Docket #0016 Date Filed: 1/16/2013

Objection Deadline (by stipulation): March 7, 2013 at 4:00 p.m. (prevailing Eastern Time)
Reply Deadline (by stipulation): April 5, 2013 at 4:00 p.m. (prevailing Eastern Time)
Hearing Date and Time: April 11, 2013 at 10:00 a.m. (prevailing Eastern Time)

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

SEALINK FUNDING LIMITED, *Plaintiff,* v. DEUTSCHE BANK AG; DEUTSCHE BANK SECURITIES INC.; DB STRUCTURED PRODUCTS, INC.; ACE SECURITIES CORP.; and DEUTSCHE ALT-A SECURITIES, INC., *Defendants*.	Adv. Proc. No. 12-2051 (MG) Oral Argument Requested

NOTICE OF DEFENDANTS' MOTION TO DISMISS
THE AMENDED COMPLAINT

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. On January 16, 2013, Adversary Proceeding Defendants ("**Defendants**") of the above-captioned adversary proceeding, which was referred to the Residential Capital Chapter 11 Proceeding, Case No. 12-02020, United States Bankruptcy Court, Southern District of New York (the "**ResCap Chapter 11 Proceeding**"), filed the attached Motion to Dismiss the Amended Complaint (the "**Motion**"). The Motion seeks an Order dismissing the Amended Complaint pursuant to Rules 9(b), 12(b)(1) and 12(b)(6) of the Federal Rules of Civil Procedure and Rule 7012(b) of the Federal Rules of Bankruptcy Procedure, and granting any such other relief as this Court may deem just and proper.

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2. A hearing (the "**Hearing**") to consider the Motion shall be held before the Honorable Martin Glenn, United States Bankruptcy Judge, in Room 501 of the United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004, on **April 11, 2013 at 10:00 a.m**. (prevailing Eastern Time).

3. Any objections to the Motion must be made in writing filed with the Court (with a copy to Chambers) and served in accordance with the Order Under Bankruptcy Code Sections 102(1), 105(a), and 105(d), Bankruptcy Rules 1015(c), 2002(m) and 9007, and Local Bankruptcy Rule 2002-2 Establishing Certain Notice, Case Management, and Administrative Procedures [Docket No. 141] (the "**Case Management Order**"), and served upon the Special Service List, as that term is defined in the Case Management Order, so as to be actually received no later than **March 7, 2013 at 4:00 p.m.** (prevailing Eastern time) (the "**Objection Deadline**"), as stipulated by the parties and ordered by the Court on December 6, 2012.

4. If no objections to the Motion are timely filed and served on or before the Objection Deadline, Defendants may submit to the Court an order substantially in the form of the proposed order attached to the Motion as **Exhibit A** (the "**Proposed Order**"), and the Court may deem any opposition waived, treat the Motion as conceded, and enter an Order grating the relief requested in the Motion without further notice or hearing.

Dated: New York, New York
January 16, 2013

SIMPSON THACHER & BARTLETT LLP

By: /s/ David. J. Woll

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EXHIBIT A

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

SEALINK FUNDING LIMITED, *Plaintiff*, v. DEUTSCHE BANK AG; DEUTSCHE BANK SECURITIES INC.; DB STRUCTURED PRODUCTS, INC.; ACE SECURITIES CORP.; and DEUTSCHE ALT-A SECURITIES, INC., *Defendants*.	Adv. Proc. No. 12-2051 (MG)

[PROPOSED] ORDER GRANTING DEFENDANTS' MOTION TO DISMISS THE AMENDED COMPLAINT

Having considered Defendants' Motion to Dismiss the Amended Complaint, the Memorandum of Law submitted in support thereof, and all papers filed and arguments made in opposition thereto, and for good cause shown, IT IS HEREBY ORDERED THAT Defendants' Motion is **GRANTED** and that the Amended Complaint is hereby **DISMISSED**.

IT IS SO ORDERED

Dated:
New York, New York

MARTIN GLENN
United States Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

SEALINK FUNDING LIMITED, *Plaintiff*, v. DEUTSCHE BANK AG; DEUTSCHE BANK SECURITIES INC.; DB STRUCTURED PRODUCTS, INC.; ACE SECURITIES CORP.; and DEUTSCHE ALT-A SECURITIES, INC., *Defendants*.	Adv. Proc. No. 12-2051 (MG)

DECLARATION OF DAVID J. WOLL

I, David J. Woll, pursuant to 28 U.S.C. § 1746, declare under penalty of perjury as follows:

1. I am a member of the law firm of Simpson Thacher & Bartlett LLP and am admitted to this Court. I respectfully submit this declaration in support of Defendants' Motion to Dismiss the Amended Complaint.

2. Attached hereto as Exhibit A is a true and correct copy of a report by Landesbank Baden-Württemburg, entitled *Financial Stability Board Report as of 30 June 2012*. A copy can also be located at: http://www.lbbw.de/imperia/md/content/lbbwde/ueberuns/geschaeftsbericht/2012/en/FSB_Report_en_06_2012.pdf.

3. Attached hereto as Exhibit B is a true and correct copy of an October 28, 2008 article from BLOOMBERG, entitled *Lehman Toxic Debt Advice Led Leipzig Bank to Ruin via Dublin*, by Aaron Kirchfeld and Jaqueline Simmons. A copy can also be located at http://www.bloomberg.com/apps/ews?pid=21070001&sid=aPxfNBXGvA4g.

4. Attached hereto as Exhibit C is a true and correct copy of excerpts from Plaintiff's Memorandum of Law in Opposition to Defendants' Motion to Dismiss the Amended Complaint in *Sealink Funding Limited v. Morgan Stanley et al.*, No. 650196/2012 (Sup. Ct. N.Y. Cty.) (filed Oct. 5, 2012).

5. Attached hereto as Exhibit D is a true and correct copy of a September 30, 2010 letter from Clayton CEO Paul T. Bossidy addressed to Phil Angelides, Chairman of the Financial Crisis Inquiry Commission. A copy can also be located at http://graphics8.nytimes.com/packages/pdf/opinion/Clayton-FCIC.pdf.

6. Attached hereto as Exhibit E is a true and correct copy of excerpts from the prospectus supplement for ACE 2007-WM1, dated January 26, 2007.

7. Attached hereto as Exhibit F is a true and correct copy of excerpts from Michael Lewis's 2010 book, *The Big Short*.

8. Attached hereto as Exhibit G is a true and correct copy of a March 1, 2007 article from THE WALL STREET JOURNAL, entitled *As Market Fell, Some Big Names Won Their Bets*, by Susan Pulliam, Randall Smith, and Henny Sender. A copy can also be located at http://online.wsj.com/ article/SB117271874969422974.html#printMode.

9. Attached hereto as Exhibit H is a true and correct copy of excerpts from Gregory Zuckerman's 2009 book, *The Greatest Trade Ever*.

10. Attached hereto as Exhibit I is a true and correct copy of excerpts from the April 13, 2011 United States Senate Permanent Subcommittee on Investigations: Committee on Homeland Security and Governmental Affairs Majority and Minority Staff Report entitled *Wall Street and the Financial Crisis: Anatomy of Financial Collapse*. A copy of the full report can

also be located at: http://www.hsgac.senate.gov//imo/media/doc/Financial_Crisis/FinancialCrisisReport.pdf?attempt=2.

11. Attached hereto as Exhibit J is a chart created by Defendants' counsel providing excerpts and citations to certain disclosures in the Prospectus Supplements. The Prospectus Supplements for all 19 offerings at issue in this action are referred to and incorporated by reference in the Complaint.[1]

12. Attached hereto as Exhibit K is a true and correct copy of the Order Re Substantive Motions to Dismiss from *Western and Southern Life Ins. Corp. v. Countrywide Fin. Corp.*, No. 2:11-cv071660-MRP(MANx) (C.D. Cal. June 29, 2012).

13. Attached hereto as Exhibit L is a true and correct copy of a term sheet for DBALT 2007-OA4.

14. Attached hereto as Exhibit M is a true and correct copy of a term sheet for ACE 2007-ASAP1.

15. Attached hereto as Exhibit N is a true and correct copy of a June 8, 2004 article from AMERICAN BANKER, entitled *Deutsche Group Buying Loans via Correspondents*, by Jody Shenn.

16. Attached hereto as Exhibit O is a true and correct copy of excerpts from the July 27, 2012 hearing transcript regarding *Stichting Pensioenfonds ABP v. ACE Sec. Corp.*, No. 652460-2011 (Sup. Ct. N.Y. Cty.).

17. Attached hereto as Exhibit P is a true and correct copy of excerpts from the prospectus supplement for PHHAM 2007-2, dated January 26, 2007.

[1] Defendants' counsel has prepared this chart in lieu of providing the Court with full copies of voluminous documents. Should the Court desire a full copy of any exhibit, Defendants would be pleased to provide the Court with such a copy. Alternatively, the Prospectus Supplements and other SEC filings for each trust can be accessed by searching for the trust name at the SEC's website: http://www.sec.gov/edgar/searchedgar/companysearch.html.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: New York, New York
January 16, 2013

By: /s/ David J. Woll
David J. Woll

EXHIBIT A

Financial Stability Board Report

as of 30 June 2012.

Landesbank Baden-Württemberg

LB≡BW

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Financial Stability Board Report.

The Financial Stability Board (FSB) was established in 1999 at the initiative of the G7 to safeguard financial market stability at an international level. The idea behind the FSB (formerly the Financial Stability Forum – FSF) is the regular exchange of information and international cooperation between central banks, regulatory authorities, and international financial institutions with the aim of improving the markets' ability to function, creating transparency and reducing systemic risks. Germany is represented on this forum by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) among other organizations.

In response to the financial market crisis, the FSB recommended extended disclosures on portfolios likely to be exposed to market disruptions. Although the disclosure of information is currently voluntary, LBBW is fulfilling the main recommendations of the FSB by publishing this report.

Detailed information on exposure to the periphery countries (Portugal, Ireland, Italy, Greece, and Spain) and the leveraged finance portfolio is also included.

1 The LBBW Group's securitization portfolio.

1.1 Preliminary remarks on risk protection.

In view of the turbulence on the financial markets, the LBBW Group (hereinafter referred to as LBBW) has arranged risk protection with the State of Baden-Württemberg in the form of a guarantee structure that has been in effect since 30 June 2009 to hedge losses on securities at risk. A guarantee totaling EUR 12.7 billion was granted to LBBW to hedge losses on reference assets of the securitization portfolio and loans issued by LBBW to the Irish special-purpose entity Sealink Funding Ltd. (Sealink).

The risk shield from the State of Baden-Württemberg and a capital injection amounting to EUR 5.0 billion from the owners were finally approved by the European Commission on 15 December 2009.

A partial amount of the guarantee amounting to EUR 6.7 billion serves to secure the Bank's own securitization portfolio (guaranteed portfolio) with a currently outstanding nominal volume of EUR 10.5 billion as of 30 June 2012.

LBBW bears the first loss from the guarantee portfolio up to an amount of EUR 1.9 billion. Losses beyond this amount will be absorbed initially by the guarantee. Any further losses arising after the guarantee has been utilized in full are borne by LBBW. As of 30 June 2012, the first loss was placed in full on the balance sheet.

The remaining EUR 6.0 billion of the guarantee covers loans granted by LBBW to the special-purpose entity Sealink (section 1.8).

1.2 Development of the securitization portfolio and customer transactions.

The LBBW securitization portfolio (including the guarantee portfolio) had a volume of around EUR 13.5 billion as of 30 June 2012.[1)] This includes the Georges Quay Funding I Ltd. vehicle and fund investments (LAAM funds) acquired from the former Sachsen LB. LBBW is also exposed to customer transactions amounting to EUR 2.4 billion via the ABCP vehicle Weinberg Capital.

The following sections describe the non-guaranteed portfolio (section 1.5) and the guaranteed portfolio (section 1.6) with regard to their volume and ratings in selected asset classes as well as customer transactions (section 2).

Development of the securitization portfolio and customer transactions compared to the previous period as of 30 June 2012.

Outstanding volume in EUR billion	30 June 2012	Absolute change over the previous period	31 Dec. 2011	Absolute change over the previous period	30 June 2011
Total securitization volume	13.5	-1.8	15.3	-1.7	17.1
Customer transactions	2.4	0.1	2.3	0.1	2.2

Figures may be subject to rounding differences.

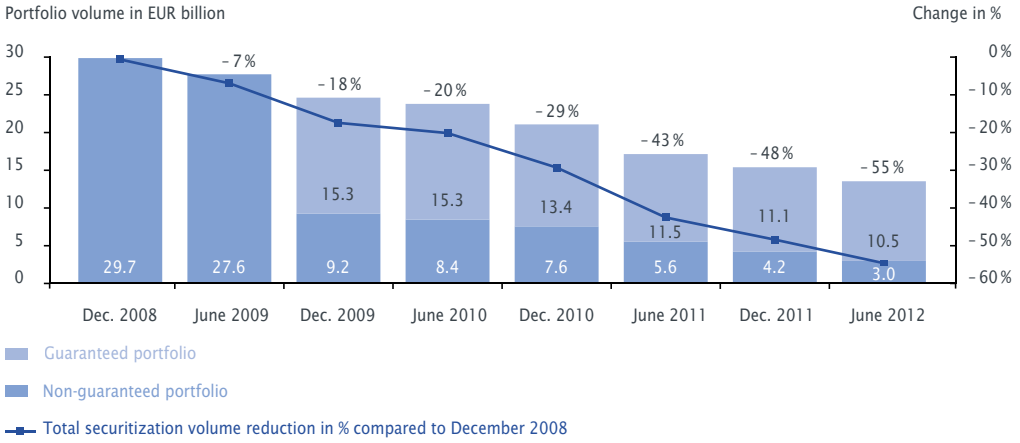
Compared with 31 December 2011, the securitization portfolio continued to contract steadily by a total of around EUR 1.8 billion from EUR 15.3 billion, despite volatile and heavily counteracting exchange rate effects. On the one hand, this decline in the volume is due to repayments, write-downs, and sales of around EUR 2.0 billion (repayment effect). On the other hand, the remaining difference of around EUR 0.2 billion is a result of counteracting exchange-rate trends (currency effect). The latter stems from a decline in the nominal EUR exchange rate against the USD, the JPY, and GBP, which led to a delayed reduction in the volume of assets denominated in the foreign currency in question.

The greater part of the portfolio (some 67%) is characterized by securitization positions categorized as investment grade (rating class AAA to BBB). 7% of the positions (equivalent to EUR 0.9 billion) are rated AAA.

1) Statements concerning the risk situation below are based on the management approach.

In a comparison with the first reporting period (December 2008), the overall securitization portfolio volume declined by EUR 16.2 billion (some 55%). As such, LBBW systematically continues to pursue the defined restructuring goals of gradually reducing risk through the orderly reduction of the securitization volume and opportunistic sales.

Development of the LBBW securitization portfolio volume for the period from December 2008 to June 2012.



Figures may be subject to rounding differences.

The financial market crisis had led to a significant decline in market values in LBBW's securitization portfolio since 2007. The positive trend of stabilizing average market prices discernible for more than one year continued in the period under review, although market liquidity is still limited.

Customer transaction volumes rose compared to the previous period by a total of EUR 0.1 billion, climbing from EUR 2.3 billion to EUR 2.4 billion. As a result, LBBW again achieved the growth targets which had been set in the past. Looking forward, LBBW plans to continue the successful expansion of its customer-driven business (see section 2).

1.3 Development of equity and income statement effects.

Equity and income statement effects from the securitization portfolio in accordance with IFRS.[1)]

	Effects in income[2)]		Effects in equity[3)]	
EUR million	30 June 2012	30 June 2011	30 June 2012	30 June 2011
CDO	41	30	35	71
RMBS	-48	-49	20	23
CMBS	5	-17	4	11
Other ABS	13	28	8	23
Total	**11**	**-9**	**67**	**127**

1) Statement without proprietary trading.
2) Recognized in income: change in income statement (P/L).
3) Recognized in equity: change in equity item (revaluation reserve).
Figures may be subject to rounding differences.

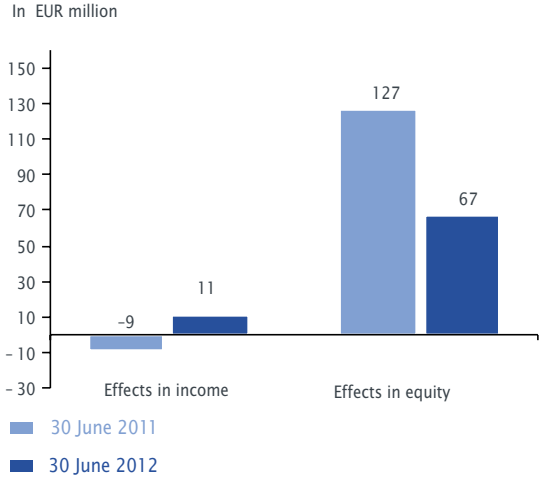
All the securitized products are included in LBBW's consolidated financial statements and are subject to ongoing market and risk assessment.

A positive earnings contribution totaling EUR 11 million was achieved in the first half of 2012 as a result of the solid earnings development. The result was burdened above all, by losses from disposals in the RMBS asset class. The spread tightening based on business lists that was determined during the reporting period led to this reversal of impairment losses and therefore to a positive result among the other asset classes.

The effects of EUR 67 million reported in equity was chiefly due in the first half of 2012 also to the expiry of recategorized portfolios or partial repayments that had already taken place of holdings categorized as AfS. In addition, fluctuation in market values and the recognition of impairments impacted on the change in the revaluation reserve.

The CDO asset class contributed around 52% to this overall effect, RMBS and CMBS together around 36% and Other ABS around 12%. As of the balance sheet date, almost 98% of the securitizations were allocated to the »Loans and Receivables« (LaR) category and around 2% to the »Available for Sale« (AfS) category.

Equity and income statement effects year on year.



Definitions.

Collateralized Debt Obligations (CDO):

The term »CDO« refers to transactions based on different types of receivables (underlying or collateral transactions). These essentially involve amounts owing by companies, financial service providers (»trust preferred security« or »TruPS«) and sovereigns. One special case is the »CDO of ABS«, in which ABS transactions form the underlying transaction. These ABS transactions may include residential mortgage backed securities along with consumer loans, leasing receivables, commercial mortgage backed securities, and CDOs.

Commercial Mortgage Backed Securities (CMBS):

CMBS are securities that are backed by property that is used or managed for commercial purposes. This may include office or retail properties, multiple dwellings, shopping centers, and mixed use.

Residential Mortgage Backed Securities (RMBS):

This category of securities comprises securities backed by property that is used or managed privately.

Rating:

The individual rating classes were allocated on the basis of information from external providers. In line with a conservative approach, the lowest available rating from Moody's, Standard & Poor's or Fitch was applied in each case. These may differ considerably from each other. For transactions without any external rating but with an internal credit rating, the lowest internal rating was transferred to the corresponding S&P rating.

The NR (»not rated«) transactions are mainly securitization positions written down by LBBW, from which the external rating was withdrawn or which arose from restructuring measures.

In view of the guarantee structure, the securitization portfolio is reported separately for the non-guaranteed and guaranteed sub-portfolios in the following chapters. The sub-categories of the asset classes (sub-asset classes), the respective distribution of ratings and changes to these are also analyzed in greater detail.

1.4 Assets held in the overall securitization portfolio.

In this report, LBBW's securitization portfolio with a volume of around EUR 13.5 billion (December 2011: EUR 15.3 billion) is presented in aggregated form for four product categories (asset classes).

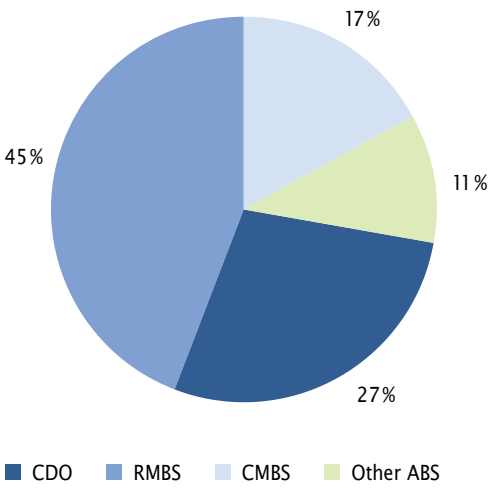
Securitization portfolio – outstanding volume per asset class (around EUR 13.5 billion).

Outstanding volume in EUR million as of 30 June 2012	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
CDO	258	1 210	270	153	970	465	230	140	3 697	27.5%
RMBS	370	1 170	2 025	421	607	736	642	0	5 973	44.4%
CMBS	136	438	899	465	203	110	40	0	2 292	17.0%
Other ABS	135	483	356	178	242	53	0	55	1 501	11.1%
Total investments	**900**	**3 301**	**3 551**	**1 216**	**2 023**	**1 365**	**912**	**195**	**13 462**	**100.0%**
	6.7%	24.5%	26.4%	9.0%	15.0%	10.1%	6.8%	1.5%	100.0%	

The lowest external rating was generally applied and mapped to S&P's rating scale.
Figures may be subject to rounding differences

The portfolio volume breaks down by asset class as follows:

Securitization portfolio – relative asset class distribution (around EUR 13.5 billion).



The two asset classes RMBS and CDO constitute the largest shares of the portfolio. RMBS transactions account for EUR 6.0 billion (45%) and chiefly originate from Spain (30%), the United Kingdom (23%) and the United States (25%). The volume of CDO transactions comes to EUR 3.7 billion (27%).

The majority of CMBS transactions involve positions in the United Kingdom (51%) and Germany (20%). The Other ABS asset class most notably includes American student loans (28%) and US/UK credit card securitizations (10%) in addition to leases.

1.5 Assets not secured by the state risk shield.

The nominal securitization volume not protected by the guarantee provided by the State of Baden-Württemberg dropped by 28% over the comparison date (31 December 2011) to some EUR 3.0 billion. This decline was due to repayments and sales of EUR 1.2 billion, predominantly in the RMBS (31%) and CDO (28%) asset classes. The reduction in the portfolio volume was offset by moderately counteracting currency effects of EUR 11 million in the wake of the lower nominal EUR exchange rate in the period under review.

As was the case in the previous periods, the vast majority (EUR 2.9 billion, 94.5%) of the non-guaranteed portfolio volume is again characterized by investment-grade ratings. Despite the repayment and migration of investments with predominantly the highest rating, the average rating dropped only slightly in the period under review.

Assets not secured by the state risk shield – securitization portfolio by asset class and rating.

Outstanding volume in EUR million as of 30 June 2012	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
CDO	41	384	108	3	3	0	0	0	538	17.7%
RMBS	310	278	1011	20	100	0	0	0	1719	56.5%
CMBS	0	104	19	79	10	0	0	0	213	7.0%
Other ABS	135	159	185	40	44	0	0	10	573	18.8%
Total investments	**486**	**924**	**1323**	**142**	**157**	**0**	**0**	**10**	**3043**	**100.0%**
	16.0%	**30.4%**	**43.5%**	**4.7%**	**5.2%**	**0.0%**	**0.0%**	**0.3%**	**100.0%**	

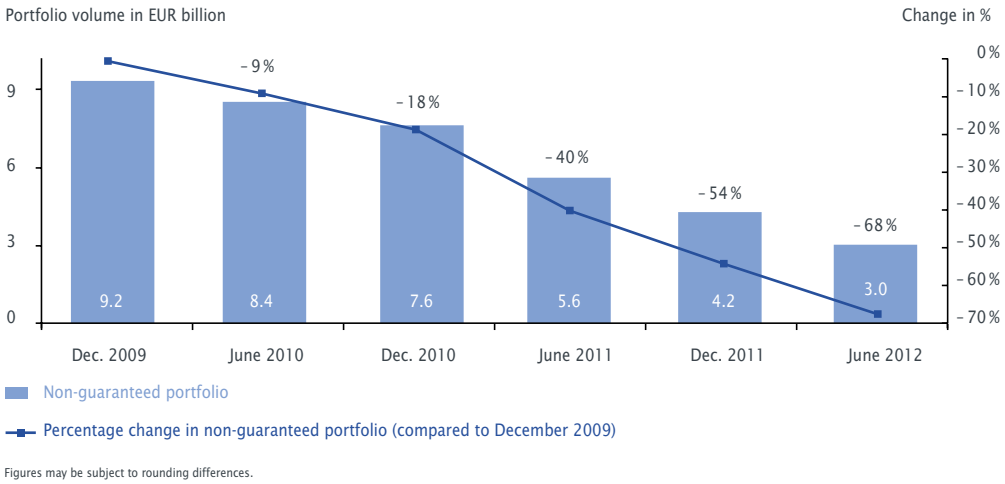
The lowest external rating was generally applied and mapped to S&P's rating scale.
Figures may be subject to rounding differences.

With respect to regional diversification, it should be noted that non-guaranteed transactions are primarily concentrated in Europe (excluding the UK) (75%).

The securitization volume attributable to the countries severely affected by the debt crisis, namely Portugal, Italy, Ireland, Greece, and Spain (periphery countries), comes to EUR 1.3 billion (compared with EUR 1.5 billion as of 31 December 2011). At around EUR 1.1 billion, Spain continues to account for the largest share. A detailed description of LBBW's exposure in the periphery countries follows in section 1.7.

Securitization positions which refer to portfolios consisting of student loans, automotive loans, and credit card receivables are recorded in the Other ABS category.

Development of the non-guaranteed portfolio volume for the period from December 2009 to June 2012.



Figures may be subject to rounding differences.

The following section examines the three major asset classes in greater detail.

1.5.1 CDO portfolio for non-secured assets.

The CDO portfolio for non-secured assets with a volume of around EUR 0.5 billion now consists virtually exclusively of the CLOs (99.2%) backed by corporate loans. The remaining 0.8% (EUR 4 million) break down into CDOs on ABS and Other CDOs, whereas the portfolio of synthetic securitizations, formerly accounting for some 14%, was reduced.

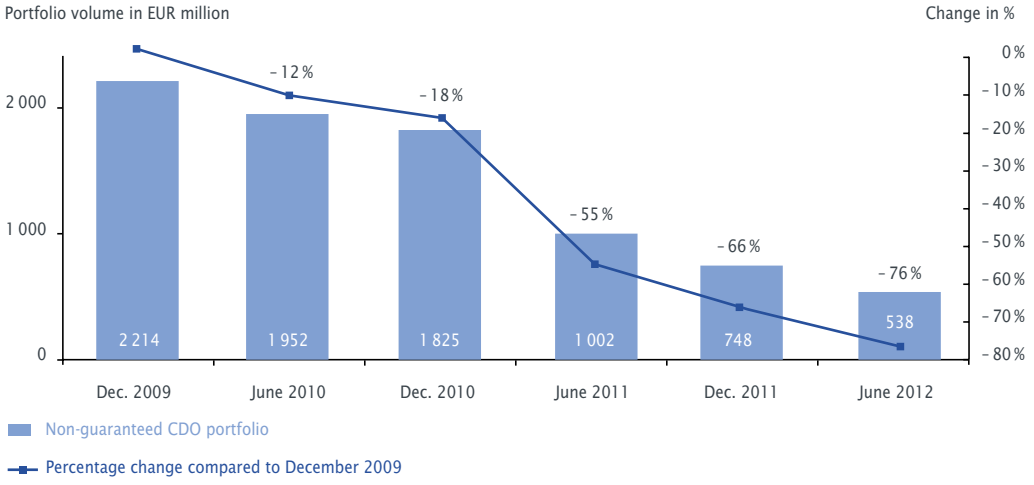
Assets not secured by the state risk shield – CDO breakdown by sub-asset class and rating.

