN|MORGAN STANLEY|3063|74543  
To: MARMSTRONG@bloomberg.net|MICHAEL ARMSTRONG|MORGAN STANLEY & CO.|3063|402327  
To: TIMJENNISON@bloomberg.net|TIM JENNISON|MORGAN STANLEY BANK|3063|124468  
To: CBUDD@bloomberg.net|CHRISTIE BUDD|MORGAN STANLEY & CO.|3063|503592  
To: JPEARCE@bloomberg.net|JOHN PEARCE|MORGAN STANLEY|3063|40745  
To: BROUS@bloomberg.net|LEONARD BROUS|MORGAN STANLEY|3063|40745  
To: BPATERSON@bloomberg.net|BOB PATERSON|MORGAN STANLEY|3063|40745  
To: DWRIGHT1@bloomberg.net|DAVID WRIGHT|MORGAN STANLEY|3063|74543  
To: SHOLLANDS@bloomberg.net|STEVEN HOLLANDS|MORGAN STANLEY|3063|74543  
To: EDSTIKER@bloomberg.net|NED STIKER|MORGAN STANLEY|3063|40745  
To: YFUNABIKI@bloomberg.net|YOSHIRO FUNABIKI|MORGAN STANLEY|3063|40745  
To: THMOORE@bloomberg.net|TOM MOORE|MORGAN STANLEY & CO.|3063|194788  
To: SMAHADEVAN@bloomberg.net|SIVAN MAHADEVAN|MORGAN STANLEY & CO.|3063|357155  
To: SALVO@bloomberg.net|SALVATORE ORLACCHIO|MORGAN STANLEY|3063|74543  
To: EDYU@bloomberg.net|EDWARD YU|MORGAN STANLEY|3063|40745  
To: JUDYL@bloomberg.net|JUDY LIM|MORGAN STANLEY DW AS|3063|302307  
To: NMAO@bloomberg.net|NAN HWA MAO|MORGAN STANLEY DW AS|3063|302307  
To: PROSEN@bloomberg.net|PAULA ROSEN|MORGAN STANLEY|3063|40745  
To: TMOSES@bloomberg.net|TODD MOSES|MORGAN STANLEY|3063|40745  
To: DFEZER@bloomberg.net|DIANA FEZER|MORGAN STANLEY|3063|74543  
To: WINDOW@bloomberg.net|MICHAEL T NOLAN|MORGAN STANLEY DEAN|3063|203582  
To: MJSARM@bloomberg.net|MARK SHEEHY|MORGAN STANLEY DW IN|3063|421139  
To: OHKEE@bloomberg.net|OHKEE KWON|MORGAN STANLEY BANK|3063|600519  
To: MEDMAN@bloomberg.net|MIKE EDMAN|MORGAN STANLEY|3063|40745  
To: CSTEWE@bloomberg.net|COLIN STEWART|MORGAN STANLEY|3063|40745  
To: IVIDREVICH@bloomberg.net|IGOR VIDREVICH|MORGAN STANLEY|3063|40745  
To: RINGNESS@bloomberg.net|ART RINGNESS|MORGAN STANLEY|3063|4155  
To: MANT@bloomberg.net|MARCO ANTONIOLI|MORGAN STANLEY|3063|74543  
To: BFRIED@bloomberg.net|BEN FRIEDLAND|MORGAN STANLEY|3063|4155  
To: DANAP@bloomberg.net|PIERRE-ALAIN DANA|MORGAN STANLEY & CO.|3063|459338  
To: GWONG@bloomberg.net|GRACE WONG|MORGAN STANLEY|3063|15451  
To: CORTESE@bloomberg.net|MICHELE CORTESE|MORGAN STANLEY|3063|26840  
To: MSSABO@bloomberg.net|EDGAR SABOUNGHI|MORGAN STANLEY|3063|40745  
To: ROSSF@bloomberg.net|ROSS FELDMAN|MORGAN STANLEY|3063|40745  
To: PIETRANTONI@bloomberg.net|ROBERTO PIETRANTONI|MORGAN STANLEY DW IN|3063|473698  
To: MATTZOLA@bloomberg.net|MATT ZOLA|MORGAN STANLEY|3063|74543  
To: KNAPPJ@bloomberg.net|JESSE KNAPP|MORGAN STANLEY|3063|40745  
To: SAWHITE@bloomberg.net|STEVE WHITE|MORGAN STANLEY|3063|74543  
To: RUTA@bloomberg.net|RUTA BRICKUS|MORGAN STANLEY & COM|3063|161530  
To: MPAGLIARI@bloomberg.net|MICHAEL PAGLIARI|MORGAN STANLEY & CO.|3063|629094  
To: LRICARDSON@bloomberg.net|LORRAINE RICHARDSON|MORGAN STANLEY|3063|74543  
To: JHEITZ@bloomberg.net|JEFFREY HEITZNER|MORGAN STANLEY|3063|40745  
To: POHLY@bloomberg.net|MICHAEL B POHLY|MORGAN STANLEY|3063|40745  
To: MKTMAKER@bloomberg.net|RICHARD BAKER|MORGAN STANLEY|3063|74543  
To: RICHALAN@bloomberg.net|RICH PHILLIPS|MORGAN STANLEY & CO.|3063|503592

To: EPOCHTAR@bloomberg.net|ELAINE POCHTAR|MORGAN STANLEY & CO.|3063|402327  
 To: BREKA@bloomberg.net|BRETT KALESKY|MORGAN STANLEY|3063|74543  
 To: MCMAN@bloomberg.net|JOSEPH MCMANUS|MORGAN STANLEY & CO.|3063|402327  
 To: MBREN@bloomberg.net|MICHAEL BRENNAN|MORGAN STANLEY|3063|40745  
 To: ESAKI@bloomberg.net|HOWARD ESAKI|MORGAN STANLEY|3063|40745  
 To: HENNE@bloomberg.net|BRUCE HENNEMUTH|MORGAN STANLEY|3063|40745  
 To: HHUBLER@bloomberg.net|HOWARD HUBLER|MORGAN STANLEY|3063|40745  
 To: PAULG@bloomberg.net|PAUL GUTEKUNT|MORGAN STANLEY & CO.|3063|503592  
 To: BRBURKE@bloomberg.net|BRENDAN BURKE|MORGAN STANLEY & CO.|3063|503592  
 To: LARRYMS@bloomberg.net|LARRY ROSATI|MORGAN STANLEY|3063|40745  
 To: TSAX@bloomberg.net|TOM SAXTON|MORGAN STANLEY|3063|40745  
 To: SHELREYNOLDS@bloomberg.net|SHELDON REYNOLDS|MORGAN STANLEY|3063|40745  
 To: BROWNM@bloomberg.net|MICHAEL A. BROWN|MORGAN STANLEY|3063|40745  
 To: HONSUM009@bloomberg.net|HONSUM IP|MORGAN STANLEY DEAN|3063|304787  
 To: PMACD@bloomberg.net|PATRICK MCDONALD|MORGAN STANLEY|3063|4155  
 To: JAMIEZOE@bloomberg.net|DENNIS SCURLETIS|MORGAN STANLEY|3063|40745  
 To: ECHAN1988@bloomberg.net|EVA CHAN|MORGAN STANLEY DEAN|3063|304787  
 To: ACHKAR@bloomberg.net|HABIB ACHKAR|MORGAN STANLEY|3063|74543  
 To: MILLERT@bloomberg.net|TOM C MILLER|MORGAN STANLEY DW IN|3063|301027  
 To: LEITCH@bloomberg.net|DONALD LEITCH|MORGAN STANLEY|3063|40745  
 To: EADSEADS@bloomberg.net|EADS JOHNSON|MORGAN STANLEY|3063|40745  
 To: LUNATIC@bloomberg.net|MARY ANN WEST|MORGAN STANLEY|3063|40745  
 To: JGROES@bloomberg.net|JONATHAN GROESBECK|MORGAN STANLEY|3063|4155  
 To: ROSEBUD@bloomberg.net|JIM CORCORAN|MORGAN STANLEY DW IN|3063|641629  
 To: WTHORMAN@bloomberg.net|WALTER THORMAN|MORGAN STANLEY|3063|40745  
 To: YARED@bloomberg.net|YARED YAWAND-WOSSEN|MORGAN STANLEY|3063|40745  
 To: DVM@bloomberg.net|DANIEL MAYNARD|MORGAN STANLEY|3063|74543  
 To: ROON@bloomberg.net|ROBERT ROONEY|MORGAN STANLEY|3063|74543  
 To: JOCHAN@bloomberg.net|JOHNSON CHAN|MORGAN STANLEY|3063|15451  
 To: KMJ@bloomberg.net|TOM DRISCOLL|MORGAN STANLEY|3063|40745  
 To: DENNISDJB@bloomberg.net|DENNIS BURNS|MORGAN STANLEY|3063|40745  
 To: EWAN@bloomberg.net|EWAN LABROM|MORGAN STANLEY|3063|74543  
 To: FOUCAUD@bloomberg.net|HUGUES DE FOUCAUD|MORGAN STANLEY & CO.|3063|459338  
 To: DMURPH@bloomberg.net|DAVID L MURPHY|MORGAN STANLEY|3063|40745  
 To: UVILSTRUP@bloomberg.net|ULRICH VILSTRUP|MORGAN STANLEY|3063|74543  
 To: EMARCHOSKY@bloomberg.net|ERNIE MARCHOSKY|MORGAN STANLEY DEAN|3063|7855  
 To: MCCARTHD@bloomberg.net|DARRAGH MCCARTHY|MORGAN STANLEY|3063|74543  
 To: PMONDELLI@bloomberg.net|PAUL MONDELLI|MORGAN STANLEY|3063|74543  
 To: BLOCKHEAD@bloomberg.net|BRYAN R WALTER|MORGAN STANLEY & CO.|3063|503592  
 To: WITTERDEAN@bloomberg.net|KEITH WHITE|MORGAN STANLEY DEAN|3063|126239  
 To: MSDW@bloomberg.net|MARK WESTON|MORGAN STANLEY DEAN|3063|43227  
 To: TMAC@bloomberg.net|TOM MCCAFFREY|MORGAN STANLEY|3063|40745  
 To: JROBINSON2@bloomberg.net|JOHN ROBINSON|MORGAN STANLEY|3063|40745  
 To: GPM1@bloomberg.net|KAREN ORCZYK|MORGAN STANLEY|3063|40745  
 To: MHOCH@bloomberg.net|MIKE HOCH|MORGAN STANLEY DEAN|3063|4847  
 To: DREWZ@bloomberg.net|DREW ZAGER|MORGAN STANLEY DEAN|3063|11841  
 To: MIMI@bloomberg.net|NETTY TSAI|MORGAN STANLEY|3063|40745  
 To: STELZER@bloomberg.net|SCOTT STELZER|MORGAN STANLEY|3063|40745  
 To: MSIDHU@bloomberg.net|MANWIN SIDHU|MORGAN STANLEY JAPAN|3063|41681  
 To: PRASADA@bloomberg.net|AMOL PRASAD|MORGAN STANLEY|3063|40745  
 To: RETAILDWR@bloomberg.net|TONY PERNICE|MORGAN STANLEY DW IN|3063|421139  
 To: GMC MULLEN@bloomberg.net|GREG MCMULLEN|MORGAN STANLEY|3063|40745  
 To: MARTZ@bloomberg.net|KEVIN MARTZ|MORGAN STANLEY DW IN|3063|175616  
 To: RMAHER2@bloomberg.net|RAYMOND MAHER|MORGAN STANLEY DW IN|3063|175616  
 To: MLUECKE@bloomberg.net|MARK LUECKE|MORGAN STANLEY & CO.|3063|503592  
 To: LIP@bloomberg.net|CRAIG LIPSAY|MORGAN STANLEY|3063|40745  
 To: LEDET@bloomberg.net|HOWARD LEDET|MORGAN STANLEY|3063|234522  
 To: ADAM.KIRBY@bloomberg.net|ADAM KIRBY|MORGAN STANLEY|3063|40745  
 To: WKADEL@bloomberg.net|WILLIAM KADEL|MORGAN STANLEY DEAN|3063|12120  
 To: JUNQIANMS@bloomberg.net|JUN QIAN|MORGAN STANLEY|3063|15451

To: DEAN409@bloomberg.net|TOM JULIAN|MORGAN STANLEY DEAN|3063|15512  
 To: ISBRAND@bloomberg.net|ROBERT ISBRANDTSEN|MORGAN STANLEY DW IN|3063|421139  
 To: DANHUGHES@bloomberg.net|DAN HUGHES|MORGAN STANLEY|3063|40745  
 To: HERSHY@bloomberg.net|BOB HERSHY|MORGAN STANLEY|3063|40745  
 To: HNHENICK@bloomberg.net|HOWARD HENICK|MORGAN STANLEY|3063|40745  
 To: EHATALA1@bloomberg.net|EILEEN HATALA|MORGAN STANLEY|3063|4154  
 To: HANNANJIM@bloomberg.net|JIM HANNAN|MORGAN STANLEY DEAN|3063|70233  
 To: JHALLIK@bloomberg.net|JAY HALLIK|MORGAN STANLEY|3063|40745  
 To: JGOULD@bloomberg.net|JEFFREY GOULD|MORGAN STANLEY DW IN|3063|421139  
 To: EFRTITZ@bloomberg.net|ED FRITZ|MORGAN STANLEY & CO.|3063|503592  
 To: CFANELLI@bloomberg.net|CHRIS FANELLI|MORGAN STANLEY|3063|40745  
 To: EVANSW@bloomberg.net|WILLIAM EVANS|MORGAN STANLEY DEAN|3063|12120  
 To: DUBE@bloomberg.net|MIKE DUBECK|MORGAN STANLEY|3063|40745  
 To: SDEAN@bloomberg.net|STEVEN DEAN|MORGAN STANLEY|3063|40745  
 To: MCOUPPAS@bloomberg.net|MONIQUE COUPPAS|MORGAN STANLEY|3063|40745  
 To: CORB@bloomberg.net|HOWARD CORB|MORGAN STANLEY|3063|40745  
 To: KCASSIDY2@bloomberg.net|KEVIN CASSIDY|MORGAN STANLEY DW IN|3063|175620  
 To: BBARRY2@bloomberg.net|BRIAN BARRY|MORGAN STANLEY|3063|40745  
 To: IALAGIC@bloomberg.net|IRENA ALAGIC|MORGAN STANLEY|3063|40745  
 To: REDMAN@bloomberg.net|ATSUO AKAI|MORGAN STANLEY JAPAN|3063|41681  
 To: KABEL@bloomberg.net|KRISTIN ABELY|MORGAN STANLEY|3063|40745  
 To: KBEST2@bloomberg.net|KRISTIN BEST|MORGAN STANLEY|3063|74543  
 To: shalini.sriram@morganstanley.com| | |  
 To: monica.mehra@morganstanley.com| | |  
 To: eric.schneider@morganstanley.com| | |  
 To: vanarkel@ms.com| | |  
 To: JMAUCERI22@bloomberg.net|JOHN MAUCERI|MORGAN STANLEY|3063|40745  
 To: RVARGAS128@bloomberg.net|RUBEN VARGAS|MORGAN STANLEY & CO.|3063|357155  
 To: EPOZZII@bloomberg.net|EMANUELE POZZI|MORGAN STANLEY|3063|26840  
 To: RBLEE@bloomberg.net|BRIAN LEE|MORGAN STANLEY|3063|40745  
 To: ahsim.khan@morganstanley.com| | |  
 To: lucy.chang@morganstanley.com| | |  
 To: DBRODERICK@bloomberg.net|DEVON BRODERICK|MORGAN STANLEY|3063|40745  
 To: erik.siegel@morganstanley.com| | |  
 To: JAHNAVI@bloomberg.net|JAHNAVI BHAGWATI|MORGAN STANLEY|3063|74543  
 To: MARRERO@bloomberg.net|MARGARITA MARRERO BELLO|MORGAN STANLEY|3063|74543  
 To: Marc.Eich@morganstanley.com| | |  
 To: scprun@morganstanley.com| | |  
 To: CSCHMIDLAPP1@bloomberg.net|COOPER SCHMIDLAPP|MORGAN STANLEY|3063|40745  
 To: DOUDAV17@bloomberg.net|DOUG DAVIES|MORGAN STANLEY|3063|40745  
 To: patrick.russell@morganstanley.com| | |  
 To: PLEHMANN2@bloomberg.net|PHILIP LEHMANN|MORGAN STANLEY BANK|3063|124468  
 To: JSHARFIN@bloomberg.net|JACLYN SHARFIN|MORGAN STANLEY|3063|40745  
 To: jeff.dudas@morganstanley.com| | |  
 To: RWAZIM1@bloomberg.net|RANI NAZIM|MORGAN STANLEY|3063|15451  
 To: CHINWINNIE@bloomberg.net|WINNIE CHIN|MORGAN STANLEY|3063|40745  
 To: RICH@bloomberg.net|RICHARD COHEN|MORGAN STANLEY|3063|15451  
 To: HARALD.EPPLE@MORGANSTANLEY.COM| | |  
 To: DSANDOVAL@bloomberg.net|DIANNE SANDOVAL|MORGAN STANLEY|3063|74543  
 To: enrico.donato@morganstanley.com| | |  
 To: JCHIOY1@bloomberg.net|JENNIFER CHIOY|MORGAN STANLEY DW AS|3063|302307  
 To: MJOLSON1@bloomberg.net|MATT OLSON|MORGAN STANLEY & CO.|3063|4153  
 To: GDELEO1@bloomberg.net|GREGORY DELEO|MORGAN STANLEY|3063|40745  
 To: TBATES@bloomberg.net|TREVOR YATES|MORGAN STANLEY & CO.|3063|4153  
 To: JBRILL@bloomberg.net|JAYMIE BRILL|MORGAN STANLEY & CO.|3063|357155  
 To: LWORLDS@bloomberg.net|LEIGH WORLDS|MORGAN STANLEY DEAN|3063|43227  
 To: LKATZ4@bloomberg.net|LEIGH KATZ|MORGAN STANLEY|3063|40745  
 To: GGUO2005@bloomberg.net|GORDON GUO|MORGAN STANLEY|3063|15451  
 To: ANTOINE@bloomberg.net|FRANCOIS ANTOINE|MORGAN STANLEY|3063|74543  
 To: ned.stiker@morganstanley.com| | |

To: RSHOWERS2@bloomberg.net|ROBERT SHOWERS|MORGAN STANLEY|3063|40745  
 To: PAJUSCO@bloomberg.net|CARLO PAJUSCO|MORGAN STANLEY|3063|74543  
 To: LILINGKWAN@bloomberg.net|LI LING KWAN|MORGAN STANLEY DW AS|3063|302307  
 To: HENGZACH@bloomberg.net|ZACHARY HENG|MORGAN STANLEY DW AS|3063|302307  
 To: AHUANG777@bloomberg.net|ALLAN HUANG|MORGAN STANLEY DW AS|3063|302307  
 To: ZUNDELJP@bloomberg.net|JP ZUNDEL|MORGAN STANLEY|3063|4155  
 To: CDAULON@bloomberg.net|CHARLES DAULON DU LAURENS|MORGAN STANLEY & CO.|3063|459338  
 To: ALEXFAR@bloomberg.net|ALEXANDER FAR|MORGAN STANLEY|3063|40745  
 To: IRENEYEN@bloomberg.net|IRENE YEN|MORGAN STANLEY|3063|40745  
 To: JENFU@bloomberg.net|JENNIFER FU|MORGAN STANLEY|3063|74543  
 To: DSHENG1@bloomberg.net|DAVID SHENG|MORGAN STANLEY|3063|40745  
 To: brendan.burke@morganstanley.com| | |  
 To: REARDONR@bloomberg.net|ROBERT P. REARDON JR.|MORGAN STANLEY|3063|40745  
 To: KCAMMIE@bloomberg.net|CAMMIE KWOK|MORGAN STANLEY DEAN|3063|304787  
 To: VIVIANCHEN@bloomberg.net|VIVIAN CHEN|MORGAN STANLEY DEAN|3063|304787  
 To: yared.yawand-wossen@morganstanley.com| | |  
 To: JKIM1@bloomberg.net|JEAN KIM|MORGAN STANLEY|3063|40745  
 To: EWCHAN@bloomberg.net|EVA W CHAN|MORGAN STANLEY|3063|15451  
 To: WANGCHRIS@bloomberg.net|CHRISTINE WANG|MORGAN STANLEY|3063|15451  
 To: KALUND@bloomberg.net|KARINA SCHMITT LUND|MORGAN STANLEY|3063|74543  
 To: SHERBST@bloomberg.net|SCOTT HERBST|MORGAN STANLEY|3063|40745  
 To: SYLVER@bloomberg.net|RACHEL MOHABIR|MORGAN STANLEY|3063|40745  
 To: OPARRA@bloomberg.net|OMAR PARRA|MORGAN STANLEY|3063|40745  
 To: SHANESKIM@bloomberg.net|SHANE KIM|MORGAN STANLEY & CO.|3063|219867  
 To: JREECE@bloomberg.net|MARGRET GERTZ|MORGAN STANLEY & CO.|3063|219867  
 To: CTORRIE@bloomberg.net|CRAIG TORRIE|MORGAN STANLEY|3063|40745  
 To: kevin.martz@ms.com| | |  
 To: j.raymond.maher@morganstanley.com| | |  
 To: mark.luecke@morganstanley.com| | |  
 To: TRUSSO5@bloomberg.net|TINA RUSSO|MORGAN STANLEY|3063|40745  
 To: adam.kirby@morganstanley.com| | |  
 To: thomas.julian@morganstanley.com| | |  
 To: jay.hallik@morganstanley.com| | |  
 To: TDEGNAN@bloomberg.net|TIMOTHY DEGNAN|MORGAN STANLEY & CO.|3063|503592  
 To: AGALAN01@bloomberg.net|ANDREW GALANO|MORGAN STANLEY & CO.|3063|503592  
 To: JBLANCO004@bloomberg.net|JAVIER BLANCO|MORGAN STANLEY & CO.|3063|503592  
 Attachment: 806684479468927\_76681161.HTM  
 Subject: MS ABS CDO SUPER SENIOR OFFERINGS  
 content-type: multipart/mixed;  
 boundary="jsdafkjksdfjkjksdfjkjksdfjkjksdfjkjksdfk"

# MS ABS CDO SUPER SENIOR OFFERING

Please find attached MS offerings on Super Senior for cashflow CDO's. It is a mix of static, managed, mezz, high grade, trigger and no trigger deals, None of the deals are writedown structures. As well, we can entertain offering out ABS CDO protection vs Super Senior.

In terms of levels, please call the desk to go over the specifics in terms of offer levels and spreads.

	Arca 06-1	Arca 06-2	Stack 06-1	Libertas III	ZING 9	Halcyon
Deal Status	Closed	Closed	Closed	In Mkt	In Mkt	Ramping
Size (\$MM)	161.5	355.0	325.0	780.0	211.0	1,275.0
Deal Type	Mezz ABS	Mezz ABS	Mezz ABS	Mezz ABS	CLO^2	HG ABS
Mged/Static	Static	Static	Managed	Managed	Managed	Managed
Selector/Mgr	None	TCW	TCW	Cohen Bros.	ZAIS	Halcyon
Attach	35%	35%	35%	35%	47%	15%
Detach	100%	100%	100%	100%	100%	100%

Amort Type	Prorata	Prorata	Seq	Prorata	Prorata	Prorata
WD Method	No	No	No	No	No	No
AFC Risk	Yes	Yes	No			
Triggers	See attached.					
Super Senior	Funding Occurs					

---



806684479468927\_76681161-35519-2788246.HTM

# EXHIBIT 18.2



Message#: 111385

Message Sent: 02/08/2007 09:16:55

From: MSCDOTRADE@bloomberg.net|MS CDO TRADING|MORGAN STANLEY|3063|40745  
To: MHOMMEY@bloomberg.net|MIKE HOMMEYER|MORGAN STANLEY|3063|40745  
To: TUXEDO1@bloomberg.net|GAIL MCDONNELL|MORGAN STANLEY|3063|40745  
To: PMULLEN1@bloomberg.net|PAUL MULLEN|MORGAN STANLEY|3063|40745  
To: IVANA@bloomberg.net|IVANA KOMARCEVIC|MORGAN STANLEY|3063|40745  
To: LJPACE@bloomberg.net|LAWRENCE PACE|MORGAN STANLEY|3063|4155  
To: OHAYON@bloomberg.net|ERIC OHAYON|MORGAN STANLEY|3063|74543  
To: DGLADSTONE@bloomberg.net|DAVID GLADSTONE|MORGAN STANLEY & CO.|3063|379239  
To: DKAVOUR@bloomberg.net|DIMITRI KAVOUR|MORGAN STANLEY|3063|40745  
To: JANGLADE@bloomberg.net|JEROME ANGLADE|MORGAN STANLEY|3063|74543  
To: ARTHURLAI@bloomberg.net|ARTHUR LAI|MORGAN STANLEY|3063|15451  
To: RASK@bloomberg.net|JESPER RASMUSSEN|MORGAN STANLEY|3063|74543  
To: MARMSTRONG@bloomberg.net|MICHAEL ARMSTRONG|MORGAN STANLEY & CO.|3063|402327  
To: TIMJENNISON@bloomberg.net|TIM JENNISON|MORGAN STANLEY BANK|3063|124468  
To: CBUDD@bloomberg.net|CHRISTIE BUDD|MORGAN STANLEY & CO.|3063|503592  
To: JPEARCE@bloomberg.net|JOHN PEARCE|MORGAN STANLEY|3063|40745  
To: BROUS@bloomberg.net|LEONARD BROUS|MORGAN STANLEY|3063|40745  
To: BPATERSON@bloomberg.net|BOB PATERSON|MORGAN STANLEY|3063|40745  
To: DWRIGHT1@bloomberg.net|DAVID WRIGHT|MORGAN STANLEY|3063|74543  
To: SHOLLANDS@bloomberg.net|STEVEN HOLLANDS|MORGAN STANLEY|3063|74543  
To: EDSTIKER@bloomberg.net|NED STIKER|MORGAN STANLEY|3063|40745  
To: YFUNABIKI@bloomberg.net|YOSHIRO FUNABIKI|MORGAN STANLEY|3063|40745  
To: THMOORE@bloomberg.net|TOM MOORE|MORGAN STANLEY & CO.|3063|194788  
To: SMAHADEVAN@bloomberg.net|SIVAN MAHADEVAN|MORGAN STANLEY & CO.|3063|357155  
To: SALVO@bloomberg.net|SALVATORE ORLACCHIO|MORGAN STANLEY|3063|74543  
To: EDYU@bloomberg.net|EDWARD YU|MORGAN STANLEY|3063|40745  
To: JDMARZ@bloomberg.net|JOHN MARZONIE|MORGAN STANLEY DEAN|3063|12120  
To: JUDYL@bloomberg.net|JUDY LIM|MORGAN STANLEY DW AS|3063|302307  
To: NMAO@bloomberg.net|NAN HWA MAO|MORGAN STANLEY DW AS|3063|302307  
To: PROSEN@bloomberg.net|PAULA ROSEN|MORGAN STANLEY|3063|40745  
To: TMOSES@bloomberg.net|TODD MOSES|MORGAN STANLEY|3063|40745  
To: DFEZER@bloomberg.net|DIANA FEZER|MORGAN STANLEY|3063|74543  
To: WINDOW@bloomberg.net|MICHAEL T NOLAN|MORGAN STANLEY DEAN|3063|203582  
To: MJSARM@bloomberg.net|MARK SHEEHY|MORGAN STANLEY DW IN|3063|421139  
To: OHKEE@bloomberg.net|OHKEE KWON|MORGAN STANLEY BANK|3063|600519  
To: MEDMAN@bloomberg.net|MIKE EDMAN|MORGAN STANLEY|3063|40745  
To: CSTEW@bloomberg.net|COLIN STEWART|MORGAN STANLEY|3063|40745  
To: IVIDREVICH@bloomberg.net|IGOR VIDREVICH|MORGAN STANLEY|3063|40745  
To: RINGNESS@bloomberg.net|ART RINGNESS|MORGAN STANLEY|3063|4155  
To: MANT@bloomberg.net|MARCO ANTONIOLI|MORGAN STANLEY|3063|74543  
To: BFRIED@bloomberg.net|BEN FRIEDLAND|MORGAN STANLEY|3063|4155  
To: DANAP@bloomberg.net|PIERRE-ALAIN DANA|MORGAN STANLEY & CO.|3063|459338  
To: GWONG@bloomberg.net|GRACE WONG|MORGAN STANLEY|3063|15451  
To: CORTESE@bloomberg.net|MICHELE CORTESE|MORGAN STANLEY|3063|26840  
To: MSSABO@bloomberg.net|EDGAR SABOUNGHI|MORGAN STANLEY|3063|40745  
To: ROSSF@bloomberg.net|ROSS FELDMAN|MORGAN STANLEY|3063|40745  
To: PIETRANTONI@bloomberg.net|ROBERTO PIETRANTONI|MORGAN STANLEY DW IN|3063|473698  
To: MATTZOLA@bloomberg.net|MATT ZOLA|MORGAN STANLEY|3063|74543  
To: KNAPPJ@bloomberg.net|JESSE KNAPP|MORGAN STANLEY|3063|40745  
To: SAWHITE@bloomberg.net|STEVE WHITE|MORGAN STANLEY|3063|74543  
To: RUTA@bloomberg.net|RUTA BRICKUS|MORGAN STANLEY & COM|3063|161530  
To: MPAGLIARI@bloomberg.net|MICHAEL PAGLIARI|MORGAN STANLEY & CO.|3063|629094  
To: LRICHARDSON@bloomberg.net|LORRAINE RICHARDSON|MORGAN STANLEY|3063|74543  
To: JHEITZ@bloomberg.net|JEFFREY HEITZNER|MORGAN STANLEY|3063|40745  
To: POILLY@bloomberg.net|MICHAEL B POHLY|MORGAN STANLEY|3063|40745



To: MKTMAKER@bloomberg.net|RICHARD BAKER|MORGAN STANLEY|3063|74543  
 To: RICHALAN@bloomberg.net|RICH PHILLIPS|MORGAN STANLEY & CO.|3063|503592  
 To: EPOCHTAR@bloomberg.net|ELAINE POCHTAR|MORGAN STANLEY & CO.|3063|402327  
 To: BREKA@bloomberg.net|BRETT KALESKY|MORGAN STANLEY|3063|74543  
 To: MCMAN@bloomberg.net|JOSEPH MCMANUS|MORGAN STANLEY|3063|40745  
 To: MBREN@bloomberg.net|MICHAEL BRENNAN|MORGAN STANLEY|3063|40745  
 To: ESAKI@bloomberg.net|HOWARD ESAKI|MORGAN STANLEY|3063|40745  
 To: HENNE@bloomberg.net|BRUCE HENNEMUTH|MORGAN STANLEY|3063|40745  
 To: HHUBLER@bloomberg.net|HOWARD HUBLER|MORGAN STANLEY|3063|40745  
 To: PAULG@bloomberg.net|PAUL GUTEKUNST|MORGAN STANLEY & CO.|3063|503592  
 To: BRBURKE@bloomberg.net|BRENDAN BURKE|MORGAN STANLEY & CO.|3063|503592  
 To: LARRYMBS@bloomberg.net|LARRY ROSATI|MORGAN STANLEY|3063|40745  
 To: TSAX@bloomberg.net|TOM SAXTON|MORGAN STANLEY|3063|40745  
 To: SHELREYNOLDS@bloomberg.net|SHELDON REYNOLDS|MORGAN STANLEY|3063|40745  
 To: BROWNM@bloomberg.net|MICHAEL A. BROWN|MORGAN STANLEY|3063|40745  
 To: HONSUM009@bloomberg.net|HONSUM IP|MORGAN STANLEY DEAN|3063|304787  
 To: PMACD@bloomberg.net|PATRICK MCDONALD|MORGAN STANLEY|3063|4155  
 To: JAMIEZOE@bloomberg.net|DENNIS SCURLETIS|MORGAN STANLEY|3063|40745  
 To: ECHAN1988@bloomberg.net|EVA CHAN|MORGAN STANLEY DEAN|3063|304787  
 To: ACHKAR@bloomberg.net|HABIB ACHKAR|MORGAN STANLEY|3063|74543  
 To: MILLERT@bloomberg.net|TOM C MILLER|MORGAN STANLEY DW IN|3063|301027  
 To: LEITCH@bloomberg.net|DONALD LEITCH|MORGAN STANLEY|3063|40745  
 To: EADSEADS@bloomberg.net|EADS JOHNSON|MORGAN STANLEY|3063|40745  
 To: LUNATIC@bloomberg.net|MARY ANN WEST|MORGAN STANLEY|3063|40745  
 To: JGROES@bloomberg.net|JONATHAN GROESBECK|MORGAN STANLEY|3063|4155  
 To: ROSEBUD@bloomberg.net|JIM CORCORAN|MORGAN STANLEY DW IN|3063|641629  
 To: WTHORMAN@bloomberg.net|WALTER THORMAN|MORGAN STANLEY|3063|40745  
 To: YARED@bloomberg.net|YARED YAWAND-WOSSEN|MORGAN STANLEY|3063|40745  
 To: DVM@bloomberg.net|DANIEL MAYNARD|MORGAN STANLEY|3063|74543  
 To: ROON@bloomberg.net|ROBERT ROONEY|MORGAN STANLEY|3063|74543  
 To: JOCHAN@bloomberg.net|JOHNSON CHAN|MORGAN STANLEY|3063|15451  
 To: KMJ@bloomberg.net|TOM DRISCOLL|MORGAN STANLEY|3063|40745  
 To: DENNISDJB@bloomberg.net|DENNIS BURNS|MORGAN STANLEY|3063|40745  
 To: EWAN@bloomberg.net|EWAN LABROM|MORGAN STANLEY|3063|74543  
 To: FOUCAUD@bloomberg.net|HUGUES DE FOUCAUD|MORGAN STANLEY & CO.|3063|459338  
 To: DMURPHE@bloomberg.net|DAVID L MURPHY|MORGAN STANLEY|3063|40745  
 To: UVILSTRUP@bloomberg.net|ULRICH VILSTRUP|MORGAN STANLEY|3063|74543  
 To: EMARCHOSKY@bloomberg.net|ERNIE MARCHOSKY|MORGAN STANLEY DEAN|3063|7855  
 To: MCCARTHDE@bloomberg.net|DARRAGH MCCARTHY|MORGAN STANLEY|3063|74543  
 To: PMONDELLI@bloomberg.net|PAUL MONDELLI|MORGAN STANLEY|3063|74543  
 To: BLOCKHEAD@bloomberg.net|BRYAN R WALTER|MORGAN STANLEY & CO.|3063|503592  
 To: WITTERDEAN@bloomberg.net|KEITH WHITE|MORGAN STANLEY DEAN|3063|126239  
 To: MSDW@bloomberg.net|MARK WESTON|MORGAN STANLEY DEAN|3063|43227  
 To: TMAC@bloomberg.net|TOM MCCAFFREY|MORGAN STANLEY|3063|40745  
 To: JROBINSON2@bloomberg.net|JOHN ROBINSON|MORGAN STANLEY|3063|40745  
 To: GPM1@bloomberg.net|KAREN ORCZYK|MORGAN STANLEY|3063|40745  
 To: MHOCH@bloomberg.net|MIKE HOCH|MORGAN STANLEY DEAN|3063|4847  
 To: DREWZ@bloomberg.net|DREW ZAGER|MORGAN STANLEY DEAN|3063|11841  
 To: MIMI@bloomberg.net|NETTY TSAI|MORGAN STANLEY|3063|40745  
 To: STELZER@bloomberg.net|SCOTT STELZER|MORGAN STANLEY|3063|40745  
 To: MSIDHU@bloomberg.net|MANWIN SIDHU|MORGAN STANLEY JAPAN|3063|41681  
 To: PRASADA@bloomberg.net|AMOL PRASAD|MORGAN STANLEY|3063|40745  
 To: RETAILDWR@bloomberg.net|TONY PERNICE|MORGAN STANLEY DW IN|3063|421139  
 To: GCMCULLEN@bloomberg.net|GREG MCMULLEN|MORGAN STANLEY|3063|40745  
 To: MARTZ@bloomberg.net|KEVIN MARTZ|MORGAN STANLEY DW IN|3063|175616  
 To: RMAHER2@bloomberg.net|RAYMOND MAHER|MORGAN STANLEY DW IN|3063|175616  
 To: MLUECKE@bloomberg.net|MARK LUECKE|MORGAN STANLEY & CO.|3063|503592  
 To: LIP@bloomberg.net|CRAIG LIPSAY|MORGAN STANLEY|3063|40745  
 To: LEDET@bloomberg.net|HOWARD LEDET|MORGAN STANLEY|3063|234522  
 To: ADAM.KIRBY@bloomberg.net|ADAM KIRBY|MORGAN STANLEY|3063|40745

To: WKADEL@bloomberg.net|WILLIAM KADEL|MORGAN STANLEY DEAN|3063|12120  
 To: JUNQIANMS@bloomberg.net|JUN QIAN|MORGAN STANLEY|3063|15451  
 To: DEAN409@bloomberg.net|TOM JULIAN|MORGAN STANLEY DEAN|3063|15512  
 To: ISBRAND@bloomberg.net|ROBERT ISBRANDTSEN|MORGAN STANLEY DW IN|3063|421139  
 To: DANHUGHES@bloomberg.net|DAN HUGHES|MORGAN STANLEY|3063|40745  
 To: HERSHY@bloomberg.net|BOB HERSHY|MORGAN STANLEY|3063|40745  
 To: HHENICK@bloomberg.net|HOWARD HENICK|MORGAN STANLEY|3063|40745  
 To: CHAYES1@bloomberg.net|\*\*\*\*\* DELETE|MORGAN STANLEY & CO.|3063|503592  
 To: EHATALA1@bloomberg.net|EILEEN HATALA|MORGAN STANLEY|3063|4154  
 To: HANNANJIM@bloomberg.net|JIM HANNAN|MORGAN STANLEY DEAN|3063|70233  
 To: JHALLIK@bloomberg.net|JAY HALLIK|MORGAN STANLEY|3063|40745  
 To: JOHNGRI@bloomberg.net|JOHN GRIFFITHS|MORGAN STANLEY|3063|40745  
 To: JGOULD@bloomberg.net|JEFFREY GOULD|MORGAN STANLEY DW IN|3063|421139  
 To: EFRITZ@bloomberg.net|ED FRITZ|MORGAN STANLEY & CO.|3063|503592  
 To: CFANELLI@bloomberg.net|CHRIS FANELLI|MORGAN STANLEY|3063|40745  
 To: EVANSW@bloomberg.net|WILLIAM EVANS|MORGAN STANLEY DEAN|3063|12120  
 To: DUBE@bloomberg.net|MIKE DUBECK|MORGAN STANLEY|3063|40745  
 To: SDEAN@bloomberg.net|STEVEN DEAN|MORGAN STANLEY|3063|40745  
 To: MCOUPPAS@bloomberg.net|MONIQUE COUPPAS|MORGAN STANLEY|3063|40745  
 To: CORB@bloomberg.net|HOWARD CORB|MORGAN STANLEY|3063|40745  
 To: KCASSIDY2@bloomberg.net|KEVIN CASSIDY|MORGAN STANLEY DW IN|3063|175620  
 To: BBARRY2@bloomberg.net|BRIAN BARRY|MORGAN STANLEY|3063|40745  
 To: IALAGIC@bloomberg.net|IRENA ALAGIC|MORGAN STANLEY|3063|40745  
 To: REDMAN@bloomberg.net|ATSUO AKAI|MORGAN STANLEY JAPAN|3063|41681  
 To: KABEL@bloomberg.net|KRISTIN ABELY|MORGAN STANLEY|3063|40745  
 To: TTHATE1@bloomberg.net|TOBI THATE|MORGAN STANLEY BANK|3063|124468  
 To: KBEST2@bloomberg.net|KRISTIN BEST|MORGAN STANLEY|3063|74543  
 To: shalini.sriram@morganstanley.com| | |  
 To: cathy.zeng@morganstanley.com| | |  
 To: MKARIM3@bloomberg.net|MEHRIN KARIM|MORGAN STANLEY|3063|74543  
 To: monica.mehra@morganstanley.com| | |  
 To: eric.schneider@morganstanley.com| | |  
 To: RVARGAS128@bloomberg.net|RUBEN VARGAS|MORGAN STANLEY & CO.|3063|357155  
 To: EPOZZI@bloomberg.net|EMANUELE POZZI|MORGAN STANLEY|3063|26840  
 To: ahsim.khan@morganstanley.com| | |  
 To: lucy.chang@morganstanley.com| | |  
 To: DBRODERICK@bloomberg.net|DEVON BRODERICK|MORGAN STANLEY|3063|40745  
 To: erik.siegel@morganstanley.com| | |  
 To: JAHNAVI@bloomberg.net|JAHNAVI BHAGWATI|MORGAN STANLEY|3063|74543  
 To: MARRERO@bloomberg.net|MARGARITA MARRERO BELLO|MORGAN STANLEY|3063|74543  
 To: Marc.Eich@morganstanley.com| | |  
 To: scprun@morganstanley.com| | |  
 To: CSCHMIDLAPP1@bloomberg.net|COOPER SCHMIDLAPP|MORGAN STANLEY|3063|40745  
 To: DOUDAV17@bloomberg.net|DOUG DAVIES|MORGAN STANLEY|3063|40745  
 To: patrick.russell@morganstanley.com| | |  
 To: jeff.dudas@morganstanley.com| | |  
 To: RNAZIMI@bloomberg.net|RANI NAZIM|MORGAN STANLEY|3063|15451  
 To: CHINWINNIE@bloomberg.net|WINNIE CHIN|MORGAN STANLEY|3063|40745  
 To: RICH@bloomberg.net|RICHARD COHEN|MORGAN STANLEY|3063|15451  
 To: HARALD.EPPLE@MORGANSTANLEY.COM| | |  
 To: KWIVIETSKY1@bloomberg.net|KENNY WIVIETSKY|MORGAN STANLEY|3063|40745  
 To: SIMMGARE@bloomberg.net|GARETH SIMMONS|MORGAN STANLEY|3063|74543  
 To: enrico.donato@morganstanley.com| | |  
 To: JCHIOY1@bloomberg.net|JENNIFER CHIOY|MORGAN STANLEY DW AS|3063|302307  
 To: MJOLSON1@bloomberg.net|MATT OLSON|MORGAN STANLEY & CO.|3063|4153  
 To: PATMCWALTER@bloomberg.net|PATRICK MCWALTER|MORGAN STANLEY &  
 CO.|3063|503592  
 To: TBYATES@bloomberg.net|TREVOR YATES|MORGAN STANLEY & CO.|3063|4153  
 To: JBRILL@bloomberg.net|JAYMIE BRILL|MORGAN STANLEY & CO.|3063|357155  
 To: LWORLDS@bloomberg.net|LEIGH WORLDS|MORGAN STANLEY DEAN|3063|43227



To: LKATZ4@bloomberg.net|LEIGH KATZ|MORGAN STANLEY|3063|40745  
 To: GGUO2005@bloomberg.net|GORDON GUO|MORGAN STANLEY|3063|15451  
 To: ANTOINE@bloomberg.net|FRANCOIS ANTOINE|MORGAN STANLEY|3063|74543  
 To: ned.stiker@morganstanley.com| | |  
 To: RSHOWERS2@bloomberg.net|ROBERT SHOWERS|MORGAN STANLEY|3063|40745  
 To: PAJUSCO@bloomberg.net|CARLO PAJUSCO|MORGAN STANLEY|3063|74543  
 To: HENGZACH@bloomberg.net|ZACHARY HENG|MORGAN STANLEY DW AS|3063|302307  
 To: AHUANG777@bloomberg.net|ALLAN HUANG|MORGAN STANLEY DW AS|3063|302307  
 To: EILTEO@bloomberg.net|EILEEN TEO|MORGAN STANLEY DW AS|3063|302307  
 To: ZUNDELJP@bloomberg.net|JP ZUNDEL|MORGAN STANLEY|3063|4155  
 To: CDAULON@bloomberg.net|CHARLES DAULON DU LAURENS|MORGAN STANLEY & CO.|3063|459338  
 To: IRENEYEN@bloomberg.net|IRENE YEN|MORGAN STANLEY|3063|40745  
 To: JENFU@bloomberg.net|JENNIFER FU|MORGAN STANLEY|3063|74543  
 To: DSHENG1@bloomberg.net|DAVID SHENG|MORGAN STANLEY|3063|40745  
 To: brendan.burke@morganstanley.com| | |  
 To: REARDONR@bloomberg.net|ROBERT P. REARDON JR.|MORGAN STANLEY|3063|40745  
 To: KCAMMIE@bloomberg.net|CAMMIE KWOK|MORGAN STANLEY DEAN|3063|304787  
 To: VIVIANCHEN@bloomberg.net|VIVIAN CHEN|MORGAN STANLEY DEAN|3063|304787  
 To: yared.yawand-wossen@morganstanley.com| | |  
 To: JKIM1@bloomberg.net|JEAN KIM|MORGAN STANLEY|3063|40745  
 To: EWCHAN@bloomberg.net|EVA W CHAN|MORGAN STANLEY|3063|15451  
 To: WANGCHRIS@bloomberg.net|CHRISTINE WANG|MORGAN STANLEY|3063|15451  
 To: J\_LAU@bloomberg.net|JOHNNY LAU|MORGAN STANLEY|3063|15451  
 To: KALUND@bloomberg.net|KARINA SCHMITT LUND|MORGAN STANLEY|3063|74543  
 To: SHERBST@bloomberg.net|SCOTT HERBST|MORGAN STANLEY|3063|40745  
 To: SYLVER@bloomberg.net|RACHEL MOHABIR|MORGAN STANLEY|3063|40745  
 To: OPARRA@bloomberg.net|OMAR PARRA|MORGAN STANLEY|3063|40745  
 To: SHANESKM@bloomberg.net|SHANE KIM|MORGAN STANLEY & CO.|3063|219867  
 To: JREECE@bloomberg.net|MARGRET GERTZ|MORGAN STANLEY & CO.|3063|219867  
 To: CTORRIE@bloomberg.net|CRAIG TORRIE|MORGAN STANLEY|3063|40745  
 To: kevin.martz@ms.com| | |  
 To: j.raymond.maher@morganstanley.com| | |  
 To: mark.luecke@morganstanley.com| | |  
 To: TRUSSO5@bloomberg.net|TINA RUSSO|MORGAN STANLEY|3063|40745  
 To: adam.kirby@morganstanley.com| | |  
 To: thomas.julian@morganstanley.com| | |  
 To: RTOUCHTON@bloomberg.net|\*\*\*\*\* DELETE|MORGAN STANLEY|3063|40745  
 Attachment: 3599477649255\_40851111.htm  
 Attachment: 3599477649257\_MS CDO C.xls  
 Subject: \*\*\*MS ABS CDO CDS BUY PROTECTION AXES\*\*\*  
 content-type: multipart/mixed;  
 boundary="jsdafkjksdfjkjksdfjkjdsfjkjdsfjkdskfjkjsdfk"

\*\*\*MS ABS CDO CDS BUY PROTECTION AXES\*\*\*  
 \$10MM EACH. CALL DESK FOR BBB QUOTES ON THESE DEALS.  

Name	CUSIP	Rating	MS Bid for Protection (CDS)
ACABS 2006-1A A3L	00082WAD2	A2/A	230 bps (V)
ACABS 2006-2A A3L	00389PAD7	A2/A	250 bps (V)
ACCDO 9A C	00388QAE4	A2/A	125 bps (V)
ADMSQ 2006-1A C	006368AC8	A2/A	250 bps (V)
AURIG 2006-1A D	05156HAF0	A2/A	230 bps (V)
BFSCL 2006-1A D	08861KAC0	A2/A	205 bps (V)
BROD 2006-2A C	112018AF3	A2/A	205 bps (V)
CAMBR 6A D	13189TAE2	A2/A	235 bps (V)
CACDO 2006-1A C1	142146AE9	A2/A	225 bps (V)
CCRK 2006-1A A3	164553AD1	A2/A	250 bps (V)
COMMO 2006-5A C	202636AG1	A2/A	235 bps (V)
DGCDO 2006-2A C	25454XAD7	A2/A	225 bps (V)
ETRD 2006-5A A3	26925WAD8	A2/A	225 bps (V)

FRLNG 2006-1A A3	361068AD1	A2/A	210 bps (V)
GEMST 2006-6A C	36868QAE7	A2/A	220 bps (V)
GLCR 2006-4A C	37638NAD3	A2/A	200 bps (V)
KEFT 2006-1A 5	487520AJ7	A2/A	235 bps (V)
KNOLL 2006-2A C	49916RAE0	A2/A	210 bps (V)
MIDOR 2006-1A C	59802RAL0	A2/A	210 bps (V)
MKP 6A C	553129AD9	A2/A	240 bps (V)
VELA 2006-1A C	55313HAC2	A2/A	235 bps (V)
NEPTN 2006-3A B	64069PAJ7	A2/A	215 bps (V)
OCTAN 2006-2A C1	67572JAC9	A2/A	210 bps (F)
PYXIS 2006-1A C	74732AAD9	A2/A	245 bps (V)
RDGW 2006-1A B	766167AF7	A2/A	265 bps (V)
SHERW 2006-3A A3	82442VAD7	A2/A	225 bps (V)
SIXAV 2006-1A C	830087AJ1	A2/A	250 bps (V)
STAK 2006-1A 5	85233TAD8	A2/A	225 bps (V)
STAK 2006-2A 5	85234AAG1	A2/A	225 bps (V)
TABS 2006-6A A3	87337YAD8	A2/A	

---



3599477649255\_40851111-41447-2989236.htm



3599477649257\_MS\_CDO\_C-40960-1870570.xls

# EXHIBIT 19



This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit [www.nytreprints.com](http://www.nytreprints.com) for samples and additional information. **Order a reprint of this article now.**



March 14, 2012

# Why I Am Leaving Goldman Sachs

By GREG SMITH

TODAY is my last day at Goldman Sachs. After almost 12 years at the firm — first as a summer intern while at Stanford, then in New York for 10 years, and now in London — I believe I have worked here long enough to understand the trajectory of its culture, its people and its identity. And I can honestly say that the environment now is as toxic and destructive as I have ever seen it.

To put the problem in the simplest terms, the interests of the client continue to be sidelined in the way the firm operates and thinks about making money. Goldman Sachs is one of the world's largest and most important investment banks and it is too integral to global finance to continue to act this way. The firm has veered so far from the place I joined right out of college that I can no longer in good conscience say that I identify with what it stands for.

It might sound surprising to a skeptical public, but culture was always a vital part of Goldman Sachs's success. It revolved around teamwork, integrity, a spirit of humility, and always doing right by our clients. The culture was the secret sauce that made this place great and allowed us to earn our clients' trust for 143 years. It wasn't just about making money; this alone will not sustain a firm for so long. It had something to do with pride and belief in the organization. I am sad to say that I look around today and see virtually no trace of the culture that made me love working for this firm for many years. I no longer have the pride, or the belief.

But this was not always the case. For more than a decade I recruited and mentored candidates through our grueling interview process. I was selected as one of 10 people (out of a firm of more than 30,000) to appear on our recruiting video, which is played on every college campus we visit around the world. In 2006 I managed the summer intern program in sales and trading in New York for the 80 college students who made the cut, out of the thousands who applied.

I knew it was time to leave when I realized I could no longer look students in the eye and tell them what a great place this was to work.

When the history books are written about Goldman Sachs, they may reflect that the current chief executive officer, Lloyd C. Blankfein, and the president, Gary D. Cohn, lost hold of the firm's culture on their watch. I truly believe that this decline in the firm's moral fiber represents the single most serious threat to its long-run survival.

Over the course of my career I have had the privilege of advising two of the largest hedge funds on the planet, five of the largest asset managers in the United States, and three of the most prominent sovereign wealth funds in the Middle East and Asia. My clients have a total asset base of more than a trillion dollars. I have always taken a lot of pride in advising my clients to do what I believe is right for them, even if it means less money for the firm. This view is becoming increasingly unpopular at Goldman Sachs. Another sign that it was time to leave.

How did we get here? The firm changed the way it thought about leadership. Leadership used to be about ideas, setting an example and doing the right thing. Today, if you make enough money for the firm (and are not currently an ax murderer) you will be promoted into a position of influence.

What are three quick ways to become a leader? a) Execute on the firm's "axes," which is Goldman-speak for persuading your clients to invest in the stocks or other products that we are trying to get rid of because they are not seen as having a lot of potential profit. b) "Hunt Elephants." In English: get your clients — some of whom are sophisticated, and some of whom aren't — to trade whatever will bring the biggest profit to Goldman. Call me old-fashioned, but I don't like selling my clients a product that is wrong for them. c) Find yourself sitting in a seat where your job is to trade any illiquid, opaque product with a three-letter acronym.

Today, many of these leaders display a Goldman Sachs culture quotient of exactly zero percent. I attend derivatives sales meetings where not one single minute is spent asking questions about how we can help clients. It's purely about how we can make the most possible money off of them. If you were an alien from Mars and sat in on one of these meetings, you would believe that a client's success or progress was not part of the thought process at all.

It makes me ill how callously people talk about ripping their clients off. Over the last 12 months I have seen five different managing directors refer to their own clients as "muppets," sometimes over internal e-mail. Even after the S.E.C., **Fabulous Fab**, Abacus, **God's work**, Carl Levin, **Vampire Squids**? No humility? I mean, come on. Integrity? It is eroding. I don't know of any illegal behavior, but will people push the envelope and pitch lucrative and



complicated products to clients even if they are not the simplest investments or the ones most directly aligned with the client's goals? Absolutely. Every day, in fact.

It astounds me how little senior management gets a basic truth: If clients don't trust you they will eventually stop doing business with you. It doesn't matter how smart you are.

These days, the most common question I get from junior analysts about derivatives is, "How much money did we make off the client?" It bothers me every time I hear it, because it is a clear reflection of what they are observing from their leaders about the way they should behave. Now project 10 years into the future: You don't have to be a rocket scientist to figure out that the junior analyst sitting quietly in the corner of the room hearing about "muppets," "ripping eyeballs out" and "getting paid" doesn't exactly turn into a model citizen.

When I was a first-year analyst I didn't know where the bathroom was, or how to tie my shoelaces. I was taught to be concerned with learning the ropes, finding out what a derivative was, understanding finance, getting to know our clients and what motivated them, learning how they defined success and what we could do to help them get there.

My proudest moments in life — getting a full scholarship to go from South Africa to Stanford University, being selected as a Rhodes Scholar national finalist, winning a bronze medal for table tennis at the Maccabiah Games in Israel, known as the Jewish Olympics — have all come through hard work, with no shortcuts. Goldman Sachs today has become too much about shortcuts and not enough about achievement. It just doesn't feel right to me anymore.

I hope this can be a wake-up call to the board of directors. Make the client the focal point of your business again. Without clients you will not make money. In fact, you will not exist. Weed out the morally bankrupt people, no matter how much money they make for the firm. And get the culture right again, so people want to work here for the right reasons. People who care only about making money will not sustain this firm — or the trust of its clients — for very much longer.

*Greg Smith is resigning today as a Goldman Sachs executive director and head of the firm's United States equity derivatives business in Europe, the Middle East and Africa.*

# EXHIBIT 20

<DOCUMENT>  
 <TYPE>S-3  
 <SEQUENCE>1  
 <FILENAME>efc3-0493\_5345631forms3.txt  
 <TEXT>

As filed with the Securities and Exchange Commission on March 26, 2003  
 Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

REGISTRATION STATEMENT  
 ON FORM S-3  
 UNDER  
 THE SECURITIES ACT OF 1933

**MORGAN STANLEY** ABS CAPITAL I INC.

(Exact name of registrant as specified in its charter)

Delaware 13-3939229  
 (State of incorporation) (I.R.S. Employer  
 Identification No.)

1585 Broadway, 2nd Floor  
 New York, New York 10036  
 (212) 761-4000

(Address, including zip code, and telephone number,  
 including area code, of principal executive offices)

Craig S. Phillips  
 President  
 Morgan Stanley ABS Capital I Inc.  
 1585 Broadway, 2nd Floor  
 New York, New York 10036  
 (212) 761-4000

(Name, address, including zip code, and telephone  
 number, including area code, of agent for service)

With a copy to:

<TABLE>  
 <CAPTION>  
 <S>

<C>

<C>

Michelle Wilke, Esq.  
 Morgan Stanley & Co. Incorporated  
 1585 Broadway  
 New York, New York 10036

Siegfried Knopf, Esq.  
 Sidley Austin Brown & Wood LLP  
 787 Seventh Avenue  
 New York, New York 10019

Michael S. Gambro, Esq.  
 Cadwalader, Wickersham & Taft LLP  
 100 Maiden Lane  
 New York, New York 10038

</TABLE>

Approximate date of commencement of proposed sale to the public: From  
 time to time after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered  
 pursuant to dividend or interest reinvestment plans, please check the  
 following box. [ ]

If any of the securities being registered on this form are to be offered  
 on a delayed or continuous basis pursuant to Rule 415 under the Securities Act  
 of 1933, other than securities offered only in connection with dividend or  
 interest reinvestment plans, please check the following box. [X]

If this form is filed to register additional securities for an offering

Securities Act of 1933, as amended, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered that remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, as amended, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended), that is incorporated by reference in the registration statement shall be deemed a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act of 1939, as amended, in accordance with the rules and regulations prescribed by the Securities and Exchange Commission under Section 305(b)(2) of the Trust Indenture Act of 1939, as amended.

II-3

<PAGE>

#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that (1) it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and (2) it reasonably believes that the security rating requirement of Transaction Requirement B.5 of Form S-3 will be met by the time of sale of each series of securities to which this registration statement relates and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York, on the th day of March, 25 2003.

MORGAN STANLEY ABS CAPITAL I INC.

By:/s/ Steven Shapiro

-----  
Name: Steven Shapiro  
Title: Vice President

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in

the capacities and on the dates indicated.

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Gail P. McDonnell, David R. Warren and Anthony Tufariello, or any of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

<TABLE>

<CAPTION>

Signature -----	Title -----	Date ----
<S>	<C>	<C>
/s/ Craig S. Phillips ----- Craig S. Phillips	President and Director (Principal Executive Officer)	March 25, 2001
/s/ Alexander C. Frank ----- Alexander C. Frank	Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 25, 2001
----- Gail P. McDonnell	Director	March , 2001
/s/ David R. Warren ----- David R. Warren	Director	March 25, 2001
/s/ Ruth Lavallo ----- Ruth Lavallo	Director	March 24, 2003
/s/ William Latham ----- William Latham	Director	March 25, 2003

</TABLE>

II-4

<PAGE>

#### EXHIBIT INDEX

Exhibits.	Description
1.1	Form of Underwriting Agreement.*
3.1	Certificate of Incorporation of the Registrant.*
3.2	By-laws of the Registrant.*
4.1	Form of Pooling and Servicing Agreement relating to Home Equity Loan Asset-Backed

# EXHIBIT 20.1



<DOCUMENT>  
 <TYPE>S-3  
 <SEQUENCE>1  
 <FILENAME>efc4-0496\_5379256forms3.txt  
 <TEXT>

As filed with the Securities and Exchange Commission on March 12, 2004  
 Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

REGISTRATION STATEMENT  
 ON FORM S-3  
 UNDER  
 THE SECURITIES ACT OF 1933

MORGAN STANLEY ABS CAPITAL I INC.

(Exact name of registrant as specified in its charter)

Delaware 13-3939229  
 (State of Incorporation) (I.R.S. Employer  
 Identification No.)

1585 Broadway, 2nd Floor  
 New York, New York 10036  
 (212) 761-4000

(Address, including zip code, and telephone number,  
 including area code, of principal executive offices)

Craig S. Phillips  
 President

Morgan Stanley ABS Capital I Inc.  
 1585 Broadway, 2nd Floor  
 New York, New York 10036  
 (212) 761-4000

(Name, address, including zip code, and telephone  
 number, including area code, of agent for service)

<TABLE>  
 <CAPTION>

With a copy to:

<S>	<C>	<C>	<C>
Michelle Wilke, Esq.	Siegfried Knopf, Esq.	Michael S. Gambro, Esq.	Christoph
Morgan Stanley & Co. Incorporated	Sidley Austin Brown & Wood LLP	Cadwalader, Wickersham & Taft LLP	Dewey Bal
1585 Broadway	787 Seventh Avenue	100 Maiden Lane	1301 Aver
New York, New York 10036	New York, New York 10019	New York, New York 10038	New York,
		Jon D. Van Gorp, Esq.	
		Mayer, Brown, Rowe & Maw LLP	
		190 South LaSalle Street	
		Chicago, IL 60603	

</TABLE>

Approximate date of commencement of proposed sale to the public: From  
 time to time after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered  
 pursuant to dividend or interest reinvestment plans, please check the  
 following box. [ ]

If any of the securities being registered on this form are to be offered  
 on a delayed or continuous basis pursuant to Rule 415 under the Securities Act  
 of 1933, other than securities offered only in connection with dividend or  
 interest reinvestment plans, please check the following box. [X]

If this form is filed to register additional securities for an offering  
 pursuant to Rule 462(b) under the Securities Act, please check the following  
 box and list the Securities Act registration statement number of the earlier  
 effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c)



under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

<TABLE>  
<CAPTION>

#### CALCULATION OF REGISTRATION FEE

Title of Securities to Be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Price Per Unit*	Proposed Maximum Aggregate Offering Price*	Amount Registered
<S>	<C>	<C>	<C>	<C>
Asset Backed Securities.....	\$20,000,000,000	100%	\$20,000,000,000	\$2,5

</TABLE>

\* Estimated for the purpose of calculating the registration fee.

- (1) This Registration Statement relates to the offering from time to time of an indeterminate amount of Asset Backed Securities in connection with any resales of them in market making transactions by an underwriter, to the extent required.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Pursuant to Rule 429 of the Securities and Exchange Commission's Rules and Regulations under the Securities Act of 1933, as amended, the Prospectus and Prospectus Supplements contained in this Registration Statement also relate to the Registrant's Registration Statement on Form S-3 (Registration No. 333-104046) which was filed with the Securities and Exchange Commission on March 26, 2003.

<PAGE>

#### INTRODUCTORY NOTE

Three forms of prospectus supplement are included in this registration statement. Prospectus supplement version #1 relates to a debt offering of notes by a Delaware business trust, backed by a pool of home equity line of credit mortgage loans. Prospectus supplement version #2 relates to an offering of certificates by a trust as to which a REMIC election is made, backed by a pool of closed-end mortgage loans. Prospectus supplement version #3 relates to an offering of certificates by a trust as to which a REMIC election is made, backed by a pool of previously issued mortgage-backed securities. Each form of prospectus supplement relates only to the securities described in it and is a form that that may be used, among others, by registrant to offer asset backed securities under this registration statement.

<PAGE>

[Prospectus Supplement Version #1]

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the SEC is effective. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject To Completion, Dated March 10, 2004

II-3

&lt;PAGE&gt;

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that (1) it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and (2) it reasonably believes that the security rating requirement of Transaction Requirement B.5 of Form S-3 will be met by the time of sale of each series of securities to which this registration statement relates and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York, on the 10th day of March, 2004.

MORGAN STANLEY ABS CAPITAL I INC.

By: /s/ Steven Shapiro

-----  
Name: Steven Shapiro  
Title: Vice President

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Gail P. McDonnell, David R. Warren and Anthony Tufariello, or any of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

<TABLE>  
<CAPTION>

Signature -----	Title -----	Date ----
<S>	<C>	<C>
/s/ Craig S. Phillips ----- Craig S. Phillips	President and Director (Principal Executive Officer)	March 10, 2004
/a/ Alexander C. Frank ----- Alexander C. Frank	Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 10, 2004
/s/ Gail P. McDonnell ----- Gail P. McDonnell	Director	March 10, 2004
/s/ David R. Warren ----- David R. Warren	Director	March 10, 2004
/s/ Ruth Lavalley ----- Ruth Lavalley	Director	March 10, 2004
/s/ William Latham ----- William Latham	Director	March 10, 2004

&lt;/TABLE&gt;

II-4

# EXHIBIT 20.2

<DOCUMENT>  
 <TYPE>S-3  
 <SEQUENCE>1  
 <FILENAME>efc4-2201\_forms3.txt  
 <TEXT>

As filed with the Securities and Exchange Commission on January 7, 2005  
 Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

REGISTRATION STATEMENT  
 ON FORM S-3  
 UNDER  
 THE SECURITIES ACT OF 1933

MORGAN STANLEY ABS CAPITAL I INC.

(Exact name of registrant as specified in its charter)

Delaware 13-3939229  
 (State of Incorporation) (I.R.S. Employer  
 Identification No.)

1585 Broadway, 2nd Floor  
 New York, New York 10036  
 (212) 761-4000

(Address, including zip code, and telephone number,  
 including area code, of principal executive offices)

Craig S. Phillips  
 President

Morgan Stanley ABS Capital I Inc.  
 1585 Broadway, 2nd Floor  
 New York, New York 10036  
 (212) 761-4000

(Name, address, including zip code, and telephone  
 number, including area code, of agent for service)

<TABLE>  
 <CAPTION>

With a copy to:

<S>	<C>	<C>	<C>
Michelle Wilke, Esq.	Siegfried Knopf, Esq.	Michael S. Gambro, Esq.	Christoph
Morgan Stanley & Co. Incorporated	Sidley Austin Brown & Wood LLP	Cadwalader, Wickersham & Taft LLP	Dewey Bal
1585 Broadway	787 Seventh Avenue	100 Maiden Lane	1301 Aver
New York, New York 10036	New York, New York 10019	New York, New York 10038	New York,

Jon D. Van Gorp, Esq.  
 Mayer, Brown, Rowe & Maw LLP  
 190 South LaSalle Street  
 Chicago, IL 60603

</TABLE>

Approximate date of commencement of proposed sale to the public: From  
 time to time after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered  
 pursuant to dividend or interest reinvestment plans, please check the  
 following box. [ ]

If any of the securities being registered on this form are to be offered  
 on a delayed or continuous basis pursuant to Rule 415 under the Securities Act  
 of 1933, other than securities offered only in connection with dividend or  
 interest reinvestment plans, please check the following box. [X]

If this form is filed to register additional securities for an offering  
 pursuant to Rule 462(b) under the Securities Act, please check the following  
 box and list the Securities Act registration statement number of the earlier  
 effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c)



under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

<TABLE>  
<CAPTION>

CALCULATION OF REGISTRATION FEE

Title of Securities to Be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Price Per Unit*	Proposed Maximum Aggregate Offering Price*	Amount Registered
<S>	<C>	<C>	<C>	<C>
Asset Backed Securities.....	\$1,000,000	100%	\$1,000,000	\$11

</TABLE>

\* Estimated for the purpose of calculating the registration fee.

- (1) This Registration Statement relates to the offering from time to time of an indeterminate amount of Asset Backed Securities in connection with any resales of them in market making transactions by an underwriter, to the extent required.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

<PAGE>

INTRODUCTORY NOTE

Three forms of prospectus supplement are included in this registration statement. Prospectus supplement version #1 relates to a debt offering of notes by a Delaware business trust, backed by a pool of home equity line of credit mortgage loans. Prospectus supplement version #2 relates to an offering of certificates by a trust as to which a REMIC election is made, backed by a pool of closed-end mortgage loans. Prospectus supplement version #3 relates to an offering of certificates by a trust as to which a REMIC election is made, backed by a pool of previously issued mortgage-backed securities. Each form of prospectus supplement relates only to the securities described in it and is a form that that may be used, among others, by registrant to offer asset backed securities under this registration statement.

<PAGE>

[Prospectus Supplement Version #1]

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the SEC is effective. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject To Completion, Dated January 5, 2005

Prospectus Supplement To Prospectus dated \_\_\_\_\_  
\$ \_\_\_\_\_ (approximate)  
Home Equity Loan Trust 200\_\_\_\_\_  
[ \_\_\_\_\_ ] Home Equity Loan Asset-Backed Notes, Series 200\_\_\_\_\_  
Morgan Stanley ABS Capital I Inc.  
depositor

[ \_\_\_\_\_ ]  
seller and master servicer

of Form S-3 will be met by the time of sale of each series of securities to which this registration statement relates and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York, on the 5th day of January, 2005.

MORGAN STANLEY ABS CAPITAL I INC.

By: /s/ Steven Shapiro

Name: Steven Shapiro  
Title: Vice President

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Gail P. McDonnell, David R. Warren and Anthony Tufariello, or any of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

<TABLE>  
<CAPTION>

Signature -----	Title -----	Date ----
<S>	<C>	<C>
/s/ Craig S. Phillips ----- Craig S. Phillips	President and Director (Principal Executive Officer)	January 5, 2005
/a/ Alexander C. Frank ----- Alexander C. Frank	Treasurer (Principal Financial Officer and Principal Accounting Officer)	January 5, 2005
/s/ Gail P. McDonnell ----- Gail P. McDonnell	Director	January 5, 2005
/s/ David R. Warren ----- David R. Warren	Director	January 5, 2005
----- Ruth Lavalley	Director	January 5, 2005
----- William Latham	Director	January 5, 2005

</TABLE>

II-4

<PAGE>

#### EXHIBIT INDEX

Exhibits.	Description
1.1	Form of Underwriting Agreement.*
3.1	Certificate of Incorporation of the Registrant.*
3.2	By-laws of the Registrant.*
4.1	Form of Pooling and Servicing Agreement relating to Home Equity Loan Asset-Backed Certificates.*

# EXHIBIT 20.3



<DOCUMENT>  
 <TYPE>S-3  
 <SEQUENCE>1  
 <FILENAME>efc5-2657\_prospectus.txt  
 <TEXT>

As filed with the Securities and Exchange Commission on December 23, 2005  
 Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

REGISTRATION STATEMENT  
 ON FORM S-3  
 UNDER  
 THE SECURITIES ACT OF 1933

MORGAN STANLEY ABS CAPITAL I INC.  
 (Exact name of registrant as specified in its charter)

Delaware  
 (State of Incorporation)

13-3939229  
 (I.R.S. Employer  
 Identification No.)