Outstanding volume in EUR million as of 31 Dec. 2011 Sub-asset class	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
CDO of ABS	0	0	0	3	0	0	0	0	3	0.5%
CLO	40	384	108	0	3	0	0	0	534	99.2%
Synthetic CDO	0	0	0	0	0	0	0	0	0	0.0%
Other CDO	1	0	0	0	0	0	0	0	1	0.3%
Total CDO	**41**	**384**	**108**	**3**	**3**	**0**	**0**	**0**	**538**	**100.0%**
	7.6%	**71.4%**	**20.0%**	**0.5%**	**0.5%**	**0.0%**	**0.0%**	**0.0%**	**100.0%**	

The lowest external rating was generally applied and mapped to S&P's rating scale.
Figures may be subject to rounding differences.

In terms of ratings, it should be noted that most of the product categories, accounting for 99.5% of the volume, is now concentrated in the investment-grade range.

Development of the non-guaranteed CDO portfolio volume for the period from December 2009 to June 2012.



Figures may be subject to rounding differences.

All the remaining CDO transactions were issued between 2005 and 2007.

1.5.2 RMBS portfolio for non-secured assets.

As of the reporting date, the volume of RMBS transactions in the non-guaranteed sub-portfolio amounted to around EUR 1.7 billion (57%) and is thus down by around EUR 0.8 billion (31%) compared with December 2011.

Apart from EUR 100 million, the entire volume of the non-guaranteed RMBS portfolio is in the investment-grade range, mostly with an A rating. The change to A from the AAA rating in the previous report is attributable principally to the downgrade of the Spanish RMBS transactions.

Assets not secured by the state risk shield – RMBS breakdown by country and rating.

Outstanding volume in EUR million as of 30 June 2012 Country/sub-asset class	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
USA	1	2	0	0	0	0	0	0	2	0.1%
of which US Alt-A	1	2	0	0	0	0	0	0	2	100.0%
of which US subprime	0	0	0	0	0	0	0	0	0	0.0%
UK	16	13	103	0	0	0	0	0	132	7.7%
of which UK non-conforming	0	13	0	0	0	0	0	0	13	10.2%
Spain	0	85	871	20	0	0	0	0	976	56.8%
Other RMBS	294	177	37	0	100	0	0	0	608	35.4%
Total RMBS	**310**	**278**	**1011**	**20**	**100**	**0**	**0**	**0**	**1719**	**100.0%**
	18.1%	**16.2%**	**58.8%**	**1.2%**	**5.8%**	**0.0%**	**0.0%**	**0.0%**	**100.0%**	

The lowest external rating was generally applied and mapped to S&P's rating scale.
Figures may be subject to rounding differences. Percentages in the »of which« lines refer to the volume reported for the country in question.

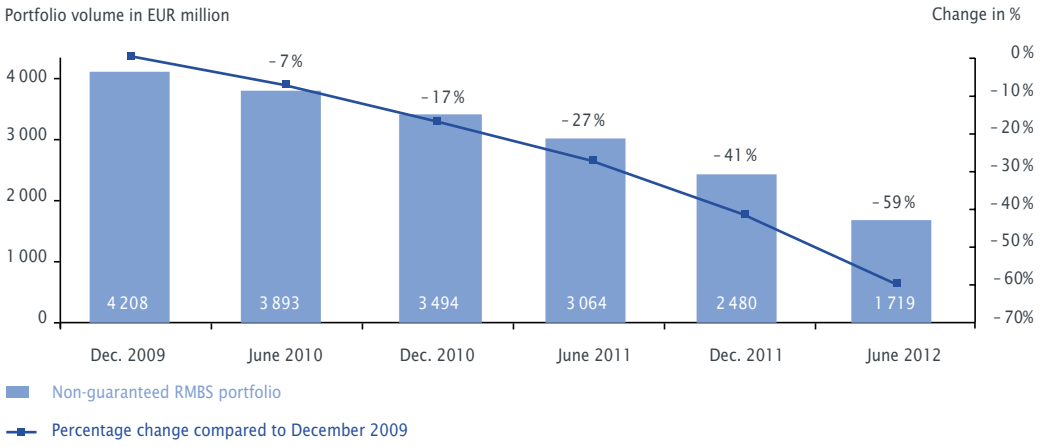
In this segment, LBBW now has only minor exposure to the United States (EUR 2.5 million), particularly in the US Alt-A and subprime segment, predominantly investments issued in 2003 and 2004.

Furthermore, securitizations with a UK reference all have investment-grade ratings. All the remaining transactions originate from 2006.

The Spanish RMBS portfolio of approx. EUR 1.0 billion – predominantly most senior positions (84%) and issue years 2003 (22%) and 2006 (26%) – continues to constitute the most significant proportion of the non-guaranteed RMBS portfolio (60%).

Securities in the Other RMBS category mostly have investment-grade ratings and are primarily attributable to European countries such as the Netherlands (42%) and Italy (18%). The portfolio volume of asset-backed securities with Irish reference continues to decline to a current outstanding volume of EUR 100 million (cf. December 2011: EUR 103 million), with ratings in the BB category. The portfolio of Greek RMBS, which was put at EUR 123 million in December 2011, was completely wound down in the period under review.

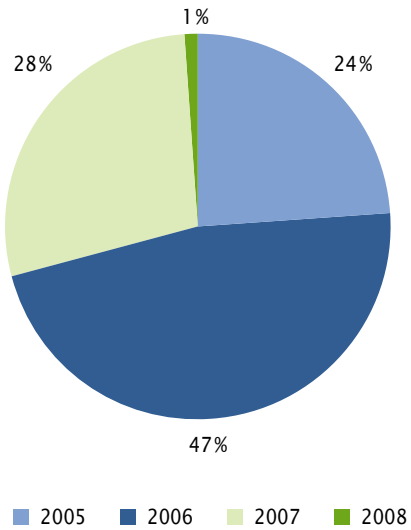
Development of the non-guaranteed RMBS portfolio volume for the period from December 2009 to June 2012.



Figures may be subject to rounding differences.

The non-guaranteed RMBS volume classified by issue year is as follows:

Non-guaranteed RMBS portfolio distribution by year of issue (EUR 1.7 billion).



At EUR 1.0 billion (December 2011 EUR 1.6 billion), the non-guaranteed RMBS portfolio has the largest volume for issue years 2005 – 2007 and the lowest volume for 2008 at EUR 10.8 million.

1.5.3 CMBS portfolio for non-secured assets.

The CMBS portfolio volume not guaranteed by the State of Baden-Württemberg (7% of the portfolio) dropped by EUR 53 million compared with December 2011 to EUR 213 million. It is chiefly backed by real estate used for office and retail purposes in Europe.

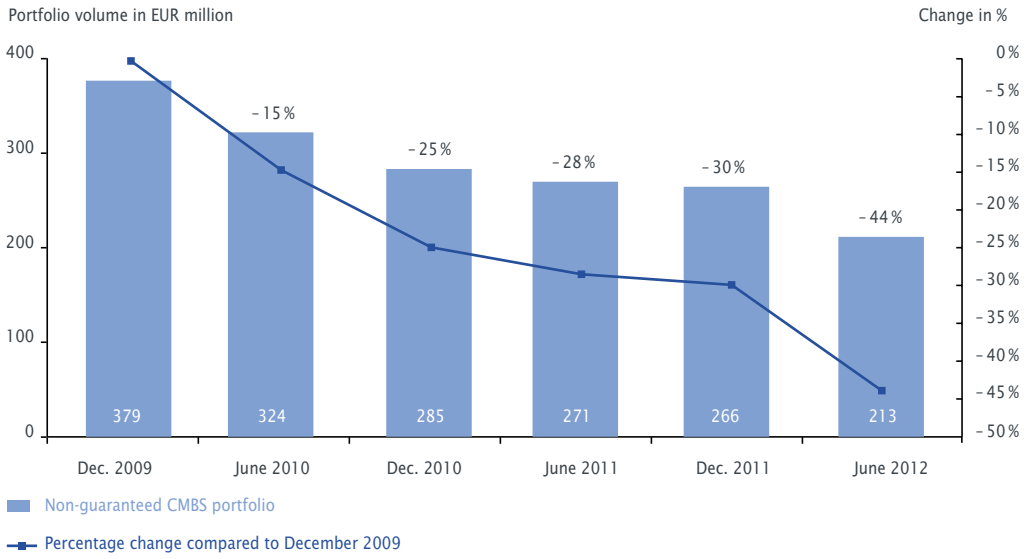
Assets not secured by the state risk shield – CMBS breakdown by country and rating.

Outstanding volume in EUR million as of 30 June 2012											
Asset class	Country	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
CMBS	Europe*	0	0	5	22	10	0	0	0	37	17.2%
	Spain	0	12	0	0	0	0	0	0	12	5.5%
	Germany	0	40	3	58	0	0	0	0	101	47.5%
	UK	0	20	12	0	0	0	0	0	32	14.9%
	Singapore	0	32	0	0	0	0	0	0	32	14.9%
Total CMBS		**0**	**104**	**19**	**79**	**10**	**0**	**0**	**0**	**213**	**100.0%**
		0.0%	**48.8%**	**9.1%**	**37.3%**	**4.9%**	**0.0%**	**0.0%**	**0.0%**	**100.0%**	

The lowest external rating was generally applied and mapped to S&P's rating scale.
Figures may be subject to rounding differences.
*No explicit classification possible due to geographic distribution across several countries. CMBS from Luxembourg were added to Germany as the underlying loans originated in Germany.

Most of the non-guaranteed CMBS portfolio under consideration is rated investment grade (95%). Of this, 83% comprises most senior positions.

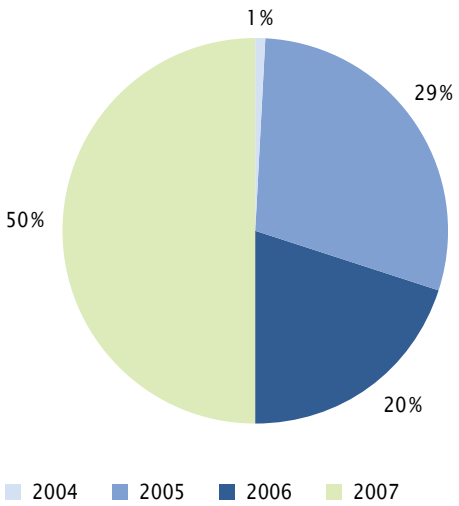
Development of the non-guaranteed CMBS portfolio volume for the period from December 2009 to June 2012.



Figures may be subject to rounding differences.

In addition, this asset class comprises almost solely issues from 2005 to 2007 amounting to EUR 210 million with a regional concentration on Germany (48%) and the United Kingdom (15%).

Non-guaranteed CMBS portfolio distribution by year of issue (EUR 213 million).



1.6 Assets secured by the state risk shield – guarantee portfolio.

As of the reporting date, the guaranteed portfolio contains securitization positions with an outstanding nominal volume of EUR 10.5 billion. A full year comparison (since December 2011) thus reveals a further reduction in the outstanding guaranteed volume from EUR 11.1 billion by a total of EUR 0.7 billion. This overall effect is the result of repayments and write-downs of around EUR 0.9 billion as well as currency effects moving in the opposite direction to the portfolio reduction amounting to EUR 0.2 billion (appreciation of foreign currencies, depreciation in EUR, respectively).

The assets underlying the transactions originate predominantly in Europe (55%) and America (42%). The portfolio under review continues to include assets with a reference to the periphery countries of around EUR 1.7 billion (17%), with Spain making the largest contribution of around EUR 0.9 billion within the country group selected (see section 1.7).

Assets secured by the state risk shield – securitization portfolio by asset class and rating.

Outstanding volume in EUR million as of 30 June 2012 Sub-asset class	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
CDO	217	826	163	150	968	465	230	140	3159	30.3%
RMBS	60	892	1014	401	507	736	642	0	4253	40.8%
CMBS	136	335	880	385	193	110	40	0	2078	19.9%
Other ABS	0	324	171	138	197	53	0	45	928	8.9%
Total investments	**414**	**2377**	**2227**	**1074**	**1865**	**1365**	**912**	**185**	**10419**	**100.0%**
	4.0%	**22.8%**	**21.4%**	**10.3%**	**17.9%**	**13.1%**	**8.8%**	**1.8%**	**100.0%**	

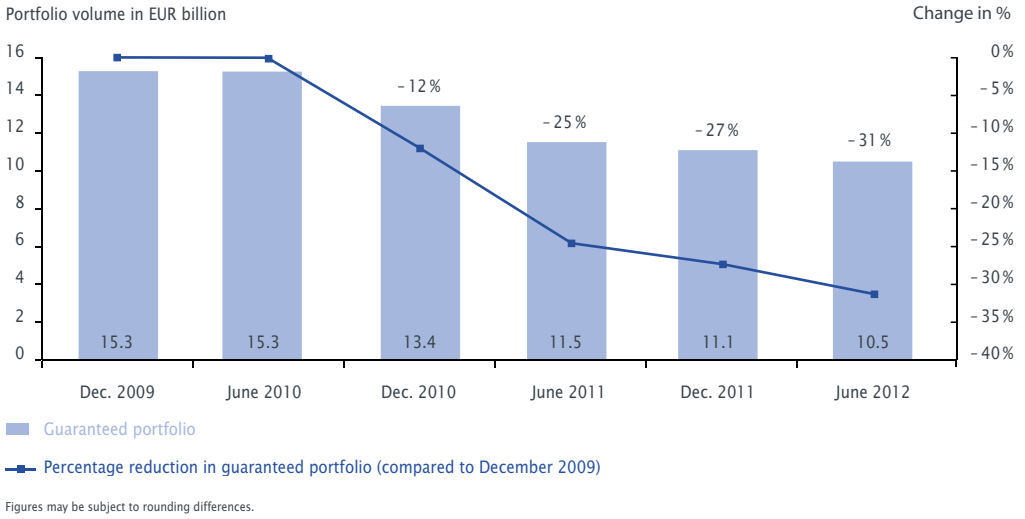
The lowest external rating was generally applied and mapped to S&P's rating code following the internal rating method.
Figures may be subject to rounding differences.

In the guarantee portfolio, the majority of investments (EUR 6.1 billion, 59%) continue to have investment-grade ratings.

Guarantee structure:

The guarantee structure provides for LBBW to assume the first losses from the reference assets up to a total amount of EUR 1.9 billion (»First Loss«). Losses in excess of the first loss are absorbed by the guarantee of the State of Baden-Württemberg, which amounts to EUR 6.7 billion. Aggregate losses from the guaranteed portfolio which exceed the figure of EUR 8.6 billion are in turn borne by LBBW. As of 30 June 2012, the first loss was placed in full on the balance sheet.

Development of the guaranteed portfolio volume for the period from December 2009 to June 2012.



Figures may be subject to rounding differences.

The same presentational approach and differentiation applied to the non-guaranteed sub-portfolio will subsequently be used for the guaranteed assets.

1.6.1 CDO portfolio for secured assets.

At around EUR 3.2 billion, the CDO portfolio volume covered by the guarantee remained almost unchanged due to counteracting exchange rate effects compared with December 2011. The nominal volume continues to chiefly comprise the CLO sub-asset class.

Assets secured by the state risk shield – CDO breakdown by sub-asset class and rating.

Outstanding volume in EUR million as of 30 June 2012 Sub-asset class	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
CDO of ABS	0	5	15	8	339	289	114	46	816	25.8%
CLO	214	724	130	51	4	0	0	34	1157	36.6%
Synthetic CDO	0	0	0	0	0	0	50	60	110	3.5%
CDO of TruPs	0	96	0	27	384	122	66	0	695	22.0%
Other CDO	3	1	18	64	241	55	0	0	382	12.1%
Total CDO	**217**	**826**	**163**	**150**	**968**	**465**	**230**	**140**	**3159**	**100.0%**
	6.9%	**26.1%**	**5.1%**	**4.7%**	**30.6%**	**14.7%**	**7.3%**	**4.4%**	**100.0%**	

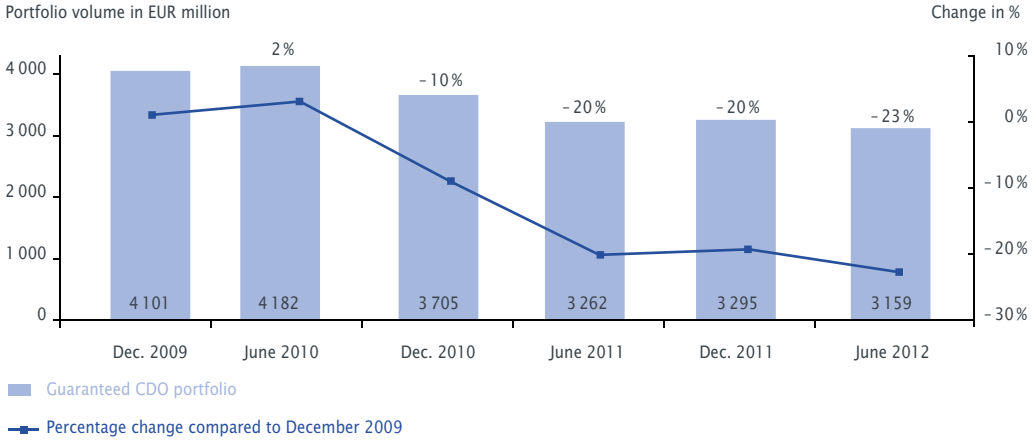
The lowest external rating was generally applied and mapped to S&P's rating code following the internal rating method.
Figures may be subject to rounding differences.

Around 43% of the guaranteed CDO portfolio has an investment-grade rating. The trend observable in earlier periods continued, i.e. the dominating CLO positions (37%) remained stable at a high average rating (AA).

The focus in the non-investment-grade segment was again on the CDO of ABS and CDO of TruPS sub-asset classes. The seniority structure of the guaranteed CDO positions remained constant with most senior tranches (76%) and very limited exposure to first-loss investments (approx. 2%).

Finally, commercial real estate CDOs and collateral bond obligations are aggregated within Other CDOs. There were no changes in the quality of the rating level in the period under review. Rather, there was a shift in the relative weighting of the individual rating category as a result of repayments and exchange-rate induced volume growth.

Development of the guaranteed CDO portfolio volume for the period from December 2009 to June 2012.



The moderate increase in volumes in June 2010 and December 2011 is the result of exchange rate effects.
Figures may be subject to rounding differences.

1.6.2 RMBS portfolio for secured assets.

As of the reporting date, the largest share in the guaranteed securitization portfolio was accounted for by RMBS transactions valued at around EUR 4.3 billion. The majority of these have investment-grade ratings (56%). The RMBS portfolio again primarily refers to the US (35%), the UK (30%), and the Spanish market (19%). In addition, the main issue years were 2006 and 2007 which contributed a cumulative total amount of EUR 3.3 billion.

Assets secured by the state risk shield – RMBS breakdown by country and rating.

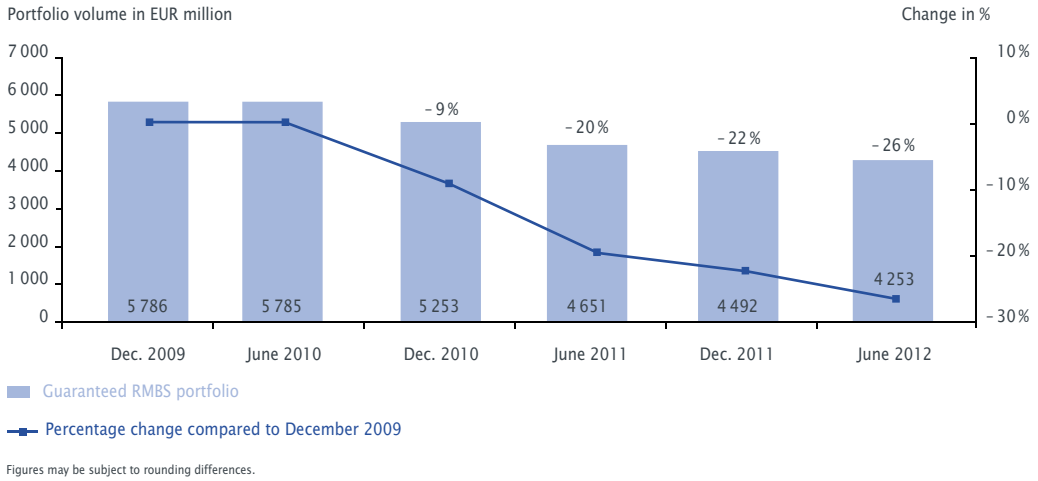
Outstanding volume in EUR million as of 30 June 2012 Country/sub-asset class	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
USA	0	15	6	13	99	729	642	0	1 503	35.3%
of which US Alt-A	0	0	4	12	49	530	623	0	1 218	81.1%
of which US subprime	0	0	0	0	0	172	19	0	191	12.7%
UK	60	625	536	0	41	0	0	0	1 262	29.7%
of which UK non-conforming	39	621	391	0	41	0	0	0	1 091	86.5%
Spain	0	11	401	79	310	0	0	0	802	18.9%
Other RMBS	0	242	71	309	57	7	0	0	686	16.1%
Total RMBS	**60**	**892**	**1 014**	**401**	**507**	**736**	**642**	**0**	**4 253**	**100.0%**
	1.4%	**21.0%**	**23.8%**	**9.4%**	**11.9%**	**17.3%**	**15.1%**	**0.0%**	**100.0%**	

The lowest external rating was generally applied and mapped to S&P's rating scale.
Figures may be subject to rounding differences. Percentages in the »of which« lines refer to the volume reported for the country in question.

The US RMBS investments – especially the Alt-A and subprime sub-asset classes – chiefly originate from the takeover of the former Sachsen LB by LBBW. These have already been largely written down.

The volume of non-investment-grade securitizations (44%) chiefly comprises the rating classes CCC to C and D for transactions with American reference assets. The rating categories selected are concentrated on the years 2006 (EUR 0.8 billion) and 2007 (EUR 0.5 billion) in the sub-portfolio under review.

Development of the guaranteed RMBS portfolio for the period from December 2009 to June 2012.



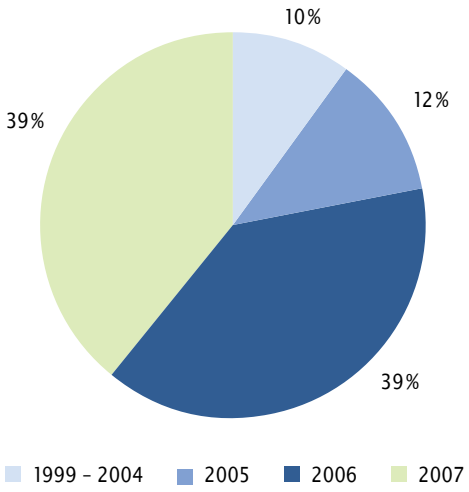
Figures may be subject to rounding differences.

Even after rating migrations, most of the UK RMBS volume of around EUR 1.3 billion has high ratings in the AAA to AA category (97% investment grade). The bulk of the UK transaction volume (EUR 870 million) comprises 2006 and 2007 issues.

Most of the guaranteed Spanish RMBS volume amounting to EUR 802 million is classified as investment grade (61 %). Furthermore, there have been only marginal migrations to the non-investment-grade segment in the past six months.

Other RMBS positions maintained their very good ratings and partially refer to underlying loans in Italy (8%) and Portugal (6%); see also section 1.7.

Guaranteed RMBS portfolio breakdown by year of issue (EUR 4.3 billion).



1.6.3 CMBS portfolio for secured assets.

CMBS positions (roughly EUR 2.1 billion) form the third largest asset class (after RMBS and CDO) in the guaranteed securitization portfolio and have maintained their high rating levels across all the countries involved, with approximately 83% of the securities rated investment grade.

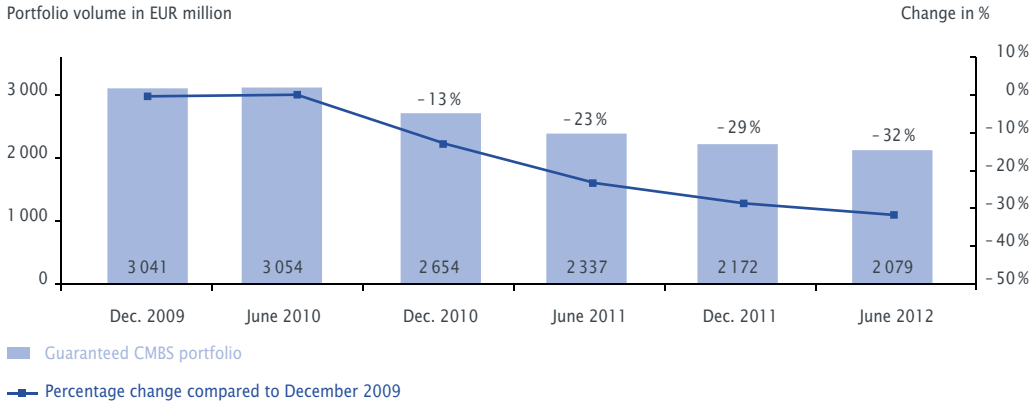
Assets secured by the state risk shield – CMBS breakdown by country and rating.

Outstanding volume in EUR million as of 30 June 2012 country/asset class	Country	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
CMBS	UK	0	268	435	209	122	62	40	0	1135	54.6%
	Germany	0	0	243	117	0	0	0	0	360	17.3%
	The Netherlands	0	0	0	10	0	0	0	0	10	0.5%
	Europe*	0	0	155	0	9	44	0	0	208	10.0%
	USA	91	39	40	13	12	5	0	0	200	9.6%
	France	12	28	0	0	50	0	0	0	90	4.3%
	Austria	33	0	6	0	0	0	0	0	39	1.9%
	Ireland	0	0	0	36	0	0	0	0	36	1.7%
	Japan	0	0	0	0	0	0	0	0	0	0.0%
	Other	0	0	1	0	0	0	0	0	1	0.0%
Total CMBS		**136**	**335**	**880**	**385**	**193**	**110**	**40**	**0**	**2079**	**100.2%**
		6.6%	**16.1%**	**42.3%**	**18.5%**	**9.3%**	**5.3%**	**1.9%**	**0.0%**	**100.0%**	

The lowest external rating was generally applied and mapped to S&P's rating code following the internal rating method.
Figures may be subject to rounding differences.
*Europe: No explicit classification possible due to geographic distribution across several countries. CMBS from Luxembourg were added to Germany as the underlying loans originated in Germany.

Most of the guaranteed CMBS portfolio is focused on the UK (49%) and German markets (17%).

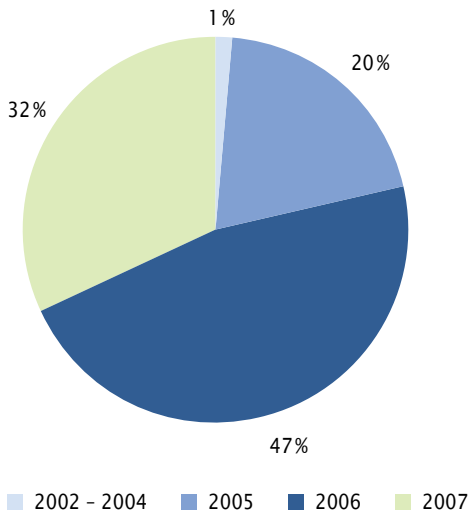
Development of the guaranteed CMBS portfolio volume for the period from December 2009 to June 2012.



Figures may be subject to rounding differences.

Most of the sub-portfolio considered comprises issues from 2005 to 2007. The outstanding UK CMBS volume was chiefly issued between 2005 and 2006, while the German CMBS volume comprises 2006 and 2007 issues.

Guaranteed CMBS portfolio breakdown by year of issue (EUR 2.1 billion).



1.7 Exposure to periphery countries.

In the wake of the European sovereign debt crisis, economic conditions have remained difficult in the periphery countries of Spain, Ireland, Italy, and particularly Greece and Portugal even beyond the period under review. Rating migrations were therefore observed again in the first half of 2012 (rating downgrades of the respective country credit) for individual countries to differing extents.

LBBW has sizeable, yet steadily declining exposure to these countries across various asset classes of a total of EUR 3.0 billion. This portfolio volume equates to around 22% of its total securitization volume. Moreover, the bulk of EUR 1.7 billion is guaranteed.

Securitization portfolio for the periphery countries by asset class and rating, periods compared.

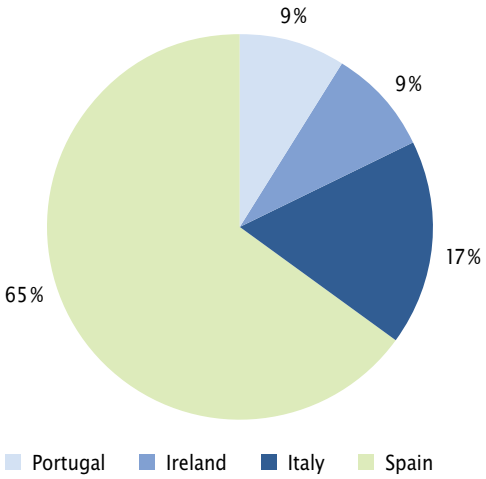
Outstanding volume in EUR million as of 30 June 2012 Country/Asset class		AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	Country/ asset class share	Volume as of 31 Dec. 2011	Country/ asset class share
CDO	Portugal	0	0	0	15	0	0	0	0	15	6.8%	23	8.7%
	Ireland	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%
	Italy	0	0	0	0	90	0	0	0	90	39.9%	90	33.4%
	Greece	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%
	Spain	0	5	109	6	0	0	0	0	120	53.3%	156	57.9%
Total CDO		**0**	**5**	**109**	**22**	**90**	**0**	**0**	**0**	**226**	**100.0%**	**269**	**100.0%**
RMBS	Portugal	0	0	0	239	0	0	0	0	239	9.2%	249	8.6%
	Ireland	0	0	0	70	157	7	0	0	234	9.0%	237	8.2%
	Italy	0	268	81	0	0	0	0	0	350	13.4%	406	14.1%
	Greece	0	0	0	0	0	0	0	0	0	0.0%	123	4.3%
	Spain	0	96	1273	99	310	0	0	0	1779	68.4%	1869	64.8%
Total RMBS		**0**	**365**	**1354**	**408**	**468**	**7**	**0**	**0**	**2602**	**100.0%**	**2885**	**100.0%**
CMBS	Portugal	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%
	Ireland	0	0	0	36	0	0	0	0	36	74.4%	36	49.8%
	Italy	0	0	1	0	0	0	0	0	1	1.3%	1	1.0%
	Greece	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%
	Spain	0	12	0	0	0	0	0	0	12	24.3%	36	49.2%
Total CMBS		**0**	**12**	**1**	**36**	**0**	**0**	**0**	**0**	**48**	**100.0%**	**72**	**100.0%**
Other ABS	Portugal	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%
	Ireland	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%
	Italy	0	72	0	0	0	0	0	0	72	60.0%	105	58.8%
	Greece	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%
	Spain	0	11	13	0	24	0	0	0	48	40.0%	74	41.2%
Total Other ABS		**0**	**83**	**13**	**0**	**24**	**0**	**0**	**0**	**120**	**100.0%**	**179**	**100.0%**
Total investments of the peripheral countries		**0**	**464**	**1477**	**466**	**581**	**7**	**0**	**0**	**2996**	**100.0%**	**3406**	**100.0%**
		0.0%	**15.5%**	**49.3%**	**15.6%**	**19.4%**	**0.2%**	**0.0%**	**0.0%**	**100.0%**			

The lowest external rating was generally applied and mapped to S&P's rating scale.
Figures may be subject to rounding differences

The securities with a proportionate volume of EUR 2.4 billion (80%) have, on average, a high investment-grade rating (AAA – BBB). During the period under review, there were minor rating downgrades, particularly in the investment-grade segment.

The largest exposure by country in terms of volume was again Spain at EUR 2.0 billion (65%), followed by Italy at approx. EUR 0.5 billion (17%) whereas the Greek position was completely wound down. LBBW still has an exposure of around EUR 255 million with underlying collateral referring to Portugal.

Securitization portfolio – share of the periphery countries in the non-guaranteed and guaranteed portfolio (EUR 3.0 billion).



1.8 Loan granted by LBBW to Sealink Funding special-purpose entity.

When Sachsen LB was acquired by LBBW in 2008, the structured portfolios Ormond Quay and Sachsen Funding I were excluded from the acquisition. These portfolios with a business volume of an original EUR 17.3 were transferred to an Irish special-purpose entity, Sealink Funding Ltd., which was established in 2008.

The currency-congruent refinancing of the securities denominated in EUR, USD, and GBP is carried out using subordinate financing by LBBW and the senior loan from a syndicate of state banks.

The Free State of Saxony has issued a first loss guarantee in the amount of EUR 2.75 billion to cover losses arising from the Sealink portfolio. The next losses to accrue for the subordinate financing of LBBW will be covered by the State of Baden-Württemberg up to an amount of EUR 6.0 billion as part of the risk shield in place since 30 June 2009.

LBBW expects the guarantee of the Free State of Saxony and the guarantee of the State of Baden-Württemberg to cover all risks arising from the portfolios transferred to Sealink.

2 Customer transactions.

In addition to the securitization portfolio presented above, LBBW is also involved in customer transactions. This category chiefly comprises the liquidity facilities provided by LBBW in connection with the Weinberg Asset Backed Commercial Paper program (ABCP program).

The sole purpose of the Weinberg ABCP program is to finance trade receivables and interest-bearing receivables sold to the program by LBBW's target customers (largely SMEs as well as financing institutions and leasing companies). All the internal ratings for these transactions are investment grade.

The receivables are bought by Weinberg Funding Ltd. or Weinberg Capital Ltd. and funded by issuing ABCPs. The commercial paper issued by the »Weinberg« multiseller conduit takes the form of either EUR commercial paper (issuer: Weinberg Capital Ltd., Dublin) or, since 2011, US commercial paper (issuer: Weinberg Capital Ltd., Dublin with the co-issuer Weinberg Capital LLC, Delaware). The ABCPs have a short-term rating of P-2 (Moody's) and F1 + (Fitch). Moreover, as long as no program termination even has occurred, the ABCPs can be backed either by an individual receivables portfolio (special series) or by the residual number of all remaining portfolios (general series).

As of 30 June 2012, LBBW is providing the purchasing companies Weinberg Funding Ltd. and Weinberg Capital Ltd. with liquidity lines amounting to EUR 2.45 billion, roughly EUR 1.16 billion of which pertains to transactions with trade receivables and some EUR 1.29 billion to transactions with interest-bearing receivables (above all leasing receivables). Neither Weinberg Funding Ltd. nor Weinberg Capital Ltd. are consolidated in the LBBW's annual financial statements for 2012.[1)]

LBBW is planning to expand this customer-driven business.

Additionally, in the advances to customers category, LBBW has invested in a senior tranche of a security backed by auto loans for an amount of around EUR 6.8 million. This term bond was structured by LBBW for a key account customer in the automotive sector.

1) The individual portfolios of receivables with the respective funding in Weinberg Funding Ltd. and Weinberg Capital Ltd. constitute so-called »cells« (transactions that can be limited in terms of reward and risk). Pursuant to IAS 27 in conjunction with SIC-12, Weinberg Funding Ltd. and Weinberg Capital Ltd. (as pure shells) are subject to consolidation requirements, but immaterial, and are therefore not to be included in the Consolidated Financial Statements. The individual cells are not subject to consolidation requirements. The seller of the receivable or third parties retain most of the rewards and risks.

3 Leveraged finance portfolio.

The general uncertainty on the financial and capital markets resulting from the sovereign debt crisis in which some southern European countries are embroiled and their unpredictable effects also impacted on the acquisition finance business in Germany. Players are acting with extreme caution, as a consequence of which less business was observed on the market overall. This also resulted in fewer new transactions by LBBW in the first half of 2012.

In connection with its overall credit strategy, LBBW is aligning its acquisition finance business to customer-oriented business in its German core market. By acquisition finance LBBW primarily understands finance for acquisitions involving a high degree of leverage (usually over 50%). This business area comprises both strategic purchase-price finance and succession arrangements as well as investments by financial investors in SMEs and large corporates. Investments executed as part of these business activities are included in the acquisition finance portfolio provided that they are materially based on free cash flows.

For its corporate customers LBBW provides the following services as part of its SME strategy: origination, structuring and arrangement as a mandated lead arranger or co-lead for regional as well as national high-commission syndicated acquisition financing transactions. In view of its trusting and long-standing relationships with SMEs, LBBW assumes fixed syndicate shares of 20 – 25% as part of a predominantly conservative »buy and hold«-strategy.

The acquisition finance portfolio was reduced by a further EUR 0.9 billion to EUR 3.8 billion on 30 June 2012 compared to the end of the previous year. This was principally the result of the syndication of a sizeable exposure, which was thus placed on a broader base. The focus of this business on Germany is shown by the fact that this region accounts for 95% of business transacted. The average exposure per investment was around EUR 40 million.

The following table lists the risk positions from around 100 acquisition finance corporate loans, according to sector and rating.

Sector distribution of leveraged finance portfolios as of 30 June 2012 (EUR 3.8 billion).

Sector	
Automobile	57.2%
Non-Industry-Specific Tools and Machine Construction	6.2%
Health Care	5.3%
Apparel, Sporting Equipment and Luxury Goods	4.6%
Chemicals	3.8%
Construction Industry	3.3%
Cross-Sector Services for Companies	3.1%
Conglomerates/Conglomerate Holding Companies	2.6%
Transport and Logistics	2.2%
Food Retail and Other Non-Cyclical Consumer Goods	1.8%
Other	9.9%
Total	**100.0%**

Figures may be subject to rounding differences.

The high concentration in the automotive sector was due to a single, large-volume transaction.

Rating breakdown of the leveraged finance portfolio as of 30 June 2012.

	AAA to A–	BBB+	BBB	BBB–	BB+	BB	BB–	B+	B	B–	CCC+ to C	SD/D	NR	
Rating in %	2.1	3.2	16.3	7.1	8.8	48.9	2.3	1.8	1.1	0.0	1.0	7.5	0.0	100.0

Figures may be subject to rounding differences.

The rating in the portfolio continued to improve in the year 2012 under review. The average rating is now BB, with 86% of the portfolio in this rating class or higher. New business is mainly conducted in the BB to BB– rating classes. In this connection, however, it must be clear from company data on the borrower's business development that the rating will improve as repayments progress.

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EXHIBIT B

Logo_post_b

Lehman Toxic Debt Advice Led Leipzig Bank to Ruin Via Dublin

By Aaron Kirchfeld and Jacqueline Simmons - Oct 28, 2008

Oct. 28 (Bloomberg) -- Teachers at the Clara Zetkin Middle School in Freiberg, Germany, were counting on a budget surplus to ease staff shortages across the state of Saxony.

Those hopes have faded as a result of bets made by state- owned Landesbank Sachsen Girozentrale on structured investments backed by mortgages in the U.S. The German lender loaded up on asset-backed securities and derivatives manufactured and sold by Wall Street amounting to more than 27 times the bank's equity. Now Saxony, which pledged taxpayer money as a guarantee against losses, is on the hook for 2.8 billion euros ($3.5 billion).

``They gambled away money needed for Saxony's teachers,'' said Wolfgang Renner, 55, who teaches math and physics at the 106-year-old yellow-brick school in Freiberg, named for a former Communist Party leader.

It doesn't take a degree in mathematics to calculate the potential damage in nearby Leipzig, where Sachsen is based and where Gottfried Wilhelm von Leibniz, the 17th-century polymath who invented calculus, was born. Plans to replace thousands of retiring teachers and build new roads are now in jeopardy.

``As Saxony politicians, we pray every day that the guarantee won't be used,'' said Mario Pecher, a lawmaker in Dresden, the state capital flattened by Allied bombing in World War II. ``There's a Damocles sword hanging over our heads.''

`Irresponsible' Loans

The bank's near collapse in August 2007 was proof of how far and wide U.S. investment banks had peddled toxic repackaged mortgages. It was also a harbinger of worse to come -- a global credit contagion that led to bailout packages from Germany to Iceland to the U.S. aimed at shoring up bank capital by partially nationalizing firms and guaranteeing lending until the storm passes.

Two days after a 50 billion-euro Oct. 5 rescue of Munich- based Hypo Real Estate Holding AG, Germany's second-largest commercial-property lender, German Chancellor Angela Merkel told an

emergency session of parliament that ``irresponsible'' loans in the U.S. had helped destroy faith in the global financial system.

Germany's Landesbanken, whose state ownership, high credit ratings and low borrowing fees whetted their appetite for asset- backed securities earlier this decade, accounted for $22 billion of the more than $650 billion in writedowns and credit losses linked to the U.S. subprime-mortgage market. The Sept. 15 bankruptcy of Lehman Brothers Holdings Inc., the New York-based securities firm that helped set up Sachsen's biggest offshore conduit, may cost the Landesbanken half a billion euros more.

`Gambled Away Billions'

The demise of Sachsen is a story of overreaching and of how Wall Street banks exported financial technology and products whose risks were not fully understood, according to interviews with two dozen bankers, board members, credit analysts and politicians. In the end, the citizens of Saxony will probably be left holding the bag.

``They made huge bets with taxpayers' money, they gambled away billions and nobody has been held responsible,'' saidAndreas Schmalfuss, a member of the parliamentary committee probing Sachsen's collapse.

Schmalfuss and local prosecutors are looking at whether former top executives at the bank misrepresented risks in annual reports, improperly used funds and put Sachsen in danger by setting up an off-balance-sheet conduit in Ireland to buy more asset-backed securities than it should have.

German Raids

On the morning of Aug. 12, German authorities raided the homes and offices of five former Sachsen board members. Prosecutors, police and Germany's equivalent of the FBI carted off computers and documents from 28 venues. Police in Ireland also raided Sachsen's Dublin headquarters. No criminal charges have been filed.

The searches came almost a year after a series of credit rating cuts and margin calls pushed the bank to the brink of insolvency despite a 17 billion-euro lifeline extended by other banks. Under pressure from Germany's financial authority, BaFin, which had threatened to shutter Sachsen, an emergency sale was arranged to Landesbank Baden-Wuerttemberg, the country's biggest state-owned bank, for 328 million euros.

One of the targets of the raids, according to people familiar with the investigation, is Stefan Leusder, 53, who as head of the bank's capital markets business was responsible for its principal investment vehicle, Dublin-based Ormond Quay Funding Plc, when things began to unravel.

Targeting Big League

Under Leusder's watch, investments in asset-backed securities more than doubled to almost 18 billion euros in the two years he ran the unit. Leusder, a member of Sachsen's management board, resigned on Aug. 23, 2007, three days before the bank's fire sale.

Also under investigation, the people say, are Herbert Suess, 69, the former chief executive officer of Sachsen who recruited Leusder in 2005, and former board members Yvette Bellavite-Hoevermann, Werner Eckert and Gerrit Raupach. Leusder and Suess declined to comment. Raupach didn't respond to a message left at his home, and the others couldn't be reached.

Created by regional politicians and small-town bankers in 1992 to promote economic growth in Saxony in the wake of German reunification, Sachsen was the newest and smallest of Germany's then 13 Landesbanken. That put pressure on executives to prove the bank could compete.

``The main mistake was Sachsen tried to play in a league it was way too small for,'' said Sebastian Scheel, a member of the committee investigating the bank's collapse.

Prague Meeting

Being small didn't stop Sachsen from thinking big. In 1999, under the direction of Claus-Harald Wilsing, a banker from Wiesbaden hired the previous year, Sachsen set up a subsidiary in Dublin to push into capital markets. The decision was made during a meeting in Prague that lasted less than 30 minutes, according to testimony Wilsing gave in January. Wilsing, who became managing director of the Dublin operation, Sachsen LB Europe Plc, declined to be interviewed.

The unit planned to take advantage of Ireland's 12.5 percent corporate tax rate -- compared with about 30 percent in Germany at the time -- as well as Dublin's proximity to Anglo- Saxon investors. Its offices were in the city's second-tallest building, in George's Quay Plaza on the Liffey River, which also housed a unit of UBS AG, the European bank that has taken the most subprime-related writedowns.

McKinsey's Proposal

At first, the Dublin unit focused on risk-averse, low- margin investments, such as European corporate and government bonds. Then, in 2000, Sachsen hired New York-based management

consulting firm McKinsey & Co. to help it solve a problem. The bank was worried about what would happen after state guarantees for Landesbanken expired in July 2005 under a European Union- imposed plan designed to remove their competitive advantage. Without government backing, borrowing costs would rise, making it harder to profit in capital markets.

The McKinsey team recommended that Sachsen scale back its traditional, low-margin lending to regional firms and expand into niche businesses such as leasing, according to an October 2007 speech by Georg Milbradt, a former Saxony premier who oversaw the creation of Sachsen. McKinsey warned against an aggressive push into capital markets, however, saying the strategy wouldn't work because the bank was going to lose its state guarantees, according to two people with direct knowledge of the situation.

`Not Sustainable'

Despite the warnings, Sachsen management pushed ahead with plans to expand its Dublin operation, raising money by selling short-term debt so it could invest in assets backed by mortgages, credit cards and student loans. At least one board member objected, saying the bank should stay focused on loans to small and mid-size German companies. The board member, Eckhard Laible, left at the end of 2001 when his proposal was vetoed.

``I left because the strategy wasn't sustainable,'' said Laible, now retired and tending a farm near Stuttgart, Germany.

In 2001, Wilsing recruited Adrian Fitzgibbon, an Irishman with capital markets expertise garnered from stints at JPMorgan Chase & Co. and Lehman Brothers. There he had specialized in credit and structured products, according to the Web site of AC Capital Partners Ltd., the Dublin fund management firm he and Wilsing created with backing from the Leipzig bank.

By 2002, according to the bank's annual report, the Dublin unit was managing 11 billion euros of synthetic assets -- those in which risk is taken in the form of a derivative -- an amount 77 times the value of its shareholder equity. The Dublin unit was a boon for Sachsen: Profits nearly doubled in 2003 to 29 million euros, accounting for more than two-thirds of the bank's net income of 42 million euros that year.

`The Green Isle'

Executives in Leipzig characterized the Dublin operations as being ``in the black on the green isle,'' Schmalfuss said.

Then Sachsen overreached. The bank's owners, including state and local governments and regional savings banks, laid out plans in the 2003 annual report to generate a 15 percent pretax return on equity by 2007. Bigger, better-capitalized banks at the time, such as Frankfurt-based Deutsche Bank AG, Germany's largest lender, had returns of about 13 percent.

``We had the problem that the pressure from the management board side, in other words from Leipzig, was very, very strong that we generate more earnings,'' Wilsing, now a management board member at Dusseldorf-based Deutsche Apotheker-und Aerztebank eG, a niche bank for the medical industry, testified on Jan. 21. Sachsen turned to Lehman Brothers for help. Together they created Ormond Quay Funding in early 2004, a move that would ultimately lead to the bank's demise.

Ormond Quay

Named after a wharf on the Liffey River, Ormond Quay's raison d'etre was raising money by selling commercial paper to cities, companies, money market funds and bank treasuries. The off-balance-sheet entity then bought asset-backed securities with a minimum rating of AA- from major investment banks. Among the sellers were Lehman, once the biggest U.S. underwriter of mortgage-backed bonds, Deutsche Bank and London-based Barclays Plc.

Sachsen worked with Lehman on a plan for locking in Ormond Quay's top credit ratings before the July 2005 EU deadline, people familiar with the bank's operations say. Without that government backing, Sachsen would have had the weakest rating of any Landesbank, in turn hurting Ormond Quay's rating, according to a May 2005 report by Standard & Poor's.

The solution was an agreement for Sachsen to cover all of Ormond Quay's risks until 2015, in effect extending the state's guarantee for another decade. Ormond Quay got a line of liquidity of about 4 percent of the financing from Sachsen, which would have amounted to at least 200 million euros. The remaining 96 percent was covered by Dublin unit Sachsen LB Europe, which, as a wholly owned subsidiary of Sachsen, benefited from its state backing.

`Bankruptcy-Remote'

That meant buyers of the vehicle's commercial paper got paid if Ormond Quay's assets declined in value or funding ran out. The guarantee covered sales made after 2005, since Ormond Quay was launched prior to the deadline. The agreement also kept Sachsen from having to set aside equity capital to cover Ormond Quay's risks. A spokesman for Lehman in New York declined to comment.

S&P gave Ormond Quay an A-1+ rating in a June 2004 report, its highest for short-term debt, pointing to support for the fund from the state of Saxony. It called the conduit a ``bankruptcy-remote entity'' and a ``novel structure.''

The table was set for Ormond Quay to feast. It grew to 8.3 billion euros of investments in asset-backed debt securities by the end of 2005 from 1 billion euros in June 2004, government documents show. That year, the Dublin unit was the bank's best performer, reporting a profit of 44.2 million euros, offsetting losses in Leipzig and enabling Sachsen to report a net income of 17 million euros, according to the annual report.

`Cash Cow'

``Dublin was the cash cow, and they thought it could be milked for profit,'' said Karl Nolle, a Dresden lawmaker on the investigative committee. ``It was like a gambling addiction.''

As the EU deadline approached, Sachsen's credit committee, composed of Leipzig executives and politicians, stepped up its push into capital markets. In June 2005, it voted to boost Ormond Quay's 4 percent liquidity line to allow for a maximum investment of 43 billion euros by 2010, about the size of Croatia's annual gross domestic product.

The jump in profits at the Irish arm caught the attention of financial services regulator BaFin, which asked the accounting firm KPMG LLP to review the situation in 2004. KPMG found, according to testimony given to the committee, that Sachsen's administrative board was unaware of the level of investments made at the subsidiary or the potential losses they posed.

Barclays Capital

By the end of 2005, the key architects of the Irish operation were gone. Michael Weiss, the bank's CEO, and board member Rainer Fuchs, who joined the bank in 1993 and backed Wilsing's push into Dublin, both resigned in connection with an unrelated fraud investigation at a leasing unit. No charges were filed in that case. Weiss was not available for comment.

Then Wilsing left, frustrated, he told investigators, that the board wouldn't let him sell the unit to a larger, better- capitalized partner.

The KPMG report led Sachsen to review its risk management system. Yet over the next two years, under the direction of Suess, a former savings bank executive, and Leusder, a bearded chain smoker who replaced Fuchs, the bank accelerated its investments.

Warning Signs

In the spring of 2007, Leusder turned to Barclays Capital, Barclays's investment banking arm, to set up a new type of structured-investment vehicle called a SIV-Lite, dedicated to residential mortgages. SIVs make money by selling commercial paper in order to invest in longer-term bonds, usually asset- backed securities and bank debt. SIV-Lites differ because they invest more heavily in mortgage-backed securities.

The timing couldn't have been worse. In February, Sachsen's Dublin unit boasted in a press release that it was one of Ireland's most profitable banks, just weeks before data emerged showing that U.S. subprime-mortgage defaults had risen to a seven-year high, forcing more than two dozen lenders to close or sell operations. The warning signs prompted Germany's central bank, the Bundesbank, which helps regulate financial firms, to ask Sachsen and others about their investments in mortgages to American homeowners with dubious credit histories.

Still, Sachsen pressed ahead.

``The bank at first initiated no noticeable measures to limit the volume or risk,'' an Ernst & Young LLP report concluded a year later. ``Quite the opposite: The businesses were expanded.''

`Successful Axis'

The Dublin-based SIV-Lite, called Sachsen Funding I, garnered a P-1 rating from Moody's Investors Service in May 2007, the highest grade for short-term debt. It invested all of the $2.5 billion it raised in mortgage-backed securities, including subprime assets, according to government documents as well as Moody's and Ernst & Young reports.

Sachsen was so gung-ho it featured a two-page color photo in its 2006 annual report, published in May 2007, featuring Jane Privett, then a Barclays Capital director, sitting in a London cab above a caption praising the bank's ``successful Dublin- London-Leipzig axis.'' Privett, who recently left Cheyne Capital Management Ltd., a London hedge fund firm, declined to comment.

In July 2007, two Bear Stearns Cos. hedge funds heavily invested in subprime assets collapsed, triggering a global credit crisis. As fears about collateral damage spread abroad, Sachsen said on Aug. 10, 2007, that it had ``sufficient liquidity'' and didn't expect Ormond Quay's asset-backed securities to default.

``The mistrust of the market cut off our liquidity,'' Sven Petersen, who replaced Wilsing as head of the Dublin unit, told a parliamentary hearing.

Time Runs Out

On Aug. 16, Fitch put Sachsen's credit rating on ``watch negative,'' citing concerns about cash commitments to Ormond Quay. The next day, the bank obtained a 17 billion-euro credit line from other state-owned banks to repay debt sold by its Dublin unit.

Still, on Aug. 20, S&P cut its assessment of Sachsen debt to BBB+ from A-, saying the bank ``needs to restore investor confidence.''

It had no time to do so. A few days later, Barclays warned it would make a margin call on two funds that Sachsen had invested in, according to Ernst & Young and four people with direct knowledge of the matter. Sachsen realized on Aug. 22 that the Leipzig bank could incur 250 million euros in losses from a sale of those assets. When politicians balked at a fresh bailout, the bank sought a buyer.

`So Dangerous'

``An insolvency of Sachsen would have had far-reaching consequences for the entire banking landscape in Europe,'' Milbradt said in what has since become a common refrain around the world.