1585 Broadway  
 New York, New York 10036  
 (212) 761-4000

(Address, including zip code, and telephone number,  
 including area code, of principal executive offices)

Anthony Tufariello  
 President

Morgan Stanley ABS Capital I Inc.  
 1585 Broadway  
 New York, New York 10036  
 (212) 761-4000

(Name, address, including zip code, and telephone  
 number, including area code, of agent for service)

<TABLE>  
 <CAPTION>

With a copy to:

<p>&lt;S&gt;            Michelle Wilke, Esq.            Morgan Stanley &amp; Co.            Incorporated            1585 Broadway            New York, NY 10036            &lt;/TABLE&gt;</p>	<p>&lt;C&gt;            Siegfried Knopf, Esq.            Sidley Austin Brown &amp; Wood LLP            787 Seventh Avenue            New York, New York 10019            (212) 839-5334</p>	<p>&lt;C&gt;            Michael S. Gambro, Esq.            Cadwalader, Wickersham &amp; Taft LLP            One World Financial Center            New York, New York 10281</p>	<p>&lt;C&gt;            Christopher DiAngelo, Esq.            Dewey Ballantine LLP            1301 Avenue of the Americas            New York, New York 10019</p>
---	---	--	---

Approximate date of commencement of proposed sale to the public: From  
 time to time after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered  
 pursuant to dividend or interest reinvestment plans, please check the  
 following box. [ ]

If any of the securities being registered on this form are to be offered  
 on a delayed or continuous basis pursuant to Rule 415 under the Securities Act  
 of 1933, other than securities offered only in connection with dividend or  
 interest reinvestment plans, please check the following box. [X]

If this form is filed to register additional securities for an offering  
 pursuant to Rule 462(b) under the Securities Act, please check the following  
 box and list the Securities Act registration statement number of the earlier  
 effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c)  
 under the Securities Act, check the following box and list the Securities Act  
 registration statement number of the earlier effective registration statement  
 for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule  
 434, please check the following box. [ ]

<TABLE>  
 <CAPTION>

CALCULATION OF REGISTRATION FEE

Title of Securities to Be Registered	Amount to be Registered	Proposed Maximum Aggregate Price Per Unit*	Proposed Maximum Aggregate Offering Price*	Amount of Registration Fee
-----				

certificates as a result of the overcollateralization provisions will influence the yield on the offered certificates in a manner similar to the manner in which principal prepayments on the mortgage loans will influence the yield on the offered certificates.

- o The multiple class structure of the offered certificates causes the yield of certain classes of the offered certificates to be particularly sensitive to changes in the rates of prepayments of mortgage loans. Because distributions of principal will be made to the classes of offered certificates according to the priorities described in this prospectus supplement, the yield to maturity on those classes of offered certificates will be sensitive to the rates of prepayment on the mortgage loans experienced both before and after the commencement of principal distributions on those classes. In particular, the Class M and Class B certificates generally are not entitled to receive (unless the aggregate principal balance of the Class A certificates has been reduced to zero) any portion of the amount of principal payable to the offered certificates prior to the distribution date in [ ]. Thereafter, subject to the loss and delinquency performance of the mortgage loan pool, the Class M and Class B certificates may continue (unless the aggregate principal balance of the Class A certificates has been reduced to zero) to receive no portion of the amount of principal then payable to the offered certificates. After taking into account certain payments by the trust pursuant to the interest rate swap agreement, the weighted average lives of the Class M and Class B certificates will therefore be longer than would otherwise be the case. The effect on the market value of the Class M and Class B certificates of changes in market interest rates or market yields for similar securities may be greater than for the Class A certificates.

The value of your certificates may be reduced if the rate of default or the amount of losses is higher than expected.

- o If the performance of the mortgage loans is substantially worse than assumed by the rating agencies, the ratings of any class of the certificates may be lowered or withdrawn in the future. This may reduce the value of those certificates. No one will be required to supplement any credit enhancement or to take any other action to maintain any rating of the certificates.

Newly originated mortgage loans may be more likely to default, which may cause losses on the offered certificates.

- o Defaults on mortgage loans tend to occur at higher rates during the early years of the mortgage loans. All of the mortgage loans have been originated within the 12 months prior to their sale to the trust. As a result, the trust may experience higher rates of default than if the mortgage loans had been outstanding for a longer period of time.

The credit enhancement features may be inadequate to provide protection for the offered certificates.

- o The credit enhancement features described in this prospectus supplement are intended to enhance the likelihood that holders of the Class A certificates, and to a limited extent, the holders of the Class M certificates and, to a lesser degree, the holders of the Class B

S-22

<PAGE>

certificates, will receive regular payments of interest and principal. However, we cannot assure you that the applicable credit enhancement will adequately cover any shortfalls in cash available to pay your certificates as a result of delinquencies or defaults on the mortgage loans. If delinquencies or defaults occur on the mortgage loans, none of the servicers nor any other entity will advance scheduled monthly payments of interest and principal on delinquent or defaulted mortgage loans if the advances are not likely to be recovered.

- o If substantial losses occur as a result of defaults and delinquent payments on the mortgage loans, you may suffer losses.

Interest generated by the mortgage loans may be insufficient to maintain the required level of overcollateralization.

The weighted average of the net interest rates on the mortgage loans is expected to be higher than the weighted average of the pass through rates on the offered certificates. Interest on the mortgage loans, after taking into account certain payments received or paid by the trust pursuant to the interest rate swap agreement, is expected to generate more interest than is needed to pay interest owed on the offered certificates and to pay certain fees and expenses of the trust. Any remaining interest generated by the mortgage loans will then be used to absorb losses that occur on the mortgage loans. After these financial obligations of the trust are covered, the available excess interest generated by the mortgage loans will be used to maintain overcollateralization at the required level determined as provided in

III-4

&lt;PAGE&gt;

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that (1) it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and (2) it reasonably believes that the security rating requirement of Transaction Requirement B.5 of Form S-3 will be met by the time of sale of each series of securities to which this Registration Statement relates and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York, on the 23rd day of December, 2005.

MORGAN STANLEY ABS CAPITAL I INC.

By: /s/ Steven Shapiro

Name: Steven Shapiro

Title: Vice President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Gail P. McDonnell and Anthony Tufariello, or any of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

&lt;TABLE&gt;

&lt;CAPTION&gt;

Signature -----	Title -----	Date ----
<S> /s/ Anthony Tufariello ----- Anthony Tufariello	<C> President and Director (Principal Executive Officer)	<C> December 21, 2005 ----
/s/ William Forsell ----- William Forsell	Treasurer (Principal Financial Officer and Principal Accounting Officer)	December 21, 2005 ----
/s/ Gail P. McDonnell ----- Gail P. McDonnell	Director	December 21, 2005 ----
/s/ Howard Hubler ----- Howard Hubler	Director	December 21, 2005 ----
----- Ruth Lavalie	Director	December , 2005 ----
----- William Latham	Director	December , 2005 ----

&lt;/TABLE&gt;

II-5

&lt;/TEXT&gt;

&lt;/DOCUMENT&gt;

# EXHIBIT 20.4



<DOCUMENT>  
 <TYPE>S-3/A  
 <SEQUENCE>1  
 <FILENAME>efc6-0580\_forms3a.txt  
 <TEXT>

As filed with the Securities and Exchange Commission on February 21, 2006

Registration Statement No. 333- 130694

SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

Amendment No. 1

to  
 REGISTRATION STATEMENT  
 ON FORM S-3  
 UNDER  
 THE SECURITIES ACT OF 1933

MORGAN STANLEY ABS CAPITAL I INC.  
 (Exact name of registrant as specified in its charter)

Delaware  
 (State of Incorporation)

13-3939229  
 (I.R.S. Employer  
 Identification No.)

1585 Broadway  
 New York, New York 10036  
 (212) 761-4000  
 (Address, including zip code, and telephone number,  
 including area code, of principal executive offices)

Anthony Tufariello  
 President  
 Morgan Stanley ABS Capital I Inc.  
 1585 Broadway  
 New York, New York 10036  
 (212) 761-4000  
 (Name, address, including zip code, and telephone  
 number, including area code, of agent for service)

With a copy to:

<TABLE>  
 <CAPTION>  
 <S>  
 Michelle Wilke, Esq.  
 Morgan Stanley & Co.  
 Incorporated  
 1585 Broadway  
 New York, NY 10036  
 </TABLE>

<C>  
 Siegfried Knopf, Esq.  
 Sidley Austin LLP  
 787 Seventh Avenue  
 New York, New York 10019  
 (212) 839-5334

<C>  
 Michael S. Gambro, Esq.  
 Cadwalader, Wickersham & Taft LLP  
 One World Financial Center  
 New York, New York 10281

<C>  
 Christopher DiAngelo, Esq.  
 Dewey Ballantine LLP  
 1301 Avenue of the Americas  
 New York, New York 10019

Approximate date of commencement of proposed sale to the public: From  
 time to time after this Registration Statement becomes effective.

If the only securities being registered on this form are being  
 offered pursuant to dividend or interest reinvestment plans, please check the  
 following box. [ ]

If any of the securities being registered on this form are to be  
 offered on a delayed or continuous basis pursuant to Rule 415 under the  
 Securities Act of 1933, other than securities offered only in connection with  
 dividend or interest reinvestment plans, please check the following box. [X]

If this form is filed to register additional securities for an  
 offering pursuant to Rule 462(b) under the Securities Act, please check the  
 following box and list the Securities Act registration statement number of the  
 earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule  
 462(c) under the Securities Act, check the following box and list the  
 Securities Act registration statement number of the earlier effective  
 registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434,  
 please check the following box. [ ]

<TABLE>  
 <CAPTION>

CALCULATION OF REGISTRATION FEE

the same effect on the holders of the offered certificates as a prepayment of those mortgage loans.

- o Any servicer individually, or all of the servicers together, may purchase all of the mortgage loans when the aggregate stated principal balance of the mortgage loans as of the last day of the related due period is equal to or less than 10% of the aggregate stated principal balance of the mortgage loans as of the cut off date.

If the rate of default and the amount of losses on the mortgage loans is higher than you expect, then your yield may be lower than you expect.

- o As a result of the absorption of realized losses on the mortgage loans by excess interest, after taking into account certain payments received or paid by the trust pursuant to the interest rate swap agreement, and overcollateralization as described in this prospectus supplement, liquidations of defaulted mortgage loans, whether or not realized losses are incurred upon the liquidations, are likely to result in an earlier return of principal to the offered certificates and are likely to influence the yield on the offered certificates in a manner similar to the manner in which principal prepayments on the mortgage loans would influence the yield on the offered certificates.
- o The overcollateralization provisions are intended to result in an accelerated rate of principal distributions to holders of the offered certificates then entitled to principal distributions at any time that the overcollateralization provided by the mortgage loan pool falls below the required level. An earlier return of principal to the holders of the offered

S-22

<PAGE>

certificates as a result of the overcollateralization provisions will influence the yield on the offered certificates in a manner similar to the manner in which principal prepayments on the mortgage loans will influence the yield on the offered certificates.

- o The multiple class structure of the offered certificates causes the yield of certain classes of the offered certificates to be particularly sensitive to changes in the rates of prepayments of mortgage loans. Because distributions of principal will be made to the classes of offered certificates according to the priorities described in this prospectus supplement, the yield to maturity on those classes of offered certificates will be sensitive to the rates of prepayment on the mortgage loans experienced both before and after the commencement of principal distributions on those classes. In particular, the Class M and Class B certificates generally are not entitled to receive (unless the aggregate principal balance of the Class A certificates has been reduced to zero) any portion of the amount of principal payable to the offered certificates prior to the distribution date in [\_\_\_\_\_]. Thereafter, subject to the loss and delinquency performance of the mortgage loan pool, the Class M and Class B certificates may continue (unless the aggregate principal balance of the Class A certificates has been reduced to zero) to receive no portion of the amount of principal then payable to the offered certificates. After taking into account certain payments by the trust pursuant to the interest rate swap agreement, the weighted average lives of the Class M and Class B certificates will therefore be longer than would otherwise be the case. The effect on the market value of the Class M and Class B certificates of changes in market interest rates or market yields for similar securities may be greater than for the Class A certificates.

The value of your certificates may be reduced if the rate of default or the amount of losses is higher than expected.

- o If the performance of the mortgage loans is substantially worse than assumed by the rating agencies, the ratings of any class of the certificates may be lowered or withdrawn in the future. This may reduce the value of those certificates. No one will be required to supplement any credit enhancement or to take any other action to maintain any rating of the certificates.

Newly originated mortgage loans may be more likely to default, which may cause losses on the offered certificates.

- o Defaults on mortgage loans tend to occur at higher rates during the early years of the mortgage loans. All of the mortgage loans have been originated within the 12 months prior to their sale to the trust. As a result, the trust may experience higher rates of default than if the mortgage loans had been outstanding for a longer period of time.

The credit enhancement features may be inadequate to provide protection for the offered certificates.

- o The credit enhancement features described in this prospectus supplement are intended to enhance the likelihood that holders of the Class A certificates, and to a limited extent, the holders of the Class M certificates and, to a lesser degree, the holders of the

II-3

&lt;PAGE&gt;

## (c) Undertaking in respect of indemnification:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 15 above, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in such Securities Act of 1933 and will be governed by the final adjudication of such issue.

## (d) Undertaking in respect of qualification of trust indenture under the Trust Indenture Act of 1939:

The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act of 1939 in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act of 1939.

## (e) Undertaking in respect of incorporation of subsequent Exchange Act documents by third parties:

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 of a third party that is incorporated by reference in the Registration Statement in accordance with Item 1100(c)(1) of Regulation AB shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## (f) Undertaking in respect of information provided through the Internet:

The undersigned Registrant hereby undertakes that, except as otherwise provided by Item 1105 of Regulation AB, information provided in response to that Item pursuant to Rule 312 of Regulation S-T through the specified Internet address in the prospectus is deemed to be a part of the prospectus included in the Registration Statement. In addition, the undersigned Registrant hereby undertakes to provide to any person without charge, upon request, a copy of the information provided in response to Item 1105 of Regulation AB pursuant to Rule 312 of Regulation S-T through the specified Internet address as of the date of the prospectus included in the Registration Statement if a subsequent update or change is made to the information.

II-4

&lt;PAGE&gt;

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that (1) it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and (2) it reasonably believes that the security rating requirement of Transaction Requirement B.5 of Form S-3 will be met by the time of sale of each series of securities to which this Registration Statement relates and has duly caused this amendment no. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York, on the 15th day of February 2006.

MORGAN STANLEY AND CAPITAL I INC.

By: /s/ Steven Shapiro

-----  
 Name: Steven Shapiro  
 Title: Vice President

Pursuant to the requirements of the Securities Act of 1933, this amendment no. 1 to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

&lt;TABLE&gt;

&lt;CAPTION&gt;

Signature	Title	Date
-----	-----	-----
<S>	<C>	<C>



* /s/ ----- Anthony Tufariello	President and Director (Principal Executive Officer)	February 15th, 2006
* /s/ ----- William Forsell	Treasurer (Principal Financial Officer and Principal Accounting Officer)	February 15th, 2006
/s/ Gail P. McDonnell ----- Gail P. McDonnell	Director	February 15th, 2006
* /s/ ----- Howard Hubler	Director	February 15th, 2006
----- Ruth Lavallo	Director	February ____, 2006
----- William Latham </TABLE>	Director	February ____, 2006
*By: /s/ Gail P. McDonnell ----- Attorney-in-fact		

II-5

</TEXT>  
</DOCUMENT>

# EXHIBIT 20.5

<DOCUMENT>  
<TYPE>S-3/A  
<SEQUENCE>1  
<FILENAME>efc6-1020\_forms3a.txt  
<TEXT>

As filed with the Securities and Exchange Commission on March 10, 2006

Registration Statement No. 333- 130694

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

-----  
Amendment No. 2

to  
REGISTRATION STATEMENT  
ON FORM S-3  
UNDER  
THE SECURITIES ACT OF 1933  
-----

**MORGAN STANLEY ABS CAPITAL I INC.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State of Incorporation)

13-3939229  
(I.R.S. Employer  
Identification No.)

1585 Broadway  
New York, New York 10036  
(212) 761-4000  
(Address, including zip code, and telephone number,  
including area code, of principal executive offices)  
-----

**Anthony Tufariello**  
President  
Morgan Stanley ABS Capital I Inc.  
1585 Broadway  
New York, New York 10036  
(212) 761-4000  
(Name, address, including zip code, and telephone  
number, including area code, of agent for service)  
-----

With a copy to:

<TABLE>  
<CAPTION>  
<S>

Michelle Wilke, Esq.  
Morgan Stanley & Co.  
Incorporated  
1585 Broadway  
New York, NY 10036  
</TABLE>

<C>  
Siegfried Knopf, Esq.  
Sidley Austin LLP  
787 Seventh Avenue  
New York, New York 10019  
(212) 839-5334

<C>  
Michael S. Gambro, Esq.  
Cadwalader, Wickersham & Taft LLP  
One World Financial Center  
New York, New York 10281

<C>  
Christop  
Dewey Ba  
1301 Ave  
New York

-----  
Approximate date of commencement of proposed sale to the public: From  
time to time after this Registration Statement becomes effective.

If the only securities being registered on this form are being  
offered pursuant to dividend or interest reinvestment plans, please check the  
following box. [ ]

If any of the securities being registered on this form are to be  
offered on a delayed or continuous basis pursuant to Rule 415 under the  
Securities Act of 1933, other than securities offered only in connection with  
dividend or interest reinvestment plans, please check the following box. [X]

If this form is filed to register additional securities for an  
offering pursuant to Rule 462(b) under the Securities Act, please check the  
following box and list the Securities Act registration statement number of the  
earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

<TABLE>  
<CAPTION>

CALCULATION OF REGISTRATION FEE

Title of Securities to Be Registered	Amount to be Registered	Proposed Maximum Aggregate Price Per Unit*	Proposed Maximum Aggregate Offering Price*	Amc Regi
<S>	<C>	<C>	<C>	<C>
Mortgage Backed Securities .....	\$50,001,000,000	100%	\$50,001,000,000	\$5,350,

</TABLE>

\* Estimated for the purpose of calculating the registration fee.

(1) \$107.00 of this amount was previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

<PAGE>

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the SEC is effective. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated March 9, 2006

PROSPECTUS SUPPLEMENT  
(To Prospectus dated [\_\_\_\_\_] [\_\_\_\_], 2006)

\$[\_\_\_\_\_] Mortgage Pass Through Certificates, Series 2006 [\_\_\_\_]  
Morgan Stanley [Mortgage Loan] Trust 2006- [\_\_\_\_]  
Issuing Entity  
Morgan Stanley ABS Capital I Inc.  
Depositor  
Morgan Stanley Mortgage Capital Inc.  
Sponsor  
[\_\_\_\_\_] Servicer

The following classes of certificates are being offered pursuant to this prospectus supplement and the accompanying prospectus:

<PAGE>

Class	Original Class Certificate Balance	Pass Through Rate
Class A-1	\$[_____]	Variable
Class A-2	\$[_____]	Variable

mortgagor from prepaying the related mortgage loan during the applicable period.

- o Each of the originators may be required to purchase mortgage loans from the trust in the event certain breaches of its representations and warranties occur or certain material document defects occur, which in each case have not been cured. These purchases will have the same effect on the holders of the offered certificates as a prepayment of those mortgage loans.
- o Any servicer individually, or all of the servicers together, may purchase all of the mortgage loans when the aggregate stated principal balance of the mortgage loans as of the last day of the related due period is equal to or less than 10% of the aggregate stated principal balance of the mortgage loans as of the cut off date.

If the rate of default and the amount of losses on the mortgage loans is higher than you expect, then your yield may be lower than you expect.

- o As a result of the absorption of realized losses on the mortgage loans by excess interest, after taking into account certain payments received or paid by the trust pursuant to the interest rate swap agreement, and overcollateralization as described in this prospectus supplement, liquidations of defaulted mortgage loans, whether or not realized losses are incurred upon the liquidations, are likely to result in an earlier return of principal to the offered certificates and are likely to influence the yield on the offered certificates in a manner similar to the manner in which principal prepayments on the mortgage loans would influence the yield on the offered certificates.
- o The overcollateralization provisions are intended to result in an accelerated rate of principal distributions to holders of the offered certificates then entitled to principal distributions at any time that the overcollateralization provided by the mortgage loan pool falls below the required level. An earlier return of principal to the holders of the offered

S-22

<PAGE>

certificates as a result of the overcollateralization provisions will influence the yield on the offered certificates in a manner similar to the manner in which principal prepayments on the mortgage loans will influence the yield on the offered certificates.

- o The multiple class structure of the offered certificates causes the yield of certain classes of the offered certificates to be particularly sensitive to changes in the rates of prepayments of mortgage loans. Because distributions of principal will be made to the classes of offered certificates according to the priorities described in this prospectus supplement, the yield to maturity on those classes of offered certificates will be sensitive to the rates of prepayment on the mortgage loans experienced both before and after the commencement of principal distributions on those classes. In particular, the Class M and Class B certificates generally are not entitled to receive (unless the aggregate principal balance of the Class A certificates has been reduced to zero) any portion of the amount of principal payable to the offered certificates prior to the distribution date in [\_\_\_\_\_]. Thereafter, subject to the loss and delinquency performance of the mortgage loan pool, the Class M and Class B certificates may continue (unless the aggregate principal balance of the Class A certificates has been reduced to zero) to receive no portion of the amount of principal then payable to the offered certificates. After taking into account certain payments by the trust pursuant to the interest rate swap agreement, the weighted average lives of the Class M and Class B certificates will therefore be longer than would otherwise be the case. The effect on the market value of the Class M and Class B certificates of changes in market interest rates or market yields for similar securities may be greater than for the Class A certificates.

The value of your certificates may be reduced if the rate of default or the amount of losses is higher than expected.

- o If the performance of the mortgage loans is substantially worse than



assumed by the rating agencies, the ratings of any class of the certificates may be lowered or withdrawn in the future. This may reduce the value of those certificates. No one will be required to supplement any credit enhancement or to take any other action to maintain any rating of the certificates.

Newly originated mortgage loans may be more likely to default, which may cause losses on the offered certificates.

- o Defaults on mortgage loans tend to occur at higher rates during the early years of the mortgage loans. All of the mortgage loans have been originated within the 12 months prior to their sale to the trust. As a result, the trust may experience higher rates of default than if the mortgage loans had been outstanding for a longer period of time.

The credit enhancement features may be inadequate to provide protection for the offered certificates.

- o The credit enhancement features described in this prospectus supplement are intended to enhance the likelihood that holders of the Class A certificates, and to a limited extent, the holders of the Class M certificates and, to a lesser degree, the holders of the Class B

S-23

<PAGE>

certificates, will receive regular payments of interest and principal. However, we cannot assure you that the applicable credit enhancement will adequately cover any shortfalls in cash available to pay your certificates as a result of delinquencies or defaults on the mortgage loans. If delinquencies or defaults occur on the mortgage loans, none of the servicers nor any other entity will advance scheduled monthly payments of interest and principal on delinquent or defaulted mortgage loans if the advances are not likely to be recovered.

- o If substantial losses occur as a result of defaults and delinquent payments on the mortgage loans, you may suffer losses.

Interest generated by the mortgage loans may be insufficient to maintain the required level of overcollateralization.

The weighted average of the net interest rates on the mortgage loans is expected to be higher than the weighted average of the pass through rates on the offered certificates. Interest on the mortgage loans, after taking into account certain payments received or paid by the trust pursuant to the interest rate swap agreement, is expected to generate more interest than is needed to pay interest owed on the offered certificates and to pay certain fees and expenses of the trust. Any remaining interest generated by the mortgage loans will then be used to absorb losses that occur on the mortgage loans. After these financial obligations of the trust are covered, the available excess interest generated by the mortgage loans will be used to maintain overcollateralization at the required level determined as provided in the pooling and servicing agreement. We cannot assure you, however, that enough excess interest will be generated to absorb losses or to maintain the required level of overcollateralization. The factors described below, as well as the factors described in the next Risk Factor, will affect the amount of excess interest that the mortgage loans will generate:

- o Every time a mortgage loan is prepaid in full, excess interest may be reduced because the mortgage loan will no longer be outstanding and generating interest or, in the case of a partial prepayment, will be generating less interest.
- o Every time a mortgage loan is liquidated or written off, excess interest may be reduced because those mortgage loans will no longer be outstanding and generating interest.
- o If the rates of delinquencies, defaults or losses on the mortgage loans turn out to be higher than expected, excess interest will be reduced by the amount necessary to compensate for any shortfalls in cash available to make required distributions on the offered certificates.
- o Substantially all of the adjustable rate mortgage loans have



(c) Undertaking in respect of indemnification:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 15 above, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in such Securities Act of 1933 and will be governed by the final adjudication of such issue.

(d) Undertaking in respect of qualification of trust indenture under the Trust Indenture Act of 1939:

The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act of 1939 in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act of 1939.

(e) Undertaking in respect of incorporation of subsequent Exchange Act documents by third parties:

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 of a third party that is incorporated by reference in the Registration Statement in accordance with Item 1100(c)(1) of Regulation AB shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(f) Undertaking in respect of information provided through the Internet:

The undersigned Registrant hereby undertakes that, except as otherwise provided by Item 1105 of Regulation AB, information provided in response to that Item pursuant to Rule 312 of Regulation S-T through the specified Internet address in the prospectus is deemed to be a part of the prospectus included in the Registration Statement. In addition, the undersigned Registrant hereby undertakes to provide to any person without charge, upon request, a copy of the information provided in response to Item 1105 of Regulation AB pursuant to Rule 312 of Regulation S-T through the specified Internet address as of the date of the prospectus included in the Registration Statement if a subsequent update or change is made to the information.

II-4

<PAGE>

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that (1) it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and (2) it reasonably believes that the security rating requirement of Transaction Requirement B.5 of Form S-3 will be met by the time of sale of each series of securities to which this Registration Statement relates and has duly caused this amendment no. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York, on the 9th day of March 2006.

MORGAN STANLEY ABS CAPITAL I INC.

By: /s/ Steven Shapiro

-----  
Name: Steven Shapiro

Title: Vice President

Pursuant to the requirements of the Securities Act of 1933, this amendment no. 2 to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<S>	<C>	<C>
*		
Anthony Tufariello	President and Director (Principal Executive Officer)	March 9th, 2006
*		
William Forsell	Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 9th, 2006
/s/ Gail P. McDonnell		
Gail P. McDonnell	Director	March 9th, 2006
*		
Howard Hubler	Director	March 9th, 2006
Ruth Lavallo	Director	March ____, 2006
William Latham	Director	March ____, 2006

\*By: /s/ Gail P. McDonnell  
 Attorney-in-fact

II-5

</TEXT>  
 </DOCUMENT>

# EXHIBIT 20.6

<DOCUMENT>  
<TYPE>S-3/A  
<SEQUENCE>1  
<FILENAME>ms889219-s3a2.txt  
<DESCRIPTION>AMENDMENT NO. 2  
<TEXT>

As filed with the Securities and Exchange Commission on March 14, 2006

Registration Statement No. 333-130684

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

-----  
PRE-EFFECTIVE AMENDMENT NO. 2 TO  
FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
-----

**MORGAN STANLEY CAPITAL I INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State of incorporation)

13-3291626  
(I.R.S. Employer  
Identification No.)

1585 Broadway  
New York, New York 10036  
(212) 761-4000

(Address, including zip code, and telephone number,  
including area code, of principal executive offices)

-----  
**ANTHONY B. TUFARIELLO**  
President

1585 Broadway  
New York, New York 10036  
(212) 761-4000

(Name and address, including zip code, and telephone  
number, including area code, of agent for service)

-----  
Copies to:

-----  
CARLOS RODRIGUEZ, ESQ.  
Sidley Austin LLP  
787 Seventh Avenue  
New York, New York 10019  
(212) 839-5300

MICHAEL S. GAMBRO, ESQ.  
ANNA H. GLICK, ESQ.  
Cadwalader, Wickersham & Taft LLP  
One World Financial Center  
New York, New York 10281  
(212) 504-6000

KEVIN C. BLAUCH, ESQ.  
Latham & Watkins LLP  
885 Third Avenue  
New York, New York 10022  
(212) 906-1200  
-----

Approximate date of commencement of proposed sale to the public: From time to  
time after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a  
delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, other than securities offered only in connection with dividend or interest  
reinvestment plans, please check the following box. [X]



If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. [ ]

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. [ ]

<TABLE>

<CAPTION>

CALCULATION OF REGISTRATION FEE\*

Title of Securities being Registered(1)	Amount being Registered (2)	Proposed Maximum Offering Price Per Unit	Proposed Agg Offering
<S>	<C>	<C>	<C>
Mortgage Pass-Through Certificates	\$50,000,000,000	100%	\$50,000

</TABLE>

- (1) This Registration Statement and the registration fee pertain to the initial offering of the Mortgage Pass-Through Certificates registered hereunder by the Registrant.
- (2) Includes \$29,172,760,322 of unsold Mortgage Pass-Through Certificates registered on the Registrant's Registration Statement on Form S-3, (Registration No. 333-125593), which was initially filed with the Securities and Exchange Commission on June 7, 2005, as amended by that certain Pre-Effective Amendment No. 1, which was filed on June 28, 2005 and that certain Pre Effective Amendment No. 2, which was filed on June 30, 2005 (the "Prior Registration Statement"). Such \$29,172,760,322 of unsold Mortgage Pass-Through Certificates is being carried forward in this Registration Statement pursuant to Rule 429.
- (3) Estimated solely for purposes of calculating the registration fee.
- (4) In accordance with Rule 457(o) of the Securities and Exchange Commission's Rules and Regulations under the Securities Act of 1933, as amended. \$107 of the registration fee was paid in connection with the initial filing of this Registration Statement. The registration fee of \$3,433,633.89 in connection with the unsold amount of \$29,172,760,322 of Mortgage Pass-Through Certificates carried forward from the Prior Registration Statement has been previously paid by the Registrant under the Prior Registration Statement. Pursuant to Rule 457 of the Securities and Exchange Commission's Rules and Regulations under the Securities Act of 1933, as amended, such filing fee is offset against the filing fee currently due in connection with this registration statement.

\* To the extent that any series of Certificates offered pursuant to this Registration Statement evidences a beneficial ownership interest in a Trust Fund containing MBS that have been previously issued by the Registrant, this Registration Statement is deemed to register such underlying MBS.

denominations and registered in such names as required by the underwriter to permit delivery to each purchaser.

D. Undertaking in respect of indemnification.

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 15 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted against the Registrant by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

E. Undertaking in respect of incorporation of subsequent Exchange Act documents by third parties.

The undersigned registrant hereby undertakes that, for purpose of determining any liability under the Act, each filing of the annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 of a third party that is incorporated by reference in the Registration Statement in accordance with Item 1100(c)(1) of Regulation AB shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

F. Undertaking in respect of information provided through an Internet Web site.

The undersigned Registrant hereby undertakes that, except as otherwise provided by Item 1105 of Regulation AB, information provided in response to that Item pursuant to Rule 312 of Regulation S-T through the specified Internet address in the prospectus is deemed to be part of the prospectus included in the Registration Statement. In addition, the undersigned registrant hereby undertakes to provide to any person without charge, upon request, a copy of the information provided in response to Item 1105 of Regulation AB pursuant to Rule 312 of Regulation S-T through the specified Internet address as of the date of the prospectus included in the Registration Statement if a subsequent update or change is made to the information.

II-5

<PAGE>

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3, reasonably believes that the security rating requirement contained in Transaction Requirement B.5. of Form S-3 will be met by the time of the sale of the securities registered hereunder and has duly caused this Pre-Effective Amendment No. 2 to Form S-3 Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on March 10, 2006.

MORGAN STANLEY CAPITAL I INC.

By: /s/ Anthony B. Tufariello

Name: Anthony B. Tufariello

Title: President



Pursuant to the requirements of the Securities Act of 1933, as amended, this Pre-Effective Amendment No. 2 to Form S-3 Registration Statement has been signed below by the following persons in the capacities indicated on the dates indicated.

<TABLE>  
<CAPTION>

Signature	Title	Date
<S> /s/ Anthony B. Tufariello ----- Anthony B. Tufariello	<C> President (Principal Executive Officer) and Director	<C> March 10, 2006
* ----- William J. Forsell	Treasurer (Principal Financial Officer) and Controller	March 10, 2006
----- Valerie H. Kay	Director	March __, 2006
* ----- Steven S. Stern	Director	March 10, 2006

</TABLE>

/s/ Anthony B. Tufariello (1)

\*Anthony B. Tufariello, Attorney in Fact

(1) Anthony B. Tufariello, by signing his name hereto, does sign this document on behalf of the persons indicated above pursuant to a power of attorney duly executed by such persons and filed with the Securities and Exchange Commission.

II-6

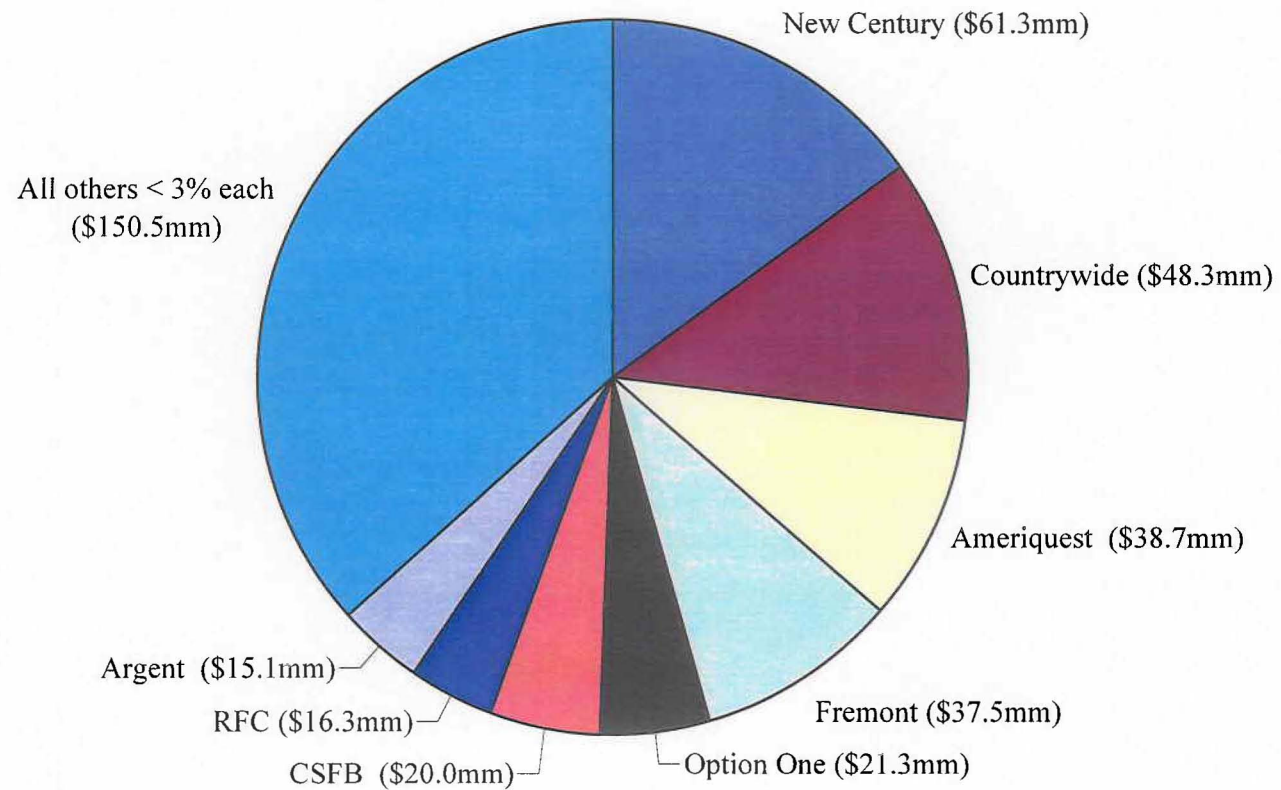
<PAGE>

#### EXHIBIT INDEX

Exhibit No.	Description of Exhibit
1.1	Form of Underwriting Agreement
4.1	Form of Pooling and Servicing Agreement (Residential Mortgage Pass-Through Certificates)*
4.2	Form of Pooling and Servicing Agreement (Commercial Mortgage Pass-Through Certificates)*
5.1	Opinion of Sidley Austin LLP as to legality of the Certificates
5.2	Opinion of Cadwalader, Wickersham & Taft LLP as to legality of the Certificates
5.3	Opinion of Latham & Watkins LLP as to the legality of the Certificates
8.1	Opinion of Sidley Austin LLP as to certain tax matters (included in Exhibit 5.1 hereto)
8.2	Opinion of Cadwalader, Wickersham & Taft LLP as to certain tax matters (included in Exhibit 5.2 hereto)
8.3	Opinion of Latham & Watkins LLP as to certain tax matters
10.1	Form of Mortgage Loan Purchase Agreement (Residential Mortgage Pass-Through Certificates)*
10.2	Form of Mortgage Loan Purchase Agreement (Commercial Mortgage Pass-Through Certificates)*
23.1	Consent of Sidley Austin LLP (included in Exhibit 5.1 hereto)
23.2	Consent of Cadwalader, Wickersham & Taft LLP (included in Exhibit 5.2

# EXHIBIT 21

### Originator Distribution - STACK 2006-1



Sources: See MS\_CIDB\_000071139, MS\_CDIB\_000199717, MS\_CDIB\_000072151, SEC

# EXHIBIT 22

Jason C. Davis  
JDavis@rgrdlaw.com

March 19, 2012

VIA E-MAIL

Daniel Schwartz, Esq.  
DAVIS POLK & WARDWELL LLP  
450 Lexington Avenue  
New York, NY 10017

Re: *China Development Industrial Bank v. Morgan Stanley & Co. Inc., et al.*  
No. 650957/2010 (N.Y. Sup. Ct.)