Emergency talks were held, and at 2:30 a.m. on Sunday, Aug. 26, the bank agreed to sell itself to Stuttgart-based LBBW.Siegfried Jaschinski, LBBW's chief executive officer, stunned Sachsen employees when he said the Irish funds accounted for about half of the bank's income.

``It's not that they didn't know the business was there, but that it was so dangerous,'' Jaschinski said in a telephone interview in May.

When LBBW got cold feet four months later, Saxony agreed to provide guarantees of up to 2.8 billion euros to cover losses on a new fund, into which 16 billion euros of assets from Ormond Quay and Sachsen Funding were placed. Jaschinski signaled at a Sept. 10 banking conference that he would be interested in merging LBBW and what is now its Sachsen Bank unit with Bayerische Landesbank in Munich in a further consolidation of the seven remaining state-owned banks.

How Much?

Whether Saxony's taxpayers can avoid covering losses and afford to hire new teachers next year depends on whether the homeowners backing the securities default and at what price those assets can be disposed of. Saxony's Finance Ministry said on Sept. 19 that the guarantee hadn't been tapped and that it had set aside about 825 million euros for possible defaults.

``We expect defaults, but how much and when we can't say,'' Finance Ministry spokesman Stephan Goessl said.

In July, Saxony and LBBW hired an outside bank to help them clean up the mess. The firm they selected was the asset management arm of Lehman Brothers, the bank that advised Sachsen on setting up Ormond Quay in 2004.

Now, with Lehman in bankruptcy, LBBW and Saxony may need to find a new adviser. And Germany will need to find a way to stop the contagion from spreading.

Following an agreement to bail out Hypo Real Estate, which came after its Dublin-based Depfa Bank Plc unit failed to get short-term funding, Germany announced plans to provide up to 500 billion euros in loan guarantees and capital to bolster the banking system, the government's biggest intervention since the Berlin Wall came down in 1989.

`Poison' Debt

The rescue, which will amount to about 20 percent of the GDP of Europe's largest economy, faced opposition from some state governments unhappy at the share of the bailout they are expected to bear. Saxony's Finance Ministry said in a statement on Oct. 14 that the state had already made a ``substantial contribution'' to overcoming the financial crisis with its 2.8 billion-euro guarantee for Sachsen.

Only now are European regulators getting around to addressing the lax oversight of banking activities. On Oct. 1, the European Commission published a proposal to enhance the authority of national regulators to police banks' foreign subsidiaries. The Basel, Switzerland-based Financial Stability Forum, an international group of regulators and finance officials, has put forward measures requiring banks to report off-balance-sheet exposure and raising capital requirements for liquidity facilities such as Sachsen's Dublin conduit.

That won't help the citizens of Saxony. In Leipzig, where Johann Sebastian Bach composed some of his most beautiful music, there is no shortage of discordant voices.

``The poison was the off-balance-sheet vehicles that far outweighed the amount of risk the bank could shoulder,'' former board member Laible said. ``The bank might have survived had it invested within the scope of its own capital.''

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EXHIBIT C

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

SEALINK FUNDING LIMITED, Plaintiff, v. MORGAN STANLEY, MORGAN STANLEY & CO., INC., MORGAN STANLEY ABS CAPITAL I INC., MORGAN STANLEY CAPITAL I INC., MORGAN STANLEY MORTGAGE CAPITAL INC., and MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC, Defendants.	Index No. 650196/2012 Justice Eileen Bransten **ORAL ARGUMENT REQUESTED**

PLAINTIFF'S MEMORANDUM OF LAW IN OPPOSITION TO DEFENDANTS' MOTION TO DISMISS THE AMENDED COMPLAINT

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Attorneys for Plaintiff
Sealink Funding Limited

Dated: October 5, 2012

Ultimately, the RMBS, including the Certificates at issue here, were sold to Sealink pursuant to a series of Sale and Purchase Agreements ("SPAs") and a Master Framework and Definitions Schedule ("MFDS"). ¶37; Petersen ¶25. The SPAs stated that each selling SPV "with full title guarantee and as beneficial owner hereby agrees to sell, and the Purchaser [Sealink] hereby agrees to purchase, each Asset . . . ." Onslow ¶50(vi). The definition of asset included "present and future properties, revenues and rights of every description." Onslow ¶50(vii). The rationale for the transfers was that Sealink would gain control of the assets and all associated rights and benefits – avoiding sales of assets into distressed markets (and the recognition of massive losses). Petersen ¶¶24-26.

B. Applicable English Legal Standards

Under English law, which governs the various transfer agreements, explicit language of assignment ***is not required*** and the requisite intention may be inferred or implied.[5] The commercial context is highly relevant to construing contractual terms under English law where interpretation involves ascertaining the meaning that a document would convey to a reasonable person having all the background knowledge available to the parties at the time of the contract. Onslow ¶¶35, 71-72. Moreover, "business common sense" should be taken into account. Onslow ¶¶39, 73-76.

1. The Agreements Expressly Assigned The Claims To Sealink

Defendants concede that the Global Master Securities Lending Agreements and the Master Framework Agreement, as amended July 7, 2005, assigned the causes of action, but

[5] All that is required is a "sufficient expression of an intention to assign." Onslow ¶44.

EXHIBIT D

CLAYTON

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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. Filipps, 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 Filipps, 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. Filipps 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.

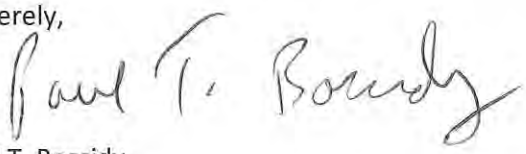
Prospectuses

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,



Paul T. Bossidy
Chief Executive Officer

EXHIBIT E

THE DEPOSITOR

ACE Securities Corp., the Depositor, is a special purpose corporation incorporated in the State of Delaware on June 3, 1998. The principal executive offices of the Depositor are located at 6525 Morrison Boulevard, Suite 318, Charlotte, North Carolina 28211. Its telephone number is (704) 365-0569. The Depositor does not have, nor is it expected in the future to have, any significant assets.

The limited purposes of the Depositor are, in general, to acquire, own and sell mortgage loans and financial assets; to issue, acquire, own, hold and sell securities and notes secured by or representing ownership interests in mortgage loans and other financial assets, collections on the mortgage loans and related assets; and to engage in any acts that are incidental to, or necessary, suitable or convenient to accomplish, these purposes.

The Depositor has been serving as a private secondary mortgage market conduit for residential mortgage loans since 1999. Since that time it has been involved in the issuance of securities backed by residential mortgage loans in excess of $30 billion.

After issuance and registration of the securities contemplated in this prospectus supplement, the Depositor will have no duties or responsibilities with respect to the pool assets or securities other than any obligations with respect to the filing of any reports under the Exchange Act as set forth in the Pooling and Servicing Agreement.

All of the shares of capital stock of the Depositor are held by Altamont Holdings Corp., a Delaware corporation.

THE SPONSOR

DB Structured Products, Inc. is the Sponsor. The Sponsor was incorporated in the State of Delaware on February 4, 1970 under the name “Sharps Pixley Incorporated”. The name of the Sponsor was changed on January 3, 1994 to Deutsche Bank Sharps Pixley Inc., and subsequently changed on January 2, 2002 to DB Structured Products, Inc. The Sponsor maintains its principal office at 60 Wall Street, New York, New York 10005. Its telephone number is (212) 250-2500.

Through September 30, 2006, the Sponsor has purchased over $25 billion in residential mortgage loans. This includes the purchase of newly originated non-agency loans, as well as seasoned, program exception, sub-performing and non-performing loans.

The Sponsor has been securitizing residential mortgage loans since 2004. The following table describes size, composition and growth of the Sponsor’s total portfolio of assets it has securitized as of the dates indicated.

EXHIBIT F

from the crowd—and that represented, for Greg Lippmann, a new career risk. As he put it to others, "If you're in a business where you can do only one thing and it doesn't work out, it's hard for your bosses to be mad at you." It was now possible to do more than one thing, but if he bet against subprime mortgage bonds and was proven wrong, his bosses would find it easy to be mad at him.

In the righteous spirit of a man bearing an inconvenient truth, Greg Lippmann, a copy of "Shorting Subprime Mezzanine Tranches" tucked under his arm, launched himself at the institutional investing public. He may have begun his investigation of the subprime mortgage market in the spirit of a Wall Street salesman, searching less for the truth than for a persuasive-sounding pitch. Now, shockingly, he thought he had an ingenious plan to make customers rich. He'd charge them fat fees to get in and out of their credit default swaps, of course, but these would prove trivial compared to the fortunes they stood to make. He was no longer selling; he was dispensing favors. *Behold. A gift from me to you.*

Institutional investors didn't know what to make of him, at least not at first. "I think he has some kind of narcissistic personality disorder," said one money manager who heard Lippmann's pitch but did not do his trade. "He scared the shit out of us," said another. "He comes in and describes this brilliant trade. It makes total sense. To us the risk was, we do it, it works, then what? How do we get out? He controls the market; he may be the only one we can sell to. And he says, 'You have no way out of this swimming pool but through me, and when you ask for the towel I'm going to rip your eyeballs out.' He actually said that, that he was going to rip our eyeballs out. The guy was totally transparent."

They loved it, in a way, but decided they didn't want to experience the thrill of eyeball removal. "What worked against Greg," this fund manager said, "was that he was too candid."

Lippmann faced the usual objections any Wall Street bond cus-

EXHIBIT G

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As Market Fell, Some Big Names Won Their Bets

LTCM's Meriwether, Deutsche Bank Gained; A Day Trader's Losses

By SUSAN PULLIAM, RANDALL SMITH and HENNY SENDER

Market routs always leave plenty of victims behind. A savvy -- or lucky -- few can come out ahead amid the chaos, though.

Winners from Tuesday's market plunge included one of the more renowned traders in recent Wall Street history: John Meriwether. Mr. Meriwether formerly ran Long Term Capital Management, the hedge fund whose collapse in 1998 nearly triggered a global financial crisis. He now runs a $2.6 billion fund, JWM Partners, which was up after markets closed Tuesday and has generated positive returns for February, according to investors.



John Meriwether

The 59-year-old Mr. Meriwether, who was traveling and unavailable for comment, benefited from bullish bets on the yen and Japanese equities and U.S. Treasury bonds, according to people familiar with his results.

Another winner was Deutsche Bank's Greg Lippmann, who in recent months has made paper profits for the bank of roughly $250 million betting against an index of subprime-mortgage loans, which plunged more than 7% Tuesday before rebounding a bit yesterday. Mr. Lippmann, Deutsche's asset-backed securities trading chief, has urged his firm's clients to bet against the value of mortgage bonds underpinned by subprime loans, as those made to borrowers with weak credit are known. According to attendees at a September dinner, he boasted, "This trade will work."

Mr. Lippmann declined to comment yesterday.

The ability of Messrs. Meriwether and Lippmann to stay afloat while the market was sinking illustrates how some of the most sophisticated players have learned to take advantage of heightened risk levels in the financial system these days. To be sure, some of the gains and losses so far exist only on paper, and whether they will actually materialize in the real world -- especially for trades that aren't easy to unwind -- is an open question.

Meanwhile, a number of small investors making more-mundane stock-market bets were left holding the bag. Hit especially hard were individuals stampeding into mutual funds in January, especially stock funds that invest overseas. (See related article.)

Joseph Clark, a 42-year-old day trader in Buffalo, N.Y., initially steered clear of stocks most of Tuesday because he didn't see any good opportunities for a quick profit. After spending most of the day painting his son's room, he checked his eight Dell Computer monitors and decided to buy. At 2:58 p.m., he bought 1,000 shares of Allegheny Technologies for about $98 a share. With some other trades, he plunked down about $150,000 of his $700,000 portfolio.

He lost $1,200 within a few seconds, as the Dow industrials suddenly plunged about 300 points due to a glitch in computing the index. "Before I could blink, the stock had sunk to $96, so I started selling at a loss," he says. "It went to hell in a handbasket. It was disgusting."

And some hedge funds -- private partnerships that cater to wealthy investors and large institutions -- that focused largely on stocks were pinched as well. Many individuals and hedge funds have been using heightened levels of borrowed money to amplify returns, and that left them exposed on bad bets when stocks dived.

"In U.S. equities and volatility the damage was much sharper and faster, with the bulk of the move we saw in May last year delivered in a single day," noted Goldman Sachs Group economists Dominic Wilson and David Heacock.

Yesterday, stock prices rebounded a bit from Tuesday's 416-point decline, with the Dow Jones Industrial Average rising 52.39 points to 12268.63. But the recent action highlights how some of the market's heavyweights have profited from the sudden pullback in various markets world-wide that have been marked by excesses. Financial markets for some time have been awash in cash, leading to huge amounts of cheap financing. And market players have benefited from buying riskier securities around the world and letting them ride. The question is whether Tuesday's plunge could begin to change that scenario.

Mr. Meriwether's macro fund -- which like other macro funds has a no-limits investment strategy that can make for volatile performance -- profited from having bought Japanese yen, which rose Tuesday as investors sought the currency to unwind so-called carry trades. In these transactions, investors buy a currency whose central bank pays low interest -- in this case, Japan's yen -- to invest the money in places with higher yields.

In addition, JWM held lots of U.S. Treasury bonds, whose reputation as one of the safest places to park money drew buyers fleeing riskier assets Tuesday. The firm had also bet against riskier issues of corporate bonds.

Compared with other hedge funds pursuing the same strategies, Mr. Meriwether has done well. Last year, his macro fund generated returns of 7.5%, down from 25% in 2005. The Macro Index compiled by Hedge Fund Research Inc. of Chicago was up 5.61% in 2006 and 6.67% in 2005.

Meanwhile, Deutsche Bank's Mr. Lippmann, 38, promoted his winning bet at a September dinner with several dozen top hedge-fund clients in a private dining room at the Palm restaurant in New York. At the gathering, Mr. Lippmann strongly argued that the value of mortgage bonds underpinned by loans to borrowers with weak credit would begin to fall. Some in the room had

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already lost money trying to predict a softening in the housing market, and they were skeptical that Mr. Lippmann's timing was right, attendees say.

On Tuesday, Mr. Lippmann's bet became even more profitable when the ABX index, which reflects the value of such risky mortgages, fell 7.4% on top of a 30% decline since the beginning of the year. Yesterday, the ABX index rebounded, rising roughly 3%.

The ABX index tracks how much it costs to insure a group of BBB-minus-rated bonds based on subprime mortgages. The index is a derivative that falls in value when the cost of insurance rises, so it is seen as a proxy for the value of the underlying bonds. The position Mr. Lippmann was promoting involved betting that the cost of insuring such bonds would rise, causing the index to fall in value.

The same bearish bet championed by Mr. Lippmann at Deutsche was widely popular among hedge funds, analysts say. "The [ABX] market appears to have been in control of [bearish investors] for some time now," says Peter DiMartino, an asset-backed securities strategist at RBS Greenwich Capital in Connecticut. "Folks who historically would have [made bullish bets on the index] have been hesitant to step in, which has made it an even more illiquid market."

Of course, Mr. Lippmann and hedge funds could lose big if the index rebounds strongly, given how the illiquidity makes it difficult to buy and sell in this burgeoning market. Says Loren Katzovitz of fund firm Guggenheim Advisors: "I've spoken to over 40 hedge-fund managers in my world, and the trade is in the billions."

For more than a year, hedge-fund manager Evan Claar's caution weighed on his portfolio. Mr. Claar, who runs New York hedge fund Crossway Partners, keeps about one-third of the firm's money in short positions -- or bets that stock prices will fall -- and another third in restructurings and other investments that tend to be uncorrelated to the market. His fund gained almost 18% last year, but could have done even better with fewer short positions.

On Tuesday, the strategy paid off, though. As the market tumbled, Mr. Claar's positions rose in value, helping the fund maintain its gains for the year. Yesterday, Mr. Claar did a bit more selling, he says.

"Last year, our short positions were painful" because the shares he held kept going up, he says. But on Tuesday, "we were vindicated for maintaining our short exposure, and it shows how important it is to always stay hedged."

Mr. Claar says technology stocks remain overvalued, citing excess inventories, and he has worries about the subprime-mortgage sector. But he is more bullish on the overall U.S economy.

Mr. Clark, the Buffalo day trader, managed to recover half his losses before the markets closed Tuesday. And amid yesterday's rebound, he managed to generate gains of $700 trading a tiny technology stock. But the week's action has left him shaken. "It doesn't inspire confidence," he says. "I can control my own trading plan -- but I can't control what the market does."

—Gregory Zuckerman and Ianthe Jeanne Dugan contributed to this article.

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Exhibits to the Declaration of David J. Woll (A-P) Pg 63 of 277

"Just give me four years," Lippmann asked Rajeev Misra, his boss. Most subprime borrowers refinanced their mortgage loans after just a few years, Lippmann reminded him, so his trade surely would be over by then. "Give it a chance to work."

"Show me the research," Misra responded.

When he did so, Lippmann's bosses reluctantly gave him a green light to continue with the trade. The regular payments he was making for all the CDS insurance were slowly adding up, so those above him at the bank weren't thrilled. Yet for all his bluster and self-confidence, Lippmann wasn't prepared to quit Deutsche and go off on his own. Instead, he had to figure out a way to keep his trade alive and hold on to his job.

Lippmann managed a group that placed bond trades for investors. He realized that if he could convince enough investors to do the same trade he was undertaking, he might be able to rack up sufficient commissions to offset the costs of his bearish housing trade and placate his bosses. And if new investors could be convinced to buy the same CDS contracts that he owned, the price of these investments was bound to climb, which also would help Lippmann.

He traveled uptown to the offices of a hedge fund called Wesley Capital to meet two senior executives, to try to sell them on the idea. At first, they seemed impressed. Then they asked a friend who happened to be in the office, Larry Bernstein, who once managed a powerhouse bond-trading team at Wall Street firm Salomon Brothers, to weigh in on the trade.

Bernstein was dubious. "Coase Law says you'll be wrong," he said, dismissively.

The executives looked at each other. Lippmann had no clue what Bernstein was talking about. Neither did the Wesley executives. Coase Law turned out to be an economic theorem—but it didn't seem to have much to do with the trade. Then the meeting turned contentious. If problems arose, Bernstein argued, the government likely would step in to bail out troubled borrowers. Even if you're right and the price of the mortgage protection rises, when investors began to sell their insurance, the price would be pushed down, sinking the trade, Bernstein said.

through Deutsche. The growing commissions enabled Lippmann to buy even more subprime insurance for his own account.

Nonetheless, by the end of 2006, most of Lippmann's clients had lost money on the trade. He shared with a friend that his career would be affected if his scheme didn't work out. Within his bank, Lippmann had become an object of derision. When Paulson's trader, Brad Rosenberg, called to ask for him, a salesman answering the phone let out a loud laugh: "Why do you want to talk to him? That guy's crazy!"

Others at Deutsche Bank resented Lippmann. Yes, he was generating commissions, but his trade also was costing the bank about $50 million a year, reducing the firm's bonus pool, some traders grumbled.

BY LATE 2006, housing prices finally had leveled off. Subprime lenders, including Ownit Mortgage Solutions and Sebring Capital, had begun to fail. John Paulson, Lippmann, Greene, and Burry should have been making oodles of money. But their positions barely nudged higher.

Late one afternoon, following another day of lackluster gains, Paulson picked up the phone to dial Lippmann, his subprime consigliere. To his investors and employees, Paulson showed absolute faith that the protection his firm owned on $25 billion of subprime mortgages would pay off.

With Lippmann, though, he could share his fears.

"Is there something I'm missing?" Paulson asked Lippmann. "Don't these people realize this stuff is crap? This is absurd!"

Paulson sounded like he might be wavering, surprising Lippmann.

"Relax, John. The trade will work."

Lippmann remained cocky because he was on the trading floor, buying and selling mortgage protection all day long. He knew better than almost anyone who the mysterious investors were on the other side of all the trades, a group so eager to sell insurance on all of those risky mortgages. And he knew their time would come to an end.

"Why?" Lippmann asked, looking straight at Misra. The senior banker backed off.

In the subsequent weeks, most of Deutsche's traders who had purchased CDS protection exited many of their trades. Misra himself was forced to cut short many of the positions he held after his own superiors urged caution. Lippmann cashed in some chips. But he convinced his bosses that the market was getting worse. Once again, they let him hold on to most of his positions, grudgingly.

The sudden panic in the fall of 2007 created a peculiar scene at Deutsche Bank. In one corner, Lippmann and his team of twenty-five traders racked up large gains, almost on a daily basis. But many of the rest of the hundred or so traders in Deutsche's large trading room looked glum, sometimes because they were holding the very same investments that Lippmann bet against. It was as if they existed in a Bizarro World of finance—everything that went wrong for these traders went right for Lippmann and his crew.

Lippmann had waited for this moment for two years. Now that it was here, he was going to enjoy his vindication to the utmost.

"The market is tanking!" he yelled across the trading floor one day, in a teasing tone. "Ha, ha, ha, ha."

After seeing Lippmann carrying on, a salesman warned him: "Be careful what you wish for."

Lippmann laughed him off. But by the end of 2007, Deutsche had acknowledged making some of the same mistakes that the other investment banks had made. It couldn't sell all the CDO deals that it had created to help Paulson short more securities. Like a game of hot potato, the big bank found itself stuck with too many CDO slices.

When Lippmann sat down at year's end with his bosses, including Rajeev Misra and Richard Dalbear, they were complimentary and appreciative. Then they gave Lippmann the figure he had been waiting to hear all year: his bonus. He had taught dozens of hedge funds how to score billions of dollars of profit in a single year. And he directed a team that made close to $2 billion in profits.

Lippmann's reward was more than he ever expected to make in a life-

time, let along in a single year: $50 million, much of it in Deutsche Bank shares. It was an astonishing figure, even for a Wall Street trader.

But Lippmann couldn't help feel slighted. If not for him, the bank would have suffered like many other of the biggest financial players.

"This is not fair," Lippmann told his superiors, his voice rising. "It's too low!"

They ignored his tantrum. Lippmann threw a fit every year, then he settled down and nothing much changed.

Lippmann was upset enough that he quietly interviewed for jobs with a number of hedge funds and other firms, to see if he could do better. Word got back to Misra.

"If he doesn't get paid, he's gonna come work for us," one hedge-fund manager told Misra.

"Fine," Misra responded, nonplussed. "We paid him well."

In the end, Lippmann stayed at Deutsche Bank, partly out of loyalty and also because he would have been forced to forgo all of the shares had he bolted.

BY AUGUST OF 2007, Michael Burry's hedge fund was up 60 percent in the year, making it one of the best performers in the world. The subprime housing market had crumbled, just as Burry predicted.

His returns were so impressive that his staff hesitated to tell clients, just in case there was another snafu in the accounting department, as they had had earlier in the year.

"Please check that again," Steve Druskin, Burry's general counsel, said to staff members going over the results. "We can't afford a mistake right now."

Burry couldn't enjoy his belated success, however, still weary from the battles with his investors and too sensitive to ignore their unhappiness. Most nights, Burry came home glum, frustrating his wife.

"Has Joel called to apologize to you?" she asked him one evening in August. She was referring to Joel Greenblatt, Burry's original investor.

the looming problems, as well as dismiss potential obstacles to the trade. "There were so many things that could go wrong."

DESPITE GREG LIPPMANN'S SUCCESS, his superiors seemed as skeptical as ever as 2008 began. As the ABX fell further, Anshu Jain, one of the bank's top executives, e-mailed Lippmann, pushing him to sell some of his positions.

"No, it's going to zero," Lippmann shot back, according to an executive who saw the e-mail. Lippmann also began warning some on Deutsche's trading floor that the housing troubles would infect other areas of the economy.

Watching a commentator on CNBC judge the stock market's weakness as temporary, Lippmann quickly yelled out: "In your dreams!"

Sometimes, Lippmann was so openly joyful, shouting and screaming with so much pleasure, that it rubbed some other traders the wrong way, especially those losing money.

On one particularly bad day for the market, Lippmann called over a salesman, pointing to a spreadsheet on his computer.

"Look, I'm up $400,000!"

Flashing a big smile, Lippmann explained that in his personal account he had bet against an exchange-traded fund that tracked financial companies, like banks and brokerage firms. The worse things got for Deutsche's brethren, the more his account rose in value.

"That's wonderful for you," the salesman said to him, sarcasm dripping, as he shook his head.

At one point, his boss, Misra, sat Lippmann down to tell him not to be so obnoxious about his winnings.

Lippmann's cockiness masked a growing unease as he watched a figure in the corner of his computer screen: the tumbling shares of Deutsche Bank as its own problems multiplied. Lippmann's team was a relatively small part of a global bank; he could see the profits and losses of some others and it was an ugly picture. By the middle of the year, the bank had taken $11 billion of write-downs, dwarfing Lippmann's gains. His bets against financial shares—approved by the bank—were a futile

EXHIBIT I

United States Senate
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
Committee on Homeland Security and Governmental Affairs

Carl Levin, Chairman
Tom Coburn, Ranking Minority Member

WALL STREET AND THE FINANCIAL CRISIS: Anatomy of a Financial Collapse

MAJORITY AND MINORITY STAFF REPORT

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

UNITED STATES SENATE

April 13, 2011

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Chairman

SENATOR TOM COBURN, M.D.
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ROBERT PECKERMAN
Intern
TANVI ZAVERI
Law Clerk

MARY D. ROBERTSON
Chief Clerk

addition, they established the ABX Index which allowed counterparties to wager on the rise or fall in the value of a basket of subprime RMBS securities, and which could be used to reflect the state of the subprime mortgage market as a whole.

Investment banks sometimes matched up parties who wanted to take opposite sides in a structured finance transaction, and other times took one or the other side of a transaction to accommodate a client. At still other times, investment banks used these financial instruments to make their own proprietary wagers. In extreme cases, some investments banks set up structured finance transactions which enabled them to profit at the expense of their clients.

Two case studies, involving Goldman Sachs and Deutsche Bank, illustrate a variety of troubling and sometimes abusive practices involving the origination or use of RMBS, CDO, CDS, and ABX financial instruments. Those practices included at times constructing RMBS or CDOs with assets that senior employees within the investment banks knew were of poor quality; underwriting securitizations for lenders known within the industry for issuing high risk, poor quality mortgages or RMBS securities; selling RMBS or CDO securities without full disclosure of the investment bank's own adverse interests; and causing investors to whom they sold the securities to incur substantial losses.

In the case of Goldman Sachs, the practices included exploiting conflicts of interest with the firm's clients. For example, Goldman used CDS and ABX contracts to place billions of dollars of bets that specific RMBS securities, baskets of RMBS securities, or collections of assets in CDOs would fall in value, while at the same time convincing customers to invest in new RMBS and CDO securities. In one instance, Goldman took the entire short side of a $2 billion CDO known as Hudson 1, selected assets for the CDO to transfer risk from Goldman's own holdings, allowed investors to buy the CDO securities without fully disclosing its own short position, and when the CDO lost value, made a $1.7 billion gain at the expense of the clients to whom it had sold the securities. While Goldman sometimes told customers that it might take an adverse investment position to the RMBS or CDO securities it was selling them, Goldman did not disclose that, in fact, it already had significant proprietary investments that would pay off if the particular security it was selling or if RMBS and CDO securities in general fell in value. In another instance, Goldman marketed a CDO known as Abacus 2007-AC1 to clients without disclosing that it had allowed the sole short party in the CDO, a hedge fund, to play a major role in selecting the assets. The Abacus securities quickly lost value, and the three long investors together lost $1 billion, while the hedge fund profited by about the same amount. In still other instances, Goldman took on the role of a collateral put provider or liquidation agent in a CDO, and leveraged that role to obtain added financial benefits to the fiscal detriment of the clients to whom it sold the CDO securities.

In the case of Deutsche Bank, during 2006 and 2007, the bank's top CDO trader, Greg Lippmann, repeatedly warned and advised his Deutsche Bank colleagues and some of his clients seeking to buy short positions about the poor quality of the RMBS securities underlying many CDOs, describing some of those securities as "crap" and "pigs." At one point, Mr. Lippmann

was asked to buy a specific CDO security and responded that it "rarely trades," but he "would take it and try to dupe someone" into buying it. He also disparaged RMBS securities that, at the same time, were being included in Gemstone 7, a CDO being assembled by the bank for sale to investors. Gemstone 7 included or referenced 115 RMBS securities, many of which carried BBB, BBB-, or even BB credit ratings, making them among the highest risk RMBS securities sold to the public, yet received AAA ratings for its top three tranches. Deutsche Bank sold $700 million in Gemstone securities to eight investors who saw their investments rapidly incur delinquencies, rating downgrades, and losses. Mr. Lippmann at times referred to the industry's ongoing CDO marketing efforts as a "CDO machine" or "ponzi scheme," and predicted that the U.S. mortgage market as a whole would eventually plummet in value. Deutsche Bank's senior management disagreed with his negative views, and used the bank's own funds to make large proprietary investments in mortgage related securities that, in 2007, had a notional or face value of $128 billion and a market value of more than $25 billion. At the same time, Deutsche Bank allowed Mr. Lippmann to develop for the bank a $5 billion proprietary short position in the RMBS market, which it later cashed in for a profit of approximately $1.5 billion. Despite that gain, in 2007, due to its substantial long investments, Deutsche Bank incurred an overall loss of about $4.5 billion from its mortgage related proprietary investments.

The two case studies illustrate how investment banks engaged in high intensity sales efforts to market new CDOs in 2007, even as U.S. mortgage delinquencies climbed, RMBS securities incurred losses, the U.S. mortgage market as a whole deteriorated, and investors lost confidence. They demonstrate how these investment banks benefitted from structured finance fees, and had little incentive to stop producing and selling high risk, poor quality structured finance products. They also illustrate how the development of complex structured finance products, such as synthetic CDOs and naked credit default swaps, amplified market risk by allowing investors with no ownership interest in the "reference obligations" to place unlimited side bets on their performance. Finally, the two case histories demonstrate how proprietary trading led to dramatic losses in the case of Deutsche Bank and to conflicts of interest in the case of Goldman Sachs.

Investment banks were a major driving force behind the structured finance products that provided a steady stream of funding for lenders to originate high risk, poor quality loans and that magnified risk throughout the U.S. financial system. The investment banks that engineered, sold, traded, and profited from mortgage related structured finance products were a major cause of the financial crisis.

take the profits at that time. Mr. Lippmann said that the result of the meeting was that, once again, his position was left in place.

While defending his position within the bank, Mr. Lippmann continued to speak with his outside clients about his negative views of the market, continued to make presentations to potential clients about shorting the market,[1314] and continued to execute shorts for them, while building his desk's proprietary short position.

According to Mr. Lippmann, in late February or early March 2007, as the ABX Index showed subprime RMBS securities losing value and subprime mortgages continued incurring delinquencies at record rates, an ad hoc meeting of Deutsche Bank's executive committee took place in London to discuss the bank's risk exposure in mortgage related securities. According to Mr. Lippmann, he happened to be in London at the time and was invited to attend. He estimated that ten to twelve persons were at the meeting in person, and another two to four persons participated by telephone. He said that, at the meeting, Deutsche Bank executives discussed whether the recent market volatility reflected short term or longer term trends and whether the bank should make any changes in its holdings.[1315] At that time, Mr. Lippmann held the only large short position on behalf of the bank, then about $4 to 5 billion in size.[1316] In contrast, the Deutsche Bank mortgage group held $102 billion in long RMBS and CDO securities, and Winchester Capital, Deutsche Bank's hedge fund affiliate, held a net long position of $8.9 billion.[1317] Mr. Lippmann told the Subcommittee that he was the only person at the meeting who argued for the bank to increase its short position.[1318]

At the time of the London meeting, Mr. Lippmann's position was showing a significant profit. Mr. Misra brought up the alternative of cashing in his position while RMBS prices were down, because he thought prices were in a short term dip and the profits might disappear later on. Mr. Lippmann contended that the bank should not only keep his short position, but increase it, but more senior voices disagreed with him. He told the Subcommittee that the decision at the end of the meeting was for all parties to keep their positions unchanged, including Mr. Lippmann.[1319]

Cashing In the Short. In July 2007, the major credit rating agencies began issuing downgrades of RMBS and CDO securities, in particular those that incorporated or referenced subprime mortgages. The value of those securities began to plummet. By the end of the summer of 2007, Deutsche Bank initiated efforts to sell off the long positions held by Winchester Capital and other Deutsche Bank entities, reflecting a shift in the bank's strategy, but its sales force had

[1314] See, e.g., 2/2007 presentation, "Shorting Home Equity Mezzanine Tranches," prepared by Mr. Lippmann, DBSI_PSI_EMAIL01988773-845.
[1315] Subcommittee interview of Greg Lippmann (10/18/2010).
[1316] 2/23/2007 email from Greg Lippmann to Anshu Jain, DBSI_PSI_EMAIL02383117-18.
[1317] 3/2/2011 letter from Deutsche Bank's counsel to the Subcommittee, PSI-DeutscheBank-31-0004-06.
[1318] Subcommittee interview of Greg Lippmann (10/18/2010).
[1319] Id.

EXHIBIT J

ProSupp Disclosures Concerning Risk in the Geographic Distribution of Mortgages

ACE 2007-ASAP1

- "If the residential real estate market in [California, Florida, Arizona or Michigan] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans … may increase substantially." P.S. at S-14.

ACE 2007-ASAP2

- "If the residential real estate market in [California, Florida, Arizona or Michigan] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans … may increase substantially." P.S. at S-14.

ACE 2007-WM1

- "Approximately 44.86%, 10.30% and 9.82% of the Group II Mortgage Loans, by aggregate principal balance as of the Cut-off Date, are secured by mortgaged properties located in the States of California, Florida and New York, respectively." P.S. at S-13.

DBALT 2006-AR4

- "If the residential real estate market in [California] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans may be expected to increase, and may increase substantially, as compared to such rates in a stable or improving real estate market." P.S. at S-20.

DBALT 2006-AR6

- "If the residential real estate market in [California] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans may be expected to increase, and may increase substantially, as compared to such rates in a stable or improving real estate market." P.S. at S-20.

DBALT 2007-1

- "If the residential real estate market in [California or Florida] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans may be expected to increase, and may increase substantially, as compared to such rates in a stable or improving real estate market." P.S. at S-36.

DBALT 2007-AR1

- "If the residential real estate market in [California or Florida] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans may be expected to increase, and may increase substantially, as compared to such rates in a stable or improving real estate market." P.S. at S-23.

DBALT 2007-AR2

- "If the residential real estate market in [California, Florida, Arizona or Nevada] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans may be expected to increase, and may increase substantially, as compared to such rates in a stable or improving real estate market." P.S. at S-21.

DBALT 2007-BAR1

- "If the residential real estate market in [California, Florida or Arizona] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans may be expected to increase, and may increase substantially, as compared to such rates in a stable or improving real estate market." P.S. at S-21.

DBALT 2007-OA1

- "If the residential real estate market in [California, Florida or Arizona] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans may be expected to increase, and may increase substantially, as compared to such rates in a stable or improving real estate market." P.S. at S-22.

DBALT 2007-OA2

- "If the residential real estate market in [California or Florida] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans may be expected to increase, and may increase substantially, as compared to such rates in a stable or improving real estate market." P.S. at S-24.

DBALT 2007-OA4

- "If the residential real estate market in [California or Florida] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans may be expected to increase, and may increase substantially, as compared to such rates in a stable or improving real estate market." P.S. at S-32.

DMSI 2006-PR1

- "Investors should note that some geographic regions from time to time will experience weaker regional economic conditions and housing markets, and, consequently, will experience higher rates of loss and delinquency than will be experienced on mortgage loans generally. All of the Mortgage Loans are secured by properties located in Puerto Rico, and therefore are highly susceptible to that region's economic condition and housing market. . . . This geographic concentration of the Mortgage Loans may present risk considerations in addition to those generally present for similar mortgage-backed securities without this concentration or related to mortgage loans secured by properties in the continental United States." P.S. at S-38.

INDX 2006-AR27

- "Declines in the residential real estate market in [California] may reduce the values of properties located in states with significant concentrations, which would result in an increase in the loan-to-value ratios." P.S. at S-32.

MHL 2007-1

- "If the residential real estate market in [California, Florida or Arizona] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans may be expected to increase, and may increase substantially, as compared to such rates in a stable or improving real estate market." P.S. at S-29.

NHEL 2007-1

- "In the event [California, Florida or Michigan] experiences a decline in real estate values, losses on the mortgage loans may be greater than otherwise would be the case." P.S. at S-15.

PHHAM 2007-2

- "If the residential real estate market in [California or Florida] should experience an overall decline in property values, the rates of delinquency, foreclosure, bankruptcy and loss on those mortgage loans may be expected to increase, and may increase substantially, as compared to such rates in a stable or improving real estate market." P.S. at S-29.

RALI 2007-QO2

- "If the regional economy or housing market weakens in California or Florida . . . the mortgage loans in that region may experience high rates of loss and delinquency, resulting in losses to certificateholders." P.S. at S-22.

RAMP 2007-RS1

- "If the regional economy or housing market weakens in California or Florida . . . the mortgage loans in that region may experience high rates of loss and delinquency, resulting in losses to certificateholders." P.S. at S-18.

ProSupp Disclosures Concerning Underwriting Standards

ACE 2007-ASAP1

- "[M]ortgage loans originated pursuant to the underwriting standards . . . may experience rates of delinquency, foreclosure and bankruptcy that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in accordance with Fannie Mae and Freddie Mac guidelines." P.S. at S-13.

ACE 2007-ASAP2

- "[M]ortgage loans originated pursuant to the underwriting standards . . . may experience rates of delinquency, foreclosure and bankruptcy that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in accordance with Fannie Mae and Freddie Mac guidelines." P.S. at S-13.

ACE 2007-WM1

- "The underwriting standards of the Originator do not conform to Fannie Mae and Freddie Mac guidelines … and may experience rates of delinquency, foreclosure and bankruptcy … that may be substantially higher, than those experienced by mortgage loans underwritten in accordance with [those] guidelines." P.S. at S-12.

- The Underwriting Guidelines are less stringent than the standards generally acceptable to Fannie Mae and Freddie Mac with regard to the mortgagor's . . . Debt Ratios . . . Mortgagors who qualify under the Underwriting Guidelines may have . . . Debt Ratios that would not satisfy Fannie Mae and Freddie Mac underwriting guidelines and may have a record of major derogatory credit items such as outstanding judgments or prior bankruptcies." P.S. at S-60.

DBALT 2006-AR4

- "In addition to [the] standard underwriting guidelines . . . which are consistent in many respects with the guidelines applied to mortgage loans purchased by Fannie Mae and Freddie Mac, Countrywide Home Loans uses underwriting guidelines featuring expanded criteria . . . Mortgage loans which are underwritten pursuant to the Expanded Underwriting Guidelines may have higher Loan-to-Value ratios, higher loan amounts and different documentation requirements . . . ." P.S. at S-41-43.

- "Adjustable rate or interest only loans may be underwritten to less stringent standards than fixed rate loans . . . [therefore] the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

DBALT 2006-AR6

- "[P]rospective investors should consider . . . whether the loans were originated by different lenders, and the extent to which underwriting guidelines differed." P.S. at S-22.

- "The 'full/alternative' documentation programs generally verify income and assets in accordance with Fannie Mae/Freddie Mac underwriting requirements. The [other] programs generally require less documentation and verification than do full documentation programs . . . ." P.S. at S-40.

- "Adjustable rate or interest only loans may be underwritten to less stringent standards than fixed rate loans . . . [therefore] the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

DBALT 2007-1

- "In addition to [the] standard underwriting guidelines . . . which are consistent in many respects with the guidelines applied to mortgage loans purchased by Fannie Mae and Freddie Mac, Countrywide Home Loans uses underwriting guidelines featuring expanded criteria . . . Mortgage loans which are underwritten pursuant to the Expanded Underwriting Guidelines may have higher Loan-to-Value ratios, higher loan amounts and different documentation requirements . . . ." P.S. at S-83-84.

- "[M]ortgage loans originated by the originators generally bear higher rates of interest than mortgage loans originated in accordance with Fannie Mae and Freddie Mac guidelines and may experience rates of delinquency, foreclosure and bankruptcy that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in accordance with Fannie Mae and Freddie Mac guidelines." P.S. at 1.

DBALT 2007-AR1

- Mortgage IT's "'full/alternative' documentation programs generally verify income and assets in accordance with Fannie Mae/Freddie Mac underwriting requirements. The Stated Income/verified assets, Stated Income/stated assets, no documentation or no ratio programs generally require less documentation and verification than do full documentation programs which generally require standard Fannie Mae/Freddie Mac approved forms for verification of income/employment, assets and certain payment histories." P.S. at S-42.

- "Non-conforming mortgage loans originated or purchased by IndyMac Bank pursuant to its underwriting programs typically differ from conforming loans primarily with respect to loan-to-value ratios, borrower income, required documentation, interest rates, borrower occupancy of the mortgaged property and/or property types. To the extent that these programs reflect underwriting standards different from those of Fannie Mae and Freddie Mac, the performance of loans made pursuant to these different underwriting standards may reflect higher delinquency rates and/or credit losses." P.S. at S-44.

- American Home Mortgage originates "[c]ertain non-conforming Stated Income or stated asset products allow for less verification documentation than Fannie Mae or Freddie Mac require." P.S. at S-48.

DBALT 2007-AR2

- "American Home's non-conforming underwriting guidelines are similar to those of the government sponsored enterprises Fannie Mae and Freddie Mac, but these loans are 'non-conforming' in that they may not conform to the maximum loan amounts and in some cases to the underwriting guidelines of Fannie Mae and Freddie Mac . . . Certain non-conforming Stated Income or stated asset products allow for less verification documentation than Fannie Mae or Freddie Mac require." P.S. at S-40.

- Mortgage IT's "'full/alternative' documentation programs generally verify income and assets in accordance with Fannie Mae/Freddie Mac underwriting requirements. The Stated Income/verified assets, Stated Income/stated assets, no documentation or no ratio programs generally require less documentation and verification than do full documentation programs which generally require standard Fannie Mae/Freddie Mac approved forms for verification of income/employment, assets and certain payment histories." P.S. at S-43.

- "Adjustable rate or interest only loans may be underwritten to less stringent standards than fixed rate loans . . . [therefore] the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

DBALT 2007-BAR1

- "The 'alternative,' 'reduced,' 'Stated Income/stated assets' ' no ratio' and 'no income/verified asset' programs generally require either alternative or less documentation and verification than do full documentation programs which generally require standard Fannie Mae/Freddie Mac approved forms for verification of income/employment, assets and certain payment histories" P.S. at S-39.

- "Adjustable rate or interest only loans may be underwritten to less stringent standards than fixed rate loans . . . [therefore] the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

DBALT 2007-OA1

- "The applicable underwriting standards [for Residential Funding's Expanded Criteria Program] are in most cases less stringent than underwriting standards applicable to mortgage loans originated under other first mortgage loan purchase programs such as those run by Fannie Mae or Freddie Mac" P.S. at S-38.

- "[I]n the case of either ARM loans or graduated payment mortgage loans that are subject to negative amortization due to the addition of deferred interest the principal balances of those mortgage loans are more likely to equal or exceed the value of the underlying mortgaged properties, thereby increasing the likelihood of defaults and losses." P.S. at S-41.

- "Because of the program criteria and underwriting standards described above, the mortgage loans acquired from Residential Funding Company, LLC may experience greater rates of delinquency, foreclosure and loss than mortgage loans required to satisfy more stringent underwriting standards" P.S. at S-41.

- "Mortgage loans which are underwritten pursuant to [Countrywide's] Expanded Underwriting Guidelines may have higher Loan-to-Value Ratios, higher loan amounts and different documentation requirements than those associated with the Standard Underwriting Guidelines. The Expanded Underwriting Guidelines also permit higher debt-to-income ratios than mortgage loans underwritten pursuant to the Standard Underwriting Guidelines." P.S. at S-48.

- "Adjustable rate or interest only loans may be underwritten to less stringent standards than fixed rate loans . . . [therefore] the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

DBALT 2007-OA2

- "Non-conforming mortgage loans originated or purchased by IndyMac Bank pursuant to its underwriting programs typically differ from conforming loans primarily with respect to loan-to-value ratios, borrower income, required documentation, interest rates, borrower occupancy of the mortgaged property and/or property types. To the extent that these programs reflect underwriting standards different from those of Fannie Mae and Freddie Mac, the performance of loans made pursuant to these different underwriting standards may reflect higher delinquency rates and/or credit losses." P.S. at S-42.

- "Adjustable rate or interest only loans may be underwritten to less stringent standards than fixed rate loans . . . [therefore] the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

DBALT 2007-OA4

- "In addition to [the] standard underwriting guidelines . . . which are consistent in many respects with the guidelines applied to mortgage loans purchased by Fannie Mae and Freddie Mac, Countrywide Home Loans uses underwriting guidelines featuring expanded criteria . . . Mortgage loans which are underwritten pursuant to the Expanded Underwriting Guidelines may have higher Loan-to-Value ratios, higher loan amounts and different documentation requirements . . . ." P.S. at S-84-86.

- "[M]ortgage loans originated by the originators generally bear higher rates of interest than mortgage loans originated in accordance with Fannie Mae and Freddie Mac guidelines and may experience rates of delinquency, foreclosure and bankruptcy that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in accordance with Fannie Mae and Freddie Mac guidelines." P.S. at 1.

DMSI 2006-PR1

- "The underwriting standards under which the Mortgage Loans were originated changed over the period of time that the Mortgage Loans were originated. As a result, the specific details of the programs under which the Mortgage Loans were underwritten, or which they were exceptions to, are of limited materiality." P.S. at S-78.

INDX 2006-AR27

- "Non-conforming mortgage loans originated or purchased by IndyMac Bank pursuant to its underwriting programs typically differ from conforming loans primarily with respect to loan-to-value ratios, borrower income, required documentation, interest rates, borrower occupancy of the mortgaged property and/or property types. To the extent that these programs reflect underwriting standards different from those of Fannie Mae and Freddie Mac, the performance of loans made pursuant to these different underwriting standards may reflect higher delinquency rates and/or credit losses." P.S. at S-67.

MHL 2007-1

- "[M]ortgage loans underwritten under the sponsor's non-conforming credit underwriting standards are likely to experience rates of delinquency, foreclosure and loss that are higher, and may be substantially higher, than mortgage loans originated in accordance with the Fannie Mae or Freddie Mac underwriting guidelines." P.S. at S-21.

NHEL 2007-1

- "[M]ortgage loans underwritten to non-conforming credit underwriting standards or to standards that do not meet the requirements for typical 'A' credit borrowers are likely to experience rates of delinquency, foreclosure and loss that are higher, and may be substantially higher, than mortgage loans originated in accordance with the Fannie Mae underwriting guidelines or to typical 'A' credit borrowers." P.S. at S-12.

PHHAM 2007-2

- "Under the Reduced Documentation Program, Stated Income, Stated Asset Program, Stated Income Full Asset Program and No Income Stated Asset Program, certain documentation concerning income/employment and asset verification is reduced or excluded. Each of these programs is designed to facilitate the loan approval process." P.S. at S-74.

- "Adjustable rate or interest only loans may be underwritten to less stringent standards than fixed rate loans . . . [therefore] the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

RALI 2007-QO2

- "Generally, the mortgage loans have been originated using underwriting standards that are less stringent than the underwriting standards applied by certain other first lien mortgage loan purchase programs, such as those of Fannie Mae, Freddie Mac or the depositor's affiliate, Residential Funding Mortgage Securities I, Inc. Applying less stringent underwriting standards creates additional risks that losses on the mortgage loans will be allocated to certificateholders." P.S. at S-20.

- "Mortgage loans made to borrowers whose income is not verified, including borrowers who may not be required to state their income, which constitute 93.7% of the mortgage pool by principal balance, may increase the risk that the borrower's income is less than represented." P.S. at S-20.

RAMP 2007-RS1

- "[T]he standards under which the mortgage loans were underwritten are less stringent than the underwriting standards applied by other first mortgage loan purchase programs such as those run by Fannie Mae or Freddie Mac, or pursuant to the other programs of Residential Funding or its affiliates . . . As a result, the mortgage loans are likely to experience rates of delinquency, foreclosure and bankruptcy that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner." P.S. at S-15.

- "Some of the mortgage loans included in the trust … are either currently delinquent in or have been delinquent in the past. … Mortgage loans with a history of delinquencies are more likely to experience delinquencies in the future." P.S. at S-18.

ProSupp Disclosures Concerning Documentation Required by Mortgage Lenders		
ACE 2007-ASAP1 P.S.at S-36 72.50% Full Documentation 20.91% Stated Income ACE 2007-ASAP2 P.S. at S-36 72.50% Full Documentation 20.91% Stated Income ACE 2007-WM1 P.S. at S-32 27.69% Full Documentation 52.57% Stated Income DBALT 2006-AR4 15.83% Full Documentation 74.41% Stated Income DBALT 2006-AR6 P.S. at S-30 16.21% Full Documentation 62.13% Stated Income DBALT 2007-1 P.S. at S-47 12.64% Full Documentation 26.72% Stated Income DBALT 2007-AR1 P.S.at S-33 12.79% Full Documentation 70.41% Stated Income	DBALT 2007-AR2 P.S. at S-31 13.01% Full Documentation 53.22% Stated Income DBALT 2007-BAR1 P.S. at S-32 12.24% Full Documentation 39.16% Stated Income DBALT 2007-OA1 P.S. at S-32 34.04% Stated Income 13.8% Full Documentation DBALT 2007-OA2 P.S. at S-32 6.07% Full Documentation 70.58% Stated Income DBALT 2007-OA4 P.S. at S-43 10.31% Full Documentation 55.10% Stated Income DMSI 2006-PR1 P.S. at S-54 100% Full Documentation INDX 2006-AR27 P.S. at S-60 20.99% Full Documentation 50.9% Stated Income	MHL 2007-1 P.S. at S-39 12.72% Full Documentation 44.41% Stated Income NHEL 2007-1 P.S. at S-28 48.65% Full Documentation 44.74% Stated Income PHHAM 2007-2 P.S. at S-42 Group I 2.37% Full Documentation 90.35% Stated Income RALI 2007-QO2 P.S. at S-9 6.31% Full Documentation 91.94% Reduced Documentation RAMP 2007-RS1 P.S. at S-8 18.08% Full Documentation 45.53% Reduced Documentation

ProSupp Disclosures Concerning Exceptions to Underwriting Guidelines

ACE 2007-ASAP1

- "On a case by case basis, the Sponsor may determine that, based upon compensating factors, a prospective borrower who does not strictly qualify under the underwriting risk category guidelines described below warrants an underwriting exception. Compensating factors may include, but are not limited to, low loan-to-value ratio, low Debt Ratio, substantial liquid assets, good credit history, stable employment and time in residence at the applicant's current address. It is expected that an insignificant portion of the Mortgage Loans may represent such underwriting exceptions." P.S. at S-69.

ACE 2007-ASAP2

- "On a case by case basis, the Sponsor may determine that, based upon compensating factors, a prospective borrower who does not strictly qualify under the underwriting risk category guidelines described below warrants an underwriting exception. Compensating factors may include, but are not limited to, low loan-to-value ratio, low Debt Ratio, substantial liquid assets, good credit history, stable employment and time in residence at the applicant's current address. It is expected that an insignificant portion of the Mortgage Loans may represent such underwriting exceptions." P.S. at S-69.

ACE 2007-WM1

- "It is expected that a substantial number of the mortgage loans to be included in the trust will represent [ ] underwriting exceptions." at P.S. at S-58.

DBALT 2006-AR4

- "Exceptions to Countrywide Home Loans' underwriting guidelines may be made if compensating factors are demonstrated by a prospective borrower." at S-40

DBALT 2006-AR6

- "Because a multitude of factors are involved in a loan transaction, no set of guidelines can contemplate every potential situation. Therefore, exceptions to these underwriting guidelines are considered, so long as the borrower has other reasonable compensating factors, on a case-by-case basis." P.S. at S-42.

DBALT 2007-1

- "Exceptions to Countrywide Home Loans' underwriting guidelines may be made if compensating factors are demonstrated by a prospective borrower." P.S. at S-82.

DBALT 2007-AR1

- "Because a multitude of factors are involved in a loan transaction, no set of guidelines can contemplate every potential situation. Therefore, exceptions to these underwriting guidelines are considered, so long as the borrower has other reasonable compensating factors, on a case-by-case basis." P.S. at S-43.

DBALT 2007-AR2

- "Exceptions to [American Home's] underwriting standards may be permitted where compensating factors are present." P.S. at S-40.

DBALT 2007-BAR1

- "From time to time, exceptions to a lender's underwriting policies may be made. Such exceptions may be made on a loan by loan basis at the discretion of the lender's underwriter. Exceptions may be made after careful consideration of certain mitigating factors such as borrower liquidity, employment and residential stability and local economic conditions." P.S. at S-39.

DBALT 2007-OA1

- "Exceptions to Countrywide Home Loans' underwriting guidelines may be made if compensating factors are demonstrated by a prospective buyer." P.S. at S-45.

DBALT 2007-OA2

- "Mortgage loans that are acquired by IndyMac Bank are underwritten by IndyMac Bank according to IndyMac Bank's underwriting guidelines, which also accept mortgage loans meeting Fannie Mae or Freddie Mac guidelines regardless of whether such mortgage loans would otherwise meet IndyMac Bank's guidelines, or pursuant to an exception to those guidelines based on IndyMac Bank's procedures for approving such exceptions." P.S. at S-42.

- "Mortgage loans that do not meet IndyMac Bank's guidelines may be manually re-underwritten and approved under an exception to those underwriting guidelines." P.S. at S-44.

- "Exceptions to underwriting standards are permitted in situations in which compensating factors exist. Examples of these factors are significant financial reserves, a low loan-to-value ratio, significant decrease in the borrower's monthly payment and long-term employment with the same employer." P.S. at S-44.