Dear Daniel:

As discussed, attached please find the 25 search terms that Morgan Stanley must use to produce documents in the aforementioned matter. We understand Morgan Stanley would like more time to conduct document discovery and are taking this point under advisement. There are a number of documents that we believe can be located and produced quickly. The cashflow models that Morgan Stanley used to structure the STACK CDO and related Swaps should be easily accessible, as is the list of short counterparties on the single name swaps referenced by the CDO. Please produce these documents as soon as possible.

Regards,

  
Jason C. Davis

JCD:mm

Enclosure

cc: James Rouhandeh, Esq.  
Nicholas N. George, Esq.  
Maureen Mueller, Esq.  
Matthew Melamed, Esq.

STACK  
\*CDIB\*  
BPO  
break\*  
cashflow\*  
CDOROM  
Clayton\*  
correlation  
delinquen\*  
diversity  
due near3 diligence  
evaluator\*  
exception\*  
grandfather\*  
\*Hubler\* (to be run through each custodian's files except Hubler's files)  
IXIS 2006-HE1\*  
IXIS 2006-HE2\*  
LTV\*  
MSAC 2006-NC1\*  
MSAC 2006-NC4\*  
MSM 2006-16AX\*  
MSM 2006-6AR\*  
MSM 2006-8AR\*  
recovery  
\*Shapiro\* (to be run through each custodian's files except Shapiro's files)



# EXHIBIT 23

Morgan Stanley

November 18, 2010

**VIA ELECTRONIC MAIL (rule-comments@sec.gov)**

U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090  
Attn: Elizabeth M. Murphy, Secretary

**Re: General Comments on ABS-Related Provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010**

Ladies and Gentlemen:

We greatly appreciate the receptiveness of the staff (the “Staff”) of the Securities and Exchange Commission (the “Commission”) to comments on upcoming rulemaking required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”). In particular, we appreciate the time the Staff spent with us both during our meeting on October 14, 2010, and in our subsequent conversations. At our meeting, the Staff invited us to submit written comments articulating our views. This letter is the first of several that we anticipate submitting on the topics we discussed.

Securitization has been a vital component of consumer and commercial lending in the United States and around the world. However, the recent financial crisis has severely impaired the ability of lenders to obtain funding from the capital markets. Excluding government-sponsored and government-guaranteed (or agency) residential mortgage-backed securities (“RMBS”), the issuance of asset-backed securities (“ABS”) has decreased by over 90% since its peak in 2005.<sup>1</sup> While we do not necessarily advocate for securitization to again become as ubiquitous as it was in 2005, a recovery in the securitization markets is crucial to restoring lending activity and reviving the overall U.S. economy. We recognize that some aspects of securitization can be improved upon, based on lessons learned during the financial crisis. But we have studied this issue carefully, and we are convinced that a key factor in the performance of securitizations – of whatever asset type – has been the quality of assets being securitized, not flaws in any typical ABS transaction structure or any inherent defect in the concept of securitization itself. Investment grade ABS of most types have performed well, considering the adverse economic environment.

---

<sup>1</sup> See Chart 1 below.

## Morgan Stanley

where necessary and appropriate, and not applied in a blanket, formulaic way to transactions in which the pool assets are of relatively high credit quality.

### *The Significance of Pool Asset Quality*

Section 941 of the Dodd-Frank Act attempts to address the role of ABS in the financial crisis, in part, by mandating that within 270 days after enactment the Commission, together with the federal banking agencies<sup>12</sup> and other specified federal agencies,<sup>13</sup> issue regulations requiring securitizers or originators to retain an economic interest in a portion of the credit risk of any securitized asset. These regulations “shall establish asset classes with separate rules for securitizers of different classes of assets” which “shall include underwriting standards . . . that specify the terms, conditions, and characteristics of a loan within the asset class that indicate a low credit risk with respect to the loan.” Specifically, the Dodd-Frank Act mandates risk retention lower than the five percent baseline for ABS backed by assets that meet the prescribed underwriting criteria. We believe that this focus on the quality of credit underwriting for specific asset classes is the key to resolving the problems with securitization that have been cited as contributing most strongly to the financial crisis.

Attached to this letter as Exhibit B is a chart entitled “Performance of Broad Categories of Securitized Products,” which illustrates estimated losses to investment grade tranches of various categories of securitized products, using estimates of pool losses and applying a generic capital structure for each category of securitized products.<sup>14</sup> (We believe that investors who purchased non-investment grade tranches should reasonably have expected to sustain losses in an adverse economic environment.) Excluding collateralized debt obligations – which present special issues because they were essentially resecuritizations of a pool of subordinated non-prime mortgage bonds – the only categories of securitized products that show extraordinary estimated losses are two types of non-agency RMBS: those backed by subprime mortgage loans and so-called “alt-A” mortgage loans.<sup>15</sup> RMBS backed by jumbo prime mortgage loans are not anticipated to perform nearly as poorly, nor are commercial mortgage-backed securities. Collateralized loan obligations (“CLOs”), credit card ABS<sup>16</sup> and auto loan ABS are expected to perform even better. In sum, during the longest recession since World War II and during a

<sup>12</sup> The Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Federal Reserve.

<sup>13</sup> For residential mortgages only, the Department of Housing and Urban Development and the Federal Housing Finance Agency.

<sup>14</sup> The information on this chart is qualified by the notes, qualifications and disclaimers appearing thereon.

<sup>15</sup> Agency RMBS are projected to have virtually no losses to investment grade tranches, primarily due to explicit or implicit Federal government guarantees.

<sup>16</sup> The 5 percent estimated high-side loss to date for investment grade tranches of credit card ABS reflects losses in one specific securitization.

## Morgan Stanley

In a subsequent comment letter, we expect to address the form of risk retention that should be required under Section 941 of the Dodd-Frank Act in cases where risk retention is applicable. In general, we support the Federal Reserve Report's recommendation that "rulemakers consider crafting credit risk retention requirements that are tailored to each major class of securitized assets," especially in light of the fact that most asset classes performed well

in an adverse economic environment. Credit risk retention should be permitted in many forms and formats, depending upon the asset class of ABS in question.

Also in a subsequent comment letter, we hope to address the rules required by Section 621 of the Dodd-Frank Act regarding conflicts of interest in securitizations. In general, we support the views expressed by the American Securitization Forum in its letter dated October 21, 2010 regarding the implementation of Section 621. We agree that it was Congress's intent to eliminate the obvious conflicts of interest that may arise in the context of a securitization, a result which we believe can be more precisely achieved by specifically banning the objectionable activity. In our view, a broad or ambiguous definition of a prohibited "material conflict of interest" would have serious unintended consequences, reducing the number of underwriters or

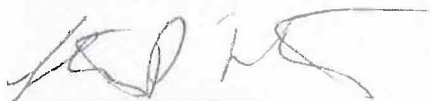
securitizers from whom investors can purchase securities and therefore limiting access to credit by many American consumers and businesses.

\* \* \* \* \*

We greatly appreciate your consideration of the views set forth in this letter, and we would be pleased to have the opportunity to discuss these matters further with you or with any

member of the Commission staff. Please feel free to contact the undersigned at 212-761-2080, or James Lee at 212-762-6148.

Very truly yours,



Stephen D'Antonio  
Managing Director  
Morgan Stanley

# EXHIBIT 24

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

-----  
ABU DHABI COMMERCIAL BANK, et al.,     )  
Individually and On Behalf of All     )  
Others Similarly Situated,     )  
  Plaintiffs,     )  
  vs.     ) CIVIL ACTION  
MORGAN STANLEY & CO. INCORPORATED,     ) NO. 1:08-CV-07508  
ET AL.,     )  
  Defendants.     )  
-----

Videotaped Deposition of ANTON PETERSON,  
taken at 450 Lexington Avenue, New York,  
New York, commencing at 9:26 a.m., Tuesday,  
November 22, 2011, before Eileen Mulvenna,  
CSR, RMR, Notary Public

PAGES 1 - 235

Page 1



1 mortgage loans, to my knowledge. 09:52:08

2 Q. What does that mean, the trading 09:52:12

3 desk? 09:52:13

4 A. They were the folks responsible for 09:52:14

5 making the decisions about purchase and exit of 09:52:16

6 subprime mortgage loans. 09:52:20

7 Q. Who did Mr. Telesca and Mr. Shapiro 09:52:24

8 report to during that time frame? 09:52:27

9 A. I don't know. 09:52:29

10 Q. What group was the trading desk in 09:52:36

11 at Morgan Stanley? 09:52:38

12 A. I don't recall. 09:52:40

13 Q. Was it in the same business unit as 09:52:47

14 the due diligence function? 09:52:48

15 A. I believe so. 09:52:51

16 Q. What was the name of the business 09:52:55

17 unit that you were in? 09:52:57

18 A. I believe we're part of securitized 09:53:01

19 products group, but I haven't looked at an org 09:53:03

20 chart in a long time. 09:53:06

21 Q. Was the valuation group also a part 09:53:11

22 of the securitized product group? 09:53:13

23 A. I believe so. 09:53:16

24 Q. Did the trading desk have a formal 09:53:20

25 name other than trading desk? 09:53:22

1 MR. BROOKS: Sure. 09:55:51

2 MR. RINGEL: Thank you. 09:55:51

3 A. I'm not familiar with the content of 09:55:52

4 the information they received as part of the 09:56:00

5 transaction process. 09:56:02

6 Q. Did you have regular communications 09:56:15

7 with Mr. Telesca and Mr. Shapiro? 09:56:16

8 A. Occasional communication, but 09:56:20

9 nothing that was on a regular schedule. 09:56:22

10 Q. You didn't have regular meetings 09:56:28

11 with Mr. Telesca or Mr. Shapiro? 09:56:30

12 A. No, I did not. 09:56:33

13 Q. Did you participate in regular 09:56:34

14 meetings with Mr. Telesca and Mr. Shapiro? 09:56:36

15 A. No. 09:56:38

16 Q. What was the contract finance team 09:57:20

17 at Morgan Stanley? 09:57:22

18 A. My understanding, it was a group of 09:57:25

19 employees who managed negotiation of the contract 09:57:27

20 terms between the companies that we were buying 09:57:32

21 pools of mortgage loans from. And they also 09:57:36

22 served a transaction management role, 09:57:38

23 coordinating all the parts of the transaction 09:57:40

24 that were taking place concurrently. 09:57:42

25 Q. Where were they located? 09:57:46

1 Q. Pan over, if you would, to Column 13:18:34  
2 FQ. And this column is "Credit Comments." 13:18:37  
3 And if you need to pan up in order 13:18:46  
4 to confirm that, go ahead. I'll represent to you 13:18:48  
5 that it's "Credit Comments." Tell me if you 13:18:52  
6 think differently. Okay? 13:18:54  
7 A. I don't think differently based on 13:18:56  
8 where it is in the report next to the grades. 13:18:57  
9 Q. And the credit comments are 13:18:59  
10 Clayton's comments; correct? 13:19:01  
11 A. I believe that's correct, yes. 13:19:05  
12 Q. And the comments are explaining why 13:19:06  
13 they graded the loan a 3; correct? 13:19:11  
14 MR. ROUHANDEH: Objection to form. 13:19:14  
15 A. These comments would explain 13:19:17  
16 guideline exceptions or potential risk issues 13:19:21  
17 that Clayton had identified or had documented per 13:19:23  
18 our instructions and would be the basis for why 13:19:27  
19 they then applied the grade of 3. 13:19:30  
20 Q. The comment here starts out -- it 13:19:36  
21 says, "Bailout exception." 13:19:39  
22 Do you see that? 13:19:42  
23 A. Yes. 13:19:42  
24 Q. What does that mean? 13:19:42  
25 A. This would indicate that this loan 13:19:43

1 was categorized as a bailout loan, which we 13:19:47  
2 talked about in the prior session. The 13:19:51  
3 additional comment that goes with that explains 13:19:52  
4 that the prior loan was 132 days past due when 13:19:54  
5 this loan was closed; that the notice of default 13:19:57  
6 had been filed and that the loan was in a 13:20:01  
7 Chapter 13 bankruptcy that was being paid off by 13:20:04  
8 this loan. The comment goes on to explain the 13:20:06  
9 borrowers had made the bankruptcy payments on 13:20:11  
10 time. 13:20:13  
11 Q. And there are two other issues 13:20:13  
12 identified; correct? 13:20:15  
13 A. There's a comment regarding a title 13:20:15  
14 issue from 1977 that was part of the Chapter 13. 13:20:18  
15 And then there's a comment regarding payment 13:20:21  
16 calculation verbiage in the balloon ARM section 13:20:24  
17 of the note. 13:20:28  
18 Q. And if you pan over to FR, these are 13:20:29  
19 the compensating factors that Clayton identified 13:20:37  
20 on the loan; correct? 13:20:39  
21 A. I believe so, based on what's 13:20:43  
22 described here. 13:20:44  
23 Q. And the first is that both had been 13:20:45  
24 employed by the County for 15 years; right? 13:20:49  
25 A. Yes. 13:20:53

1 Q. They had lived in the home for six 13:20:54  
2 years. That's the second one; right? 13:20:55  
3 A. Correct. 13:20:58  
4 Q. And the LTV was 58.39 percent? 13:20:58  
5 A. Correct. 13:21:03  
6 Q. And then pan over to FX. These are 13:21:04  
7 Morgan Stanley's comments; right? 13:21:10  
8 A. Yes. 13:21:11  
9 Q. And these comments indicate why 13:21:12  
10 Morgan Stanley changed the grade to a 2; correct? 13:21:14  
11 MR. ROUHANDEH: Objection to form. 13:21:21  
12 A. This explains why we decided to go 13:21:22  
13 ahead and accept this loan and apply a final 13:21:24  
14 grade of 2, yes. 13:21:26  
15 Q. The second-to-last sentence in that 13:21:36  
16 comment box reads, "Verbiage regarding balloon 13:21:40  
17 ARM payment calculation is incorrect. Credit 3." 13:21:43  
18 Do you see that? 13:21:46  
19 A. I do. 13:21:47  
20 Q. What does that mean? 13:21:47  
21 A. As I recall, when the 40-due-in-30 13:21:49  
22 product came on the market, lenders who were 13:21:58  
23 originating those loans did not make an 13:22:03  
24 adjustment to some of the ARM language on the ARM 13:22:05  
25 loans that discussed how the payment would be 13:22:08

ss:

COUNTY OF NEW YORK )

I, Eileen Mulvenna, Notary Public  
within and for the State of New York, do hereby  
certify:

That I reported the proceedings in  
the within entitled matter, and that the within  
transcript is a true record of said proceedings.

I further certify that I am not  
related to any of the parties to the action by  
blood or marriage, and that I am in no way  
interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto  
set my hand this 9th day of December, 2011.



Eileen Mulvenna, CSR/RMR



# EXHIBIT 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- - - - -x

UNITED STATES OF AMERICA  
FINANCIAL CRISIS INQUIRY COMMISSION

Official Transcript

Interview of Tony Peterson  
Thursday, October 14, 2010, 10:00 a.m.

George Washington University  
Media and Public Affairs Building  
Jack Morton Auditorium  
805 21st Street, NW  
Washington, DC 20052

APPEARING ON BEHALF OF THE FCIC:

- VICTOR J. CUNICELLI
- TOM BORGERS
- THOMAS L. KREBS
- ROBERT C. HINKLEY
- JONATHAN E. ARMSTRONG

- - - - -x

1 MR. PETERSON: Correct. As we said,  
2 I was not involved in selecting the  
3 sample or in determining what percentage  
4 we would sample.

5 MR. CUNICELLI: And -- okay. So  
6 let's go through now the reports you're  
7 getting back from Clayton. Tell me how  
8 they reported to you, what the system  
9 was, if you would.

10 MR. PETERSON: Well, our diligence  
11 managers on each project would receive  
12 various reports. Some of them they would  
13 look at daily; some of them they would  
14 look at a couple of times a week. The  
15 primary reports they looked at had to do  
16 with identifying the loans that had been  
17 reviewed to that point. Any exceptions  
18 that Clayton had found with those loans,  
19 what grade Clayton had applied to the  
20 loan based on their credit review and  
21 compliance review as well as all of the  
22 comments that Clayton had created as part  
23 of their review process. They would also  
24 look at production reports. And in the  
25 case of the loans with individual

1 exceptions, Clayton would also print out  
2 an individual report called an "Asset  
3 Summary" that contained details about  
4 that specific loan that would be in the  
5 loan file that our team would also look  
6 at in reviewing those elevated exceptions  
7 and then pass on along to the seller.

8 MR. CUNICELLI: Okay. And were you  
9 given a report at the end which basically  
10 aggregated everything together?

11 MR. PETERSON: Correct. At the end  
12 of the due diligence process, there would  
13 be a tie-out with the seller where after  
14 this two or three week period where loans  
15 with exceptions were provided to the  
16 seller, and they had an opportunity to  
17 provide cures and responses. At the last  
18 day of the diligence process, a report  
19 would be generated that would list all  
20 the loans that still had level 3  
21 exceptions associated with them. Our  
22 diligence manager would show that report  
23 with their counterpart at the seller.  
24 And both sides would confirm that, yes,  
25 this is the population of loans that

1 still has level 3 exceptions. Any last  
2 minute responses that the seller wanted  
3 to give would be looked at at that  
4 meeting if there were any. And then an  
5 aggregate report with all of the results  
6 for all of the loans would be created and  
7 sent back to our team in New York. And  
8 then once that tie-out was done, usually  
9 a day or two later, Clayton would provide  
10 a package of reports by e-mail that would  
11 be sent to various people within our  
12 business unit. It would come to  
13 typically me and the diligence manager  
14 and also to contract finance and  
15 collateral analysis.

16 MR. CUNICELLI: And what happened  
17 then?

18 MR. PETERSON: That information  
19 would be aggregated along with other  
20 sources of information regarding that  
21 trade. Results would be, to my  
22 understanding, also coming in from the  
23 value team regarding their process. Data  
24 would be coming from the seller regarding  
25 loan data that's required to be provided

1 by them. And I also believe that a  
2 report would come from our custodian who  
3 would be checking in the collateral  
4 files.

5 And to my understanding, collateral  
6 would aggregate all of this information  
7 and provide it back to the trade desk so  
8 they could then tie out the trade and  
9 make final determinations on which loans  
10 they were going to purchase.

11 MR. CUNICELLI: But you don't  
12 understand how that process -- you  
13 understand it generally but you didn't --  
14 you weren't involved in making the  
15 decisions at the end as to which loans  
16 were purchased and which ones weren't.

17 MR. PETERSON: That's correct. My  
18 team and my process, once we submitted  
19 the final tie out report and verified  
20 that Clayton had provided the final  
21 reporting package is where our process  
22 ended. And so, no, I was not involved in  
23 the remaining part of that process of  
24 finalizing the trade.

25 MR. CUNICELLI: And neither was



1 Clayton at this point. Clayton's out,  
2 right?

3 MR. PETERSON: To my understanding,  
4 that's correct.

5 MR. CUNICELLI: And who on the trade  
6 desk would make that decision?

7 MR. PETERSON: In our subprime  
8 business, to my memory, the two people  
9 that worked on that in that time period  
10 were Frank Telesca and Steven Shapiro.

11 MR. CUNICELLI:

12 MR. KREBS: How do you spell  
13 Telesca?

14 MR. PETERSON: T-E-L-E-S-C-A.

15 MR. CUNICELLI: Okay. Now -- so did  
16 you ever count up how many loans a month  
17 you were looking at? Do you have some  
18 sort of a production record at the end of  
19 the year that gave you an indication of  
20 how many loans your people have reviewed?

21 MR. PETERSON: I don't recall  
22 looking at an annual number. We  
23 certainly had the reports from each of  
24 the trades that we worked on that  
25 detailed the number of loans that were

# EXHIBIT 26



1  
2 UNITED STATES OF AMERICA

3 **FINANCIAL CRISIS INQUIRY COMMISSION**

4 Official Transcript

5  
6 Hearing on

7 "The Financial Crisis at the Community Level - Sacramento, CA"

8 Thursday, September 23, 2010, 9:00 a.m.

9 California Department of Education

10 1430 N Street, 1<sup>st</sup> Floor Boardroom

11 Sacramento, CA 95814  
12  
13  
14

15 **COMMISSIONERS**

16 PHIL ANGELIDES, Chairman

17 HON. BILL THOMAS, Vice Chairman

18 BYRON S. GEORGIU, Commissioner

19 HEATHER MURREN, Commissioner

20 JOHN W. THOMPSON, Commissioner  
21  
22

23 Reported by: Elizabeth A. Willis-Lewis, CSR, RPR, Hearing Reporter

24 PAGES 1 - 286

1 that mortgage loans made in Sacramento travel a great  
2 distance to enter the financial system.

3 And then after that we will be ending today  
4 with a look at where Sacramento is today, local business  
5 community, services to the community, local lending  
6 institutions, the impacts of this crisis.

7 Thank you all very, very much.

8 ...

9 CHAIRMAN ANGELIDES: The meeting of the  
10 Financial Crisis Inquiry Commission will come back into  
11 order. We are now in Session No. 3 and we are going to  
12 be discussing today how it is that mortgages that were  
13 made in Sacramento were sent to Wall Street and became  
14 part of a financial system.

15 And so we have three witnesses today. I would  
16 like to thank you for being here. And what I would like  
17 to ask each of you to do -- first of all, just for the  
18 audience, I will introduce the witnesses.

19 Mr. Keith Johnson who is formerly with  
20 Washington Regional and Long Beach Savings as well as  
21 Clayton Holdings; Ms. Vicki Beal, who is with Clayton  
22 Holdings; Dr. Kurt Eggert, who is a professor of Chapman  
23 University are here. I would like to ask you three to  
24 please do what we have asked all witnesses to do, which  
25 is to please stand and raise your right hand and I will

1 give you the oath and ask you to acknowledge.

2 Do you solemnly swear or affirm under the  
3 penalty of perjury that the testimony you are about to  
4 provide the Commission will be the truth, the whole  
5 truth, and nothing but the truth, to the best of your  
6 knowledge?

7 (All sworn.)

8 CHAIRMAN ANGELIDES: Thank you very much.  
9 Let's do this: I think we will start with you,  
10 Mr. Johnson, today.

11 And thank you all three of you for your written  
12 testimony which has been entered into the record. And  
13 Mr. Johnson and other witnesses, we are going to ask you  
14 to give up to 5 minutes of oral testimony. There is a  
15 light here which you can look at and when it turns to  
16 yellow, that means you have one minute so you should  
17 begin to sum up. And when it gets to red, that means  
18 your time is up.

19 So Mr. Johnson, let's start with you.

20 MR. JOHNSON: Thank you.

21 Chairman Angelides, Vice Chairman Thomas, and  
22 members of the Commission, my name is Keith Johnson and  
23 I have been in the financial services and banking  
24 industry for 30 years. From 1986 to 2000, I was  
25 employed by Bank United of Texas where I held a variety

1     which is the availability of credit. My recommendation  
2     on that is something that I found that worked in Texas  
3     during the recession is the loans to facilitate the sale  
4     of foreclosed homes could be an active program by those  
5     banks and GSEs that are actively the investor today.

6             With that, I look forward to your questions.

7     Thank you.

8             CHAIRMAN ANGELIDES: Thank you very much.

9             Ms. Beal.

10            MS. BEAL: Thank you, Chairman Angelides and  
11     members of the Commission.

12            I am Vicki Beal, senior vice president of  
13     Clayton Holdings, the nation's largest provider of  
14     mortgage due diligence services. We have been asked by  
15     the commission to describe the due diligence process,  
16     its benefits and its limitations.

17            Clayton's principle due diligence clients are  
18     financial institutions, and more recently government  
19     agencies, private equity firms, and hedge funds. We are  
20     retained by our clients to review samples of closed loan  
21     pools that they are considering for purchase.

22            Clayton is not retained by its clients to  
23     provide an opinion as to whether a loan is a good loan  
24     or a bad loan. Rather, our clients use Clayton's due  
25     diligence to identify issues with loans, negotiate



1 better prices on pools of loans they are considering for  
2 purchase, and negotiate expanded representations and  
3 warranties in purchase and sale agreements from  
4 sellers.

5 The type and scope of our due diligence work is  
6 dictated by our clients based on their individual  
7 objectives. Clients select the sample, generally 10 to  
8 20 percent of the pool, and decide if the sample is to  
9 be random or adverse.

10 Clayton typically reviews a sample of loans  
11 against the seller or originating institution's  
12 guidelines and the client's tolerance. Clayton reviews  
13 for: (1) Adherence to seller credit underwriting  
14 guidelines and client risk tolerances; (2) compliance  
15 with federal state and local regulatory laws, and; (3)  
16 the integrity of the electronic loan data provided by  
17 the seller to the prospective buyer. This review is  
18 commonly referred to as a "credit and compliance  
19 review."

20 As part of this review, we grade each loan for  
21 credit and compliance using grades of: Event 1, loans  
22 that meet guidelines; Event 2, loans that do not meet  
23 guidelines but have sufficient compensating factors; and  
24 Event 3, loans that do not meet guidelines and have  
25 insufficient compensating factors. Clayton's fees are

1 not contingent on our findings or our grades.

2 The work product produced by Clayton is  
3 comprised of loan level data reports and loan exception  
4 reports and is the property of our clients. An  
5 important part of our due diligence services is  
6 providing exception reports; that is, reports of loans  
7 with deviation from seller underwriting guidelines and  
8 client tolerances.

9 However, the number of reported exceptions  
10 should not be viewed in isolation. Exceptions must be  
11 reviewed in conjunction with the corresponding  
12 underwriting guidelines and client tolerances.

13 Simply stating a Clayton grade of Event 1 does  
14 not mean a loan is good or is likely to perform, nor  
15 does a Clayton grade of Event 3 mean that a loan is bad  
16 and is not likely to perform. Moreover, it may not be  
17 possible to draw an apples-to-apples comparison of deals  
18 from different clients or different sellers.

19 Exceptions to underwriting guidelines can vary  
20 from being severe -- such as the valuation of a property  
21 not being supported by an appraisal, stated income not  
22 being reasonable for the job, or missing critical  
23 documents in a file such as HUD-1, loan application, or  
24 an appraisal -- to benign, such as a debt-to-income  
25 ratio of less than 5 percent or loan-to-value exception

1 weren't quite as robust in their credit overlays. It  
2 could also be a mix of the sellers that they were buying  
3 loans from. So you know, there are many there.

4 And then also one other point I would like to  
5 make in this is that this was a beta version of the  
6 trending reports. It was raw data, this summary report,  
7 it hadn't been scrubbed. It wasn't an apples-to-apples  
8 comparison just as we're saying --

9 CHAIRMAN ANGELIDES: You didn't standardize it,  
10 so it was reflective of each institution, right?

11 MS. BEAL: Yes, that's correct.

12 CHAIRMAN ANGELIDES: All right. So I am going  
13 to just pose something then I want to turn to other  
14 commissioners and then I want to come back at the end  
15 because this is an area I would like to hear my  
16 colleague's questions around these issues.

17 But there seems to be kind of three points here  
18 as I looked at this. One is, from what I can tell, it  
19 doesn't look like your information ever migrated to  
20 disclosure. I know you didn't prepare it for that  
21 purpose, but this wasn't disclosed. What you read in  
22 the disclosure is some of these loans, a significant  
23 amount, may be exceptions but there is compensating  
24 factors. What's not revealed is the actual data, so it  
25 appears not to have been available to investors. Is

1 that -- would that be your --

2 MR. JOHNSON: We are not aware of -- and we  
3 looked at a lot of prospectuses -- of any of our  
4 information --

5 CHAIRMAN ANGELIDES: -- ever popping through.

6 MR. JOHNSON: -- going through the prospectus.  
7 And one of our recommendations was that a table should  
8 be included in the future that simply said, you know,  
9 due diligence -- independent chosen due diligence  
10 achieved a 95 percent confidence level in certain  
11 attributes with an error of, you know, 2 or 3 percent  
12 was performed. And that way rating agencies would have  
13 it and investors could acknowledge and then you could  
14 grade good, bad, and ugly issuers.

15 CHAIRMAN ANGELIDES: Secondly, it appears as  
16 though you did a sample of 5 to 10 percent, but it looks  
17 like the other 90 percent were never faxed. So I am  
18 thinking if I am a securitizer, even forgetting whether  
19 it's 28 percent failed or 11 percent failed, what is  
20 happening here, they got a sample of 10 percent. I know  
21 11 percent of those fail. I kick those out. But as to  
22 the other 90 percent, I don't do nothing?

23 MS. BEAL: Right.

24 CHAIRMAN ANGELIDES: Does the silence mean I  
25 got it right?



1           MR. JOHNSON: Did you ask a question or is this  
2 a statement?

3           CHAIRMAN ANGELIDES: Is that an accurate  
4 statement?

5           MR. JOHNSON: That's an accurate statement.

6           CHAIRMAN ANGELIDES: All right. And the final  
7 thing is I just want to note that I looked, I guess the  
8 examiner for the New Century bankruptcy and a former  
9 regulatory compliance person in Fremont said there was  
10 also practice of even if loans were kicked out they were  
11 put back in another securitization.

12           Are you familiar with that or not?

13           MR. JOHNSON: I think it goes to "three  
14 strikes, you're out" rule.

15           CHAIRMAN ANGELIDES: So this was a case of --  
16 okay, three strikes.

17           MR. JOHNSON: I've heard that even used. Try  
18 it once, try it twice, try it three times, and if you  
19 can't get it out, then put --

20           CHAIRMAN ANGELIDES: Well, the odds are pretty  
21 good if you are sampling 5 to 10 percent that you'll pop  
22 through. When you said the good, the bad, the ugly, the  
23 ugly will pop through.

24           All right. Final question, and that is: You  
25 made a comment at one point, I think it was public

1 comment about you felt like a potted plant. And not you  
2 personally, but due diligence folks. In this whole  
3 process you felt like you were producing information  
4 and --

5 MR. JOHNSON: Right. I think it was when we  
6 looked at these reports here, we saw that -- 54 percent  
7 was alarming to me personally, you know, I can say this.  
8 And I didn't realize what --

9 CHAIRMAN ANGELIDES: 54 percent were making the  
10 initial grade?

11 MR. JOHNSON: Right. And so I don't know what  
12 our role was. Back in the old days, in the '80s, due  
13 diligence -- and I was a big buyer of loans -- is really  
14 simple. It's good loan, bad loan. When you bought the  
15 loan, I owned it, it went in my portfolio. If it went  
16 delinquent in fault, I had to be personally liable and  
17 answer to a guy named Lou Raneire.

18 In this case here I think the liability got  
19 pushed all the way out to the investor and we got away  
20 from the practice of good loan, bad loan. Just "Does it  
21 meet the guideline? Does it mean meet the ugly  
22 guideline? Oh, 54 percent do, okay." Again, I don't --

23 CHAIRMAN ANGELIDES: This wasn't the gold  
24 standard of underwriting guidelines, correct?

25 MR. JOHNSON: Our value added really came in



# EXHIBIT 26.1

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- - - - -x

UNITED STATES OF AMERICA  
FINANCIAL CRISIS INQUIRY COMMISSION

Official Transcript

Interview of D. Keith Johnson,  
Former President and Chief Operating Officer,  
Clayton Holdings, LLC  
Thursday, September 2, 2010, 10:30 a.m.

1717 Pennsylvania Avenue NW  
Suite 800  
Washington, DC 20006

APPEARING ON BEHALF OF THE FCIC:

VICTOR J. CUNICELLI  
JONATHAN E. ARMSTRONG  
TROY A. BURRUS  
ROBERT C. HINKLEY  
THOMAS L. KREBS  
MINA SIMHAI

- - - - -x

1 MR. JOHNSON: Yeah, I ceased being  
2 president on December 31st, 1988.  
3 MR. COHEN: 2008.  
4 MR. JOHNSON: Two thousand and --  
5 I'm sorry -- 2008. The company was sold  
6 and -- during that year, and they elected  
7 to change all management. Brand new  
8 management.  
9 MR. KREBS: Okay, and you came on  
10 board, there, then, on 5/6 of '06?  
11 MR. JOHNSON: Yes.  
12 MR. KREBS: All right, and you  
13 already described the positions that you  
14 held there at Clayton. If you want to do  
15 it again, do it, just so the record's  
16 complete and it flows.  
17 MR. JOHNSON: I was president and  
18 chief operating officer of Clayton  
19 Holdings.  
20 MR. KREBS: I'd like to go back to  
21 Long Beach a bit, though. Were you given  
22 any oversight of loan origination  
23 activities at Long Beach?  
24 MR. JOHNSON: Yes.  
25 MR. KREBS: Would you describe what

1 clients had moved the loans from a three  
2 to a two. I don't know what a 2T is, I  
3 don't recall.

4 MR. KREBS: So that overall,  
5 including 2Ws and 2Ts, whatever they  
6 might be, do I understand that the waiver  
7 occurrence rate is thirty-nine percent?

8 MR. JOHNSON: Yes.

9 MR. KREBS: All right. Now if I go  
10 over to totally -- to total rejects,  
11 let's go all the way to the right. It  
12 indicates to me that seventeen percent or  
13 some 155,000 loans of the 911,000 loans  
14 reviewed were rejected as event 3s, is  
15 that correct? Am I reading this  
16 correctly?

17 MR. JOHNSON: Yeah. This was a new  
18 column --

19 MR. KREBS: Uh-huh.

20 MR. JOHNSON: -- since, you know, I  
21 saw it. So I would assume you're right.

22 MR. KREBS: What would be, then, the  
23 total -- what number of the 155,149 final  
24 event 3s, what percentage or what number  
25 of them were ultimately waived in or

1       those defects that had been noted were  
2       they waived by the client or the  
3       securitizing firm, is it thirty-nine  
4       percent?

5           MR. JOHNSON:   Yeah.  I -- I'm not --  
6       I used to use the analogy for every  
7       hundred loans that we said were 3s; forty  
8       percent of them were waived in.  So I'm  
9       assuming -- because this is the -- this  
10      is the report that we use to document or  
11      to justify our public comments on that.  
12      And this was -- that was it.

13           MR. KREBS:   So for every hundred  
14      loans that were 3s --

15           MR. JOHNSON:   Right.

16           MR. KREBS:   -- forty of them were --

17           MR. JOHNSON:   Right.

18           MR. KREBS:   -- not withstanding the  
19      fact they didn't mean the underwriting  
20      criteria, they were waived in by the  
21      securitizer?

22           MR. ROTHENBERG:  I don't think  
23      that's what the report says.

24           MR. KREBS:   Okay.

25           MR. ROTHENBERG:  I think it says 2W

# EXHIBIT 26.2



④

# All Clayton Trending Reports

1<sup>st</sup> Quarter 2006 – 2<sup>nd</sup> Quarter 2007

---

CLAYTON.

RISK INSIGHT + SOLUTIONS

## All Clayton - Summary Report

### Reject & Waiver Rates

1st Quarter 2006 - 2nd Quarter 2007

Quarter	Loans Reviewed	Accepted Without Waivers					Accepted Via Waivers			Total Accepts		Total Rejects	
		Final Event 1	Event 1 as % of Loans Reviewed	Final Event 2 (waivers excl.)	Event 2 as % of Loans Reviewed	Accept Rate (waivers excl.)	Final Event 2W / 2T	Waiver Occurrence Rate*	Accept Rate (waived loans only)	Total Accepted Loans	Total Accept Rate (incl. waivers)	Final Event 3	Total Reject Rate
Q1 2006	105,791	62,100	59%	17,435	16%	75%	9,943	38%	9%	89,478	85%	16,313	15%
Q2 2006	164,472	87,742	53%	34,224	21%	74%	18,858	44%	11%	140,824	86%	23,648	14%
Q3 2006	190,789	103,996	55%	38,027	20%	74%	18,945	39%	10%	160,968	84%	29,821	16%
Q4 2006	189,339	107,511	57%	32,933	17%	74%	18,559	38%	10%	159,003	84%	30,336	16%
Q1 2007	159,360	84,022	53%	26,314	17%	69%	18,405	36%	12%	128,741	81%	30,619	19%
Q2 2007	101,288	47,710	47%	13,223	13%	60%	15,943	40%	16%	76,876	76%	24,412	24%
ALL QTRS	911,039	493,081	54%	162,156	18%	72%	100,653	39%	11%	766,890	83%	155,149	17%

#### Summary Points

- Event 1 findings decreased steadily over the report period
- Event 2 findings increased over the first 3 qtrs of the report period before steadily decreasing the remaining 3 qtrs.
- The above 2 points indicate a tightening of default grading by Clients, however, just about half of the loans caught in the tightening remained as kicks, with the other half receiving waivers.
- Loan rejection rates held steady during 2006 before steadily increasing for the final 2 qtrs of the report period (Q1-Q2 2007).

\* % of loans initially flagged by Clayton as Event 3 but subsequently waived by Clients

Pull-Through Rates  
vs.  
Reject Rates

The percentage of waived loans related to all loans reviewed.



BEAR / EMC	Client	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	BEAR	1,136	311	108	1,555	20%	15%	419	26%	38%
2006-1	EMC	9,054	795	724	10,573	8%	15%	1,519	48%	38%
2006-1 Total	BEAR/EMC	10,190	1,106	832	12,128	9%	15%	1,938	43%	38%
2006-2	BEAR	2,492	398	227	3,117	13%	14%	625	36%	44%
2006-2	EMC	5,571	519	467	6,557	8%	14%	986	47%	44%
2006-2 Total	BEAR/EMC	8,063	917	694	9,674	9%	14%	1,611	43%	44%
2006-3	BEAR	5,326	307	394	6,027	5%	16%	701	56%	39%
2006-3	EMC	9,793	489	897	11,179	4%	16%	1,386	65%	39%
2006-3 Total	BEAR/EMC	15,119	796	1,291	17,206	5%	16%	2,087	62%	39%
2006-4	BEAR	1,996	284	94	2,374	12%	16%	378	25%	38%
2006-4	EMC	11,798	572	902	13,272	4%	16%	1,474	61%	38%
2006-4 Total	BEAR/EMC	13,794	856	996	15,646	5%	16%	1,852	54%	38%
2007-1	BEAR	1,774	1,507	144	3,425	44%	19%	1,651	9%	38%
2007-1	EMC	9,069	1,012	518	10,599	10%	19%	1,530	34%	38%
2007-1 Total	BEAR/EMC	10,843	2,519	662	14,024	18%	19%	3,181	21%	38%
2007-2	BEAR	2,030	392	328	2,750	14%	24%	720	46%	40%
2007-2	EMC	569	262	120	951	28%	24%	382	31%	40%
2007-2 Total	BEAR/EMC	2,599	654	448	3,701	18%	24%	1,102	41%	40%
Total Bear		14,754	3,199	1,295	19,248	17%	17%	4,494	23%	39%
Total EMC		45,854	3,649	3,628	53,131	7%	17%	7,277	50%	39%
Total Bear / EMC		60,608	6,848	4,923	72,379	9%	17%	11,771	42%	39%

BOA/BOACD	Client	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-2	BOA	1,103	94	241	1,438	7%	14%	335	72%	44%
2006-2	BOACD	111	35	0	146	24%	14%	35	0%	44%
2006-2 Total	BOA/BOACD	1,214	129	241	1,584	8%	14%	370	66%	44%
2006-3	BOA	3,881	410	504	4,795	9%	16%	914	55%	39%
2006-3	BOACD	447	1,088	4	1,539	71%	16%	1,092	0%	39%
2006-3 Total	BOA/BOACD	4,328	1,498	508	6,334	24%	16%	2,006	25%	39%
2006-4	BOA	1	0	0	1	0%	16%	0	0%	38%
2006-4	BOACD	488	545	0	1,033	53%	16%	545	0%	38%
2006-4 Total	BOA/BOACD	489	545	0	1,034	53%	16%	545	0%	38%
2007-1	BOA	1,056	66	94	1,216	5%	19%	160	59%	38%
2007-1 Total	BOA/BOACD	1,056	66	94	1,216	27%	19%	706	13%	38%
Total BOA		6,041	570	839	7,450	8%	17%	1,409	60%	39%
Total BOACD		1,046	1,668	4	2,718	61%	17%	1,672	0%	39%
Total BOA/BOACD		7,087	2,238	843	10,168	22%	17%	3,081	27%	39%



BARCLAYS	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	65	10	10	85	12%	15%	20	50%	38%
2006-3	195	67	1	263	25%	16%	68	1%	39%
2006-4	529	71	22	622	11%	16%	93	24%	38%
2007-1	2,839	567	394	3,800	15%	19%	961	41%	38%
2007-2	936	525	44	1,505	35%	24%	569	8%	40%
	4,564	1,240	471	6,275	20%	17%	1,711	28%	39%

CBASS	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	5,051	1,530	582	7,163	21%	15%	2,112	28%	38%
2006-2	11,139	3,181	1,565	15,885	20%	14%	4,746	33%	44%
2006-3	2,280	499	303	3,082	16%	16%	802	38%	39%
2006-4	12,834	1,621	1,921	16,376	10%	16%	3,542	54%	38%
2007-1	1,641	211	108	1,960	11%	19%	319	34%	38%
2007-2	1,604	1,043	1,651	4,298	24%	24%	2,694	61%	40%
	34,549	8,085	6,130	48,764	17%	17%	14,215	43%	39%

Countrywide	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-4	596	141	33	770	18%	16%	174	19%	38%
2007-1	1,172	421	42	1,635	26%	19%	463	9%	38%
	1,768	562	75	2,405	23%	17%	637	12%	39%

Credit Suisse	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	163	149	72	384	39%	15%	221	33%	38%
2006-2	5,032	1,127	1,342	7,501	15%	14%	2,469	54%	44%
2006-3	7,079	2,027	1,495	10,601	19%	16%	3,522	42%	39%
2006-4	10,153	2,966	1,522	14,641	20%	16%	4,488	34%	38%
2007-1	9,797	4,094	1,044	14,935	27%	19%	5,138	20%	38%
2007-2	6,056	1,642	546	8,244	20%	24%	2,188	25%	40%
	38,280	12,005	6,021	56,306	21%	17%	18,026	33%	39%

Citigroup	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	554	582	144	1,280	45%	15%	726	28%	38%
2006-2	592	29	47	668	4%	14%	76	52%	44%
2006-3	326	345	71	742	46%	16%	416	17%	39%
2006-4	801	115	344	1,260	9%	16%	459	75%	38%
2007-1	1,177	675	127	1,979	34%	19%	802	16%	38%
2007-2	171	34	71	276	12%	24%	105	68%	40%
	3,621	1,780	804	6,205	29%	17%	2,584	31%	39%

Deutsche	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	7,456	1,459	1,698	10,613	14%	15%	3,157	54%	38%
2006-2	13,416	2,748	2,998	19,162	14%	14%	5,746	52%	44%
2006-3	12,514	2,719	2,836	18,069	15%	16%	5,555	51%	39%
2006-4	6,762	2,709	2,641	12,112	22%	16%	5,350	49%	38%
2007-1	2,913	1,786	1,400	6,099	29%	19%	3,186	44%	38%
2007-2	135	152	37	324	47%	24%	189	20%	40%
	43,196	11,573	11,610	66,379	17%	17%	23,183	50%	39%



<b>Doral</b>	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-3	5,069	4,852	454	10,375	47%	16%	5,306	9%	39%
2006-4	1,418	3,998	529	5,945	67%	16%	4,527	12%	38%
2007-1	320	1,623	105	2,048	79%	19%	1,728	8%	38%
2007-2	164	1,381	59	1,604	86%	24%	1,440	4%	40%
	<b>6,971</b>	<b>11,854</b>	<b>1,147</b>	<b>19,972</b>	<b>58%</b>	<b>17%</b>	<b>13,001</b>	<b>8%</b>	<b>39%</b>

<b>Ellington</b>	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	0	12	0	12	100%	15%	12	0%	38%
2007-1	2,562	612	183	3,357	18%	19%	795	23%	38%
2007-2	16,634	3,016	5,808	25,458	12%	24%	8,824	86%	40%
	<b>19,196</b>	<b>3,640</b>	<b>5,991</b>	<b>28,827</b>	<b>13%</b>	<b>17%</b>	<b>9,631</b>	<b>82%</b>	<b>39%</b>

<b>Freddie Mac</b>	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	721	176	177	1,074	16%	15%	353	50%	38%
2006-2	478	76	87	641	12%	14%	163	53%	44%
2006-3	225	34	46	305	11%	16%	80	58%	39%
2006-4	271	34	52	357	10%	16%	86	60%	38%
2007-1	163	17	58	238	7%	19%	75	77%	38%
2007-2	91	76	203	370	21%	24%	279	73%	40%
	<b>1,949</b>	<b>413</b>	<b>623</b>	<b>2,985</b>	<b>14%</b>	<b>17%</b>	<b>1,036</b>	<b>60%</b>	<b>39%</b>



Greenwich	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	7,333	991	608	8,932	11%	15%	1,599	38%	38%
2006-2	12,338	1,469	1,249	15,056	10%	14%	2,718	46%	44%
2006-3	10,253	689	716	11,658	6%	16%	1,405	51%	39%
2006-4	9,829	784	1,097	11,710	7%	16%	1,881	58%	38%
2007-1	9,480	983	1,407	11,870	8%	19%	2,390	59%	38%
2007-2	5,663	852	1,516	8,031	11%	24%	2,368	64%	40%
	54,896	5,768	6,593	67,257	9%	17%	12,361	53%	39%

Goldman	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	13,288	3,365	340	16,993	20%	15%	3,705	9%	38%
2006-2	16,212	3,053	1,916	21,181	14%	14%	4,969	39%	44%
2006-3	18,251	2,603	937	21,791	12%	16%	3,540	26%	39%
2006-4	22,775	4,436	1,390	28,601	16%	16%	5,826	24%	38%
2007-1	11,893	2,915	1,164	15,972	18%	19%	4,079	29%	38%
2007-2	3,973	1,768	1,720	7,461	24%	24%	3,488	49%	40%
	86,392	18,140	7,467	111,999	16%	17%	25,607	29%	39%

HSBCMS	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	1,330	207	477	2,014	10%	15%	684	70%	38%
2006-2	3,144	355	742	4,241	8%	14%	1,097	68%	44%
2006-3	3,430	619	876	4,925	13%	16%	1,495	59%	39%
2006-4	6,554	580	1,223	8,357	7%	16%	1,803	68%	38%
2007-1	4,630	901	1,286	6,817	13%	19%	2,187	59%	38%
2007-2	1,217	139	24	1,380	10%	24%	163	15%	40%
	20,305	2,801	4,628	27,734	10%	17%	7,429	62%	39%

JPMorgan	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	4,747	1,444	1,352	7,543	19%	15%	2,796	48%	38%
2006-2	5,631	636	715	6,982	9%	14%	1,351	53%	44%
2006-3	4,074	610	633	5,317	11%	16%	1,243	51%	39%
2006-4	130	4	3	137	3%	16%	7	43%	38%
2007-1	1,319	89	153	1,561	6%	19%	242	63%	38%
2007-2	1,442	304	382	2,128	14%	24%	686	56%	40%
	17,343	3,087	3,238	23,668	13%	17%	6,325	51%	39%

Lehman	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	8,767	1,322	959	11,048	12%	15%	2,281	42%	38%
2006-2	10,282	1,736	1,706	13,724	13%	14%	3,442	50%	44%
2006-3	7,892	1,540	1,460	10,892	14%	16%	3,000	49%	39%
2006-4	9,478	2,461	1,172	13,111	19%	16%	3,633	32%	38%
2007-1	10,368	2,639	1,026	14,033	19%	19%	3,665	28%	38%
2007-2	5,220	1,738	371	7,329	24%	24%	2,109	18%	40%
	52,007	11,436	6,694	70,137	16%	17%	18,130	37%	39%

Merrill	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	4,413	1,019	345	5,777	18%	15%	1,364	25%	38%
2006-2	7,459	2,029	556	10,044	20%	14%	2,585	22%	44%
2006-3	9,991	1,838	249	12,078	15%	16%	2,087	12%	39%
2006-4	10,866	1,211	535	12,612	10%	16%	1,746	31%	38%
2007-1	9,117	2,589	2,377	14,083	18%	19%	4,966	48%	38%
2007-2	795	103	37	935	11%	24%	140	26%	40%
	42,641	8,789	4,099	55,529	18%	17%	12,888	32%	39%



<b>Morgan</b>	<b>Accept (EV1 &amp; 2)</b>	<b>Reject (EV3)</b>	<b>Waiver (W &amp; T)</b>	<b>Total Loans Reviewed</b>	<b>Final Reject Rate</b>	<b>Clayton Average Reject Rate</b>	<b>Total Initial Clayton Rejects</b>	<b>Final Waiver Rate</b>	<b>Clayton Average Waiver Rate</b>
2006-1	208	21	48	277	8%	15%	69	70%	38%
2006-2	8,442	1,890	2,683	13,015	15%	14%	4,573	59%	44%
2006-3	10,817	3,288	3,608	17,713	19%	16%	6,896	52%	39%
2006-4	7,056	1,849	2,717	11,622	16%	16%	4,566	60%	38%
2007-1	9,083	2,087	2,583	13,753	15%	19%	4,670	55%	38%
2007-2	4,180	984	1,396	6,560	15%	24%	2,380	59%	40%
	<b>39,736</b>	<b>10,119</b>	<b>13,035</b>	<b>62,940</b>	<b>16%</b>	<b>17%</b>	<b>23,154</b>	<b>56%</b>	<b>39%</b>

<b>Nomura</b>	<b>Accept (EV1 &amp; 2)</b>	<b>Reject (EV3)</b>	<b>Waiver (W &amp; T)</b>	<b>Total Loans Reviewed</b>	<b>Final Reject Rate</b>	<b>Clayton Average Reject Rate</b>	<b>Total Initial Clayton Rejects</b>	<b>Final Waiver Rate</b>	<b>Clayton Average Waiver Rate</b>
2006-1	2,962	723	1,128	4,813	15%	15%	1,851	61%	38%
2006-2	1,253	263	580	2,096	13%	14%	843	69%	44%
2006-3	2,551	659	1,153	4,363	15%	16%	1,812	64%	39%
2006-4	2,500	647	629	3,776	17%	16%	1,276	49%	38%
2007-1	2,178	626	562	3,366	19%	19%	1,188	47%	38%
	<b>11,444</b>	<b>2,918</b>	<b>4,052</b>	<b>18,414</b>	<b>16%</b>	<b>17%</b>	<b>6,970</b>	<b>58%</b>	<b>39%</b>

<b>Societe Generale</b>	<b>Accept (EV1 &amp; 2)</b>	<b>Reject (EV3)</b>	<b>Waiver (W &amp; T)</b>	<b>Total Loans Reviewed</b>	<b>Final Reject Rate</b>	<b>Clayton Average Reject Rate</b>	<b>Total Initial Clayton Rejects</b>	<b>Final Waiver Rate</b>	<b>Clayton Average Waiver Rate</b>
2006-2	1,269	695	351	2,315	30%	14%	1,046	34%	44%
2006-3	711	272	200	1,183	23%	16%	472	42%	39%
2006-4	420	473	190	1,083	44%	16%	663	29%	38%
2007-1	142	56	2	200	28%	19%	58	3%	38%
	<b>2,542</b>	<b>1,496</b>	<b>743</b>	<b>4,781</b>	<b>31%</b>	<b>17%</b>	<b>2,239</b>	<b>33%</b>	<b>39%</b>

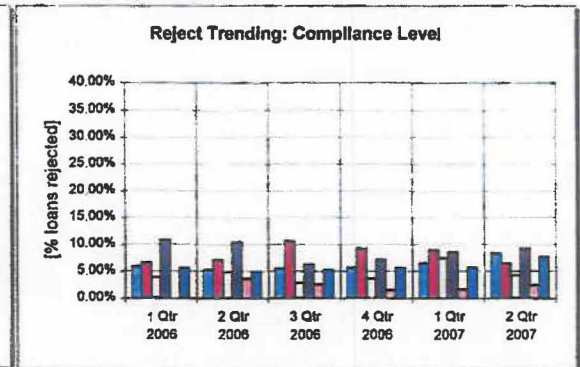
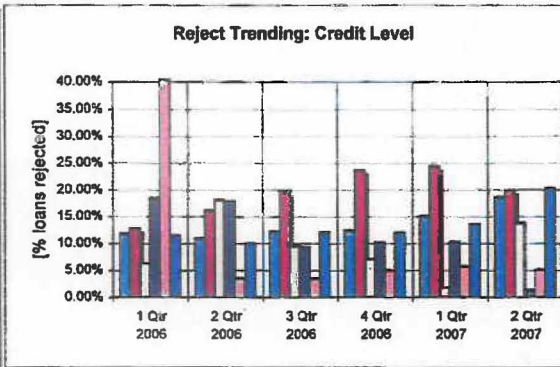
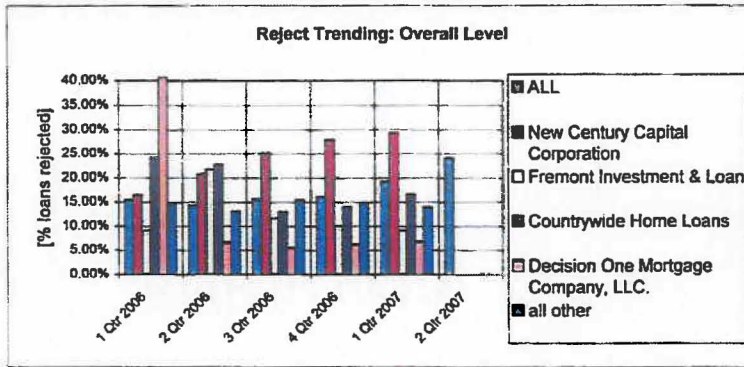
UBS	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	3,406	400	138	3,944	10%	15%	538	26%	38%
2006-2	4,702	1,341	401	6,444	21%	14%	1,742	23%	44%
2006-3	5,217	727	385	6,329	11%	16%	1,112	35%	39%
2006-4	2,571	234	72	2,877	8%	16%	306	24%	38%
2007-1	3,568	569	218	4,355	13%	19%	787	26%	38%
2007-2	2,732	360	577	3,669	10%	24%	937	62%	40%
	22,196	3,631	1,791	27,618	13%	17%	5,422	33%	39%

WAMU	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	262	14	70	346	4%	15%	84	83%	38%
2006-2	4,908	205	531	5,644	4%	14%	736	72%	44%
2006-3	13,827	1,385	1,190	16,402	8%	16%	2,575	46%	39%
2006-4	4,156	864	691	5,711	15%	16%	1,555	44%	38%
2007-1	2,126	437	234	2,797	16%	19%	671	35%	38%
2007-2	321	3,787	0	4,108	92%	24%	3,787	0%	40%
	25,600	6,692	2,716	35,008	18%	17%	9,408	29%	39%

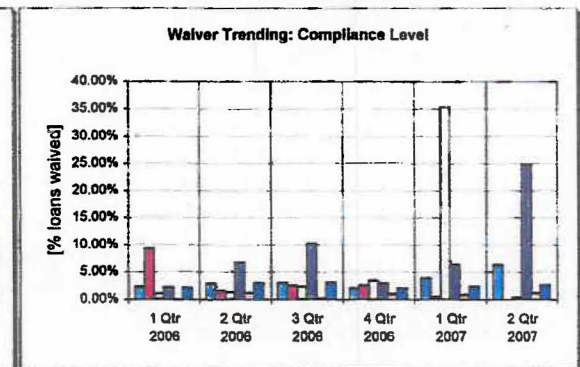
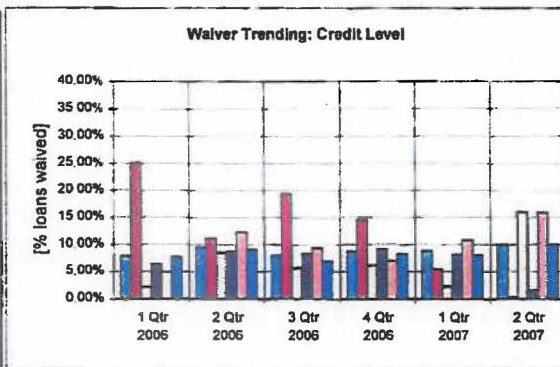
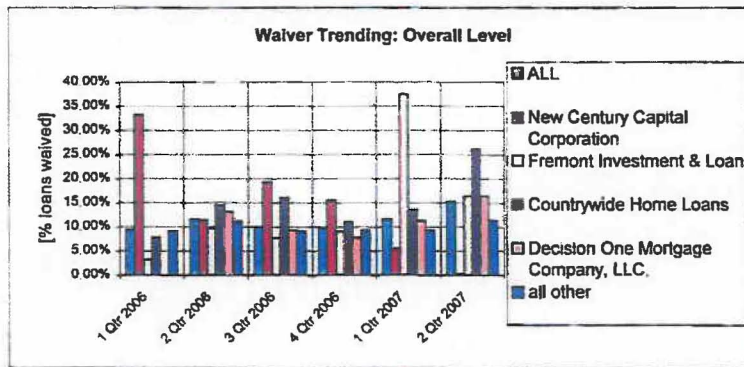
WMMSC	Accept (EV1 & 2)	Reject (EV3)	Waiver (W & T)	Total Loans Reviewed	Final Reject Rate	Clayton Average Reject Rate	Total Initial Clayton Rejects	Final Waiver Rate	Clayton Average Waiver Rate
2006-1	3,507	259	91	3,857	7%	15%	350	26%	38%
2006-2	1,663	126	69	1,858	7%	14%	195	35%	44%
2006-3	1,973	120	174	2,267	5%	16%	294	59%	39%
2006-4	4,296	135	128	4,559	3%	16%	263	49%	38%
2007-1	3,955	148	232	4,335	3%	19%	380	61%	38%
2007-2	1,255	58	156	1,469	4%	24%	214	73%	40%
	16,649	846	850	18,345	5%	17%	1,696	66%	39%



All Clayton / Top Four Sellers - Reject Trending - 2006



All Clayton / Top Four Sellers - Waiver Trending - 2006



# EXHIBIT 27





From the office of Paul T. Bossidy  
President & Chief Executive Officer  
2 Corporate Drive | Suite 800 | Shelton, CT 06484  
P: 203.926.8283 | F: 203.926.5750  
pbossidy@clayton.com | [www.clayton.com](http://www.clayton.com)

September 30, 2010

**VIA ELECTRONIC AND OVERNIGHT MAIL**

Hon. Phil Angelides  
Chairman  
Financial Crisis Inquiry Commission  
1717 Pennsylvania Avenue, NW, Suite 800  
Washington, DC 20006-4614

RE: September 23, 2010 Sacramento Hearing

Dear Chairman Angelides:

I write to clarify and correct some of the testimony provided last Thursday during the Commission's hearing in Sacramento, California. As you recall, during a panel entitled "The Mortgage Securitization Chain: From Sacramento to Wall Street," you and your fellow Commissioners questioned Ms. Vicki Beal, a Senior Vice President in Transaction Management at Clayton, as well as Mr. Keith Johnson, the former President and Chief Executive Officer of Washington Mutual's Long Beach Mortgage and former President of Clayton from May 2006 through December 2008. Among the questions posed to Ms. Beal and Mr. Johnson were questions related to Clayton's meetings with various ratings agencies during 2006 and 2007, Clayton's Exception and Trending Reports, and the disclosure of Clayton's work to investors in prospectuses. Following the hearing, several media outlets have written about these topics and commented on some of the inaccurate testimony provided by Mr. Johnson. As the Commission is charged with accurately recording the causes of the current financial and economic crisis, an undertaking Clayton fully supports, it is imperative that the American people are not left with any misimpressions or erroneous conclusions. Accordingly, I will address each of these three topics and ask that you make this letter part of the Commission's permanent record.

**Rating Agency Meetings**

On several occasions, Mr. Johnson was asked about Clayton's meetings with Moody's, S&P and Fitch. In response to those questions, Mr. Johnson testified that in 2006 Clayton took its Exception Tracking reports to Fitch and S&P, and in 2007, Clayton did the same with Moody's along with the Trending Reports. These statements are inaccurate.

First, at no time did Clayton share any client reports or data, much less the beta Trending Reports, with any rating agency. Let me be clear, Clayton never shared any client reports or data with the rating agencies during a period when the rating agencies were reviewing securities for ratings issuance. Second, Clayton used these meetings solely to market its products. At no point did Clayton set up a meeting with a rating agency in an effort to discuss "concerns" Clayton had about the securitization process and the ratings being issued. Indeed, as detailed below, the only discussions Clayton had with the rating agencies regarding changes to the due diligence process occurred after the securitization market for new issues had collapsed in early 2007. Simply stated, there was nothing Clayton discussed with the various rating agencies prior to the collapse of the securitization market, that to Clayton's knowledge, would have lead the rating agencies to alter their approach.

Pursuant to a request from your staff, Clayton provided a chronology of all of its meetings with the various rating agencies, including the topics discussed and the participants from each firm, along with supporting documents. In addition, Mr. Filippis, Ms. O'Neill and Ms. Beal were interviewed by your staff about these meetings. In order to have an unambiguous record of these meetings, I have set forth for your convenience a summary of those meetings taken from the documents provided and the interviews conducted.

#### **Fitch**

Clayton met with Fitch on two occasions in 2006. Mr. Johnson was present for neither meeting. Indeed, the first meeting occurred in January 2006, almost five months prior to Mr. Johnson's employment at Clayton. During that meeting, no client reports or data were shared with Fitch. The second occurred in late November 2006 in the United Kingdom and was not attended by Mr. Johnson. During that meeting, Clayton made a marketing presentation and discussed its products and exception tracking capabilities. At no time did Clayton share any client reports or data with Fitch.

In 2007, Clayton met with Fitch on November 9, long after the securitization market had collapsed. During that meeting, which was attended by Mr. Johnson and other senior Clayton officers, the two firms discussed reforms being considered and proposed by all of the rating agencies, including standardization of due diligence and disclosure of due diligence results to investors. Clayton produced to your staff the presentation materials provided to Fitch, which describe Clayton's exception tracking and trending capabilities using sample data. No client reports or data were shared.

#### **S&P**

Clayton met with S&P only once in 2006, on April 26, the month prior to Mr. Johnson's arrival at Clayton. During that meeting, neither Exception Tracking nor trending was discussed nor were any client reports or data shared with S&P.

In 2007, Clayton held two meetings with S&P. The first of which occurred on July 27, 2007, after the securitization market had collapsed. This was a meeting during which Clayton discussed its capabilities. On October 10, 2007, Clayton made a formal marketing presentation to S&P, a copy of which was provided to your staff. Mr. Johnson attended both meetings, along with other senior Clayton officers. Once again, Clayton discussed its capabilities and how Clayton could be part of the reform process being considered by the rating agencies. At neither meeting were any client reports or data shared, and Clayton produced to your staff its materials from the October 10 presentation.

#### **Moody's**

Clayton held one meeting with Moody's in April 2006, prior to Mr. Johnson's arrival. No client reports or data were disclosed.

Throughout 2007, Clayton met several times with Moody's. During the first half of 2007, Moody's held several meetings with Clayton as part of Moody's research for a White Paper they were preparing on due diligence. During these meetings with Clayton staff, which did not include Mr. Johnson, Clayton explained its operations and how it conducts a due diligence review, including the use of Exception Tracking. No client reports or data were shared with Moody's during any of these meetings.

In July 2007, once again after the securitization market had collapsed, Moody's held a meeting with Clayton at Moody's offices. Mr. Johnson, along with another Clayton senior officer, attended the meeting. The two firms discussed Clayton's Exception Tracking capabilities, but no client reports or data were shared.

On September 5, 2007, and later on October 17, 2007, the two companies discussed how Clayton's capabilities could be included in reforms being considered. Mr. Johnson and other senior Clayton officers attended both meetings. Once again, no client reports or data were shared.

Clayton produced to your staff all of the presentation materials from each of these meetings. Those materials contain example reports and sample data, and do not contain any actual client data or reports.

### **Trending Reports**

During your questioning of Ms. Beal, you entered into the record and asked Ms. Beal about the "All Clayton Trending Reports," reports specifically requested from Clayton by your staff. Prior to the September 23 hearing, your staff interviewed several senior Clayton officers who were directly responsible for the development of these reports. Specifically, your staff interviewed Frank Filippis, Chairman and Chief Executive Officer from April 2005 through July 2008, Kerry O'Neill, Executive Vice President Due Diligence and Platform Services from May 2004 through December 2007, and Ms. Beal. As detailed below, each of them advised against the Commission's reliance on the Trending Reports.

As Ms. Beal stated in her written testimony, "[b]eginning in 2003, Clayton worked to develop a more comprehensive scoring system for its clients, one which would allow Clayton to expand its exception review system to more specifically identify and track exceptions. The new system was called Exception Tracking and it allowed our clients to better manage exceptions (*E.g.*, show client what portfolio would look like if seller cured what it could) and it allowed for better reporting to clients." Clayton rolled out this system and its Exception Reports to our clients beginning in late 2005 and continuing throughout 2006.

In 2007, Ms. O'Neill's team worked to develop Trending Reports for our clients utilizing the Exception Tracking data that would enable us to identify trends in their deals with various originators that could be potentially useful for them in their own processes. The first step in that process was the creation of "beta" Trending Reports across all clients, as well as individual client beta Trending Reports, with which Ms. O'Neill and her team could work with each client to see if it was even possible to identify statistically significant and meaningful trends. The beta report she created was a data summary of the total number of Event Grades ("EV") 1, 2, 2W, 2T and 3 across all deals that had been reviewed using the Exception Tracking software.

Ms. O'Neill, Mr. Filippis and Ms. Beal informed your staff that the major impediment facing Clayton with respect to developing Trending Reports was the lack of standardization across our clients, both in terms of individual tolerances and scope of review. Additionally, Clayton was faced with variations in the loan products being originated and the underwriting guidelines for those loans. Thus, while each of the Exception Reports contain valid and relevant client-level data for each client's own purpose, when aggregated and measured across our clients, it is not possible to form a meaningful basis of comparison. Given these constraints, Ms. O'Neill stated that she expected it to take several years to complete this project. In short, because of the variation in client processes, scopes and tolerances, we believe that the Commission should not draw any conclusions from the Trending Reports. Should the Commission choose to reference or rely upon the Trending Reports in its findings, we request that the Commission provide these appropriate caveats so that the information is not misleading to the public.



Separately, during the hearing some of the percentages reflected on the Trending Report were inadvertently misstated. Specifically, you asked Ms. Beal about the 28% of EV-3 loans initially graded by Clayton and the final percent that remained EV-3. Both you and Ms. Beal mistakenly stated that the final number of EV-3 loans was 11%. 17%, not 11%, of the total loans reviewed remained as EV-3. The 11% referred to in the report is the percentage of loans that were EV-2W and EV-2T.

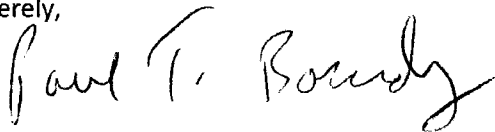
### **Prospectuses**

During your questioning of Mr. Johnson, you asked him about the disclosure statements contained within MBS prospectuses issued by our clients. Mr. Johnson stated that "we looked at a lot of prospectuses and [are] not aware of any information going through the prospectus." Mr. Johnson did not testify as to when and why this review occurred, and in the absence of this information, the public could be left with the mistaken impression that Clayton was actively reviewing prospectuses at the time of our due diligence reviews. As Mr. Johnson and our General Counsel informed your staff, Clayton began to review prospectus in the summer and fall of 2007 in response to specific questions from regulators about whether Clayton's due diligence results were set forth in MBS prospectuses. Prior to those requests, Clayton did not engage in prospectus reviews nor was Clayton asked by any client to review any prospectus prior to its issuance.

Finally, during much of Mr. Johnson's testimony, he used the terms "I", "we", and "ours" interchangeably, as he gave his personal opinions about the collapse of the securitization market and how it could have been prevented. I hope it is clear from this letter, Ms. Beal's written and oral testimony, and from the record previously provided by Clayton to the Commission, both documentary and testimonial, that Mr. Johnson's opinions do not represent those held by Clayton. Rather, they are his alone.

On behalf of Clayton, I thank you and the Commission for your attention to this important matter.

Sincerely,

A handwritten signature in cursive script, reading "Paul T. Bossidy". The signature is written in dark ink and is positioned above the printed name and title.

Paul T. Bossidy  
Chief Executive Officer

# EXHIBIT 28

# FINAL TRANSCRIPT

**Thomson StreetEvents™**

## **MS - Morgan Stanley 4th Quarter Earnings Conference Call**

**Event Date/Time: Dec. 19. 2007 / 11:00AM ET**

**THOMSON**  
— ★ —

[www.streetevents.com](http://www.streetevents.com)

[Contact Us](#)

© 2007 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.



Dec. 19. 2007 / 11:00AM, MS - Morgan Stanley 4th Quarter Earnings Conference Call

on Form 10Q and other items throughout the Form 10K and the companies 2007 current reports on Form 8K. The information provided today may also include certain nonGAAP financial measures. The reconciliations of such measures through the comparable GAAP figures are included in our annual reports on Form 10, our quarterly reports on Form 10Q, and our current reports on 8K, which are available on our website at [www.morganstanley.com](http://www.morganstanley.com).

Any recording, rebroadcast, or other use of this presentation in whole or in part is strictly prohibited without prior written consent of Morgan Stanley. This presentation is copywrited and proprietary to Morgan Stanley. At this time I would like to turn the program over to Colm Kelleher for today's call. Please proceed.

**Colm Kelleher** - Morgan Stanley - EVP, CFO

Thank you, Operator, and good morning, everyone. Before I go through the details of our results, John Mack has joined me and will begin the call. John?