- "On a case by case basis, Impac Funding may determine that the prospective mortgagor warrants an exception outside the standard program guidelines." P.S. at S-45.

- Impac Funding's Progressive Series Programs "allow for less restrictive standards because of certain compensating factors such as a lower loan to value ratio, verified liquid assets, job stability, pride of ownership, and, in the case of refinanced mortgage loans, length of time owning the mortgaged property. The philosophy of the Progressive Series Program is that no single borrower characteristic should automatically determine whether an application for a mortgage loan should be approved or disapproved." P.S. at S-46.

DBALT 2007-OA4

- "Exceptions to Countrywide Home Loans' underwriting guidelines may be made if compensating factors are demonstrated by a prospective borrower." P.S. at S-83.

DMSI 2006-PR1

- "The underwriting standards under which the Mortgage Loans were originated changed over the period of time that the Mortgage Loans were originated. As a result, the specific details of the programs under which the Mortgage Loans were underwritten, or which they were exceptions to, are of limited materiality." P.S. at S-78.

INDX 2006-AR27

- "Mortgage loans that are acquired by IndyMac Bank are underwritten by IndyMac Bank according to IndyMac Bank's underwriting guidelines, which also accept mortgage loans meeting Fannie Mae or Freddie Mac guidelines regardless of whether such mortgage loans would otherwise meet IndyMac Bank's guidelines, or pursuant to an exception to those guidelines based on IndyMac Bank's procedures for approving such exceptions." P.S. at S-67.

- "Mortgage loans that do not meet IndyMac Bank's guidelines may be manually re-underwritten and approved under an exception to those underwriting guidelines." P.S. at S-69.

- "Exceptions to underwriting standards are permitted in situations in which compensating factors exist. Examples of these factors are significant financial reserves, a low loan-to-value ratio, significant decrease in the borrower's monthly payment and long-term employment with the same employer." P.S. at S-69.

MHL 2007-1

- "Because a multitude of factors are involved in a loan transaction, no set of guidelines can contemplate every potential situation. Therefore, exceptions to these underwriting guidelines are considered, so long as the borrower has other reasonable compensating factors, on a case-by-case basis." P.S. at S-65.

NHEL 2007-1

- "On a case-by-case basis, exceptions to the underwriting guidelines are made where the sponsor believes compensating factors exist." P.S. at S-80.

PHHAM 2007-2

- "From time to time, exceptions to PHH Mortgage's underwriting policies may be made. Such exceptions are made on a loan-by-loan basis only at the discretion of PHH Mortgage's underwriters and may be made only after careful consideration of certain compensating factors such as borrower capacity, liquidity, equity, employment and residential stability." P.S. at S-72.

RALI 2007-QO2

- "The applicable underwriting standards include a set of specific criteria by which the underwriting evaluation is made. However, the application of the underwriting standards does not imply that each specific criterion was satisfied individually. Rather, a mortgage loan will be considered to be originated in accordance with the underwriting standards described above if, based on an overall qualitative evaluation, the loan is in substantial compliance with the underwriting standards." P.S. at S-5.

RAMP 2007-RS1

- "Many of the mortgage loans have underwriting exceptions and other attributes that may increase risk of loss on the mortgage loans." P.S. at S-14.

ProSupp Disclosures Concerning DTI Calculations and Riskiness of ARM Loans[1]

ACE 2007-ASAP1

- "Under the applicable underwriting standards, the borrower under each mortgage loan or contract generally will be qualified on the basis of the mortgage rate or contract rate in effect at origination. The repayment of any of these mortgage loans or contracts may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate or contract rate. In addition, some mortgage loans may be subject to temporary buydown plans . . . [in which t]he periodic increase in the amount paid by the borrower . . . may create a greater financial burden for the borrower, who might not have otherwise qualified for a mortgage, and may accordingly increase the risk of default for the related mortgage loan." P.S. at 28.

ACE 2007-ASAP2

- "Under the applicable underwriting standards, the borrower under each mortgage loan or contract generally will be qualified on the basis of the mortgage rate or contract rate in effect at origination. The repayment of any of these mortgage loans or contracts may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate or contract rate. In addition, some mortgage loans may be subject to temporary buydown plans . . [in which t]he periodic increase in the amount paid by the borrower . . . may create a greater financial burden for the borrower, who might not have otherwise qualified for a mortgage, and may accordingly increase the risk of default for the related mortgage loan." P.S. at 28.

ACE 2007-WM1

- "On each Adjustment Date, the Mortgage Rate on each ARM Loan will be adjusted generally to equal the sum of the applicable Index and a fixed percentage amount (the "Gross Margin") for that ARM Loan specified in the related mortgage note." P.S. at S-22.

[1] DMSI 2006-PR1 lacks substantially similar disclosures.

DBALT 2006-AR4

- "Under the applicable underwriting standards, the borrower under each mortgage loan or contract generally will be qualified on the basis of the mortgage rate or contract rate or contract rate in effect at origination," and "the repayment of any of these mortgage loans or contracts may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate or contract rate." P.S. at 31.

- ARM loans "were underwritten on the assumption that the borrowers would be able to make higher monthly payments in a relatively short period of time. In fact, however, the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

DBALT 2006-AR6

- "Under the applicable underwriting standards, the borrower under each mortgage loan generally will be qualified on the basis of the mortgage rate in effect at origination. The repayment of any of these mortgage loans may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate." P.S. at 31.

- ARM loans "were underwritten on the assumption that the borrowers would be able to make higher monthly payments in a relatively short period of time. In fact, however, the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

DBALT 2007-1

- "Under the applicable underwriting standards, the borrower under each mortgage loan generally will be qualified on the basis of the mortgage rate in effect at origination. The repayment of any of these mortgage loans may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate." P.S. at 27.

DBALT 2007-AR1

- "Under the applicable underwriting standards, the borrower under each mortgage loan generally will be qualified on the basis of the mortgage rate in effect at origination. The repayment of any of these mortgage loans may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate." P.S. at 31.

- ARM loans "were underwritten on the assumption that the borrowers would be able to make higher monthly payments in a relatively short period of time. In fact, however, the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

DBALT 2007-AR2

- "Under the applicable underwriting standards, the borrower under each mortgage loan generally will be qualified on the basis of the mortgage rate in effect at origination. The repayment of any of these mortgage loans may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate." P.S. at 31.

- ARM loans "were underwritten on the assumption that the borrowers would be able to make higher monthly payments in a relatively short period of time. In fact, however, the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

DBALT 2007-BAR1

- "Under the applicable underwriting standards, the borrower under each mortgage loan generally will be qualified on the basis of the mortgage rate in effect at origination. The repayment of any of these mortgage loans may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate." P.S. at 31.

- ARM loans "were underwritten on the assumption that the borrowers would be able to make higher monthly payments in a relatively short period of time. In fact, however, the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default." P.S. at 3.

DBALT 2007-OA1

- "The originator may also consider the amount of liquid assets available to the mortgagor after origination. ARM loans, buy-down mortgage loans, graduated payment mortgage loans and any other similar mortgage loans will generally be underwritten on the basis of the borrower's ability to make monthly payments as determined by reference to the mortgage rates in effect at origination or the reduced initial monthly payments, as the case may be, and on the basis of an assumption that the borrowers will likely be able to pay the higher monthly payments that may result from later increases in the mortgage rates or from later increases in the monthly payments, as the case may be, at the time of the increase even though the borrowers may not be able to make the higher payments at the time of origination." P.S. at S-40.

DBALT 2007-OA2

- "Under the applicable underwriting standards, the borrower under each mortgage loan generally will be qualified on the basis of the mortgage rate in effect at origination. The repayment of any of these mortgage loans may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate." P.S. at 31.

- ARM loans "were underwritten on the assumption that the borrowers would be able to make higher monthly payments in a relatively short period of time. In fact, however, the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default" P.S. at 3.

DBALT 2007-OA4

- "Under the applicable underwriting standards, the borrower under each mortgage loan generally will be qualified on the basis of the mortgage rate in effect at origination. The repayment of any of these mortgage loans may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate." P.S. at 31.

INDX 2006-AR27

- "[C]ertain of the mortgage loans may provide for escalating or variable payments by the mortgagor. These types of mortgage loans are underwritten on the basis of a judgment that the mortgagors have the ability to make the monthly payments required initially. In some instances, however, a mortgagor's income may not be sufficient to permit continued loan payments as the payments increase." P.S. at 22.

MHL 2007-1

- "Under the applicable underwriting standards, the borrower under each mortgage loan generally will be qualified on the basis of the mortgage rate in effect at origination. The repayment of any of these mortgage loans may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate." P.S.at 69.

NHEL 2007-1

- "The ARM loans were generally originated with a mortgage rate below the sum of the current index and the gross margin. Due to the application of the periodic rate caps, maximum mortgage rates and minimum mortgage rates, the mortgage rate on any ARM loan, as adjusted on any related adjustment date, may not equal the sum of the related index and the gross margin. Substantially all of the ARM loans will not have reached their first adjustment date as of the closing date. The mortgage rate is generally lower than the rate that would have been produced if the applicable gross margin had been added to the related index in effect at origination." at S-42

- "Substantially all of the ARM loans will not have reached their first adjustment date as of the closing date." at S-42

PHHAM 2007-2

- ARM loans "were underwritten on the assumption that the borrowers would be able to make higher monthly payments in a relatively short period of time. In fact, however, the borrowers' income may not be sufficient to meet their loan payments as payment amounts increase, thus increasing the risk of default" P.S. at 3.

- "Under the applicable underwriting standards, the borrower under each mortgage loan generally will be qualified on the basis of the mortgage rate in effect at origination. The repayment of any of these mortgage loans may therefore be dependent on the ability of the borrower to make larger level monthly payments following the adjustment of the mortgage rate." P.S. at 29.

RALI 2007-QO2

- "ARM loans have features that provide different investment considerations than fixed-rate mortgage loans. Adjustable mortgage rates can cause payment increases that may exceed some mortgagors' capacity to cover such payments." P.S. at 7.

RAMP 2007-RS1

- "The adjustable rate mortgage loans have interest rates which increase as the applicable index increases. If market interest rates increase significantly, the likelihood that borrowers may not be able to pay their increased interest payments would increase, resulting in greater defaults on these mortgage loans." P.S. at S-18.

- "ARM loans have features that provide different investment considerations than fixed-rate mortgage loans. Adjustable mortgage rates can cause payment increases that may exceed some mortgagors' capacity to cover such payments." P.S. at 7.

- "*As of the cut-off date*, the weighted average debt-to-income ratio of the Mortgage Loans will be approximately 39.51%." P.S. at III-3 (emphasis added).

Sample Disclosures Regarding LTV Calculations[2]

ACE 2007-ASAP1

- "The 'Value' of a Mortgaged Property, other than for Refinance Loans, is generally the lesser of (a) the appraised value determined in an appraisal obtained by the originator at origination of that loan and (b) the sales price for that property." P.S. at 8.

ACE 2007-ASAP2

- "The 'Value' of a Mortgaged Property, other than for Refinance Loans, is generally the lesser of (a) the appraised value determined in an appraisal obtained by the originator at origination of that loan and (b) the sales price for that property." P.S. at 8.

DBALT 2006-AR4

- "The loan to value ratios were based upon (i) with respect to purchase money Mortgage Loans, the lesser of (a) the purchase price paid for the related Mortgaged Property and (b) the appraisal of the Mortgaged Property and (ii) with respect to non-purchase money Mortgage Loans, the appraisal of the Mortgaged Property." P.S at S-24.
    - Purchase money mortgages: 60.45% (P.S. at S-30)
    - LTV ratios allegedly overstated: 35.97% (AC ¶ 243)[3]

DBALT 2006-AR6

- "The loan to value ratios were based upon (i) with respect to purchase money Mortgage Loans, the lesser of (a) the purchase price paid for the related Mortgaged Property and (b) the appraisal of the Mortgaged Property and (ii) with respect to non-purchase money Mortgage Loans, the appraisal of the Mortgaged Property." P.S. at S-24.
    - Purchase money mortgages: 61.29% (P.S. at S-30)
    - LTV ratios allegedly overstated: 40.95% (AC ¶ 243)

[2] ACE 2007-WM1, DMSI 2006-PR1 and NHEL 2007-1 lack substantially similar disclosures.
[3] Plaintiff's allegations in this regard for all offerings relate only to loans with LTV or CLTV ratios less than or equal to 80%. (AC ¶ 243.)

DBALT 2007-1

- "The loan to value ratios were based upon (i) with respect to purchase money Mortgage Loans, the lesser of (a) the purchase price paid for the related Mortgaged Property and (b) the appraisal of the Mortgaged Property and (ii) with respect to non-purchase money Mortgage Loans, the appraisal of the Mortgaged Property." P.S. at S-42.

    - Purchase money mortgages: 43.44% (P.S. at S-47)
    - LTV ratios allegedly overstated: 39.09% (AC ¶ 243)

DBALT 2007-AR1

- "The loan to value ratios were based upon (i) with respect to purchase money Mortgage Loans, the lesser of (a) the purchase price paid for the related Mortgaged Property and (b) the appraisal of the Mortgaged Property and (ii) with respect to non-purchase money Mortgage Loans, the appraisal of the Mortgaged Property." at P.S. at S-27.

    - Purchase money mortgages: 60.45% (P.S. at S-23)
    - LTV ratios allegedly overstated: 48.65% (AC ¶ 243)

DBALT 2007-AR2

- "The loan to value ratios were based upon (i) with respect to purchase money Mortgage Loans, the lesser of (a) the purchase price paid for the related Mortgaged Property and (b) the appraisal of the Mortgaged Property and (ii) with respect to non-purchase money Mortgage Loans, the appraisal of the Mortgaged Property." P.S. at S-25.

    - Purchase money mortgages: 55.10% (P.S. at S-31)
    - LTV ratios allegedly overstated: 40.17% (AC ¶ 243)

DBALT 2007-BAR1

- "The loan to value ratios were based upon (i) with respect to purchase money Mortgage Loans, the lesser of (a) the purchase price paid for the related Mortgaged Property and (b) the appraisal of the Mortgaged Property and (ii) with respect to non-purchase money Mortgage Loans, the appraisal of the Mortgaged Property." P.S. at S-26.

    - Purchase money mortgages: 55.51% (P.S. at S-32)
    - LTV ratios allegedly overstated: 39.37% (AC ¶ 243)

DBALT 2007-OA1

- "The loan to value ratios were based upon (i) with respect to purchase money Mortgage Loans, the lesser of (a) the purchase price paid for the related Mortgaged Property and (b) the appraisal of the Mortgaged Property and (ii) with respect to non-purchase money Mortgage Loans, the appraisal of the Mortgaged Property." P.S. at S-27.
    - Purchase money mortgages: 39.81% (P.S. at S-32)
    - LTV ratios allegedly overstated: 31.72% (AC ¶ 243)

DBALT 2007-OA2

- "The loan to value ratios were based upon (i) with respect to purchase money Mortgage Loans, the lesser of (a) the purchase price paid for the related Mortgaged Property and (b) the appraisal of the Mortgaged Property and (ii) with respect to non-purchase money Mortgage Loans, the appraisal of the Mortgaged Property." P.S. at S-29.
    - Purchase money mortgages: 60.48% (P.S. at S-34)
    - LTV ratios allegedly overstated: 41.45% (AC ¶ 243)

DBALT 2007-OA4

- "The loan to value ratios were based upon (i) with respect to purchase money Mortgage Loans, the lesser of (a) the purchase price paid for the related Mortgaged Property and (b) the appraisal of the Mortgaged Property and (ii) with respect to non-purchase money Mortgage Loans, the appraisal of the Mortgaged Property." P.S. at S-38.
    - Purchase money mortgages: 41.45% (P.S. at S-44)
    - LTV ratios allegedly overstated: 41.45% (AC ¶ 243)

INDX 2006-AR27

- "The 'Loan-to-Value Ratio' of a Mortgage Loan at any given time is a fraction, expressed as a percentage, the numerator of which is the principal balance of that Mortgage Loan at the date of determination and the denominator of which is in the case of a purchase, the lesser of the selling price of the mortgaged property or its appraised value at the time of sale, or in the case of a refinance, the appraised value of the mortgaged property at the time of the refinance." P.S. at S-37.
    - Purchase money mortgages: 58.86% (P.S. at S-59)
    - LTV ratios allegedly overstated: 43.79% (AC ¶ 243)

MHL 2007-1

- "The loan to value ratios were based upon (i) with respect to purchase money Mortgage Loans, the lesser of (a) the purchase price paid for the related Mortgaged Property and (b) the appraisal of the Mortgaged Property and (ii) with respect to non-purchase money Mortgage Loans, the appraisal of the Mortgaged Property." P.S. at S-34.
    - Purchase money mortgages: 43.32% (P.S. at S-39)
    - LTV ratios allegedly overstated: 42.18% (AC ¶ 243)

PHHAM 2007-2

- "The loan to value ratios were based upon (i) with respect to purchase money Mortgage Loans not in the state of New York, the lesser of (a) the purchase price paid for the related Mortgaged Property and (b) the appraisal of the Mortgaged Property and (ii) with respect to non-purchase money or New York state Mortgage Loans, the appraisal of the Mortgaged Property." at P.S. at S-37.
    - Purchase money mortgages: 56.01% of Group I Loans (P.S at S-42)
    - LTV ratios allegedly overstated: 35.74% (AC ¶ 243)

RALI 2007-QO2

- "In the case of most purchase money mortgage loans, the LTV ratio is the ratio, expressed as a percentage, of the principal amount of the mortgage loan at origination to the lesser of (1) the appraised value determined in an appraisal obtained at origination of the mortgage loan and (2) the sales price for the related mortgaged property, except that in the case of certain employee or preferred customer loans, the denominator of such ratio may be the sales price. In some cases, in lieu of an appraisal, a valuation of the mortgaged property will be obtained from a service that provides an automated valuation." P.S. at 11.
    - Purchase money mortgages: 17.17% (P.S. at S-9)
    - LTV ratios allegedly overstated: 47.31% (AC ¶ 243)

RAMP 2007-RS1

- "In the case of most mortgage loans made to • nance the purchase of a mortgaged property, the LTV ratio, in most cases is the ratio, expressed as a percentage, of the original principal amount or credit limit, as applicable, of the related loan to the lesser of (1) the appraised value determined in an appraisal obtained at origination of the related loan and (2) the sales price for the related mortgaged property, except that in the case of some employee or preferred customer loans, the denominator of the ratio may be the sales price." P.S. at 22.

    - Purchase money mortgages: 54.58% (P.S. at S-8)
    - LTV ratios allegedly overstated: 37.35% (AC ¶ 243)

ProSupp Disclosures Concerning Reliability Of Appraisals And Property Valuations[4]
ACE 2007-ASAP1 • "There can be no assurance that the value of a mortgaged property estimated in any appraisal or review is equal to the actual value of that mortgaged property at the time of that appraisal or review. Investors should note that the values of the mortgaged properties may be insufficient to cover the outstanding principal balance of the Mortgage Loans. There can be no assurance that the combined loan-to-value ratio of any Mortgage Loan determined at any time after origination will be less than or equal to its combined loan-to-value ratio at origination." P.S. at S-13. • "[I]n recent months housing prices and appraisal values in many states have declined or stopped appreciating, after extended periods of significant appreciation." P.S. at S-23. ACE 2007-ASAP2 • There can be no assurance that the value of a mortgaged property estimated in any appraisal or review is equal to the actual value of that mortgaged property at the time of that appraisal or review. Investors should note that the values of the mortgaged properties may be insufficient to cover the outstanding principal balance of the Mortgage Loans. There can be no assurance that the combined loan-to-value ratio of any Mortgage Loan determined at any time after origination will be less than or equal to its combined loan-to-value ratio at origination." P.S. at S-13. • "[I]n recent months housing prices and appraisal values in many states have declined or stopped appreciating, after extended periods of significant appreciation." P.S. at S-23. ACE 2007-WM1 • "There can be no assurance that the value of a mortgaged property estimated in any appraisal or review is equal to the actual value of that mortgaged property at the time of that appraisal or review. Investors should note that the values of the mortgaged properties may be insufficient to cover the outstanding principal balance of the Mortgage Loans. There can be no assurance that the combined loan-to-value ratio of any Mortgage Loan determined at any time after origination will be less than or equal to its combined loan-to-value ratio at origination." P.S. at S-12.

[4] DMSI 2006-PR1 lacks substantially similar disclosures.

DBALT 2006-AR4

- "No assurance can be given that the value of any mortgaged property has remained or will remain at the level that existed on the appraisal or sales date If residential real estate values generally or in a particular geographic area decline, the Loan-to-Value Ratios might not be a reliable indicator of the rates of delinquencies, foreclosures and losses that could occur with respect to the mortgage loans." P.S. at S-39.

- "The value of a Mortgaged Property as of the date of initial issuance of the related series may be less than the Value at origination and will fluctuate from time to time based upon changes in economic conditions and the real estate market." P.S. at 12.

DBALT 2006-AR6

- "Declines in the residential real estate market in California may reduce the values of properties, which would result in an increase in the loan-to-value ratios." P.S. at S-20.

- "The value of a Mortgaged Property as of the date of initial issuance of the related series may be less than the Value at origination and will fluctuate from time to time based upon changes in economic conditions and the real estate market." P.S. at 12.

DBALT 2007-1

- "[I]n recent months housing prices and appraisal values in many states have declined or stopped appreciating, after extended periods of significant appreciation." P.S. at S-35.

- "The value of a Mortgaged Property as of the date of initial issuance of the related series may be less than the Value at origination and will fluctuate from time to time based upon changes in economic conditions and the real estate market." P.S. at 8.

DBALT 2007-AR1

- "Declines in the residential real estate market in California may reduce the values of properties, which would result in an increase in the loan-to-value ratios." P.S. at S-23.

- "The value of a Mortgaged Property as of the date of initial issuance of the related series may be less than the Value at origination and will fluctuate from time to time based upon changes in economic conditions and the real estate market." P.S. at 12.

DBALT 2007-AR2

- "[I]n recent months housing prices and appraisal values in many states have declined or stopped appreciating, after extended periods of significant appreciation." P.S. at S-20.

- "The value of a Mortgaged Property as of the date of initial issuance of the related series may be less than the Value at origination and will fluctuate from time to time based upon changes in economic conditions and the real estate market." P.S. at 12.

DBALT 2007-BAR1

- "[I]n recent months housing prices and appraisal values in many states have declined or stopped appreciating, after extended periods of significant appreciation." P.S. at S-24.

- "The value of a Mortgaged Property as of the date of initial issuance of the related series may be less than the Value at origination and will fluctuate from time to time based upon changes in economic conditions and the real estate market." P.S. at 12.

DBALT 2007-OA1

- "No assurance can be given that the value of any mortgaged property has remained or will remain at the level that existed on the appraisal or sales date. If residential real estate values generally or in a particular geographic area decline, the Loan-to-Value Ratios might not be a reliable indicator of the rates of delinquencies, foreclosures and losses that could occur with respect to the mortgage loans" P.S. at S-50.

- "The value of a Mortgaged Property as of the date of initial issuance of the related series may be less than the Value at origination and will fluctuate from time to time based upon changes in economic conditions and the real estate market." P.S. at 12.

DBALT 2007-OA2

- "[I]n recent months housing prices and appraisal values in many states have declined or stopped appreciating, after extended periods of significant appreciation." P.S. at S-23.

- "The value of a Mortgaged Property as of the date of initial issuance of the related series may be less than the Value at origination and will fluctuate from time to time based upon changes in economic conditions and the real estate market." P.S. at 12.

DBALT 2007-OA4

- "[I]n recent months housing prices and appraisal values in many states have declined or stopped appreciating, after extended periods of significant appreciation." P.S. at S-31.

- "The value of a Mortgaged Property as of the date of initial issuance of the related series may be less than the Value at origination and will fluctuate from time to time based upon changes in economic conditions and the real estate market." P.S. at 8.

INDX 2006-AR27

- "No assurance can be given that the value of any mortgaged property has remained or will remain at the level that existed on the appraisal or sales date. If residential real estate values generally or in a particular geographic area decline, the Loan-to-Value Ratios might not be a reliable indicator of the rates of delinquencies, foreclosures and losses that could occur with respect to the mortgage loans." P.S. at S-37-38.

MHL 2007-1

- "[I]n recent months housing prices and appraisal values in many states have declined or stopped appreciating, after extended periods of significant appreciation." P.S. at S-28.

- "Declines in the residential real estate market in California may reduce the values of properties, which would result in an increase in the loan-to-value ratios." P.S. at S-29.

- "Loan-to-Value Ratios will not necessarily provide an accurate measure of the risk of liquidation loss in a pool of mortgage loans. For example, the value of a mortgaged property as of the date of initial issuance of the related series of securities may be less than the Value determined at loan origination, and will likely continue to fluctuate from time to time based upon changes in economic conditions and the real estate market." P.S. at 10.

NHEL 2007-1

- "We can give no assurance that values of the mortgaged properties have remained or will remain at their levels on the dates of origination of the related mortgage loans. If the residential real estate market should experience an overall decline in property values such that the outstanding balances of the mortgage loans, and any secondary financing on the mortgaged properties, become equal to or greater than the value of the mortgaged properties, the actual rates of delinquencies, foreclosures and losses could be higher than those now generally experienced in the mortgage lending industry." P.S. at 12.

PHHAM 2007-2

- "[I]n recent months housing prices and appraisal values in many states have declined or stopped appreciating, after extended periods of significant appreciation." P.S. at S-32.

- "Declines in the residential real estate market in California may reduce the values of properties, which would result in an increase in the loan-to-value ratios." P.S. at S-29.

- "Although no current appraisal of the property is obtained with respect to the origination of [certain] mortgage loans, a 'drive-by' appraisal may be obtained in certain cases and the loan-to-value ratio generally may not exceed the original loan-to-value ratio at origination." P.S. at S-74.

- "The value of a Mortgaged Property as of the date of initial issuance of the related series may be less than the Value at origination and will fluctuate from time to time based upon changes in economic conditions and the real estate market." P.S. at 11.

RALI 2007-QO2

- "There can be no assurance that the substance of th[e LTV] representation and warranty will be true." P.S. at 12.

- "Some of the mortgage loans that are subject to negative amortization will have LTV ratios that will increase after origination as a result of their negative amortization. In the case of some seasoned mortgage loans, the values used in calculating LTV ratios may no longer be accurate valuations of the mortgaged properties. Some mortgaged properties may be located in regions where property values have declined significantly since the time." P.S. at 12.

RAMP 2007-RS1

- "No assurance can be given that the value of the mortgaged property securing a loan has remained or remain at the level existing on the date of origination. If the residential real estate market should experience an overall decline in property values such that the outstanding balances of the loans and any secondary • nancing on the mortgaged properties in a particular pool become equal to or greater than the value of the mortgaged properties, the actual rates of delinquencies, foreclosures and losses could be higher than those now generally experienced in the mortgage lending industry." at P.S. at 82.