**John Mack** - Morgan Stanley - Chairman, CEO

Good morning, everyone. The results we announced today are embarrassing, for me, for our firm, this loss was the result of an error in judgment that occurred on one desk, in our Fixed Income area, and also a failure to manage that risk appropriately. Make no mistake, we've held people accountable. We're moving aggressively to make necessary changes. This loss shouldn't be overshadowed -- the fact that the rest of the firm delivered really outstanding results for the quarter and for the year. We had a record full-year result at Investment Banking, Equity, Sales and Trading and Asset Management. Global Wealth Management more than doubled pre-tax profit for the year. The fact is our core business remains strong and we're moving quickly and decisively to build on that momentum.

The strength of our business and our strategy is clear in the approximately \$5 billion long-term investment we've announced this morning from CIC, a China Investment Corp. This investment will help us further bolster Morgan Stanley's strong capital position while also building on our deep and historic ties and market leadership in China. It also will insure we have resources necessary to pursue the growth opportunities we see in this region. Across all of our businesses: Institution Securities, Wealth Management, Asset Management businesses, into '08 and beyond. Now, before Colm takes you through this quarters results in detail, I've got a few things I'd like to say. First, let's talk about the writedowns in our mortgage business. We had a [lark]. Second, we have a strong performance across our other businesses. And third, actions we've taken to address this quarter's loss and build momentum across the rest of the firm. So let's start with the mortgage business.

Let me give you a quick recap of what lead to this writedown on our subprime trading position. We had a large liquid trade on our books and a deteriorating credit market. The early view was to hold a position rather than incur the cost of the unwind, as it was believed we had adequate hedges in place. However, the hedges did not perform adequately and extraordinary market conditions of late October and November. Subsequently, we -- given the illiquidity of the positions we're now writing it down to these levels. We have moved aggressively to address these issues. We've been as transparent as possible about our exposure. Indeed, back in early November, we provided you details on the net exposure of the subprime trading position in our mortgage business.

We told you that as of October 31, we expected to take a \$3.7 billion writedown of this subprime position. We also made clear that our year-end marks would depend on market conditions. During the month of November, the value of that position continued to deteriorate that lead us to writedown another \$4.1 billion on the subprime trading position in the fourth quarter. We were also taking a writedown of \$1.6 billion on other mortgage-related assets that had suffered deterioration in value as a result of dislocations in the mortgage market. And Colm will take you through that later on. Virtually all writedowns this quarter was the result of trading by a single desk in our mortgage business. But I want to be absolutely clear, as the head of this firm, I take responsibility for performance. Let's go to our other businesses.



Dec. 19. 2007 / 11:00AM, MS - Morgan Stanley 4th Quarter Earnings Conference Call

**Colm Kelleher** - Morgan Stanley - EVP, CFO

Thank you, John. We have a lot of material to cover today and it will take some time, but I want to make sure that we provide you with all of the information you need for your analysis. There will be plenty of time for questions and answers. As you are aware over the past year our trading group decided to short the subprime market. The traders were short the lowest [trench of] subprime securities with a value of approximately \$2 billion. The trade has decided to cover the cost of the negative carry in the short position. To do so they went longer approximately \$14 billion at the super senior AAA or BBB subprime securities we refer to as mezzanine. As the credit markets declined dramatically the implied cumulative losses in the subprime market cashed into the value of the super senior AAA trench we were notionally long. As a result, notwithstanding the short position, the implied losses of the notional long generated a major net loss from the position with mark-to-market. The loss was nonlinear with a decline of the relevant ABX index given the long/short structure of this particular trade.

Now, when I last spoke with you in November, we provided risk management nonGAAP perspective on our U.S. subprime exposure through October 31. On page 15 of the supplement, you can see the updated schedule through November. Our writedown reflected the impacts of November increased to \$7.8 billion from \$3.7 billion as of October 31, while our total net exposure decreased to \$1.8 billion from \$6 billion over the same period. Using consistent valuation methodology, the fair value of these positions declined from October 31 to November 30. Our valuation of these positions takes into consideration observable trades to continue deterioration and market conditions, the decline in the ABX indices, and other market developments including updated mortgage remittance and cumulative loss data. The decrease in the fair value of our subprime exposures has led to our first quarterly loss.

The trades we observed were those we executed in November as part of our effort to reduce our exposure. The ABX deterioration in the class of super senior positions, mainly the BBB 061 vintage, were almost significant exposure rest was approximately 24% during November, which relates to 2005 collateral. And in addition to the \$7.8 billion in subprime writedowns, we also wrote down approximately \$1.2 billion in other mortgage-related positions as a result of fair value declines in November, of which \$400 million relates to CMBS for trades or executions as part of our balance sheet reduction, \$180 million in Alt-A and other loans, where credit spreads widened and [remissions] data deteriorated, \$175 million in first and second end loans meant for securitization on subordination changes by rating agencies and executed trades, and \$450 million in European nonconforming loans on credit spread widening and executed trades.

We also took a \$435 million writedown on the securities available for sale portfolio in our subsidiary banks. We continue to see value in this portfolio, which is made up exclusively of AAA-rated residential mortgage-backed securities when the portfolios contain no subprime whole loans, subprime residuals or CDOs. This portfolio was redesignated as trading effective November 30 to preserve our flexibility with the portfolio and to align it with the accounting treatment of our other trading portfolios so that any mark-to-market will flow directly through the income statement each quarter. These factors totaling \$9.4 billion in writedowns drove the fourth quarter loss of \$3.6 billion down from last quarter's \$1.5 billion profit. The EPS impact from these writedowns was \$5.80. Basic EPS from continuing operations for the quarter was a loss of \$3.61 per share versus \$1.45 gain per quarter last quarter. Net revenues were a negative \$450 million driven by the loss in fixed income revenues reflecting the writedowns I mentioned. As John said, despite clearly disappointing results in our credit trading business within fixed income, many of our businesses produce record results and contributed to the second strongest year on record.

Let me now address other aspects of our firm-wide results which are outlined on pages one and two of the financial supplement. Consolidated revenues for the quarter were negative \$450 million and total noninterest expenses were \$5.4 billion down 6% from last quarter. The largest component compensation of benefits expense was \$3.2 billion, reflecting an adjustment to the full-year payout. Despite a quarter with significantly lower revenues, our compensation reflects strength across most businesses and our recognition of the competitive environment and the need to retain talent. The full-year compensation to net revenue ratio is 59%. As you know, next year's compensation is very difficult to forecast, particularly given on certain market conditions in 2008. As of now, the best data point we can direct you to is our full-year 2006 comp-to-net revenue ratio of 47%. We will provide you with updated guidance in the first quarter.

# EXHIBIT 29

STACK CDO Collateral Sample	Witness Signatories of S-3 Registration	Witness Signatories of S-3/A	Originators	Witness NRSROs	Performance
MSAC 2005-HE7 B3 Steven Shapiro \$5,000,000 Anthony Tufariello SEC File: 333-121914		Steven Shapiro	WMC Mortgage Corp. Decision One New Century	Moody's S&P	24.91% Foreclosure 2.75% Bank Owned 5.57% Bankruptcy 33.23% Total
See Exhibit 38.1	See Exhibit 38.2	See Exhibit 38.3	See Exhibit 38.4	See Exhibit 38.4	See Exhibit 38.5
MSAC 2006-NC1 Steven Shapiro \$5,000,000 Anthony Tufariello SEC File: 333-121914		Steven Shapiro	New Century	Moody's S&P	14.67% Foreclosure 3.38% Bank Owned 5.60% Bankruptcy 23.65% Total
See Exhibit 38.1	See Exhibit 38.2	See Exhibit 38.3	See Exhibit 38.6	See Exhibit 38.6	See Exhibit 38.7
MSM 2006-6AR 1B1 Anthony Tufariello \$2,733,000 SEC File: 333-130684		Anthony Tufariello	American Home Morgan Stanley MortgageIT Others Undisclosed	Moody's S&P	20.44% Foreclosure 4.42% Bank Owned 4.05% Bankruptcy 28.91% Total
See Exhibit 38.1	See Exhibit 38.8	See Exhibit 38.9	See Exhibit 38.10	See Exhibit 38.10	See Exhibit 38.11
MSM 2006-6AR 1B2 Anthony Tufariello \$163,000 SEC File: 333-130684 See Exhibit 38.1		Anthony Tufariello	See above	See above	See above
MSAC 2006-NC4 Steven Shapiro \$4,000,000 Anthony Tufariello SEC File: 333-130694 Howard Hubler		Steven Shapiro Anthony Tufariello Howard Hubler	New Century	Moody's S&P	23.57% Foreclosure 4.71% Bank Owned 3.83% Bankruptcy 32.11% Total
See Exhibit 38.1	See Exhibit 38.12	See Exhibit 38.13	See Exhibit 38.13	See Exhibit 38.14	See Exhibit 38.15
MSM 2006-8AR 1B1 Anthony Tufariello \$806,000 SEC File: 333-130684		Anthony Tufariello	Morgan Stanley Wachovia Mortgage Others Undisclosed	Moody's S&P	14.30% Foreclosure 2.76% Bank Owned 2.46% Bankruptcy 19.52% Total
See Exhibit 38.1	See Exhibit 38.8	See Exhibit 38.9	See Exhibit 38.16		See Exhibit 38.17
MSM 2006-8AR 1B2 Anthony Tufariello \$806,000		Anthony Tufariello	See above	See above	See above
See Exhibit 38.1	See Exhibit 38.8	See Exhibit 38.9			
MSM 2006-8AR 1B3 Anthony Tufariello \$1,150,000		Anthony Tufariello	See above	See above	See above
See Exhibit 38.1	See Exhibit 38.8	See Exhibit 38.9			
MSM 2006-8AR 2B3 Anthony Tufariello \$2,170,485		Anthony Tufariello	See above	See above	See above
See Exhibit 38.1	See Exhibit 38.8	See Exhibit 38.9			
MSM 2006-16AX Anthony Tufariello \$500,000 SEC File: 333-130684		Anthony Tufariello	American Home MortgageIT Others Undisclosed	Moody's S&P	28.14% Foreclosure 5.42% Bank Owned 5.28% Bankruptcy 38.84% Total
See Exhibit 38.1	See Exhibit 38.8	See Exhibit 38.9	See Exhibit 38.18	See Exhibit 38.18	See Exhibit 38.19
IXIS 2005-HE4 B3 Anthony Tufariello \$5,000,000 Steven Shapiro SEC File: 333-121914		Steven Shapiro	First Horizon Fremont First NLC Others	Moody's S&P	31.67% Foreclosure 6.42% Bank Owned 8.55% Bankruptcy 46.64% Total
	See Exhibit 38.20	See Exhibit 38.21	See Exhibit 38.22	See Exhibit 38.22	See Exhibit 38.23
IXIS 2006-HE1 B3 Anthony Tufariello \$5,000,000 Steven Shapiro SEC File: 333-113543		Steven Shapiro	First NLC Encore Others	Moody's S&P	21.50% Foreclosure 7.35% Bank Owned 5.31% Bankruptcy 34.16% Total
	See Exhibit 38.24	See Exhibit 38.25	See Exhibit 38.26	See Exhibit 38.26	See Exhibit 38.27
IXIS 2006-HE2 B1 Anthony Tufariello \$2,000,000 Steven Shapiro SEC File: 333-113543		Steven Shapiro	Accredited Home First NLC New Century Others	Moody's S&P	20.37% Foreclosure 7.83% Bank Owned 4.30% Bankruptcy 32.50% Total
	See Exhibit 38.24	See Exhibit 38.25	See Exhibit 38.28	See Exhibit 38.28	See Exhibit 38.29

# EXHIBIT 30

Jason C. Davis  
JDavis@rgrdlaw.com

August 2, 2011

VIA EMAIL

James P. Rouhandeh, Esq.  
DAVIS POLK & WARDWELL LLP  
450 Lexington Avenue  
New York, NY 10017

Re: *China Development Industrial Bank v. Morgan Stanley & Co. Inc., et al.*  
No. 650957/2010 (N.Y. Sup. Ct.)

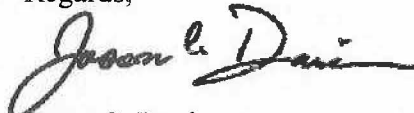
Dear Jim:

On today's telephonic conference with Mr. Hansen, you represented that Morgan Stanley's mortgage-related business lost \$9 billion, suggesting this "fact" supported an affirmative defense regarding Morgan Stanley's scienter.

CDIB is entitled, of course, to discovery into this affirmative defense. CDIB identifies all individuals with knowledge of this defense as custodians, including Howard Hubler (whom we have already identified), Joseph Naggar and David Wong.

CDIB further identifies each individual or organization that Morgan Stanley claims has any information that supports any of Morgan Stanley's defenses.

Regards,



Jason C. Davis

JCD:adc



# EXHIBIT 31

Joshua M. Rubins  
James J. Coster  
Mario Aieta  
James I. Doty  
SATTERLEE STEPHENS BURKE &  
BURKE LLP  
230 Park Avenue, 11th Floor  
New York, New York 10169  
(212) 818-9200  
*Counsel to Defendants Moody's Investors  
Service, Inc. and Moody's Investors Service  
Ltd.*

evidence that any individuals involved in the review of mortgage pools ever communicated with anyone involved in structuring the Cheyne SIV. Nor is there any evidence that Morgan Stanley employees involved in the structuring of mortgage-backed securities were even *permitted* to communicate with any Morgan Stanley employees who sold assets to the Cheyne SIV (much less that they actually did so). *Second*, it is undisputed that Cheyne Capital, and not Morgan Stanley, was responsible for asset selection for the Cheyne SIV. (§ 28.) Although Morgan Stanley had a veto right in connection with its financing of *some* assets prior to launch, there is no evidence that this veto right was ever exercised. *Third*, only six of the assets that were sponsored by Morgan Stanley and in the Cheyne SIV's portfolio at the SIV's launch were in the portfolio at the time of default. Those assets constituted less than 1% of the portfolio and continue paying interest to this day. (§§ 29-30.) *Fourth*, because Morgan Stanley typically retained a residual interest in the underlying assets it sponsored – holding on its own books the junior-most and riskiest piece of those securitizations – the notion that Morgan Stanley expected those assets to fail defies all reason: Morgan Stanley had a financial stake in the success of these vehicles. (§ 31.) Such economically irrational motives foreclose a reasonable inference of scienter, see Shields v. Citytrust Bancorp, Inc., 25 F.3d 1124, 1130 (2d Cir. 1994) (holding that courts must reject explanations that defy economic reason), and cannot constitute clear and convincing evidence of fraudulent intent. *Fifth*, Morgan Stanley's own mortgage-related losses demonstrate that Morgan Stanley did not foresee the collapse of the subprime residential mortgage security market. In the same few months that the Cheyne SIV entered enforcement and defaulted, Morgan Stanley itself recorded \$9.4 billion of mortgage-related writedowns resulting from its own exposure to the same types of securities that were held by the Cheyne SIV– nearly 10 times the total Cheyne SIV investments made by all plaintiffs combined. (§ 32.) Of course, had

Morgan Stanley foreseen the market events that brought down the Cheyne SIV, it would not have incurred its own multi-billion dollar losses. Accordingly, plaintiffs' theory that Morgan Stanley engaged in fraud to earn fees of a few million dollars – while at the same time holding on its own books *billions* of dollars of securities similar to those held by the Cheyne SIV – defies all reason. It thus comes as no surprise that extensive discovery revealed no evidence of fraud.

**B. Disclosure of the Allegedly Concealed Risks Negates Any Theory of Scienter**

Scienter also cannot be proven here because the very risks that plaintiffs now claim were concealed by the ratings were in fact specifically disclosed. See *infra* IV.C. “The mere fact of that disclosure undermines any credible theory of scienter,” *In re Wachovia Equity Sec. Litig.*, 753 F. Supp. 2d 326, 356 (S.D.N.Y. 2011), because such disclosures are “inconsistent with a state of mind going toward ‘deliberate illegal behavior,’” *Footbridge Ltd. v. Countrywide Home Loans, Inc.*, 2010 WL 3790810, at \*20 (S.D.N.Y. Sept. 28, 2010).

**C. Fraud Cannot Be Proven by Hindsight**

Plaintiffs' case proceeds from the incorrect premise that the ratings *must have been* false – and thus the decisions made by defendants in structuring and rating the SIV, respectively, must have been fraudulent – simply because the SIV ultimately collapsed. (¶¶ 23-26.) The Second Circuit has rejected such claims of fraud by hindsight. *Shields*, 25 F.3d at 1129. Plaintiffs' after-the-fact allegations about what defendants must have intended cannot defeat summary judgment. See *In re Parmalat Sec. Litig.*, 684 F. Supp. 2d 453, 474-75 (S.D.N.Y. 2010) (granting summary judgment where there was an absence of evidence that defendants “connected the dots that plaintiffs now connect”); see also *Novak v. Kasaks*, 216 F.3d 300, 309 (2d Cir. 2000); *In re Merrill Lynch*, 2011 WL 536437, at \*12; *In re Citigroup*, 753 F. Supp. 2d at 246; *Xerion*, 474 F. Supp. 2d at 518; *Kountze*, 147 N.Y. at 129.

# EXHIBIT 32



**From:** Wong, Elwyn [Elwyn\_Wong@standardandpoors.com]

**Sent:** Wednesday, January 04, 2006 2:22 AM

**To:** Shawn.Stoval@morganstanley.com

**Subject:** Re: Real fast: Need rough cost of a rating on a \$375mm swap (unfunded)? This tranche is way Aaa (20-30%, 7 years). Can you pls. let me know asap? Ballpark is fine. Thx Elwyn.

Yes Moodys have uneven relationships too. Unfortunately these things are all over the map. You try to get a schedule going and its always the deal is too small, the deal is large but it is super senior blah blah. Nice to have 7bp in cash capped at 500k and no one says boo. Surely cash investors get a lower coupon. Cash equity can't always pay the bill

You don't really make money in STCDO corporates anymore. Its mostly in synthetic CMBS and RMBS. I am sure those will go and we will all have to move on.

-----  
Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Stoval, Shawn (FID) <Shawn.Stoval@morganstanley.com>

To: Wong, Elwyn <Elwyn\_Wong@standardandpoors.com>

Sent: Tue Jan 03 21:15:43 2006

Subject: RE: Real fast: Need rough cost of a rating on a \$375mm swap (unfunded)? This tranche is way Aaa (20-30%, 7 years). Can you pls. let me know asap? Ballpark is fine. Thx Elwyn.

Thanks Elwyn

Keep in mind, I am really paying \$40k, not \$30k, I just had pre-paid 10k!!!

And if you are charging \$65k, that WAY more than Moody's charges for a rating -- I am surprised you could charge that much and not lose business.

-----  
From: Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]

Sent: Tuesday, January 03, 2006 9:12 PM

To: Stoval, Shawn (FID)

Cc: Nolan, Katarzyna

Subject: Re: Real fast: Need rough cost of a rating on a \$375mm swap (unfunded)? This tranche is way Aaa (20-30%, 7 years). Can you pls. let me know asap? Ballpark is fine. Thx Elwyn

Reasonable? You will never be able to rate a 375 mil SSS again for 7yrs for \$30k. Your competitors pay \$65k. I am sorry, no more. I get shafted. This is the ABSOLUTE last one.

Katherine, are yu back? Are yu able to take it? Timing, name of deal?

-----  
Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Stoval, Shawn (FID) <Shawn.Stoval@morganstanley.com>

To: Wong, Elwyn <Elwyn\_Wong@standardandpoors.com>

Sent: Tue Jan 03 20:12:31 2006

Subject: RE: Real fast: Need rough cost of a rating on a \$375mm swap (unfunded)? This tranche is way Aaa (20-30%, 7 years). Can you pls. let me know asap? Ballpark is fine. Thx Elwyn.

Ok, \$40k seems reasonable.

Less my coupon is \$30k -- you can send me an invoice.



Can I contact Kathryn? I have liked working with her.

Thx Elwyn,  
Shawn

---

From: Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]

Sent: Tuesday, January 03, 2006 8:04 PM

To: Stoval, Shawn (FID)

Subject: Re: Real fast: Need rough cost of a rating on a \$375mm swap (unfunded)? This tranche is way Aaa (20-30%, 7 years). Can you pls. let me know asap? Ballpark is fine. Thx Elwyn

Its 7yrs, no? How about \$40?

-----  
Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Stoval, Shawn (FID) <Shawn.Stoval@morganstanley.com>

To: Wong, Elwyn <Elwyn\_Wong@standardandpoors.com>

Sent: Tue Jan 03 20:01:01 2006

Subject: RE: Real fast: Need rough cost of a rating on a \$375mm swap (unfunded)? This tranche is way Aaa (20-30%, 7 years). Can you pls. let me know asap? Ballpark is fine. Thx Elwyn

Elwyn!

Few things:

1.

\$50k for \$375mm of a super-AAA swap sounds a bit steep. Last time we issued \$500mm and we paid \$50k, or 1bp upfront. Since my notional is \$125mm smaller, 1 basis point upfront is \$37.5k. How does that sound? That way, we keep the same price-to-notional ratio, which seems fair.

2.

Christina can't use my credit! I priced this deal knowing I had my coupon. Further, we are compensated on how much P&L we drive for the firm, so you giving her my \$10k is forcing me to give her hundreds of dollars out of my own pocket! I like Christina and all, but...

---

From: Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]

Sent: Tuesday, January 03, 2006 7:05 PM

To: Stoval, Shawn (FID)

Subject: Re: Real fast: Need rough cost of a rating on a \$375mm swap (unfunded)? This tranche is way Aaa (20-30%, 7 years). Can you pls. let me know asap? Ballpark is fine. Thx Elwyn

\$50k all-in. I gave Cristina a super deluxe unheard of \$5k all-in for a separate SPV issued off the KKR portfolio. So you used up your coupon.

-----  
Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Stoval, Shawn (FID) <Shawn.Stoval@morganstanley.com>

To: elwyn\_wong@sandp.com <elwyn\_wong@sandp.com>

Sent: Tue Jan 03 11:47:32 2006

Subject: RE: Real fast: Need rough cost of a rating on a \$375mm swap (unfunded)? This tranche is way Aaa (20-30%, 7 years). Can you pls. let me know asap? Ballpark is fine. Thx Elwyn.

Just left you a message on this. Give me a call when you get a sec.

Thanks Elwyn, hope your Holidays were great-

Shawn

---

From: Stoval, Shawn (FID)

Sent: Tuesday, December 20, 2005 3:48 PM

To: Elwyn Wong (elwyn\_wong@sandp.com)

Subject: Real fast: Need rough cost of a rating on a \$375mm swap (unfunded)? This tranche is way Aaa (20-30%, 7 years). Can you pls. let me know asap? Ballpark is fine. Thx Elwyn.

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer.

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

# EXHIBIT 32.1

**From:** Jones, Graham (FID) [Graham.Jones@morganstanley.com]

**Sent:** Tuesday, March 14, 2006 1:41 AM

**To:** Belinda Ghetti (S&P); Peter Kambeseles (S&P)

**Cc:** Smetana, Caroline Reiss (FID); Miteva, Elena (FID); Dronov, Alexey (FID); Laheja, Ashwin (FID)

**Subject:** RE: MS/S&P meeting on E3.0 and ABS CDOs

Belinda / Peter

Who would be the most appropriate person to speak with regarding these ABS orientated questions on the new S&P Evaluator?

#### Process

1. Currently we are running 2.4.3 and compare to our worst case runs but should also run the 3.0 methodology where we compare to the n% worst case depending upon the liability so we know where things are going. Is this right?
2. How will the CDO monitor be linked into these different versions of the evaluator? Will old deals have to move to a new E3.0 for the purposes of the CDO monitor?

#### AFC Stress

1. When running the new methodology can you explain the nature of the stress?
2. The stress looks particularly punitive for unhedged hybrids. I assume you mean hybrid bonds (not bonds with hybrid mortgages) which are fixed and then floating. What is the sort of hedge that removes the risk?

#### Other

1. We do forward starts on many synthetics but they start on the closing date; I assume that these are not what is covered by the forward start applications with in E3.0.
2. What are the new CMBS recovery rates that you mentioned earlier in the meeting
3. Looks like counterparty risk is only a factor if the deal is going short. Is this correct?
4. What are the main modeling issues for long-short trades? Are there any additional modeling requirements beyond using E3.0? I was told that there was language that we need to include regarding terminations in the confirm.
5. Regarding the grandfathering question, it sounded like a deal would have to have deteriorated before a downgrade is likely. I am especially interested in Inman Square I and Inman Square II which are both BB ABS deals (probably look worse in E3.0). I understand that there is certain information that you cannot release until it is publicly available but I would like to understand the process that will be applied.

#### Thanks

**Graham Jones - Vice President**

Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-2061  
Fax: +1 212 507-4891  
[Graham.Jones@morganstanley.com](mailto:Graham.Jones@morganstanley.com)

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cds>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

## EXHIBIT 32.2



**From:** Neer, Brian (FID) [Brian.Neer@morganstanley.com]

**Sent:** Saturday, May 20, 2006 3:19 PM

**To:** Wong, Elwyn

**Subject:** RE: Downgrades!!!!!!

Next time you are in hong kong I'll have you over. It's in Stanley!

Thanks for your help...owe you one.

b

---

**From:** Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]

**Sent:** Saturday, May 20, 2006 10:36 PM

**To:** Neer, Brian (FID)

**Subject:** Re: Downgrades!!!!!!

Heard yu have 7 story building overlooking Reputylse Bay. Yu are da man

-----  
Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Neer, Brian (FID) <Brian.Neer@morganstanley.com>

To: Wong, Elwyn <Elwyn\_Wong@standardandpoors.com>

Sent: Fri May 19 23:18:52 2006

Subject: RE: Downgrades!!!!!!

Thanks for your help

---

From: Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]

Sent: Friday, May 19, 2006 10:52 PM

To: Neer, Brian (FID)

Subject: Re: Downgrades!!!!!!

Completely has to do with credit migration, Jimmy will call or has already called Justin/SHAWN to discuss. Maybe we can dampen it by running running Evaluator forward three months --- but I think they do that pretty much as standard op procedure

-----  
Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Neer, Brian (FID) <Brian.Neer@morganstanley.com>

To: Wong, Elwyn <Elwyn\_Wong@standardandpoors.com>

Sent: Fri May 19 01:35:16 2006

Subject: RE: Downgrades!!!!!!

Elwyn.....any help you can give us would be great.....it makes us both look stupid (MS and S&P) to have AAA's downgraded based on no credit events + so soon after issue. I'd really like to talk about this before any announcement is made.

Thanks,

Brian

---

From: Wong, Elwyn [mailto:[Elwyn\\_Wong@standardandpoors.com](mailto:Elwyn_Wong@standardandpoors.com)]  
Sent: Friday, May 19, 2006 1:32 PM  
To: Neer, Brian (FID); Kobylinski, Jimmy  
Subject: Re: Downgrades!!!!!!

Jimmy, need some help. Credit migration has to be the only reason. Jimmy if you get this before 10:30am tom can we talk?

-----  
Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Neer, Brian (FID) <[Brian.Neer@morganstanley.com](mailto:Brian.Neer@morganstanley.com)>  
To: Wong, Elwyn <[Elwyn\\_Wong@standardandpoors.com](mailto:Elwyn_Wong@standardandpoors.com)>  
Sent: Fri May 19 01:23:05 2006  
Subject: RE: Downgrades!!!!!!

Where in florida?

List below ...some of them are AAA's issued very recently!!! Holy crap.

Thanks,

B

The MS Names for these deals are below.

Morgan Stanley ACES SPC Series 2005-15 – CoRDS 2005-6

Morgan Stanley ACES SPC Series 2005-16 - CORDS 2005-2

Morgan Stanley ACES SPC Series 2005-21 – Eagle Creek

Morgan Stanley ACES SPC Series 2005-25 – Octave 8 Collateral (DiSC like)

Morgan Stanley ACES SPC Series 2006-3 – 5yr Global DiSC

Morgan Stanley ACES SPC Series 2006-4 – 7yr Global DiSC

Morgan Stanley ACES SPC Series 2006-6 – 5yr Global DiSC Euro w/Short Bucket

---

From: Yoo, Christina (FID)  
Sent: Thursday, May 18, 2006 5:54 PM  
To: ccgscpglobal  
Subject: FW: Morgan Stanley ACES Downgrades

S&P is downgrading some ACES Notes.

I am told that this information will become public tomorrow.

Christina

---

From: Kobylinski, Jimmy [mailto:Jimmy\_Kobylinski@standardandpoors.com]  
Sent: Thursday, May 18, 2006 5:48 PM  
To: Yoo, Christina (FID)  
Subject: Morgan Stanley ACES Downgrades

Christina,

Below is the breakdown of the rating actions for tomorrow:

Morgan Stanley ACES SPC Series 2005-15

Super Senior: AAA (affirmed)

Jr Sr: AAA (affirmed)

II Sec: AA (from AA+/watch neg)

III A: A+/watch neg (from AA-/watch neg)

III B: A+/watch neg (from AA-/watch neg)

Morgan Stanley ACES SPC Series 2005-16

Ser2005-16: A-/watch neg (from A/watch neg)

Morgan Stanley ACES SPC Series 2005-21

A: AA+ (from AAA/watch neg)

IA: AA-/watch neg (from AA/watch neg)

IB: AA-/watch neg (from AA/watch neg)

IC: AA-/watch neg (from AA/watch neg)

II: BBB+/watch neg (from A-/watch neg)

Morgan Stanley ACES SPC Series 2005-25

ScFltRtNts: AA (from AAA/watch neg)

Morgan Stanley ACES SPC Series 2006-3

IA: AA+ (from AAA)

IB: AA+ (from AAA)

IC: AA+ (from AAA)

IIA: AA- (from AA/watch neg)  
IIB: AA-/watch neg (from AA/watch neg)  
IIC: AA-/watch neg (from AA/watch neg)  
IID: AA-/watch neg (from AA/watch neg)  
IIE: AA-/watch neg (from AA/watch neg)  
IIF: AA-/watch neg (from AA/watch neg)  
III: BBB- (from BBB/watch neg)

Morgan Stanley ACES SPC Series 2006-4

IA: AA+ (from AAA/watch neg)

IIA: A+ (AA/watch neg)

Morgan Stanley ACES SPC Series 2006-6

Deferrable Sec: AA-/watch neg (from AA/watch neg)

Let me know if you have any questions.

Thanks.

Jimmy

Jimmy Kobylinski  
Associate  
Standard & Poor's  
Structured Finance - CDO Surveillance  
55 Water Street, 42nd Floor  
New York, NY 10041  
Phone: (212) 438-6314  
Fax: (212) 438-2664  
jimmy\_kobylinski@standardandpoors.com

---

From: Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]  
Sent: Friday, May 19, 2006 1:06 PM  
To: Neer, Brian (FID)  
Subject: Re: Downgrades!!!!!!

I am in Florida. What downgrade? No model change nothing. How could that be. List deals I will follow up

-----  
Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Neer, Brian (FID) <Brian.Neer@morganstanley.com>  
To: elwyn\_wong@sandp.com <elwyn\_wong@sandp.com>  
Sent: Thu May 18 22:11:37 2006  
Subject: Downgrades!!!!!!

Elwyn,

We need to talk my old friend. You guys just downgraded AAA rated notes that were issues very, very recently. This is a HUGE

problem for us as (and for you). When is your soonest availability that will work from Hong Kong (? hours).

Thanks,

Brian

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. The McGraw-Hill Companies, Inc. reserves the right, subject to applicable local law, to monitor and review the content of any electronic message or information sent to or from McGraw-Hill employee e-mail addresses without informing the sender or recipient of the message.

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request,

authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).



## EXHIBIT 32.3

**From:** Wong, Elwyn [Elwyn\_Wong@standardandpoors.com]  
**Sent:** Wednesday, June 14, 2006 3:48 PM  
**To:** Neer, Brian (FID)  
**Subject:** RE: Hi  
Brian

Your point well taken.... unfortunately you are stuck in a very granular part of the subordination vector in a fairly leveraged structure (viz CDO<sup>2</sup>s with high grade ABS as "fillers" back in 2004 or FTD of a bunch of AAA names would have the same problem). Another case in point.... you see Europeans doing synthetic CDOs using all AAA ABS reference obligors. While AAA ABS has been more resitant to credit migration and they don't have a problem like the one you are facing, a slight change in our ABS PDs -- which will be in E3.2 -- is going to lead to upgrades/downgrades of these CDOs as well.

What is haunting you is of course our fairly flat default curve for the highly rated part of the curve. (E2.4.3 uses the same corp PDs to simulate default as well as counts the area under the loss curve to arrive at required subordination. E3.1 uses revised corp PDs to simulate default BUT uses revised and HIGHER "CDO liability PDs" to count the area under the loss curve to arrive at required subordination .... I am not sure I can quantify if this alone causes a problem for you ... the lack of gradation in the front end of the PD curves has always been there, E2.4.3 or E3.1 ... or does the introduction of a rather controversial CDO liability PD curve compound it?)

THE BIGGEST IMPACT, I think, came from the fact that we removed stress factors in E3.1. That has a lot to do with producing a subordination vector like this. But the market introduced shorts and forward starts ..... we have no choice.

Let me round-up a couple of quants and surveillance guys to talk about this first before I revert.

You are back in NY?

Thanks  
Elwyn

-----Original Message-----

**From:** Neer, Brian (FID) [mailto:Brian.Neer@morganstanley.com]  
**Sent:** Wednesday, June 14, 2006 10:58 AM  
**To:** Wong, Elwyn  
**Subject:** RE: Hi

Elwyn,

Do you think we can do an early breakfast meeting Friday?

Your comment below is pretty upsetting ("very, very, tight"). On a recent deal these were the tranche breakdowns from your model:

AAA	4.47%
AA+	4.24%
AA	3.96%
AA-	3.81%
A+	3.66%
A	3.55%
A-	3.35%

If we are issuing AA- Notes, the most subordination we can build in without being a AA is .15%. Are you saying we should just "make up" our ratings (i.e. set our own subordination levels and tell you what the rating is.....)? I'm very concerned about a world where dealers decide what ratings their products are going to have. Your "rating" takes on many different meanings and loses it's integrity...doesn't it? The cushions between rating categories

above are barely enough to survive 2 downgrades to below IG.....so we have some concerns  
I'd really like to speak with you about this.

Thanks,  
Brian

---

**From:** Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]

**Sent:** Wednesday, June 14, 2006 10:14 AM

**To:** Neer, Brian (FID)

**Subject:** RE: Hi

Not what I heard from primary and surveillance analysts. You guys tranche new deals very, very tight. So downgrades almost entirely because of portfolio credit migration. Now we too keep a Chinese wall between corporates and SF. Those guys only let us know about downgrades ( and only big ones like GM and Ford ) minutes before they go out.

I know all structurers do rating arbitrage but maybe you should get some guy to be a little more tapped in wrt corporate rating changes if you are going to tranche them tight.

FYI, we have new E3.2 coming out shortly. SAME corporate PDs only different ABS PDs ( very similar to E3low ABS PDs). Should NOT affect you WHATSOEVER

Thanks

Elwyn

-----Original Message-----

**From:** Neer, Brian (FID) [mailto:Brian.Neer@morganstanley.com]

**Sent:** Wednesday, June 14, 2006 7:42 AM

**To:** elwyn\_wong@sandp.com

**Subject:** Hi

Elwyn,

The new model appears to produce somewhat unstable ratings. We are issuing deals that are regularly being put on negative watch and downgraded. This is really upsetting our customers. Are you having internal conversations about this? Are other dealers complaining?

Thanks,  
Brian

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. The McGraw-Hill Companies, Inc. reserves the right, subject to applicable local law, to monitor and review the content of any electronic message or information sent to or from McGraw-Hill employee e-mail addresses without informing the sender or recipient of the message.

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

# EXHIBIT 32.4

**From:** Neer, Brian (FID) [Brian.Neer@morganstanley.com]

**Sent:** Thursday, November 23, 2006 2:45 AM

**To:** Yuri.Yoshizawa@moodys.com

**Subject:** Catch Up

Yuri,

Hi. We have met and talked a couple of times over the years, but I was hoping to have a call with you sometime in the next few days to get re-aquainted. My current job is running the structured credit business for MS in North America and Asia. I've been based in Asia for the last 9 months but am coming home soon and would like to develop a better dialogue with you about our businesses. I know you are doing some great work with Shawn, Ronnie and the rest of my team, and would like to make sure we are giving you what you need, as well as talk about new opportunities.

If possible, it would be great to speak sometime in the morning NY time early next week (say Tuesday?). Let me know what works for you. When I return I would like to get our teams together for an evening if possible.

Thanks,

Brian

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cis>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

# EXHIBIT 32.5



---

**From:** Wong, Elwyn [Elwyn\_Wong@standardandpoors.com]  
**Sent:** Tuesday, December 12, 2006 12:59 AM  
**To:** Stoval, Shawn (FID)  
**Subject:** RE: FW: Ratings needed and other things

Long day.....levSSS of cashflow CDO of ABS... going to jail soon.

OK I will get some real dates

-----Original Message-----

**From:** Stoval, Shawn (FID) [mailto:Shawn.Stoval@morganstanley.com]  
**Sent:** Sunday, December 10, 2006 8:36 PM  
**To:** Wong, Elwyn  
**Subject:** RE: FW: Ratings needed and other things

Sure them, ben, belinda. Will check to see who else works on our stuff.

---

**From:** Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]  
**Sent:** Thursday, December 07, 2006 11:48 AM  
**To:** Stoval, Shawn (FID)  
**Subject:** RE: FW: Ratings needed and other things

OK, let's talk about that. I do owe you dates. Who do you want to come. Nolan and Jimmy Kobylinski I would think -- they work on almost all MS deals.

-----Original Message-----

**From:** Stoval, Shawn (FID) [mailto:Shawn.Stoval@morganstanley.com]  
**Sent:** Thursday, December 07, 2006 11:38 AM  
**To:** Wong, Elwyn  
**Subject:** RE: FW: Ratings needed and other things

Ok Elwyn. But remember I won't sign these until we get our team dinner in!! You owe me dates.

Also: I would like to explore ways on how we can better communicate in 2007. Often I have ratings/product questions that I need to know the answer to in order to run our business. Unfortunately, you are a busy man and so often my calls go unanswered, and I do not get the information I need. How can we figure out how to exchange information so I can give you more business?

---

**From:** Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]  
**Sent:** Thursday, December 07, 2006 11:26 AM  
**To:** Stoval, Shawn (FID); Nolan, Katarzyna; Philips, Madhu (FID)  
**Cc:** Macdonald, Ben  
**Subject:** RE: FW: Ratings needed and other things

Hi Shawn,

Engagement letter going out shortly.

For ACES 2006-37,  
I have  $\$37.5k + \$5k \times (8.3/48 - 30) = \$39.8$ .

Thanks  
Elwyn

-----Original Message-----

From: Stoval, Shawn (FID) [mailto:Shawn.Stoval@morganstanley.com]  
Sent: Sunday, December 03, 2006 7:21 PM  
To: Nolan, Katarzyna  
Cc: Wong, Elwyn  
Subject: RE: FW: Ratings needed and other things

Hi Katherine.

For the first deal: IT CLOSES THIS THURSDAY!!

\*

Name: Fortis Trade

\*

Actual Name: ACES 2006-XXX (to be determined)

\*

EUR 60,000,000

\*

Maturity: 12/20/2016

\*

Expected Rating: AAA

\*

Coupon: 3mL + 80

\*

Fixed Recovery at 70%

\*

Tranche: 2.6% to 3.1%

\*

126 names, Attached

\*

Please note: Because of the Verizon split, 2 of the names have reduced notional.

\*

PLEASE LET US KNOW ASAP YOU SEE THIS TRANCHE AS AAA

For the Second Trade: It closes on 12/12.

\*

Name: DISC 2006-5

\*

\* Actual Name: ACES 2006-XXX (to be determined)  
 \* Maturity: 12/20/2016  
 \* Floating recovery (standard recovery)  
 \*  
 \* 126 names, Attached  
 \*  
 \* Please note: Because of the Verizon split, 2 of the names have reduced notional.  
 \* Tranches:  
 \*  
 \* Tranche #1:  
 \*  
 \* Notional: \$19,000,000  
 \*  
 \* 4.3% to 5.3%  
 \*  
 \* Coupon: 3mL + 185  
 \*  
 \* Internal Ticket Name: NGAS5  
 \*  
 \* Desired Rating: A-  
 \*  
 \* Tranche #2:  
 \*  
 \* Notional: \$5,000,000  
 \*  
 \* 4.25% to 5.25%  
 \*  
 \* Coupon: 3mL + 195  
 \*  
 \* Internal Ticket Name: NGAS4  
 \*  
 \* Desired Rating: BBB+  
 \*  
 \* Tranche #3:  
 \*  
 \* Notional: \$5,700,000  
 \*  
 \* 3.25% to 4.25%  
 \*

Coupon: Step Down Coupon

\*

First 3 Years: L+632

\*

Last 7 years: L+150

\*

Internal Ticket Name: NGAS6

\*

Desired Rating: BBB-

\*

Tranche #4:

\*

Notional: JPY1,000,000,000 (Notional in USD ~ \$8.6mm)

\*

4.3% to 5.3%

\*

Callable after 5 years

\*

Coupon: Step Up Coupon

\*

First 5 Years: JPY L + 150

\*

Last 5 years: JPY L + 230

\*

Internal Ticket Name: NGEV

\*

Desired Rating: A-

\*

PLEASE LET US KNOW ASAP YOU SEE THESE TRANCHE RATINGS AS WE DO

We may have another tranche or two to be rated on the second deal. I will let you know the new tranches if/when we get the orders.

Thanks,  
Shawn

---

From: Nolan, Katarzyna [mailto:Katarzyna.Nolan@standardandpoors.com]  
Sent: Thursday, November 30, 2006 10:06 AM  
To: Stoval, Shawn (FID)  
Cc: Wong, Elwyn

Subject: RE: FW: Ratings needed and other things

Shawn, I believe someone else was assign to this already. I am backing him up anyway. Is this the deal which will use repo. Regards. Katherine

-----Original Message-----

From: Stoval, Shawn (FID) [mailto:Shawn.Stoval@morganstanley.com]  
Sent: Thursday, November 30, 2006 07:42 AM Eastern Standard Time  
To: Nolan, Katarzyna  
Cc: Wong, Elwyn  
Subject: FW: Ratings needed and other things

Think this was supposed to go to you Katherine-

---

From: Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]  
Sent: Wednesday, November 29, 2006 8:43 PM  
To: Stoval, Shawn (FID)  
Subject: RE: Ratings needed and other things

Katherine, can you make it as you are going to Laguna?

Dates meaning women?:))))

-----Original Message-----

From: Stoval, Shawn (FID)  
[mailto:Shawn.Stoval@morganstanley.com]  
Sent: Wednesday, November 29, 2006 8:35 PM  
To: Wong, Elwyn  
Subject: RE: Ratings needed and other things

Will lift your offers as-is long as:

- 1) We get Katherine
- 2) You send us three dates you can go to dinner

---

From: Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]  
Sent: Wednesday, November 29, 2006 6:11 PM  
To: Stoval, Shawn (FID)  
Subject: RE: Ratings needed and other things

See below. Yes we need to fix meet and greet plus chow. Keith getting you analyst

-----Original Message-----

From: Stoval, Shawn (FID)  
[mailto:Shawn.Stoval@morganstanley.com]  
Sent: Monday, November 20, 2006 2:49 PM  
To: Wong, Elwyn  
Subject: Ratings needed and other things

Hi Elwyn,  
Few things:

---

First: Couple of ratings needed.

Trade #1: Aces 2006-36

doubtful.

- \* 12/20/2016 maturity
- \* Portfolio attached, 126 names
- \* Notional: EUR 60,000,000, possibly more but
- \* 70% fixed recovery
- \* 2.6% to 3.1%
- \* Coupon: 3M Euribor + 80
- \* Rating sought: AAA
- \* Closing date: December 7

This is the London trade we discussed.

\$50k all-in

Trade #2: Aces 2006-37

than \$48mm

- \* 12/20/2016 maturity
- \* Portfolio attached, 126 names
- \* Total issuance: at least \$30mm, likely not more
- \* Various tranches
- \* Closing Date: December 12

Can we have Katherine?

\$37.5k for \$30mil  
\$42.5k for \$48mil. Straight-line in between ?

Pls. call me on cost when you get a second?

---

Think Ronnie mentioned we would like to take you and your team out to dinner for the holidays. Can you give us a few dates that work for you in December?

---

Finally, looking for guidance on this when you can:

Long CDX IG 7 15 to 30  
Short CDX IG 6 15 to 30

Levered as much as we can do.

Portfolios are virtually the same (handful of names



different).

Can we do this and at what leverage? The long short should remove virtually all correlation risk.

If needed we can come up with a reserve fund like the CPDO that takes in cash.

---

Thanks Elwyn,

Shawn

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. The McGraw-Hill Companies, Inc. reserves the right, subject to applicable local law, to monitor and review the content of any electronic message or information sent to or from McGraw-Hill employee e-mail addresses without informing the sender or recipient of the message.

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation.

Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

-----

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

-----

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

-----

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or

act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

# EXHIBIT 32.6

3.2, I think the baby abacus assets should also be run at the normal 3.2 level (same rationale as above).

I almost hate to ask bc I've been ignoring this this whole coming of the new year... but are we seriously doing away w/4.2 even for CMBS portfolios? (even if CMBS group still uses it???)

to Chris's point - if the baby abacus assets are composed of synthetic CDOs - then is a bigger nightmare that I do not want to think about right now... but it's definitely out there going & going. This all makes me wonder if this is truly worth it - my portfolio also references CDOs III (almost pure synthetic, but also sampled - hybrid) as well - to me this BBB asset is sooo lucky to get a 30% recovery in a AAA scenario!!! do not see why it deserves a higher recovery over abacus....

ok, I'm going to sleep now (I know, finally), but the above just hit me - we'll see what I think after some solid shut eye.

From: Meyer, Chris

Sent: Friday, December 15, 2006 4:31 PM

To: Ghetti, Belinda; BBlack, Nicole

Subject: RE: Synthetic CDO #2 of ABS (both Cash and Synthetic)

So, in thinking about Nicole's CDO of CDO problem (see, like), it seems reasonable (to me anyway) to tie recoveries on single tranches (CDOs for single tranche swaps). Doesn't it make sense that a BBB synthetic should likely have a pre recovery in a AAA scenario - depending on tranche thickness?

When the required subordination for the BBB tranche was determined, we modeled the recoveries of the assets given a BBB scenario (indicating the severity of loss in a BBB economic environment given the position of the asset in the capital structure). If we ran the recovery model with the AAA recoveries, it stands to reason that the tranche would fail... since there would be lower recoveries and presumably a higher degree of default. Essentially, I'm wondering whether my initial feeling that a drill down approach on the CDO market is warranted is correct or not.

In its portfolio? Rating agencies continue to create and even bigger disaster - the CDO market. Let's hope we are all wealthy and retired by the time this house of cards falls in.

-----Original Message-----

From: Ghetti, Belinda

Sent: Friday, December 15, 2006 07:09 PM Eastern Standard Time

To: Meyer, Chris; BBlack, Nicole

Subject: RE: Synthetic CDO #2 of ABS (both Cash and Synthetic)

When you have time, can you send over the disclosure language for variable notes.

-----Original Message-----

From: Meyer, Chris

Sent: Friday, December 15, 2006 6:53 PM

To: BBlack, Nicole; Ghetti, Belinda

Subject: RE: Synthetic CDO #2 of ABS (both Cash and Synthetic)

Ghetti, can you send her the link and instructions. Otherwise, I'll send when I log on from DC later tonight.

-----Original Message-----

From: BBlack, Nicole

Sent: Friday, December 15, 2006 06:08 PM Eastern Standard Time

# EXHIBIT 32.7



---

**From:** Wong, Elwyn [Elwyn\_Wong@standardandpoors.com]  
**Sent:** Friday, December 15, 2006 8:25 PM  
**To:** Stoval, Shawn (FID)  
**Subject:** RE: How much for a self-managed swap rating?

Then you just confessed. You can make money and pass some to me.

-----Original Message-----

**From:** Stoval, Shawn (FID) [mailto:Shawn.Stoval@morganstanley.com]  
**Sent:** Friday, December 15, 2006 3:24 PM  
**To:** Wong, Elwyn  
**Subject:** RE: How much for a self-managed swap rating?

He would at the right level!

---

**From:** Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]  
**Sent:** Friday, December 15, 2006 3:23 PM  
**To:** Stoval, Shawn (FID)  
**Subject:** RE: How much for a self-managed swap rating?

But it is managed. I need to give some dosh to surveillance guys.

I remember brian Neer he would never print a \$10mil trade

-----Original Message-----

**From:** Stoval, Shawn (FID) [mailto:Shawn.Stoval@morganstanley.com]  
**Sent:** Friday, December 15, 2006 3:20 PM  
**To:** Wong, Elwyn  
**Subject:** RE: How much for a self-managed swap rating?

For \$10mm swap (no docs)? I was thinking more \$20-25.

But before we get too far down the path, let me see how real this trade is. I will get back to you.

---

**From:** Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]  
**Sent:** Friday, December 15, 2006 10:47 AM  
**To:** Stoval, Shawn (FID)  
**Subject:** RE: How much for a self-managed swap rating?

\$35k ?

-----Original Message-----

**From:** Stoval, Shawn (FID) [mailto:Shawn.Stoval@morganstanley.com]  
**Sent:** Friday, December 15, 2006 9:26 AM  
**To:** Wong, Elwyn  
**Subject:** RE: How much for a self-managed swap rating?

Elwyn!

Need your thoughts here - will just take a minute-

---

From: Stoval, Shawn (FID)  
Sent: Wednesday, December 13, 2006 9:35 PM  
To: 'Wong, Elwyn'  
Subject: How much for a self-managed swap rating?

Small size, \$10mm, very little money here. I am not sure if the numbers even make sense to do this -- what could I pencil in as an estimated rating cost? 7 year trade, swap form, investor can switch names 2-3 times a year.

Can you please let me know?

Thx,  
Shawn

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. The McGraw-Hill Companies, Inc. reserves the right, subject to applicable local law, to monitor and review the content of any electronic message or information sent to or from McGraw-Hill employee e-mail addresses without informing the sender or recipient of the message.

---

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send

transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

# EXHIBIT 32.8

---

**From:** Wong, Elwyn [Elwyn\_Wong@standardandpoors.com]  
**Sent:** Thursday, December 28, 2006 7:02 PM  
**To:** Neer, Brian (FID)  
**Subject:** Re: Well done!

Now yu can throw me a retirement job in HK!! :)

-----  
Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Neer, Brian (FID) <Brian.Neer@morganstanley.com>  
To: Wong, Elwyn <Elwyn\_Wong@standardandpoors.com>  
Sent: Thu Dec 28 11:48:43 2006  
Subject: RE: Well done!

Thanks elwyn...just goes to show you they have lowered the bar:-)

---

From: Wong, Elwyn [mailto:Elwyn\_Wong@standardandpoors.com]  
Sent: Thursday, December 21, 2006 9:47 PM  
To: Neer, Brian (FID)  
Subject: Well done!

Congrats! You stud.

-----  
Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Neer, Brian (FID) <Brian.Neer@morganstanley.com>  
To: Wong, Elwyn <Elwyn\_Wong@standardandpoors.com>  
CC: Garzia, Justin (FID) <Justin.Garzia@morganstanley.com>; Lepsoe, Kevin (FID) <Kevin.Lepsoe@morganstanley.com>  
Sent: Wed Dec 13 01:15:30 2006  
Subject: CPDO

Elwyn,

It was great to see you last week. We'll have to do that more often.

We've developed an interesting variation on CPDO in credit that we think makes sense. I've asked Kevin Lepsoe to give you a call about this. He is based in HK so will have to be in the morning. I hope you will give him some time.

Thanks,

Brian

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. The McGraw-Hill Companies, Inc. reserves the right, subject to applicable local law, to monitor and review the content of any electronic message or information sent to or from McGraw-Hill employee e-mail addresses without informing the sender or recipient of the message.

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).





## EXHIBIT 32.9

---

**From:** Ghetti, Belinda [Belinda\_Ghetti@standardandpoors.com]  
**Sent:** Monday, March 12, 2007 7:02 PM  
**To:** Jones, Graham (FID)  
**Subject:** RE: Levered Supersenior

Yes evaluator 3.2 is the correct version. However, there are additional stresses based on concentration in the pool. Will chat in the next few days. I am working on another one today so I will write down what we are doing for this one so that I can send it to you tomorrow or so.

-----Original Message-----

**From:** Jones, Graham (FID) [mailto:Graham.Jones@morganstanley.com]  
**Sent:** Monday, March 12, 2007 2:57 PM  
**To:** Ghetti, Belinda  
**Subject:** Levered Supersenior

Belinda

Attached is the indenture from STACK 2006-1, which is the deal that we can focus on for the levered Supersenior analysis. We would be looking to put this together without any loss triggers but with market value triggers (possibly looking at the underlying assets as these are more observable). The intent is to get the levered portion rated AAA. Right now I have the Evaluator 3.2, is this the correct one to use?

Thanks

Graham Jones - Vice President

Morgan Stanley | Fixed Income

1585 Broadway | Floor 02

New York, NY 10036

Phone: +1 212 761-2061

Fax: +1 212 507-4891

Graham.Jones@morganstanley.com

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures,

contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. The McGraw-Hill Companies, Inc. reserves the right, subject to applicable local law, to monitor and review the content of any electronic message or information sent to or from McGraw-Hill employee e-mail addresses without informing the sender or recipient of the message.

---

# EXHIBIT 32.10

---

**From:** Jones, Graham (FID) [Graham.Jones@morganstanley.com]  
**Sent:** Tuesday, March 20, 2007 12:28 AM  
**To:** Ghetti, Belinda  
**Subject:** RE: Levered Supersenior

Belinda

We never did touch base last Friday. When would be a good time to do the call to discuss levered superseniors, specifically for the worst case portfolio on STACK 2006-1?

Thanks

**Graham Jones - Vice President**

Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-2061  
Fax: +1 212 507-4891  
Graham.Jones@morganstanley.com

---

**From:** Jones, Graham (FID)  
**Sent:** Thursday, March 15, 2007 7:32 PM  
**To:** Ghetti, Belinda  
**Subject:** RE: Levered Supersenior

OK, I am round all day tomorrow so lets discuss then.

**Graham Jones - Vice President**

Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-2061  
Fax: +1 212 507-4891  
Graham.Jones@morganstanley.com

---

**From:** Ghetti, Belinda [mailto:Belinda\_Ghetti@standardandpoors.com]  
**Sent:** Thursday, March 15, 2007 6:57 PM  
**To:** Jones, Graham (FID)  
**Subject:** RE: Levered Supersenior

I am working on another deal right now for a while. Can we do tomorrow. Everybody wants to do LevSS, I have looked at others, results do not look to good with CDO buckets and big sub prime mezz tranches.

-----Original Message-----

**From:** Jones, Graham (FID) [mailto:Graham.Jones@morganstanley.com]  
**Sent:** Thursday, March 15, 2007 6:52 PM  
**To:** Ghetti, Belinda  
**Subject:** RE: Levered Supersenior

Belinda

I guess that we did not manage to touch base this afternoon. I am around for a little while this evening and I will be available tomorrow. I would like to address the Supersenior structuring so that we can take a closer look at this.



Also, I spoke to Jim Halprin and got what I was looking for.

Thanks

**Graham Jones - Vice President**

Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-2061  
Fax: +1 212 507-4891  
[Graham.Jones@morganstanley.com](mailto:Graham.Jones@morganstanley.com)

---

**From:** Ghetti, Belinda [mailto:Belinda\_Ghetti@standardandpoors.com]

**Sent:** Tuesday, March 13, 2007 8:21 PM

**To:** Jones, Graham (FID)

**Subject:** RE: Levered Supersenior

Graham

Started looking at the indenture. I think I can construct worst case portfolio; however, the issue is spread assumptions and volatility due to today's environment.

Availability for a chat seems to be around Thursday afternoon. How does that sound?

For MV CDO of ABS here is your contact: [james\\_halprin@standardandpoors.com](mailto:james_halprin@standardandpoors.com) 212-438-5048

-----Original Message-----

**From:** Jones, Graham (FID) [mailto:Graham.Jones@morganstanley.com]

**Sent:** Monday, March 12, 2007 2:57 PM

**To:** Ghetti, Belinda

**Subject:** Levered Supersenior

Belinda

Attached is the indenture from STACK 2006-1, which is the deal that we can focus on for the levered Supersenior analysis. We would be looking to put this together without any loss triggers but with market value triggers (possibly looking at the underlying assets as these are more observable). The intent is to get the levered portion rated AAA. Right now I have the Evaluator 3.2, is this the correct one to use?

Thanks

**Graham Jones - Vice President**

Morgan Stanley | Fixed Income  
1585 Broadway | Floor 02  
New York, NY 10036  
Phone: +1 212 761-2061  
Fax: +1 212 507-4891  
[Graham.Jones@morganstanley.com](mailto:Graham.Jones@morganstanley.com)

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

The information contained in this message is intended only for the recipient, and may be a confidential attorney-

client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. The McGraw-Hill Companies, Inc. reserves the right, subject to applicable local law, to monitor and review the content of any electronic message or information sent to or from McGraw-Hill employee e-mail addresses without informing the sender or recipient of the message.

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

# EXHIBIT 32.11

---

**From:** Sieler, Julien [Julien.Sieler@moodys.com]  
**Sent:** Tuesday, March 20, 2007 2:52 PM  
**To:** Jones, Graham (FID)  
**Subject:** Spread parameters

Graham,  
I want also to warn you that we are in the process of refining our parameters for mezzanine rating categories. It may have an impact on your deal.

If you have any spread data you can send to help us in this process, please let us know.

Thank you  
Julien

---

The information contained in this e-mail message, and any attachment thereto, is confidential and may not be disclosed without our express permission. If you are not the intended recipient or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that you have received this message in error and that any review, dissemination, distribution or copying of this message, or any attachment thereto, in whole or in part, is strictly prohibited. If you have received this message in error, please immediately notify us by telephone, fax or e-mail and delete the message and all of its attachments. Thank you. Every effort is made to keep our network free from viruses. You should, however, review this e-mail message, as well as any attachment thereto, for viruses. We take no responsibility and have no liability for any computer virus which may be transferred via this e-mail message.

# EXHIBIT 32.12

---

**From:** Jones, Graham (FID) [Graham.Jones@morganstanley.com]  
**Sent:** Thursday, March 22, 2007 10:50 PM  
**To:** Jon Polansky (Moody's); Eric Kolchinsky (Moody's)  
**Cc:** Teresa Wyszomierski (Moody's); Xie, Michael (Moody's); Kott, Geoffrey (FID); Blumberg, Philip (FID)  
**Subject:** Additional STACK 2006-1 Supersenior trade

Jon and Eric

I am not sure which of you covers this request so I am just spamming the two of you. We have an additional trade to lay off the Supersenior risk of the STACK 2006-1 CDO. This one will be a CDS which replicated the terms of the Supersenior swap. It will not be funded and will not be a CLN. However the investor for this second trade would like to have a Aaa rating. It is up to us to determine whether we should rate the CDS or rate the Supersenior of STACK 2006-1 Supersenior itself, even though it has already closed. Please let us know what you think would be most efficient, whether we should rate the underlying or the CDS itself. The options look to be:

- \* Shadow rate the SSR of STACK 2006-1
- \* Publicly rate the SSR of STACK 2006-1
- \* Rate just the CDS

I am really looking to do whatever is most expeditious, cost-effective and likely to have the least issues associated.

Thanks

Graham Jones - Vice President

Morgan Stanley | Fixed Income

1585 Broadway | Floor 02

New York, NY 10036

Phone: +1 212 761-2061

Fax: +1 212 507-4891

Graham.Jones@morganstanley.com



# EXHIBIT 32.13

Jason C. Davis  
JDavis@rgdlaw.com

November 11, 2011

VIA E-MAIL AND OVERNIGHT MAIL

James P. Rouhandeh, Esq.  
DAVIS POLK & WARDWELL LLP  
450 Lexington Avenue  
New York, NY 10017

Re: *China Development Industrial Bank v. Morgan Stanley & Co. Inc., et al.*  
No. 650957/2010 (N.Y. Sup. Ct.)

Dear Jim:

Enclosed please find a production of documents that are responsive to Morgan Stanley's document requests in the above-referenced matter. These documents bear identification numbers ranging from CDIB\_00000001 to CDIB\_0000003128 and are designated "Confidential" under the terms of the Confidentiality Order.

This production is part of a rolling production in response to Morgan Stanley's document requests, and is subject to all of CDIB's objections. The documents are responsive to Morgan Stanley's requests for documents that identify "custodians," but we would like to meet and confer with you to make sure you agree. The documents also contain an investment policy, as requested. They include various transaction documents regarding the STACK CDO. They include some e-mails between Morgan Stanley and CDIB, and we will be producing more of these documents.

We would like to call your attention to the fact that Brian Neer does appear to have been running the Hong Kong office that helped sell the STACK CDO to CDIB. See Ex. A; Ex. B. It appears as though he worked with Helena Chen, who was involved in selling the STACK CDO to CDIB. Ex. C.

Regards,



Jason C. Davis

JCD:mm

Enclosure

cc: Daniel Schwartz, Esq. (Encl. to follow by mail)  
Nicholas N. George, Esq. (Encl. to follow by mail)  
Maureen Mueller, Esq.

# EXHIBIT A

**Helena CHEN**

Morgan Stanley Hong Kong  
phone : 852 2848 5969  
toll-free number(Taiwan): 0080 1855 254  
cell : 852 6505 3958 / 886 926 242 357  
fax: 852 2848 5089 / 852 3407 5585  
[helena.chen@morganstanley.com](mailto:helena.chen@morganstanley.com)

---

**From:** Neer, Brian (FID)  
**Sent:** Thursday, August 02, 2007 11:57 AM  
**To:** 'francesliu@cdibank.com '  
**Cc:** Lim, JUDY (FID); Chen, Helena (FID); Lu, Lydia (FID); May, Philip (LEGAL); Warren, David (FID)  
**Subject:** Shell ECP

Frances,

I am responsible for the Structured Credit department at Morgan Stanley in Asia. I have been forwarded several e-mails from you concerning a recent Shell ECP transaction. CDIB is an important client of Morgan Stanley and we take your business and your concerns very seriously. I am personally looking through all documents, e-mails, information and indications related to your transaction. We would like to schedule a call this week to discuss the transaction, your concerns, and next steps. We will need a bit of time to prepare for this.

In the meanwhile, if you are interested in selling your position we stand ready to show a market bid.

Thanks very much,

Brian

---

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by

CONFIDENTIAL

CDIB\_000003128

mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).

# EXHIBIT B



---

**From:** 谷欣  
**To:** 蘇美蓮/CD  
B@CD  
B;陳筱亭/CD  
B@CD  
B;林崇仁/CD  
B@CD  
B  
**CC:** 劉慧欣/CD  
B@CD  
B;黃琛汶/CD  
B@CD  
B  
**Sent:** 3/13/2008  
6:32:54 AM  
**Subject:** 轉寄:  
Note  
for Con  
call  
today

Hi. 美蓮/ 筱亭我們想跟MS針對今天的con call 內容做各書面的確認請幫我們審視一下 下列信件是否允當感激Emily  
Hi, Helena

Thanks for arranging the conference call.

Please kindly help me to clarify if i have any misunderstanding about the discussion today. The two major factors effective the latest mtm price are " MBS downgraded" (shown as in the last mail you provided to us ) and "market liquidation evnets ". More liquidation of ABS CDO could make asset price deteriorate further in the future. There were 3 CDO liquidated in the couple months ago. One of them is Carina, whose collaterals are sold at \$ 15~\$19, and the super senior tranche value was around 25~31,32. There will be 2 or 3 ABS CDO deal to be liquidated in the next week. With that, there could be more market reference for MTM. The mtm price from Morgan Stanley is based on the combination of Index price change (ex, ABX and CMBX relatively) and MS' internal model. But Morgan Stanley cannot release its internal model to CDIB and other customers. From Morgan Stanley's internal unofficial mtm price 6 month ago, Stack 2006-1 Super Senior tranche price had already been around high-twenty and low thirty. In the asset pool, th bonds price were around 15~16. The CMBS market is deterioraing and MS expected the market condition will be significantly worse, though there is no real default happened so far or will be seen in the near future. Our earlier vintage advantage does not exist since the market is deteriorating cross all the vintage. Morgan Stanley will provide CDIB the bond-by-bond of the collateral of Stack 2006-1 dated when the margin requested.If i missed any key points you mentioned in the conference, please kindly add-in, or correct me if any misunderstanding. Once we have the information you provided, i believe our senior can make the decision at first time.Thanks and regards,Emily

# EXHIBIT C



"Chen, Helena \FID\"  
<Helena.Chen@morganstanley.com>

2007/04/13 上午 08:20

收件人 <francesliu@cdibank.com>

副本抄送 "Lu, Lydia \FID\ "<Lydia.Lu@morganstanley.com>

副本密送

主旨 CDIB- Final Execution Copy

此邮件已被转寄

Hi, Frances,

Good morning !

Here you go. The final copy with revised effective date. Please sent the signed copies to us so that we can signed back for you.

Cheers.

Helena CHEN

Morgan Stanley Hong Kong  
phone : 852 2848 5969  
toll-free number(Taiwan): 0080 1855 254  
cell : 852 6505 3958 / 886 926 242 357  
fax: 852 2848 5089 / 852 3407 5585  
helena.chen@morganstanley.com

-----  
This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see <https://secure.ms.com/servlet/cls>. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).



Stack 06-1 Supersenior Swap Confirmation (275mm)Execution.pdf Blackline.pdf

Morgan Stanley & Co. International Limited

Transaction

Attention: Operations Dept / Ms. Rozanna Mao  
Fax: (866) 2 2746-6055  
Date: April 10, 2007  
To: China Development Industrial Bank acting through its Offshore Banking Unit  
From: Morgan Stanley & Co. International Limited  
Re: Credit Derivative Transaction - Ref. No. NUDHY

Deleted: [ ]

This Confirmation amends and restates in its entirety any previous Confirmation delivered in respect of the Transaction.

Deleted: Sirs

Dear Sir or Madam,

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the Credit Derivative Transaction entered into between us on the Trade Date specified below (the "Transaction"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

This Confirmation relates to multiple Reference Obligations (as defined below) and references a series of separate notional credit default swap transactions (each such notional credit default swap transaction, a "Transaction") with respect to each Reference Obligation set forth in (i) Annex A (in the case of CDO Reference Obligations) attached hereto, (ii) Annex B (in the case of CMBS Reference Obligations) attached hereto and (iii) Annex C (in the case of RMBS Reference Obligations) attached hereto (each such Annex, an "Applicable Annex"). Each Applicable Annex shall be amended from time to time to the extent that the annex bearing the same letter designation under the Supersenior Swap is amended. The amendment of an Applicable Annex hereunder shall be effected by the Calculation Agent substituting a revised Applicable Annex, and the amendment thereof shall be deemed to be effective as of the time that the related annex under the Supersenior Swap is amended, regardless of the time that the substitution of the Applicable Annex is effected hereunder by the Calculation Agent. No amount will be paid pursuant to any Applicable Annex and all amounts calculated under each Applicable Annex shall be used solely as a measurement to calculate any payments due under Part I hereof. Each provision, defined term and heading herein shall be construed to apply and operate severally with respect to each Transaction and each Reference Obligation identified herein and not to the Transactions as a group. Amounts payable under each Transaction shall be netted against amounts payable under any other Transaction to the extent permitted under the Agreement.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc. (together, the "Credit

**Derivatives Definitions**”), are incorporated into this Confirmation. In the event of any inconsistency between the Credit Derivatives Definitions and this Confirmation, this Confirmation will govern.

References in this Confirmation to the “Reference Obligations” with respect to any Transaction shall be to the terms of the Reference Obligation relating to such Transaction set out in the Applicable Annex hereto as amended from time to time unless otherwise specified below.

Capitalized terms used herein but not otherwise defined in this Confirmation or the Credit Derivatives Definitions, including without limitation the term “Issuer,” have the respective meanings assigned to them in the Indenture, dated as of July 27, 2006 (the “**STACK Indenture**”), among STACK 2006-1 Ltd., STACK 2006-1 Corp. and Investors Bank & Trust Company, as indenture trustee. All references to the STACK Indenture and any terms defined therein refer to the STACK Indenture as in effect on July 27, 2006, and as amended from time to time, but only to the extent Buyer (as defined in Part I hereof) has consented in writing to any such amendments.

Any terms used herein but not otherwise defined in this Confirmation, the Credit Derivatives Definitions or the STACK Indenture have the meanings assigned to them in the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. (“**2000 ISDA Definitions**”). In the event of an inconsistency between the 2000 Definitions and the Credit Derivatives Definitions, the Credit Derivatives Definitions will govern. In the event of any inconsistency between the 2000 Definitions and this Confirmation, this Confirmation will govern.

The references herein to the “**Supersenior Swap**” are to the super senior swap agreement, dated July 27, 2006, between the Issuer and Morgan Stanley Capital Services Inc., (“**MSCS**”) as amended from time to time.

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement, dated as of December 20, 2006, as amended and supplemented from time to time (the “**Agreement**”), between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

## PART I

The terms of the Transaction to which this Confirmation relates are as follows:

### 1. General Terms:

Trade Date: March 23, 2007

Effective Date: April 13, 2007

Deleted: 10

Scheduled Termination Date: August 10, 2046.

Termination Date: The date on which the Supersenior Swap terminates pursuant to its terms.

The parties agree that Section 1.7 of the Credit Derivatives Definitions shall not apply to this Transaction.

Indenture Payment Date: Payment Date, as defined in the STACK Indenture.

Buyer: Morgan Stanley & Co. International Limited

Seller: China Development Industrial Bank acting through its Offshore Banking Unit

Calculation Agent: Buyer.

Calculation Agent City: New York.

Business Day: As defined in the STACK Indenture.

Business Day Convention: Following (which, subject to Sections 1.4 and 1.6 of the Credit Derivative Definitions and except as otherwise expressly provided, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day).



Reference Entity: With respect to a Reference Obligation, the "Reference Entity" specified for such Reference Obligation as specified on the Applicable Annex.

Reference Obligation: Each of the "Reference Obligations" set forth on the Applicable Annex from time to time in accordance with the provisions of this Confirmation and the STACK Indenture.

Relevant Percentage: 84.6154%

2. **Fixed Payments:**

Fixed Rate Amount

Fixed Rate Payer: Buyer

Fixed Rate Payer Payment Amount: An amount equal to (i) the Average Available Supersenior Swap Amount multiplied by (ii) the Fixed Rate multiplied by (iii) the Fixed Rate Payer Day Count Fraction multiplied by (iv) the Relevant Percentage.

Fixed Rate Payer Payment Dates: Each Payment Date.

Fixed Rate: 0.52%

Fixed Rate Payer Day Count Fraction: Actual/360.