ProSupp Disclosures Concerning Owner-Occupancy Data
ACE 2007-ASAP1 • "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-37. ACE 2007-ASAP2 • "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-37. ACE 2007-WM1 • "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-33. DBALT 2006-AR4 • "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-31. DBALT 2006-AR6 • "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-31. DBALT 2007-1 • "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-48. DBALT 2007-AR1 • "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-34. DBALT 2007-AR2 • "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-32. DBALT 2007-BAR1 • "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-33. DBALT 2007-OA1 • "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-33.

DBALT 2007-OA2

- "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-35.

DBALT 2007-OA4

- "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-44.

DMSI 2006-PR1

- "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-49.

INDX 2006-AR27

- "Occupancy Types" are "[b]ased upon representations of the related mortgagors at the time of origination." P.S. at S-43.

MHL 2007-1

- "The occupancy status of a Mortgaged Property is as represented by the mortgagor in its loan application." P.S. at S-40.

NHEL 2007-1

- "The sole basis for a representation that a given percentage of the mortgage loans are secured by single family property that is owner-occupied will be either (1) the making of a representation by the mortgagor at origination of the mortgage loan either that the underlying mortgaged property will be used by the mortgagor for a period of at least six months every year or that the mortgagor intends to use the mortgaged property as a primary residence, or (2) a finding that the address of the underlying mortgaged property is the mortgagor's mailing address as reflected in the servicer's records." P.S. at 20.

PHHAM 2007-2

- These loans are generally categorized as owner-occupied if the individual applicant states in the application that, as of the closing of the related loan, the property will be occupied by one or more applicants. at P.S. at S-75.

RALI 2007-QO2

- Owner occupancy determinations based on "the making of a representation by the mortgagor at origination of a mortgage loan that the mortgagor intends to use the mortgaged property as a primary residence; a representation by the originator of the mortgage loan, which may be based solely on the above clause; or the fact that the mailing address for the mortgagor is the same as the address of the mortgaged property." P.S. at 11.

RAMP 2007-RS1

- Owner occupancy determinations based on "the making of a representation by the mortgagor at origination of a mortgage loan that the mortgagor intends to use the mortgaged property as a primary residence; a representation by the originator of the mortgage loan, which may be based solely on the above clause; or the fact that the mailing address for the mortgagor is the same as the address of the mortgaged property." P.S. at 16-17.

ProSupp Disclosures Concerning DMSI 2006-PR1

DMSI 2006-PR1

- "IT IS EXPECTED THAT INVESTORS INTERESTED IN PARTICIPATING IN THIS PRIVATE PLACEMENT WILL CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE OFFERED CERTIFICATES. OFFICERS OF THE DEPOSITOR WILL BE AVAILABLE TO ANSWER QUESTIONS CONCERNING THE US TRUST AND WILL, UPON REQUEST, MAKE AVAILABLE SUCH OTHER INFORMATION AS INVESTORS MAY REASONABLY REQUEST." P.S. at v.

- "If the actual characteristics and behavior of the Mortgage Loans differ from what you assumed, it can have a significant effect on the weighted average lives and yields of the related classes of certificates." P.S. at S-35.

- "The underwriting standards under which the Mortgage Loans were originated changed over the period of time that the Mortgage Loans were originated. As a result, the specific details of the programs under which the Mortgage Loans were underwritten, or which they were exceptions to, are of limited materiality." P.S. at S-78.

EXHIBIT K

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

In re COUNTRYWIDE FINANCIAL CORP. MORTGAGE-BACKED SECURITIES LITIGATION	Case No. 2:11-ML-02265-MRP (MANx) **ORDER RE SUBSTANTIVE MOTIONS TO DISMISS**
WESTERN AND SOUTHERN LIFE INSURANCE COMPANY, *et al.*, Plaintiffs, v. COUNTRYWIDE FINANCIAL CORPORATION, *et al.* Defendants.	Case No. 2:11-cv-07166-MRP (MANx)

NATIONAL INTEGRITY LIFE INSURANCE COMPANY, Plaintiff, v. COUNTRYWIDE FINANCIAL CORPORATION, *et al.* Defendants.	Case No. 2:11-cv-09889-MRP (MANx)

I. INTRODUCTION & BACKGROUND

This Order concerns Defendants' motions to dismiss the related *Western and Southern Life Ins. Co. v. Countrywide Fin. Corp.*, 11-CV-07166-MRP (MANx) ("*Western and Southern*") and *National Integrity Life Ins. Co. v. Countrywide Fin. Corp.*, 11-CV-09889-MRP (MANx) ("*National Integrity*") actions. *Western and Southern* and *National Integrity* are part of Multidistrict Litigation No. 2265, captioned *In Re Countrywide Financial Corp. Mortgage-Backed Securities Litigation* ("the MDL"). The plaintiffs in *Western and Southern* and *National Integrity* allege violations of the Securities Act of 1933 ("the Securities Act"), the Exchange Act of 1934 ("the Exchange Act"), and a number of state laws in connection with their purchase of residential mortgage-backed securities ("RMBS") in offerings structured and sold by several of the defendants. Specifically, the *Western and Southern* and *National Integrity* plaintiffs ("Plaintiffs") argue that Countrywide Financial Corporation ("CFC"), its subsidiaries, and its former management misrepresented the quality of the underlying loans in the RMBS Certificates[1] that plaintiffs purchased.[2] They also

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[1] A Certificate is a document that shows ownership of a mortgage-backed security issued pursuant to a registration statement and prospectus supplement in a public offering. Each Certificate represents a particular tranche within an offering. Because "Certificate" refers to the document evidencing ownership of a specific tranche, the Court uses the terms "tranche" and "Certificate" somewhat interchangeably. An Offering refers to the process by which the Certificates were sold to Plaintiffs. The Offering Documents refer to the Registration Statements, Prospectuses and Prospectus Supplements, Term Sheets, and other written materials pursuant to which the Certificates were offered.

[2] The Defendants are: CWALT, Inc., CWABS, Inc., CWMBS, Inc., CWHEQ, Inc., (the "Depositors"), CFC, Countrywide Home Loans, Inc. ("CHL"), Countrywide Capital Markets, LLC ("CCM"), Countrywide Securities Corp. ("CSC") (together with the Depositor Defendants, the "Countrywide Defendants" or "Countrywide"), Bank of America Corp., Bank of America, N.A., BAC Home Loans Servicing, LP, NB Holdings Corp. ("Bank of America" or the "Bank of America Defendants"), Angelo Mozilo, David Sambol, Eric Sieracki, Ranjit Kripalani, Stanford Kurland,

allege that the defendants misrepresented that they would comply with various policies, best practices, and laws related to the transfer, servicing, and maintenance of the loans in the Offerings. Finally, Plaintiffs allege that Bank of America and several related entities are liable as Countrywide's successor.

With the Court's approval, Defendants bifurcated the briefing of motions to dismiss in *Western and Southern* and *National Integrity*. On March 9, 2012, the Court issued an order (the "First Round Order") dismissing many of the claims and defendants on the basis of timeliness and jurisdiction. *In re Countrywide Fin. Corp. Mortgage-Backed Sec. Litig.*, 2:11-ML-02265-MRP, 2012 WL 1097244, at *16 (C.D. Cal. Mar. 9, 2012). The claims that remain in Western and Southern are: (i) two claims under the Exchange Act of 1934 that hinge upon alleged misrepresentations regarding transfer of title and loan servicing; (ii) five claims under the Ohio Securities Act that hinge upon the same transfer-of-title and servicing allegations; (iii) claims for fraud and negligent misrepresentation that hinge upon the same transfer-of-title and servicing allegations; (iv) a claim under the Ohio Corrupt Activities Act ("OCAA") alleging that Defendants were part of a racketeering enterprise organized for the purpose of originating risky loans, packaging those loans into RMBS, selling the RMBS to investors, and then failing to service the loans properly; (v) a claim for civil conspiracy alleging that Defendants formed an association-in-fact for the same purposes; and (vi) claims that Bank of America and related entities are liable as Countrywide's successor. The same claims remain in *National Integrity*. In addition, *National Integrity* includes common law fraud and negligent misrepresentation claims alleging

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David Spector, N. Joshua Adler, and Jennifer Sandefur (the "Individual Defendants").

misrepresentations regarding underwriting, appraisals, loan-to-value ratios, and ratings.[3]

Defendants have moved to dismiss the remaining claims in both *Western and Southern* and *National Integrity*. Those issues are fully briefed, and the Court heard extensive oral argument on June 13, 2012. As set out more fully below, Plaintiffs have failed to allege that any statement made by the Defendants regarding transfer of title or servicing was actionably false. Plaintiffs have also failed to allege either an "enterprise" as required by the OCAA or an association-in-fact as required to plead civil conspiracy. National Integrity has also failed to allege a negligent misrepresentation claim under Ohio law. Finally, National Integrity's successor liability claims are defective under Delaware law. Defendants have raised a number of other grounds for dismissal; the Court finds it unnecessary to address them at this time. For the reasons set out below, *Western and Southern* is dismissed in its entirety. *National Integrity* is dismissed except for the portion of Cause of Action Fourteen related to underwriting, appraisals, loan-to-value ratios, and ratings.

II. LEGAL STANDARDS

A Rule 12(b)(6) motion to dismiss should be granted when, assuming the truth of the plaintiff's allegations, the complaint fails to state a claim for which relief can be granted. *See Epstein v. Washington Energy Co.*, 83 F.3d 1136, 1140 (9th Cir. 1996). In deciding whether the plaintiff has stated a claim, the Court must assume the plaintiff's allegations are true and draw all reasonable inferences in the plaintiff's favor. *Usher v. City of Los Angeles*, 828 F.2d 556, 561 (9th Cir. 1987). However, the Court is not required to accept as true "allegations that are merely conclusory, unwarranted deductions of fact, or unreasonable inferences."

[3] Those claims were time-barred under the two-year statute of limitations applicable in *Western and Southern*, but not the six-year period applicable to *National Integrity*. First Round Order, 2012 WL 1097244, at *16.

In re Gilead Scis. Sec. Litig., 536 F.3d 1049, 1055 (9th Cir. 2008). A court reads the complaint as a whole, together with matters appropriate for judicial notice, rather than isolating allegations and taking them out of context. *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308 (2007).

In general, the Court will apply Ninth Circuit law to federal claims and will apply the state law of the transferor forum, including the transferor forum's choice-of-law rules, to state law claims. *In re Nucorp Energy Sec. Litig.*, 772 F.2d 1486, 1492 (9th Cir. 1985). More detailed choice-of-law analysis is performed as required for particular claims.

III. WESTERN AND SOUTHERN

Plaintiffs The Western and Southern Life Insurance Company, Western-Southern Life Assurance Company, Columbus Life Insurance Company, Integrity Life Insurance Company, and Fort Washington Investment Advisors, Inc., (collectively "Western and Southern") allege violations of the Exchange Act and Ohio law in connection with Western and Southern's purchase of 36 Certificates.

A. WESTERN AND SOUTHERN'S TRANSFER OF TITLE ALLEGATIONS DO NOT PLEAD FALSITY

The federal,[4] OSA,[5] fraud,[6] and negligent misrepresentation[7] causes of action asserted require Western and Southern to identify a misrepresentation.

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[4] *Stoneridge Inv. Partners, LLC v. Scientific-Atlanta*, 552 U.S. 148, 157 (2008) (A § 10(b) "plaintiff must prove . . . a material misrepresentation or omission by the defendant . . . ."); 15 U.S.C. § 78t(a) (requiring a primary violation for liability under § 20(a)).

[5] *See* OHIO REV. CODE §§ 1707.41 (Plaintiff must plead "the falsity of any material statement"); 1707.44(B)(4) ("No person shall knowingly make or cause to be made any false representation concerning a material and relevant fact . . . ."); 1707.44(B)(4) (Prohibiting statements or advertisements "when the person knows that the statement or advertisement is false in any material respect."); 1707.44(G) (requires predicate violation of OSA); 1707.43 (requires predicate violation of OSA).

Because Western and Southern alleges fraud, it must plead those misstatements with particularity under Fed. R. Civ. P. 9(b). *Vess v. Ciba-Geigy Corp. USA*, 317 F.3d 1097, 1104 (9th Cir. 2003) ("It is established law, in this circuit and elsewhere, that Rule 9(b)'s particularity requirement applies to state-law causes of action."). Rule 9(b) requires plaintiffs to identify the "time, place, and specific content of the false representations as well as the identities of the parties to the misrepresentation." *Sanford v. MemberWorks, Inc.*, 625 F.3d 550, 558 (9th Cir. 2010). Western and Southern must also identify the nature of the fraud through "precise allegations explaining how the alleged misstatements were misleading or untrue when made." *In re Stac Elecs. Sec. Litig.*, 89 F.3d 1399, 1409 (9th Cir. 1996). Western and Southern's Amended Complaint (the "AC") identifies three statements with the required "time, place, content" level of specificity:

- A representation that "each loan is secured by a valid lien on, or a perfected security interest with respect to, the Property." AC ¶ 205 (quoting CWALT 2007-16CB Prospectus Supplement at 26);
- A representation that:

  [O]n the closing date, the depositor will sell, transfer, assign, set over and otherwise convey without recourse to the trustee in trust for the benefit of the certificateholders all right, title and interest of the depositor in and to each mortgage loan and all right, title and interest in and to all other assets included in Alternative Loan Trust 2007-16CB, including all principal and interest received on or with respect to the mortgage loans, but not any principal and interest due on or before the cut-off date.

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[6] *Burr v. Bd. of County Com'rs of Stark County*, 23 Ohio St. 3d 69, 69 (1986) (Fraud allegation requires "a representation . . . of a fact . . . made falsely.").

[7] *Delman v. City of Cleveland Heights*, 41 Ohio St. 3d 1, 4 (1989) (negligent misrepresentation requires the Defendant to "suppl[y] false information for the guidance of others in their business transactions.").

In connection with the transfer and assignment of a mortgage loan, the depositor will deliver or cause to be delivered to the trustee, or a custodian for the trustee, the mortgage file, which contains among other things,

- The original mortgage note (and any modification or amendment to it) endorsed in blank without recourse, except that the depositor may deliver or cause to be delivered a lost note affidavit in lieu of any original mortgage note that has been lost;
- The original instrument creating a first lien on the related mortgaged property with evidence of recording indicated thereon or a copy of such instrument;
- An assignment in recordable form of the mortgage or a copy of such assignment;
- The original or a copy of the title policy with respect to the related mortgaged property;
- If applicable, all recorded intervening assignments of the mortgage or copies thereof and any riders or modifications to the mortgage note and mortgage or copies thereof (except for any documents not returned from the public recording office, which will be delivered to the trustee as soon as the same is available to the depositor). AC ¶ 206 (quoting CWALT 2007-16CB Prospectus Supplement at S-39 to S-40);

- A representation that:

  For any mortgage held through the MERS® System, the mortgage is recorded in the name of Mortgage Electronic Registration Systems, Inc., or MERS, as nominee for the owner of the mortgage loan, and subsequent assignments of the mortgage were, or in the future may be, at the discretion of the master servicer, registered electronically through the MERS® System. For each of these mortgage loans, MERS serves as mortgagee of record on

the mortgage solely as a nominee in an administrative capacity on behalf of the trustee, and does not have any interest in the mortgage loan. AC ¶ 207 (quoting CWALT 2007-16CB Prospectus Supplement at S-41).

These three statements appear in the CWALT 2007-16CB Prospectus Supplement, and substantially identical statements appear in the Prospectus Supplements for each of the other Certificates. AC ¶¶ 205–07. It is apparent from the pleadings and from the judicially noticeable Prospectus Supplements and PSAs that none of the three statements is false.

The first statement identified by Western and Southern is a representation that "each loan is secured by a valid lien on, or a perfected security interest with respect to, the Property." AC ¶ 205 (quoting CWALT 2007-16CB Prospectus Supplement at 26). Nothing in the AC casts doubt on this statement. The transfer of title allegations in paragraphs 205 through 240 say nothing about the validity of liens, the perfection of security interests, or the rather straightforward principle that loans are secured by liens. Western and Southern attempts to match the statement to its theory of harm by ascribing to it the following meaning: "each mortgage represented a valid lien *such that the issuing trust could foreclose* upon the mortgage in the event of a borrower's default." AC ¶ 205 (emphasis added). Nothing about the context of the statement suggests such a reading. On the contrary, it appears in a section of the Prospectus Supplements titled "Representations by Sellers; Repurchases." That section begins by stating that, "[e]ach seller or, in some cases, originator, will have made representations and warranties in respect of the loans sold" and that one of those representations may be "that each loan is secured by a valid lien." CWALT 2007-16CB Prospectus Supplement at 26. This statement has nothing to do with whether a trustee will be able to foreclose in the event of default; read properly, it does not even relate to whether the loans are properly secured by liens. Instead, it relates to representations that *may* be made by sellers. Nothing in the AC indicates that

sellers may not have made such representations.

Like the first, the second statement has been quoted without reference to its context. The statement appears in a section of the Prospectus Supplement titled "Assignment of the Mortgage Loans" and begins, "*[p]ursuant to the pooling and servicing agreement*, on the closing date, the depositor will sell, transfer, assign, set over and otherwise convey without recourse to the trustee in trust for the benefit of the certificateholders all right, title and interest of the depositor in and to each mortgage loan . . . ." CWALT 2007-16CB Prospectus Supplement at S-39 (emphasis added). In securitization, a prospectus supplement is used to market the asset-backed security, while the PSA is the actual governing document for the trust. The timing of the process is such that RMBS are marketed and sold before a PSA has been finalized and made available to investors. Prospectus Supplements therefore will typically summarize the PSA for investors that would not otherwise have access to its terms. An RMBS investor reading the "Assignment of the Mortgage Loans" section identified by Western and Southern would understand that the "pursuant to the pooling and servicing agreement" language indicates that the section is meant as a description of the PSA rather than an independent manifestation of present intent. And, Western and Southern has not alleged that the Prospectus Supplement states any term of the PSA inaccurately. On the contrary, each portion of the second statement matches a portion of the PSA. *See* CW RJN 34; 54.

Western and Southern's allegations with respect to the second statement also fail to differentiate the Defendants as required by Rule 9(b). The section states that, under the PSA, the *depositor* will transfer the loan and deliver the mortgage file to the trustee or the trustee's custodian. Paragraphs 209 through 217 of the AC do not mention the Depositors or indicate that the Depositors failed to take any action that they were mandated to take under the PSAs. On the contrary, this section of the AC refers to "Countrywide," a defined term that includes each of the

Countrywide Defendants. But, "Rule 9(b) does not allow a complaint to merely lump multiple defendants together but requires plaintiffs to differentiate their allegations when suing more than one defendant and inform each defendant separately of the allegations surrounding his alleged participation in the fraud." *Swartz v. KPMG LLP*, 476 F.3d 756, 764 (9th Cir. 2007) (citations and quotations omitted). For the second statement to be actionable, the AC would have to explain what actions the Depositors failed to take and which specific Defendants knew or should have known that the Depositors would fail to take those actions. The AC suggests that this would be a difficult task. Its allegation is that the physical mortgage documents remained with the *servicers*, not the Depositors. AC ¶¶ 209–17. The AC does not allege that the servicers were not the "custodians" of the trustees, as contemplated by the Prospectus Supplements and PSAs. *Id.* On the face of the AC, it is therefore difficult to determine (i) which Defendants could have misrepresented the Depositors' intentions and (ii) what the Depositors could or should have done differently.

Finally, nothing in the AC indicates that the third statement was false when it was made. Western and Southern argues that "Defendants' representations in the Offering Materials that MERS would be the 'beneficial owner' of each mortgage were false." AC ¶ 242. But, the statement regarding MERS in the Prospectus Supplement does not contain the words "beneficial owner." Instead, the statement says, in effect, that the mortgages may be recorded in MERS' name but that MERS serves as mortgagee only in an administrative capacity. CWALT 2007-16CB Prospectus Supplement at S-41. Western and Southern has not identified any reason why that statement is false or misleading.

The Court's distinctions may seem pedantic, but they illustrate a fundamental problem with Western and Southern's theory. The title transfer allegations that remain in the AC allege a litany of failures. Defendants allegedly "lost, failed to timely create, or failed to timely deliver the paperwork necessary to

prove title to the mortgages and the notes under state law." AC ¶ 208. They allegedly did not comply with various states' "strict rules governing assignment of mortgages, and transfer of promissory notes and loan files." *Id.* ¶ 209. They then allegedly engaged in a cover-up by back-dating documents, signing fraudulent affidavits, and improperly pressuring homeowners. *Id.* ¶¶ 209–40. These are serious allegations and the Court does not minimize them. But if the allegations regarding assignment and servicing are true, the PSAs contain explicit provisions that allow the servicer to "put" undocumented or otherwise unsatisfactory loans back to the originators. CWALT 2007-16CB Prospectus Supplement at S-41. The Prospectus Supplements explicitly state that "[t]he cure, repurchase or substitution obligation constitutes the sole remedy available to certificateholders or the trustee for omission of, or a material defect in, a mortgage loan document." *Id.*

To the extent that the problems that Western and Southern identifies are actionable, it would be as claims for breach of contract or breach of fiduciary duty. Courts must be sensitive to the distinctions between such cases and misrepresentation cases; more so when a contract provides specific mechanisms for redress as the PSAs do here. Failure to maintain the distinctions between contract and fraud cases raises the potential for duplicative litigation and double recoveries. As importantly, serious violence is done to the contract by failing to respect the contractual remedies that each party has agreed to. *See Lockerby v. Sierra, 535 F.3d 1038,* 1041–42 (9th Cir. 2008) (More than intentional breach of contract necessary to commit "tortious conduct."). For this reason, most courts to consider the issue have held that the "breach of a contractual promise of future performance typically does not constitute a misrepresentation that will support an action for fraud." *Reese v. BP Exploration (Alaska) Inc.*, 643 F.3d 681, 691 (9th Cir. 2011); *see also United States v. Blankenship*, 382 F.3d 1110, 1133 (11th Cir. 2004) ("A 'promise' contained in a contract is not a certification that the promisor will actually perform the specified acts."); *Mills v. Polar Molecular Corp.*, 12 F.3d

1170, 1176 (2d Cir. 1993) ("The failure to carry out a promise made in connection with a securities transaction is normally a breach of contract. It does not constitute fraud unless, when the promise was made, the defendant secretly intended not to perform or knew that he could not perform."); *IDT Corp. v. eGlobe, Inc.*, 140 F.Supp.2d 30, 35 (D.D.C. 2001) (same).

BP Exploration, cited above, is on point. There, an oil exploration trust repeatedly filed copies of a contract with the SEC as required by various regulatory requirements. 643 F.3d at 686. The trust repeatedly filed the contract despite the fact that, at the time of each filing, the trust was allegedly in breach of one of the contract's provisions. *Id.* The Ninth Circuit held that "contract breach is not a sufficient predicate for securities fraud" and ordered the case dismissed. The plaintiff had argued that the repeated filing of the contract (which had been forward-looking when originally signed) created a false impression of continuing compliance. *Id.* at 691. The Ninth Circuit disagreed, holding that "a reasonable investor would likely view the Trust's attachment of the [contract] to its SEC filings as a statement of the rights of the Trust and its unit holders, not as certification by [the Defendant] that all of its operations were in compliance with the [contract]." *Id.* at 693. This holding reflects the commonplace understanding that, "[a] 'promise' contained in a contract is not a certification that the promisor will actually perform the specified acts," it is merely an expression of the party's contractual obligation. *Id.* at 691 (citing *Blankenship*, 382 F.3d at 1133). Indeed, the cases cited by the Ninth Circuit made clear that the contract in *BP Exploration* was not actionable both because it was forward-looking and because a contractual obligation is not a promise to perform, but rather a promise to either perform or submit to the contractual remedy. *Id.* at 691–94.

Western and Southern cites cases for the principle that a promise to perform a future act may be an actionable misrepresentation when the defendant has no intention of keeping the promise at the time that it makes the promise. Opp. at 46–

47 (citing *Tibbs v. Nat'l Homes Constr. Corp.*, 52 Ohio App. 2d 281, 287 (12th Dist. 1977). However, none of the cases cited by Western and Southern arose in the context of a "promise" to comply with contractual obligations.[8, 9] In the absence of any such authority, the Court will follow the Ninth Circuit rule that the failure to honor a contractual obligation does not transform the original contract into a tortious misrepresentation. Such a rule is especially appropriate when, as here, the PSA contains express provisions to redress the failures that Western and Southern complains of. Stripped to its essentials, the AC makes the same allegation as the plaintiff in *BP Exploration*, except that the AC is one level more attenuated. There, the plaintiff alleged that the contract itself contained a false statement. Here, Western and Southern alleges that an accurate *description* of the contract (here the PSA) is false because the defendants did not intend to follow the PSA. Even if the Defendants did not intend to follow the PSA,[10] their description of its contractual obligations was accurate, and any failure to meet those obligations is better addressed through other means.

For the reasons discussed above, the statements contained in Paragraphs 205 through 207 of the AC are not actionable misstatements. Causes of Action One, Two, Three, Four, Five, Seven, Eight, Nine, and Fourteen are predicated on an

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[8] *Burlington Ins. Co. v. Artisan Mech., Inc.*, relied upon by Western and Southern, merely stands for the proposition that a misrepresentation as to the *existence* of a contract may be actionable. 188 Ohio App. 3d 560, 566 (Ohio Ct. App. 1st Dist. 2010).

[9] The Court further notes that the AC fails to plead with specificity facts that would allow the Court to infer that, at the time the Prospectus Supplements were issued, specific defendants intended for other specific defendants to violate the transfer-of-title provisions in the PSAs. Were this the AC's only deficiency, repleading the misrepresentation claims might be appropriate. As discussed above, it is not.

[10] As discussed above, the Court accepts this proposition for the sake of argument but notes that Western and Southern has failed to plead subjective intent not to perform with the requisite level of specificity under Rule 9(b).

actionable misrepresentation. Western and Southern has failed to plead any such misrepresentation. Accordingly, Causes of Action One, Two, Three, Four, Five, Seven, Eight, Nine, and Fourteen are **DISMISSED WITH PREJUDICE**.

B. THE OCAA CLAIM DOES NOT ALLEGE AN ENTERPRISE

Cause of Action Six alleges a violation of the Ohio Corrupt Activities Act ("OCAA"), OHIO REV. CODE §§ 2923.31–36. AC ¶¶ 418–26. Specifically, it alleges that CFC, CHL, CCM, CSC, CWABS, CWALT, CWHEQ, CWMBS, Mozilo, Sambol, Bank of America, Bank of America, N.A., and BAC Servicing, together with non-party entities such as correspondent lenders, RMBS underwriters, appraisers, foreclosure law firms, PMI insurers, and the Bank of New York were part of a racketeering enterprise with the common purpose of originating risky loans, packaging those loans into RMBS, selling the RMBS to investors, and then failing to service the loans properly. *Id.* ¶¶ 420–21. To plead a violation of the OCAA, Western and Southern must allege that Defendants "participate[d] in, directly or indirectly, the affairs of the enterprise through a pattern of corrupt activity." OHIO REV. CODE § 2923.32(A)(1). The AC does not plead an "enterprise" as required by the statute and therefore must be dismissed.