3. **Floating Payments:**

Floating Amount I

Floating Rate I Payer: Buyer.

Floating Rate I Payer Payment Amount: An amount equal to (i) the Average Used Supersenior Swap Amount multiplied by (ii) (x) the Used Supersenior Swap Fee Rate multiplied by (iii) the Floating Rate I Payer Day Count Fraction multiplied by (iv) the Relevant Percentage.

Floating Rate I Payer Payment Dates: Each Payment Date.

Used Supersenior Swap Fee Rate: Three-Month LIBOR (as defined in the STACK Indenture) for the Floating Rate I Payer Calculation Period ending on the relevant Floating Rate I Payer

	Payment Date plus (y) 0.67%.
Floating Rate I Payer Calculation Period:	The Periodic Interest Accrual Period.
Floating Rate I Payer Day Count Fraction:	Actual/360.
Compounding:	Inapplicable.
<u>Floating Amount II:</u>	
Floating Rate II Payer:	Buyer.
Floating Rate II Payer Payment Amount:	With respect to each Business Day on which the Used Supersenior Swap Amount is greater than zero, Buyer shall pay Seller on the related Floating Rate II Payer Payment Date an amount equal to (i) the Floating Rate II Payer Payment Amount (as defined in the Supersenior Swap) received by MSCS from the Issuer on such Business Day pursuant to the Supersenior Swap, or deemed to be received by MSCS from the Issuer in accordance with the netting provisions of the Supersenior Swap and the STACK Indenture, <u>multiplied by</u> (ii) the Relevant Percentage.
Floating Rate II Payer Payment Date:	The Business Day following the day on which the Floating Rate II Payer Payment Amount (as defined in the Supersenior Swap) is paid by the Issuer to MSCS, or is deemed to be paid by the Issuer to MSCS in accordance with the netting provisions of the Supersenior Swap and the STACK Indenture.
<u>Floating Amount III</u>	
Floating Rate III Payer:	Seller.
Floating Rate III Payer Payment Amount:	(A) If a Floating Amount Event has occurred under (and as defined in) the Applicable Annex, the lesser of (i) (a) the related Floating Amount under (and as defined in) the Applicable Annex <u>minus</u> any amount available under Clause (A) or Clause (B), as applicable, under the CDS Payment Priority set forth in the STACK Indenture ("CDS Payment Available Amounts") <u>multiplied by</u> (b) the Relevant Percentage and (ii) the Cash Settlement Ceiling Amount;  (B) if a Credit Event has occurred under (and as defined

in) the Applicable Annex and the related Physical Settlement Payment shall have become payable, the lesser of (i) (a) such Physical Settlement Payment minus any CDS Payment Available Amounts specified in Clause (A) of the definition of CDS Payment Priority multiplied by (b) the Relevant Percentage and (ii) the Cash Settlement Ceiling Amount; and

(C) if a "Transaction" under (and as defined in) the Applicable Annex shall have been terminated on an "Early Termination Date" under (and as defined in) such Applicable Annex in accordance with the terms thereof, the lesser of (i) (a) the related CDS Issuer Termination Payment minus any CDS Payment Available Amounts specified in Clause (A) of the definition of CDS Payment Priority multiplied by (b) the Relevant Percentage and (ii) the Cash Settlement Ceiling Amount.

Floating Rate III Payer  
Payment Date:

Any Business Day on which a Floating Amount III will be calculated and payable under the Applicable Annex.

Floating Amount IV

Floating Rate IV Payer:

Seller.

Floating Rate IV Payer  
Payment Amount:

The lesser of (i) any Senior Interest Shortfall multiplied by the Relevant Percentage and (ii) the Cash Settlement Ceiling Amount.

Floating Rate IV Payer  
Payment Date:

Any Indenture Payment Date.

4. **Settlement Terms:**

Settlement Method:

Cash Settlement.

Cash Settlement Amount:

Floating Rate III Payer Payment Amount and Floating Rate IV Payer Payment Amount, as applicable.

Terms Relating to Cash  
Settlement Payments:

No payments shall be made by Seller to Buyer except to the extent such Cash Settlement Amount is greater than zero.

Cash Settlement Date:

With respect to any Floating Rate III Payer Payment Amount, the Cash Settlement Date is any date specified in the Applicable Annex as the date for the payment of Floating Amounts, Physical Settlement Payment or Issuer Termination Payment thereunder. With respect to

any Floating Rate III Payer Amount, Buyer will notify Seller of the Cash Settlement Amount by facsimile or electronic mail (confirmed by telephone) not later than 1:00 p.m. (New York time) one (1) Business Day prior to the date upon which the related Floating Amount, Physical Settlement Payment or Issuer Termination Payment (as applicable) is required to be paid, which shall be the day on which the Issuer is required to pay the same to the CDS Counterparty pursuant to the related CDS Asset. Notwithstanding the foregoing, if Buyer fails to provide timely notice in accordance with the preceding sentence, the Cash Settlement Date will be one (1) Business Day following the date on which such notice is provided, if such notice is provided at or before 1:00 p.m. (New York time), or two (2) Business Days following the date such notice is provided, if such notice is provided later than 1:00 p.m. (New York time).

With respect to any Floating Rate IV Payer Amount, the Cash Settlement Date is the Indenture Payment Date as of which the related Senior Interest Shortfall arises. With respect to any Floating Rate IV Payer Payment Amount, Buyer will notify Seller of the Cash Settlement Amount by facsimile or electronic mail (confirmed by telephone) not later than 1:00 p.m. (New York time) two (2) Business Days prior to the Indenture Payment Date upon which such Cash Settlement Amount is required to be paid.) Notwithstanding the foregoing, if Buyer fails to provide timely notice in accordance with the preceding sentence, the Cash Settlement Date will be two (2) Business Days following the date on which such notice is provided, if such notice is provided at or before 1:00 p.m. (New York time), or three (3) Business Days following the date such notice is provided, if such notice is provided later than 1:00 p.m. (New York time).

If Seller is notified that a Floating Rate IV Payer Payment Amount must be paid hereunder, Seller will be required to pay the Cash Settlement Amount by wire transfer of immediately available funds to Buyer by 10:00 a.m. (New York time) two (2) Business Days thereafter.

The parties agree that Section 7.2 of the Credit Derivatives Definitions shall not apply to this Transaction.

Settlement Currency:

USD.

Cash Settlement Ceiling  
Amount:

With respect to any date, in the case of (i) a CDS Interest Payment, (ii) a CDS Loss Payment, (iii) an Issuer Termination Payment (other than a Subordinated Issuer Termination Payment), the Available Supersenior Swap Amount as of such date multiplied by the Relevant Percentage.

No Floating Rate Payer Payment Amount will be paid hereunder in respect of any Subordinated Issuer Termination Payment.

With respect to any date, in the case of a Senior Interest Shortfall, (i) the lesser of (x) the Available Supersenior Swap Amount as of such date and (y) the Available Synthetic Notional Proceeds Amount as of such date (before giving effect to the Synthetic Applications Sequence) multiplied by (ii) in either case, the Relevant Percentage.

**5. Additional Provisions**

**Additional Agreements**

(a) The parties agree that the Calculation Agent may, in consultation with the parties, at any time and upon giving prior written notice to the parties and each Rating Agency, amend this Confirmation to correct any manifest error, ambiguity or inconsistency contained in the information set forth herein.

(b) All determinations and calculations made by the Calculation Agent shall be made in good faith and in a commercially reasonable manner.

(c) Seller hereby acknowledges and agrees that Buyer is not acting hereunder as a fiduciary for, or as an advisor to, Seller.

(d) In addition to the Calculation Agent's duties described in Section 1.14 of the Credit Derivatives Definitions (as modified by the Agreement), the Calculation Agent shall make any calculations and determinations to be made in connection with the Agreement explicitly delegated to the Calculation Agent. For the avoidance of doubt, notwithstanding anything to the contrary contained in the Agreement or in Section 1.14 of the Credit Derivatives Definitions (as

modified by the Agreement), in any instance in which a determination or a calculation is to be made, or judgment or discretion is to be exercised by the Calculation Agent, unless explicitly specified otherwise in the Agreement, the Calculation Agent shall make such determination or calculation or exercise such judgment or discretion in accordance with the procedures set forth in the Schedule to the ISDA Master Agreement.

(e) The parties agree that Section 2.31 of the Credit Derivatives Definitions shall not apply to this Transaction.

(f) The Calculation Agent may use data obtained from INTEX for purposes of performing its duties hereunder, but it may not rely upon any calculations made by INTEX.

(g) If any payment is made hereunder prior to the end of the calculation period to which such payment relates and in the interim period between the payment date and the end of the related calculation period any event occurs that would have affected such payment, such event will be taken into account in connection with the calculation of the related payment for the next following calculation period (to the extent that such affected payment has not been paid or returned to the party that paid such payment prior to such calculation).

(h) The parties agree that if an Early Termination Date is designated in respect of this transaction, the Settlement Amount will be zero and the Buyer's obligations to pay Fixed Amounts, Floating Amounts I and Floating Amounts II shall survive termination of this Transaction, to the extent that the related obligations survive termination of the Supersenior Swap, until all such amounts are paid in full.

**6. Additional Termination Event:**

The following event will constitute an Additional Termination Event, with Buyer as the Affected Party (and, for the avoidance of doubt, the following event shall not constitute an Event of Default under (and as defined in) the Agreement):

For so long as (x) the Applicable Percentage is greater than 66 2/3% and (y) no Event of Default or Potential Event of Default (as defined in the Agreement) has



occurred and is continuing as to which Seller is the sole Defaulting Party, Buyer consents, directs, waives, vote or takes any such other similar action in its capacity as the Supersenior Swap Counterparty or Controlling Class under the Indenture the effect of which is to amend the Supersenior Swap without the prior written consent of Seller, except in any such case to the extent the result of such action is an amendment of the Indenture or the Supersenior Swap, as applicable, of a solely administrative nature.

**7. Notice and Account Details:**

All Notices to be given pursuant to and in connection with the Transaction shall be copied to the Calculation Agent as specified in the Schedule.

Telephone, Telex and/or Facsimile Numbers and Contact Details for Notices:

**Seller:** China Development Industrial Bank Offshore Banking Unit  
125 Nanjing East Road, Section 5  
Taipei 10504, Taiwan Republic of China  
Attention: Operations Dept / Ms. Rozanna Mao  
Facsimile: (866) 2 2746-6055  
Telephone: 866) 2 2763-8800 ext. 1619  
Email: [rozannamao@cdibank.com](mailto:rozannamao@cdibank.com)

with a copy to:

Attention: Operations Dept / Mr. Calvin Lee  
Facsimile: (866) 2 2746-6055  
Telephone: 866) 2 2763-8800 ext. 2495

**Account Details**

Financial Institution: Citibank, New York  
SWIFT: CITIUS33  
Account No.: 3615 8862

**Buyer:** Morgan Stanley & Co. International Limited  
Fixed Income Division / Transaction Management Group  
25 Cabot Square, Canary Wharf  
London E14 4QA  
England  
Attention: Chief Legal Officer  
Facsimile: +1 212 507 4622  
Telephone: +44 20 7425 8000

with a copy to:

Morgan Stanley Capital Services Inc.  
1585 Broadway  
New York, NY 10036  
Geoffrey Kott  
Facsimile: 718.233.2160  
Telephone: 212.761.3140

with a copy to:

Erik Siegel  
Facsimile: 212.507.5110  
Telephone: 212.761.2074

with a copy to:

with respect to novations:

[credit.assignments.us@morganstanley.com](mailto:credit.assignments.us@morganstanley.com)  
[credit.assignments.eu@morganstanley.com](mailto:credit.assignments.eu@morganstanley.com)  
Attention: Chief Legal Officer  
Facsimile: 212.507.4622

with respect to payment issues:

[spgderivta@morganstanley.com](mailto:spgderivta@morganstanley.com)  
[otcbankrec@morganstanley.com](mailto:otcbankrec@morganstanley.com)

**Account Details**

Financial Institution: Citibank, New York  
ABA No.: 021 000 089  
Account No.: 3042 1519  
Account Name: Morgan Stanley & Co. International

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Confirmation and returning it to us.

Yours faithfully,

MORGAN STANLEY & CO. INTERNATIONAL  
LIMITED\*

By: \_\_\_\_\_  
Name:  
Title:

Confirmed as of the date  
first above written:

CHINA DEVELOPMENT INDUSTRIAL BANK acting through its OFFSHORE BANKING  
UNIT

By: \_\_\_\_\_  
Name:  
Title:

\* With respect to Buyer, its charges may comprise commissions as notified to Seller from time to time and/or mark-up or mark-down. Buyer may share charges with its Affiliates or other third parties or receive remuneration from them in respect of transactions carried out with or for Seller or Buyer may be acting on both sides of the transaction. Buyer or its Affiliates may pass on part of its or their charges to a third party as a reward for introducing Seller's business to Buyer or them. Details of any such arrangements will be made available to Seller upon written request. Time of execution by Buyer is available on request.

Deloted: .

**PART II**

I \_\_\_\_\_ 13 \_\_\_\_\_ Deleted: \_\_\_\_\_

Annex A

CDO Reference Obligation Confirmation

1

14

Deleted: .

**Annex B**

**CMBS Reference Obligation Confirmation**

I

15

Deleted:



Annex C

RMBS Reference Obligation Confirmation

1

16

Deleted:

# EXHIBIT 32.14



STATE STREET

Draw Notice

To: Morgan Stanley Capital Services Inc.

This Draw Notice serves as notice that, pursuant to the Super Senior Swap Agreement Dated July 27, 2006 by and between STACK 2006-1 Ltd (the "Issuer") and Morgan Stanley Capital Services Inc. (the "Supersenor Swap Counterparty"), a Floating Amount III is due from MS to the Issuer in the amount of \$4,859,314.81. This Floating Amount Event in the amount of \$4,859,314.81 occurred with respect to ACABS 2006-1A B1L and CMLTI 2005-HE4 M9 of which the Credit Event Notices are attached hereto.

Pursuant to the "CDS Payment Priority" (as defined in the Indenture) (first) as of September 16, 2008, the Principal Collection Amount available to pay the Floating Amount III is \$0; (second) as of September 16, 2008, the amounts on deposit in the CDS Reserve Account together with CDS Reserve Investments available to pay the Floating Amount III are \$0; and (third) as of Aug 29, 2008, the amounts on deposit in the Class I Reserve Account together with Class I Reserve Investments available to pay the Floating Amount III is \$0. Please pay this Floating Amount III by September 19, 2008, which is the date that the payment to the CDS Counterparty (Morgan Stanley Capital Services Inc) is due pursuant to the Credit Event Notice attached hereto.

The Available Supersenor Swap Amount immediately prior to this Draw is \$292,414,097.40.

On September 19<sup>th</sup> 2008 please wire \$4,859,314.81 to:

ABA	011000028
Bank Name	State Street Bank
Account Number	██████████
Account Name	Stack 2006-1
Ref:	Supersenor Draw

Please contact Joel Cough at 617-937-6269 with any questions.

Regards,

State Street Bank & Trust Company

As Trustee to the Issuer

# Morgan Stanley

## Credit Event Notice and Notice of Publicly Available Information

12 September 2008

To: STACK 2006-1,LTD  
Attn: Jeffrey Chubb  
Fax: 16173510534  
Email: jhchubb@statestreet.com  
Email: Kevin.Reggio@statestreet.com

From: Morgan Stanley Capital Services Inc.  
Tel for Institutional Clients: 212-761-2996  
Tel for Dealers: 410-534-1820

Notice Ref: 7791 Version: 2

Re: Credit Derivative Transaction between Morgan Stanley Capital Services Inc., as Buyer, and STACK 2006-1,LTD as Seller, with a trade date of 30 May 2006 and an effective date of 27 July 2006 referencing Bloomberg ID ACABS 2006-1A B1L; CUSIP 00082WAE0; MS reference number NW4XZ.

Dear Sir or Madam:

Reference is made to the Credit Derivative Transaction described above. Capitalized terms used herein but not defined shall have the meanings given to them in the confirmation of such Transaction.

This letter is our Credit Event Notice to you that a Distressed Ratings Downgrade Credit Event has occurred with respect to Bloomberg ID ACABS 2006-1A B1L (CUSIP 00082WAE0) on or about 12 March 2008, when the certificates had a Moody's Long Term rating of "C".

This letter also comprises our Notice of Publicly Available Information with respect to such Credit Event. Accordingly, we provide the Publicly Available Information attached hereto.

Nothing in this letter shall be construed as a waiver of any rights we may have with respect to the Transaction.

If you have any questions in respect of this Credit Event Notice and Notice of Publicly Available Information, please contact 212-762-5050 or SPG\_Events\_US@morganstanley.com.

Sincerely,

Morgan Stanley Capital Services Inc.



By: Brian Neer  
Title: Vice President

GRAB  
25<G0>Setup Rating Change Alert

Mtge **RCHG**

# **RATING CHANGES**

ACABS 2008-1A B1L

CUSIP: 00082WAE0

6.06688% 6/10/2041

AES: SUB,FLT

Issued: 4/27/2008

☒ Include historical ratings

## Agencies

☒ Standard & Poors ☒ Moody's  
☐ Fitch ☐ DBRS  
☐ Other

Agency	Rating Type	Rating	Effective Date	1
Moody's	Long Term		3/12/2008	
Standard & Poor's	Long Term		1/11/2008	
Standard & Poor's	Long Term		11/05/2007	
Moody's	Long Term		10/25/2007	
Standard & Poor's	Long Term		10/22/2007	
Moody's	Long Term		9/08/2007	
Standard & Poor's	Long Term		8/16/2007	
Standard & Poor's	Long Term		7/16/2007	
Standard & Poor's	Long Term		5/03/2006	
Moody's	Long Term	Baa2	4/27/2006	

Australia 61 2 9777 8600 Brazil 5511 3046 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2008 Bloomberg Finance L.P.  
0 12-Sep-08 15:22:20

## Notice of Physical Settlement

12 September 2008

To: STACK 2006-1,LTD  
Attn: Jeffrey Chubb  
Fax: 16173510534  
Email: jhchubb@statestreet.com  
Email: Kevin.Reggio@statestreet.com

From: Morgan Stanley Capital Services Inc.  
Tel for Institutional Clients: 212-761-2996  
Tel for Dealers: 410-534-1820

Re: Credit Derivative Transaction between Morgan Stanley Capital Services Inc., as Buyer, and STACK 2006-1,LTD, as Seller, with a trade date of 30 May 2006 and an effective date of 27 July 2006 referencing Bloomberg ID ACABS 2006-1A B1L; CUSIP 00082WAE0; MS reference number NW4XZ.

Dear Sir or Madam:

Reference is made to the Credit Derivative Transaction described above (the "Transaction"). Reference is also made to the Credit Event Notice and Notice of Publicly Available Information dated 12 September 2008, previously delivered to you on 12 September 2008.

This letter constitutes a Notice of Physical Settlement. Any capitalized term not otherwise defined in this letter will have the meaning, if any, assigned to such term in the confirmation of the Transaction or, if no meaning is specified therein, in the 2003 ISDA Credit Derivative Definitions.

We hereby confirm that we will settle the Transaction, or a portion of the Transaction, and require performance by you in the accordance with the Physical Settlement Method. Subject to the terms of the Transaction, we will deliver to you on 19 September 2008, the Physical Settlement Date, an aggregate original face amount of USD 1,438,314.81 (an aggregate current face amount of USD

1,438,314.81, the Exercise Amount, of the following Deliverable Obligation:

Bloomberg ID	CUSIP	Maturity Date
ACABS 2006-1A B1L	00082WAE0	10 June 2041

Exercise Percentage: 100.00 %

If you have any questions in respect of this Notice of Physical Settlement, please contact 212-762-5050 or SPG\_Events\_US@morganstanley.com

Sincerely,

Morgan Stanley Capital Services Inc.



By: Brian Neer  
Title: Vice President



# Morgan Stanley

## Credit Event Notice and Notice of Publicly Available Information

12 September 2008

To: STACK 2006-1,LTD  
Attn: Jeffrey Chubb  
Fax: 16173510534  
Email: jhchubb@statestreet.com  
Email: Kevin.Reggio@statestreet.com

From: Morgan Stanley Capital Services Inc.  
Tel for Institutional Clients: 212-761-2996  
Tel for Dealers: 410-534-1820

Notice Ref: 7790 Version: 3

Re: Credit Derivative Transaction between Morgan Stanley Capital Services Inc., as Buyer, and STACK 2006-1,LTD, as Seller, with a trade date of 22 March 2006 and an effective date of 27 July 2006 referencing Bloomberg ID CMLTI 2005-HE4 M9; CUSIP 17307GQ68; MS reference number NTD6V.

Dear Sir or Madam:

Reference is made to the Credit Derivative Transaction described above. Capitalized terms used herein but not defined shall have the meanings given to them in the confirmation of such Transaction.

This letter is our Credit Event Notice to you that a Distressed Ratings Downgrade Credit Event has occurred with respect to Bloomberg ID CMLTI 2005-HE4 M9 (CUSIP 17307GQ68) on or about 21 April 2008, when the certificates had a Moody's Long Term rating of "Caa2".

This letter also comprises our Notice of Publicly Available Information with respect to such Credit Event. Accordingly, we provide the Publicly Available Information attached hereto.

Nothing in this letter shall be construed as a waiver of any rights we may have with respect to the Transaction.

If you have any questions in respect of this Credit Event Notice and Notice of Publicly Available Information, please contact 212-762-5050 or SPG\_Events\_US@morganstanley.com.

Sincerely,

Morgan Stanley Capital Services Inc.



By: Brian Neer  
Title: Vice President

GRAB  
25<G0>Setup Rating Change Alert

Mtge **RCHG**

# **RATING CHANGES**

CMLTI 2005-HE4 M9

CUSIP: 17307GQ68

4.97188% 10/26/2035

ABS: MEZ,STEP,FLT

Issued: 11/30/2005

☒ Include historical ratings

## Agencies

☒ Standard & Poors ☒ Moody's  
☒ Fitch ☐ DBRS  
☐ Other

Agency	Rating Type	Rating	Effective Date	1
Standard & Poor's	Long Term	AAA	7/23/2006	
Moody's	Long Term	Aaa	4/21/2006	
Fitch	Long Term	AAA	4/01/2006	
Fitch	Long Term	AA	8/03/2007	
Standard & Poor's	Long Term	AA	7/12/2007	
Standard & Poor's	Long Term	BBB+	7/10/2007	
Standard & Poor's	Long Term	BBB	12/05/2005	
Moody's	Long Term	Baa3	11/30/2005	
Fitch	Long Term	BBB	11/30/2005	

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2008 Bloomberg Finance L.P.  
0 12-Sep-08 15:21:41

## Notice of Physical Settlement

12 September 2008

To: STACK 2006-1,LTD  
Attn: Jeffrey Chubb  
Fax: 16173510534  
Email: jhchubb@statestreet.com  
Email: Kevin.Reggio@statestreet.com

From: Morgan Stanley Capital Services Inc.  
Tel for Institutional Clients: 212-761-2996  
Tel for Dealers: 410-534-1820

Re: Credit Derivative Transaction between Morgan Stanley Capital Services Inc., as Buyer, and STACK 2006-1,LTD, as Seller, with a trade date of 22 March 2006 and an effective date of 27 July 2006 referencing Bloomberg ID CMLTI 2005-HE4 M9; CUSIP 17307GQ68; MS reference number NTD6V.

Dear Sir or Madam:

Reference is made to the Credit Derivative Transaction described above (the "Transaction"). Reference is also made to the Credit Event Notice and Notice of Publicly Available Information dated 12 September 2008, previously delivered to you on 12 September 2008.

This letter constitutes a Notice of Physical Settlement. Any capitalized term not otherwise defined in this letter will have the meaning, if any, assigned to such term in the confirmation of the Transaction or, if no meaning is specified therein, in the 2003 ISDA Credit Derivative Definitions.

We hereby confirm that we will settle the Transaction, or a portion of the Transaction, and require performance by you in the accordance with the Physical Settlement Method. Subject to the terms of the Transaction, we will deliver to you on 19 September 2008, the Physical Settlement Date, an aggregate original face amount of USD 3,421,000.00 (an aggregate current face amount of USD

3,421,000.00, the Exercise Amount, of the following Deliverable Obligation:

Bloomberg ID	CUSIP	Maturity Date
CMLTI 2005-HE4 M9	17307GQ68	25 October 2035

Exercise Percentage: 68.42 %

If you have any questions in respect of this Notice of Physical Settlement, please contact 212-762-5050 or SPG\_Events\_US@morganstanley.com

Sincerely,

Morgan Stanley Capital Services Inc.



By: Brian Neer  
Title: Vice President

# EXHIBIT 32.15

REC'D MAR 22 2011

*To be argued by*  
JAMES P. ROUHANDEH

---

Supreme Court of the State of New York

Appellate Division – First Department

---

CHINA DEVELOPMENT INDUSTRIAL BANK,

*Plaintiff-Respondent,*

– against –

MORGAN STANLEY & CO. INCORPORATED and  
MORGAN STANLEY INTERNATIONAL PLC (f/k/a  
MORGAN STANLEY & CO. INTERNATIONAL LIMITED)

*Defendants-Appellants,*

TCW ASSET MANAGEMENT COMPANY, JEFFREY  
GUNDLACH, LOUIS LUCIDO, and DOES 1-50,

*Defendants.*

---

BRIEF FOR DEFENDANTS-APPELLANTS

---

DAVIS POLK & WARDWELL LLP  
450 Lexington Avenue  
New York, New York 10017  
(212) 450-4835  
james.rouhandeh@davispolk.com  
*Attorneys for Defendants-Appellants*

---

New York County Clerk's Index No. 650957/10

PRINTED ON RECYCLED PAPER ♻

## **TABLE OF CONTENTS**

	<u>PAGE</u>
TABLE OF AUTHORITIES .....	iv
PRELIMINARY STATEMENT .....	1
QUESTIONS PRESENTED .....	6
STATEMENT OF THE CASE .....	7
A.    The Parties and the CDIB Swap Agreement.....	7
B.    CDIB’s Negotiated Disclaimers of Reliance .....	9
C.    The STACK 2006-1 CDO.....	10
D.    CDIB’s Decision to Enter into the CDIB Swap Agreement .....	12
E.    Events After the Closing of the CDIB Swap Including CDIB’s Ratification of the Swap Agreement .....	14
F.    CDIB’s Lawsuit .....	15
G.    The Decision Below .....	17
ARGUMENT .....	19
POINT I – UNDER <u>MBIA II</u> , CDIB’S SPECIFIC DISCLAIMERS PRECLUDE CDIB FROM PLEADING JUSTIFIABLE RELIANCE.....	20
A.    CDIB’s Allegations of Justifiable Reliance Contradict CDIB’s Specific Disclaimers, Which Are Materially Identical To Those in <u>MBIA II</u> .....	22
B.    Peculiar Knowledge Does Not Eliminate the Preclusive Effect of Specific Disclaimers.....	26

C.	Morgan Stanley Did Not Have Peculiar Knowledge .....	31
1.	Morgan Stanley’s Alleged Knowledge Was Not Exclusively Within Its Possession.....	31
a.	CDIB’s Complaint Contains Only Allegations Regarding the Credit Rating Process That This Court Held Do Not Constitute Peculiar Knowledge in <u>MBIA II</u> .....	32
b.	The Lower Court’s Finding of Peculiar Knowledge is Not Supported by CDIB’s Complaint .....	35
2.	CDIB Could Have Discovered All It Wanted to Know with Due Diligence .....	40
POINT II – CDIB FAILED TO ALLEGE ANY ACTIONABLE MISSTATEMENT OR OMISSION .....		44
A.	Morgan Stanley Did Not Make Misstatements.....	44
1.	The Supersenior Position Was “Higher than AAA” .....	47
2.	Alleged Representations Concerning Historical Default and Recovery Rates Were Not False .....	47
3.	The Asset Default Correlation Assumption Was Not False .....	50
B.	Morgan Stanley Had No Duty to Disclose .....	51
POINT III – CDIB FAILED TO PLEAD SCIENTER SUFFICIENTLY .....		53
POINT IV – CDIB CANNOT SEEK RESCISSION BECAUSE CDIB RATIFIED THE CONTRACT.....		56



POINT V – CDIB’S DEMAND FOR A JURY TRIAL MUST BE STRUCK .....	59
CONCLUSION.....	61

by MBIA II. Accordingly, the peculiar knowledge doctrine cannot support the lower court's decision to impose a disclosure obligation on Morgan Stanley.

### **POINT III**

#### **CDIB FAILED TO PLEAD SCIENTER SUFFICIENTLY**

The complaint should also be dismissed for the independent reason that CDIB has failed to allege scienter with the specificity required by CPLR 3016(b). “A fraud claim is not actionable without evidence that the misrepresentations were made with the intent to deceive.” Friedman v. Anderson, 23 A.D.3d 163, 167 (1st Dep’t 2005); accord Handel v. Bruder, 209 A.D.2d 282, 282-83 (1st Dep’t 1994). To allege scienter adequately, a complaint must “set forth specific and detailed factual allegations that the defendant personally participated in, or had knowledge of any alleged fraud.” Handel, 209 A.D.2d at 282-83. CDIB presents two contradictory theories of scienter, which—either together or standing alone—fail to satisfy CPLR 3016(b).<sup>15</sup>

---

<sup>15</sup> The complaint presented a third theory in conclusory fashion—that Morgan Stanley might have been “betting” against lower tranches of certain CDOs other than STACK 2006-1 while “betting” on supersenior positions similar to the CDIB Swap. (R. 52-53 ¶¶ 72-76.) This theory, however, affirmatively undermines CDIB’s allegations of scienter because it suggests that Morgan Stanley believed that investments like the CDIB Swap were safe, which is why Morgan Stanley was increasing its exposure to such investments. The lower court rightly disregarded this theory.

CDIB's first theory of scienter is that Morgan Stanley had the motive and opportunity to transfer the risk of anticipated losses from the Supersenior Swap to CDIB in April 2007 when Morgan Stanley allegedly "recognized that the wheels were coming off U.S. residential real estate mortgage bonds . . . ." (R. 31 ¶ 10.) This theory, however, is entirely conclusory and unsupported: CDIB does not identify a single fact that Morgan Stanley allegedly learned in early 2007 that would cause Morgan Stanley to transfer the risk of holding the Supersenior Swap from its books. Instead, CDIB supports this theory only by asserting that CDIB ultimately lost money on the CDIB Swap. Such fraud-by-hindsight allegations are insufficient as a matter of law. Sears v. First Pioneer Farm Credit, ACA, 46 A.D.3d 1282, 1285 (3d Dep't 2007).

In the absence of specific facts about Morgan Stanley's knowledge, CDIB's complaint focuses mainly upon other transactions, including a complaint filed against Goldman Sachs that has literally nothing to do with Morgan Stanley or STACK 2006-1. Likewise, CDIB relies heavily upon newspaper articles that do not concern STACK 2006-1 or the CDIB Swap, and instead concern only alleged investigations of "Wall Street" that have reached no conclusions. These allegations are of course insufficient as a matter of law to establish scienter. See, e.g., Freidus v. ING Groep N.V., 736 F. Supp. 2d

516, 832 (S.D.N.Y. 2010) (holding that allegations “concern[ing] the market generally, other securities, or the actions of other institutions” are insufficient to state a claim); accord Eurycleia Partners, 12 N.Y.3d at 560.

CDIB’s second theory of scienter is equally meritless: that Morgan Stanley structured STACK 2006-1 in July 2006 using faulty models because it knew the CDO’s collateral portfolio contained assets that were riskier than represented. (See R. 22.) This theory presupposes that Morgan Stanley acted against its own economic self-interest in structuring the STACK 2006-1 CDO. If it were true that Morgan Stanley knew the credit ratings were flawed and the collateral was degraded, then Morgan Stanley knew that the CDO’s collateral assets were excessively risky when Morgan Stanley itself first entered into the Supersenior Swap in July 2006, exposing itself to up to \$325 million in potential loss payments on those very same assets. The CDIB Swap did not occur until April 2007; Morgan Stanley itself bore that risk for approximately nine months.

CDIB’s second theory of scienter thus presumes that Morgan Stanley acted in an economically irrational way. Far from giving rise to a reasonable inference of scienter, see Eurycleia Partners, 12 N.Y.3d at 559, CDIB’s irrational allegations refute any such inference. See, e.g., Ashland Inc. v.

Morgan Stanley & Co., 700 F. Supp. 2d 453, 469 (S.D.N.Y. 2010) (holding that no “inference, let alone a strong inference, of scienter” exists where defendant allegedly “purchas[ed] billions of dollars . . . of [auction rate securities] in order to induce [plaintiff] into an already illiquid auction market [which] would leave [defendant] in an illiquid position”).

#### **POINT IV**

#### **CDIB CANNOT SEEK RESCISSION BECAUSE CDIB RATIFIED THE CONTRACT**

One of the remedies CDIB seeks—rescission of the CDIB Swap (see R. 75 ¶ E)—is unavailable as a matter of law. In May 2009, CDIB and Morgan Stanley agreed to amend the CDIB Swap to afford CDIB certain additional rights. (See R. 566-71.) Each party also “agree[d] that, except as specifically amended herein, the [CDIB] Swap Agreement is and shall be in full force and effect.” (Id. § 3(a).) This express ratification bars CDIB from now seeking rescission. It is well established that “an action for rescission is barred by [a party’s] ratification of the agreement.” Colyer v. Colyer, 26 A.D.3d 303, 304 (1st Dep’t 2006).

The court below failed to follow this well-established law, “disagree[ing]” that plaintiff had waived its right to seek rescission for two

# EXHIBIT 33

Jason C. Davis  
JDavis@rgrdlaw.com

August 2, 2012

VIA E-MAIL

James P. Rouhandeh, Esq.  
Daniel J. Schwartz, Esq.  
Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, NY 10017

Re: *China Development Industrial Bank v. Morgan Stanley & Co., Inc., et al.*  
Supreme Court of the State of New York, County of New York,  
Index No.: 650957/2010

Dear Counsel:

I write to confirm that during the July 30, 2012 discovery conference the Court's law clerk, Mr. Jay Wilker, gave CDIB permission to file a motion to compel Morgan Stanley's compliance with the Court's February 27, 2007, discovery order and to compel Morgan Stanley to produce documents in response to CDIB's second document requests.

We appreciate your acknowledgment during the conference that two more of Morgan Stanley's custodians in this case, Messrs. Shapiro and Telesca, did, in fact, work in Mr. Hubler's group. You have previously confirmed that Mr. Naggar worked in Mr. Hubler's group and reported to Mr. Hubler.

Separately, at about midnight on the day of the conference, Morgan Stanley requested permission to file a motion to compel the production of documents from CDIB, but we have not completed the meet and confer process on Morgan Stanley's issues; CDIB is, in fact, willing to provide Morgan Stanley many (perhaps most) of the items it wants. We are hoping to have another production to you next week and are working hard to get more documents to you in response to the issues you have raised. CDIB has expended substantial time and money to satisfy many of Morgan Stanley's additional demands. We would like avoid burdening the Court with issues about which there is little or no dispute.

Also, please let us know when Morgan Stanley can make an attorney available to attend non-party depositions this month. Based on Jim's strong reaction to one non-party deposition at the conference, we assume that such depositions will require his attendance. Accordingly, please provide dates when it will be convenient for Jim to attend Mr. Kaplan's deposition.



James P. Rouhandeh, Esq.  
August 2, 2012  
Page 2

We look forward to speaking with you. We have some availability tomorrow and Monday. Please let us know what times are convenient for you.

Regards,



JASON C. DAVIS

JCD:mm