To violate the OCAA, each Defendant must have been part of an "enterprise." "'Enterprise' includes any individual, sole proprietorship, partnership, limited partnership, corporation, trust, union, government agency, or other legal entity, or any organization, association, or group of persons associated in fact although not a legal entity. 'Enterprise' includes illicit as well as licit enterprises." OHIO REV. CODE § 2923.31(C). The OCAA is patterned on the federal RICO statute, and Ohio courts look to federal decisions to interpret the OCAA. *Herakovic v. Catholic Diocese of Cleveland*, 2005 WL 3007145, at *3 (Ohio Ct. App. Nov. 10, 2005) ("[F]ederal case law interpreting the federal RICO

law" should not be ignored.) (citing *Universal Coach, Inc. v. New York City Transit Auth., Inc.*, 90 Ohio App. 3d 284, 291 (1993)).[11]

The Sixth Circuit has held that an enterprise must exist separate and apart from the defendant. *Shields v. UnumProvident Corp.*, 415 F. App'x 686, 691 (6th Cir. 2011) ("[T]he 'person' charged with violating RICO [must] be a separate entity from the 'enterprise.'"). "Under this requirement, a corporation may not be liable . . . for participating in the affairs of an enterprise that consists only of its own subdivisions, agents, or members." *Id.* The Ohio courts that have considered the question have agreed. *See Herakovic*, 2005 WL 3007145, at *4 (Ohio Ct. App. Nov. 10, 2005) (dismissal appropriate because "appellants have not pled the individuals separate from the enterprise.").[12] This rule is practical and gives proper effect to the purpose of the statute. If members of a corporate family could constitute a RICO enterprise, then every act of corporate malfeasance could also be pleaded as a RICO violation, complete with its longer statute of limitations, joint

[11] The parties agree that the Court should look to federal law for interpretation of the OCAA. They disagree as to which Circuit's precedent is most helpful. The Court is interpreting an Ohio law. Ohio courts, though not bound by decisions from courts within the Sixth Circuit, frequently cite such decisions and would likely find them more persuasive than decisions from outside the Sixth Circuit. The Court therefore gives preference to decisions from within the Sixth Circuit in the OCAA portion of this Order.

[12] Ohio courts are split on the related question of whether a plaintiff must also plead an enterprise distinct from the alleged pattern of corrupt activity. *Compare State v. Lynch*, 2012 WL 2050862, at *4 (Ohio Ct. App. June 6, 2012) ("We will therefore herein consider whether the State indeed demonstrated a 'structure separate and apart, or distinct, from the pattern of corrupt activity' concerning appellant's heroin-dealing activities.") *with State v. Baker*, 2012 WL 707093, at *3 (Ohio Ct. App. Mar. 5, 2012) ("[T]his court has expressly rejected the notion that the state must prove that the enterprise is an entity separate and apart from the pattern of activity in which it engages."). The Court does not find it necessary to reach this question.

and several liability, and other advantages. Each of the named OCAA defendants is a Countrywide parent, subsidiary, or agent. Under *Shields* and *Herakovic*, the named defendants cannot, on their own, constitute an enterprise.

Western and Southern also alleges that a number of non-parties combined with the Countrywide Defendants to form an enterprise to profit from the sale, securitization, and servicing of Countrywide mortgage loans. Opp. at 9; AC ¶ 421. "[A]n association-in-fact enterprise must have at least three structural features: a purpose, relationships among those associated with the enterprise, and longevity sufficient to permit these associates to pursue the enterprise's purpose." *Boyle v. United States*, 556 U.S. 938, 946 (2009). The AC plausibly alleges that the various non-parties had longstanding business relationships with the Countrywide Defendants. Nothing in the AC, however, creates a plausible inference that the purpose of those relationships was to "profit illegally from the sale, securitization, and servicing of Countrywide mortgage loans." Opp. at 9. On the contrary, from the face of the AC it appears that each of the non-parties identified by Western and Southern entered into a business relationship for their own commercial reasons. Even if the Court credits Western and Southern's assertion that the non-parties' actions assisted Countrywide in a scheme to "profit illegally from the sale, securitization, and servicing of Countrywide mortgage loans," (Opp. at 9) the AC makes clear that the assistance was in response to each entity's own business incentives. Parties that enter commercial relationships "for their own gain or benefit" do not constitute an "enterprise." *City of Cleveland v. Woodhill Supply, Inc.*, 403 F. Supp. 2d 631, 635 (N.D. Ohio 2005) (citing *VanDenBroeck v. CommonPoint Mortgage Co.*, 210 F.3d 696, 699 (6th Cir. 2000) (abrogated on other grounds by *Bridge v. Phoenix Bond & Indem. Co.*, 553 U.S. 639, 646 (2008))); *see also Morrow v. Reminger & Reminger Co., L.P.A.*, 183 Ohio App. 3d 40, 60 (2009) (no enterprise when each party acts in its "contractual" role); *Robins v. Global Fitness Holdings, LLC*, 1:11 CV 1373, 2012 WL 163031, at *18 (N.D.

Ohio Jan. 18, 2012) ("routine business relationships, without more, are insufficient to establish a RICO claim"); *Javitch v. Capwill*, 284 F.Supp.2d 848, 857 (N.D. Ohio 2003) (business relationship, even one that furthers a fraud, is insufficient to plead a RICO enterprise); *Wuliger v. Liberty Bank*, No. 3:02 CV 1378, 2004 WL 3377416 (N.D. Ohio 2004) (provision of banking services, without more, does not constitute a RICO enterprise).

A recent case from the Southern District of Ohio is instructive. In *HMV Properties, LLC v. IDC Ohio Management., LLC*, plaintiffs brought a federal RICO claim against a number of defendants. 2:08-CV-895, 2011 WL 53166, at *1 (S.D. Ohio Jan. 6, 2011). The plaintiffs alleged that they bought a number of Dairy Queen franchises based on "over-inflated property appraisals, over-hyped 'triple-net' leases, and the overstated expertise of several of the [d]efendants." *Id.* They further alleged that the various appraisers, brokers, sellers, and managers of the franchises formed an enterprise with the purpose of duping the plaintiffs into purchasing over-valued assets. *Id.* The court found that the plaintiffs had failed to allege an enterprise because, "[p]laintiffs have alleged only a string of actions taken by [d]efendants either severally or in small sub-groups, and they have alleged no facts that support any allegation of "coordinated behavior" among the Defendants." *Id.* at 13. There may have been bilateral relationships between the various defendants, and various defendants may have acted improperly, but that is not the same as an allegation that the defendants acted as an ongoing and continuing organization. *Id.*[13]

[13] Western and Southern argues that *HMV Properties* does not apply because it involved a federal RICO claim and relied on pre-*Boyle* authority. Opp. at 17–18 n.23. To the contrary, Ohio courts look to federal RICO cases to interpret the OCAA (*supra*, n.11), and *HMV Properties* explicitly considered *Boyle* and held that allegations similar to the ones in this case were insufficient. *HMV Properties, LLC*, 2011 WL 53166 at *14 ("Plaintiffs do little more than offer conclusory

In this case, like *HMV Properties*, Western and Southern has identified a number of parties to the securitization process. Many of the identified parties are Countrywide-owned or Countrywide agents and therefore incapable of constituting an enterprise on their own. As to the non-Countrywide entities, the AC pleads a number of facts from which the Court *might* conclude that the parties acted improperly in response to incentives set by Countrywide or by the securitization process generally, and then attempts to bootstrap a conclusion that these thousands of diverse and disparate entities shared a common purpose and cooperated with each other in furtherance of that purpose. The AC contains no facts indicating that the various non-Countrywide entities it identifies coordinated their behavior or combined as an enterprise. On the contrary, a number of the AC's allegations indicate that these entities were actively competing with each other for Countrywide's business.

Western and Southern has identified a number of non-parties that were allegedly part of the enterprise. The Court addresses each and its alleged role in the enterprise briefly:

- Correspondent lenders such as People's Choice Mortgage, Summit Mortgage LLC, Loans for Residential Homes Mortgage Corporation, Sprint Funding Corporation, Ameribanq Mortgage Group LLC, and E-Loan, Inc. AC ¶¶ 168–88; 419–20. The allegations in the AC, as summarized by the Western and Southern, are that the correspondent lenders would "'churn out' large numbers of loans, without regard to quality," based on the price they would fetch in the secondary market rather than the borrower's ability to repay. Opp. at 12. At the risk of being glib, this allegation amounts to one that "Countrywide offered to buy something, and the lenders obliged." Western and Southern has

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statements as to the existence of an association-in-fact enterprise without offering any facts in support of the *Boyle* factors: purpose, relationship, or longevity.").

identified exactly the type of arms-length business transaction, with each party pursuing its own independent economic interests, that does not constitute a RICO enterprise.

- Real estate appraisers controlled or influenced by Countrywide, including LandSafe, Inc. ("LandSafe"). AC ¶¶ 245–50; 420. LandSafe was a Countrywide subsidiary and therefore cannot constitute an enterprise for the reasons set out above.[14] The allegations respecting other appraisers are vague, but they amount to an allegation that Countrywide pressured brokers to use "acceptable" appraisers that would provide inflated valuations. AC ¶¶ 247–250. If true, these allegations mean that the various brokers responded to market incentives created by Countrywide and hired appraisers accordingly. The AC does not allege that the "acceptable" appraisers had any direct relationship with Countrywide or otherwise constituted an enterprise.
- Underwriters of Countrywide RMBS, including Credit Suisse First Boston LLC and Deutsche Bank Securities, Inc. AC ¶¶ 123; 420. The allegations relating to the underwriters are that they ignored red flags and "waived in" to the securitizations noncompliant and risky loans. *Id.* ¶¶

[14] Two recent cases have held that Countrywide and LandSafe could constitute a RICO enterprise. *In re Countrywide Fin. Corp. Mortg. Mktg. & Sales Practices Litig.*, 601 F. Supp. 2d 1201, 1214–15 (S.D. Cal. 2009); *Johnson v. KB Home*, 720 F. Supp. 2d 1109, 1120–21 (D. Ariz. 2010). Those cases did so under a doctrine called the "something more" test, which holds that a parent and its subsidiary may constitute a RICO enterprise when each plays a different role or the decision to operate through a subsidiary facilitates the activity of the enterprise in some way. *In re Countrywide Fin. Corp. Mortg. Mktg. & Sales Practices Litig.*, 601 F. Supp. 2d at 1214–15. The "something more" test has not been endorsed by the Ninth Circuit, Sixth Circuit, or any Ohio court. The Court finds no indication that an Ohio court would apply the "something more" exception, and therefore declines to address it in this case.

124–30. The role of an underwriter is to act as a sales agent for the issuer. Nothing in the AC indicates that the underwriters worked together to operate the affairs of an enterprise rather than their own affairs.[15] The most damning possible inference possible from the facts in the AC is that the underwriters responded to pressure (real or perceived) from Countrywide and "waived in" loans that did not meet standards. This is the type of bilateral conduct that does not constitute a RICO enterprise. Every securities issue has an underwriter; if a claim of underwriter complicity were sufficient, then every securities claim could be recast as a RICO claim.

- Foreclosure law firms, including Lerner, Sampson & Rothfuss of Cincinnati, that allegedly promoted forgery, perjury, and tampering in attempting to cover up Countrywide's failure to meet Transfer of Title obligations and vest losses on bad loans in the securitization trusts. Opp. at 10; AC ¶¶ 229–40. For the reasons set out above, a corporation and a law firm acting as its agent are not insufficiently distinct so as to form a RICO enterprise. *See Kelly v. Palmer, Reifler, & Associates, P.A.*, 681 F. Supp. 2d 1356, 1380 (S.D. Fla. 2010) ("The Palmer Law Firm's tactics, even if deceptive or extortionate, were not separate and apart from its

[15] *In re Ins. Brokerage Antitrust Litig.*, cited by Western and Southern, is instructive. 618 F.3d 300 (3d Cir. 2010). There, the Third Circuit found that, under *Boyle*, a series of bilateral contracts between one broker and many insurers did not constitute a RICO enterprise. *Id.* at 375. The insurers were not connected as part of an enterprise because, "plaintiffs' factual allegations do not plausibly imply anything more than parallel conduct by the insurers." *Id.* at 374. A bid-rigging allegation succeeded, because bid-rigging required the cooperation of the various insurers. *Id.* at 377–78. Nothing in the AC alleges that the underwriters coordinated or cooperated with each other. On the contrary, the implication of the AC is that Countrywide pressured the underwriters to compete with each other by "waiving in" increasing numbers of noncompliant loans.

corporate client seeking to obtain a civil recovery from the [p]laintiffs.").[16]

- PMI insurers that allegedly paid unlawful kickbacks to Countrywide, including Mortgage Guaranty Insurance Corporation, Genworth Mortgage Insurance Corporation, Radian Guaranty Inc., United Guaranty Residential Insurance Company, Triad Guaranty Insurance Company, and Republic Mortgage Insurance. AC ¶¶ 262–276. As with the underwriter allegations, the AC alleges that the various PMI insurers entered into bilateral commercial agreements with Countrywide. The AC does not allege that the PMI insurers agreed or cooperated with each other in any way. Moreover, if the Court credits the AC's allegations that the PMI insurers were forced to pay kickbacks to Countrywide under a pay-to-play system, then the PMI insurers are properly viewed as *victims*, not members of a racketeering enterprise.
- Bank of New York Mellon ("BNY"), the trustee for the RMBS trusts, which allegedly furthered the enterprise's goals by failing to enforce Countrywide's repurchase obligations. AC ¶ 420. The AC contains no factual allegation, much less one that would survive challenge under *Twombly*, that BNY's actions as trustee were not unilateral.

Nothing in the AC indicates that any of the groups above shared a "common purpose" and coordinated with each other as required to plead an enterprise. Many of the allegations indicate the opposite, that the entities engaged in bilateral

[16] The Court also notes that the allegations relating to foreclosure misconduct do not make economic sense. The gist of Plaintiff's foreclosure misconduct allegations is that foreclosure firms attempted to cover up deficiencies in title transfers and foreclose on borrowers. But it is not clear how that behavior could have hurt noteholders. If the foreclosure firms were successful, then the recovery to the trusts would increase; if unsuccessful, the trusts would not be in any worse position than before the misconduct.

business dealings with Countrywide but in sharp competition with each other. That is the type of rimless hub-and-spoke structure that the Third Circuit considered and found wanting in *In re Ins. Brokerage Antitrust Litig.*, 618 F.3d 300 (3d Cir. 2010). Western and Southern has cited no reason why such a structure suffices to plead an enterprise in this case.

C. WESTERN AND SOUTHERN'S CIVIL CONSPIRACY CLAIM FAILS UNDER THE INTRA-CORPORATE CONSPIRACY DOCTRINE

Cause of Action Seventeen alleges that Defendants are liable for civil conspiracy because they "formed an association in fact of entities that conspired to underwrite and purchase fraudulently and improperly underwritten loans, to package those loans for resale, and to fraudulently service such loans through use of fraudulent and forged documents in foreclosures and overcharges to borrowers for insurance and other services." AC ¶ 497. A civil conspiracy is a "malicious combination of two or more persons to injure another person or property, in a way not competent for one alone, resulting in actual damages." *Kenty v. Transamerica Premium Ins. Co.*, 72 Ohio St.3d 415, 419 (1995) (citation omitted).

Defendants argue that the civil conspiracy claim must be dismissed under the "intra-corporate conspiracy doctrine." The intra-corporate conspiracy doctrine provides that members of the same corporate family, including subsidiaries and employees, cannot conspire with each because they are the same legal entity. Western and Southern argues that the doctrine does not apply (or at least that it does not apply to separate legal entities such as subsidiaries). Opp. at 64–65. Western and Southern apparently concedes that its civil conspiracy claim is barred if the doctrine applies to legally distinct entities that are nevertheless wholly owned by the same corporate parent.

The Ohio Supreme Court has never addressed the intra-corporate conspiracy doctrine. In 2009, however, the Sixth Circuit predicted that the Ohio Supreme Court would adopt the doctrine. *Bays v. Canty*, 330 F. App'x 594, 594 (6th Cir.

2009). *Bays* drew upon a "'common sense' insight 'that a person cannot conspire with himself'" and held that, "since a corporation only acts through its officers, a group of corporate officers acting within the scope of employment cannot create a conspiracy." *Id.* Western and Southern cites three cases to dispute the Sixth Circuit's finding. Opp. at 64 n.71 (citing *Ohio Bureau of Workers' Comp. v. MDL Active Duration Fund, LTD.*, 476 F. Supp. 2d 809, 825-26 (S.D. Ohio 2007); *Nilavar v. Mercy Health Sys.*, 142 F. Supp. 2d 859, 889 (S.D. Ohio 2000); *Berryhill v. Khouri*, No. 10-CV-721073, 2011 Ohio Misc. LEXIS 364, at *7 (Ohio C.P., Jan. 13, 2011)). *Ohio Bureau of Workers' Comp.* accepted the intra-corporate conspiracy doctrine but found that it did not apply to unrelated legal entities just because those entities share an employee. 476 F. Supp. 2d at 825–26. *Nilavar* recognized the doctrine as applied to employees acting within the scope of their employment, but declined to extend it to corporate subsidiaries. 142 F. Supp. 2d at 888–89. *Berryhill* merely clarified that the doctrine does not apply to employees acting outside the scope of their employment. 2011 Ohio Misc. LEXIS 364, at *7.

Even the cases cited by Western and Southern recognize that the intra-corporate conspiracy doctrine shields employees acting within the scope of their employment. The Court agrees; it will follow *Bays* and the intermediate Ohio courts on this issue. *Bays*, 330 F. App'x at 594; *Tandem Staffing v. ABC Automation Packing, Inc.*, 2000 WL 727534, at *8 (Ohio App. June 7, 2000); *Scanlon v. Gordon F. Stofer & Bro. Co.*, 1989 WL 69400, at *16 (Ohio App. June 22, 1989); *Schrock v. D & N Development, Inc.*, 1995 WL 495488, at *2 (Ohio App. June 28, 1995).

Western and Southern does not argue that any of the Individual Defendants acted outside the scope of their employment. The remaining question is therefore whether the intra-corporate conspiracy doctrine applies to related corporate entities like the ones in this case. *Nilavar* held that it does not. 142 F. Supp. 2d at 889.

Defendants cite two Ohio trial court cases that have held the opposite. *Hometown Health Plan v. Aultman Health Foundation*, 2009 WL 1806759 (Ohio Ct. Com. Pl. Apr. 15, 2009); *Andrew v. Power Marketing Direct Inc.*, 2010 WL 7405622 (Ohio Ct. Com. Pl. May 20, 2010). In the absence of a controlling Ohio Supreme Court decision, the Court must predict how the Ohio Supreme Court would decide the issue. *Gravquick A/S v. Trimble Navigation Int'l Ltd.*, 323 F.3d 1219, 1222 (9th Cir. 2003). It is appropriate to use "intermediate appellate court decisions, statutes, and decisions from other jurisdictions as interpretive aids." *Id.*

The Court concludes that, if faced with the question, the Ohio Supreme Court would hold that a corporation and its subsidiaries are not capable of conspiring with each other. First, while courts and states disagree, a majority appear to have adopted the intra-corporate conspiracy doctrine in the context of subsidiaries. *See Platten v. HG Bermuda Exempted Ltd.*, 437 F.3d 118, 131 (1st Cir. 2006) ("[A] family relationship among corporations" will not support a civil conspiracy claim under Massachusetts law); *Davidson & Schaaff, Inc. v. Liberty Nat. Fire Ins. Co.*, 69 F.3d 868, 871 (8th Cir. 1995) ("[T]wo subsidiaries of the same parent cannot conspire" under Missouri law.); *Okusami v. Psychiatric Inst. of Washington, Inc.*, 959 F.2d 1062, 1066 (D.C. Cir. 1992) (Civil conspiracy not possible between a parent and its subsidiary); *Tate v. Sallie Mae, Inc.*, 3:10-CV-00386, 2011 WL 3651813, at *3 (W.D.N.C. Aug. 19, 2011) (same; North Carolina law); *Pizza Mgmt., Inc. v. Pizza Hut, Inc.*, 737 F. Supp. 1154, 1166 (D. Kan. 1990) (same; Kansas law); *Bryant Heating and Air Cond. Corp. v. Carrier Corp.*, 597 F.Supp. 1045, 1054 (S.D. Fla. 1984) (same; Florida law) *Bunch v. Artec Int'l Corp.*, 559 F. Supp. 961, 970 (S.D.N.Y. 1983) (same; Oregon and Pennsylvania law); *Chrysler Credit Corp. v. Rebhan*, 66 N.C. App. 255, 259 (1984) (same; Michigan law). *But see ASARCO LLC v. Americas Mining Corp.*, 396 B.R. 278, 417-18 (S.D. Tex. 2008) ("[T]he most well-reasoned approach is the one that recognizes a cause of action for conspiracy between a parent and subsidiary only

when the parent acts outside its role as 100% owner of the subsidiary."); *Blades v. Countrywide Home Loans, Inc.*, CIVA1:06CV1000LG-JMR, 2007 WL 2746678 (S.D. Miss. Sept. 18, 2007) ([T]he separate nature of these subsidiaries prevents the Court from holding that CFC, the parent company, should be considered the same entity as both subsidiaries."); *Seeco, Inc. v. Hales*, 22 S.W.3d 157, 173 (Ark. 2000) (refusing to apply the doctrine to civil conspiracy claims against wholly owned subsidiaries of the same parent company); *Allied Capital Corp. v. GC-Sun Holdings, L.P.*, 910 A.2d 1020, 1044 (Del. Ch. 2006) (refusing to apply the doctrine under Delaware law). Second, the majority view better serves the purpose of conspiracy law. The bedrock of any conspiracy claim is a "malicious combination." *Kenty*, 72 Ohio St.3d at 419. *Bays* noted that it is common sense that employees of a corporation do not "combine" when they act within the scope of their employment, they merely fulfill their role as agents of the corporation. 330 Fed. App'x at 594. In many ways though, an employee is more capable of combination with an employer than is a subsidiary. An employee, at least, is a human being capable of motivations distinct from his employer. A subsidiary is capable of no such independence; it is entirely controlled by the parent company.

The Supreme Court explicitly considered this issue in the context of antitrust law:

> [T]he coordinated activity of a parent and its wholly owned subsidiary must be viewed as that of a single enterprise for purposes of § 1 of the Sherman Act. A parent and its wholly owned subsidiary have a complete unity of interest. Their objectives are common, not disparate; their general corporate actions are guided or determined not by two separate corporate consciousnesses, but one. They are not unlike a multiple team of horses drawing a vehicle under the control of a single driver. With or without a formal "agreement," the subsidiary acts for the benefit of the parent, its sole shareholder. If a

parent and a wholly owned subsidiary do "agree" to a course of action, there is no sudden joining of economic resources that had previously served different interests, and there is no justification for § 1 scrutiny.

Copperweld Corp. v. Independence Tube Corp., 467 U.S. 752, 771 (1984). *Copperweld* was an antitrust case, but the Supreme Court could as easily have been discussing any conspiracy. A conspiracy charge will not lie without multiple independent actors. But, as explained in *Copperweld*, a parent and subsidiary have "not . . . two separate corporate consciousnesses, but one." *Id.* The logic of *Copperweld* does not apply only to antitrust law, but rather any cause of action that requires a "combination." Applying it here is a logical application of *Bays'* "common sense" approach to the combination requirement. Accordingly, the Court finds that, were the Ohio Supreme Court to consider the issue, it would find that members of the same corporate family, including subsidiaries, are incapable of conspiring with each other. Every member of the alleged conspiracy is a member of the Countrywide corporate family. Accordingly, Cause of Action Seventeen is **DISMISSED WITH PREJUDICE**.

IV. NATIONAL INTEGRITY

National Integrity's complaint (the "Complaint") is identical in most respects to the Amended Complaint in *Western and Southern*. The only significant difference is that National Integrity filed its action in the Southern District of New York. This fact compels the Court to apply New York law, including New York choice-of-law rules. *In re Nucorp Energy Sec. Litig.*, 772 F.2d at 1492. In The First Round Order, the Court found that National Integrity was a New York resident, that its common law claims should therefore be evaluated under New York's statute of limitations, and that those claims were therefore timely. First Round Order, 2012 WL 1097244, at 15–16. The presence of those claims and the applicability of New York law require further analysis of the state law claims.

National Integrity's federal claims are identical to Western and Southern's and are **DISMISSED WITH PREJUDICE** for the same reasons set out above.

A. CHOICE OF LAW IS NOT APPLICABLE TO NATIONAL INTEGRITY'S OSA CLAIMS

In the First Round Order, the Court implicitly applied Ohio law to National Integrity's OSA claims. *Id.* at *16. In a related case, the Court analyzed the potential for overlapping and/or conflicting blue sky laws. *In re Countrywide Fin. Corp. Mortg.-Backed Sec. Litig.*, 2:11-ML-02265-MRP, 2012 WL 1322884, *2 (C.D. Cal. Apr. 16, 2012) ("*MassMutual*"). The Court held that conflict-of-law analysis is not necessary for Blue Sky laws because they are nonexclusive. As the Court explained in *MassMutual*:

> Blue Sky laws are designed to regulate securities transactions within (or impacting) a particular state. If a transaction touches multiple states, it follows that multiple Blue Sky laws may apply simultaneously. The Court agrees with the majority view that a plaintiff may sue under the securities laws of several states at once so long as the requirements of each state's law are met.

Id.[17] Nothing about the OSA requires a different result. The Court therefore adopts *MassMutual* in this case. Because Blue Sky laws may overlap, it is

[17] *MassMutual* was based on, among others, the following cases: *Lintz v. Carey Manor Ltd.*, 613 F. Supp. 543, 551 (W.D. Va. 1985) ("Just as the same act can violate both federal and state law simultaneously, or a state statute as well as state common law, so too can it violate several Blue Sky laws simultaneously."); *Simms Inv. Co. v. E.F. Hutton & Co.*, 699 F. Supp. 543, 546 (M.D.N.C. 1988) ("[T]he securities laws of two or more states may be applicable to a single transaction without presenting a conflict of laws question."); *Barneby v. E.F. Hutton & Co.*, 715 F. Supp. 1512, 1536 (M.D. Fla 1989) ("[N]o reason to apply a traditional conflicts of laws analysis" when suit was brought under a state Blue Sky law.); *Chrysler Capital Corp. v. Century Power Corp.*, No. 91 Civ. 1937, 1992 WL 163006, at *2 (S.D.N.Y. June 24, 1992) ("[B]ecause application of multiple state

unnecessary to perform a conflict analysis with respect to National Integrity's OSA claims.

Only the transfer-of-title-related OSA claims survived the First Round Order. 2012 WL 1097244, at 16. The Court considered and dismissed identical OSA transfer of title allegations in Section III.A. above. The same law and the same analysis apply to National Integrity's OSA claims. National Integrity's OSA claims are therefore **DISMISSED WITH PREJUDICE**.

B. NATIONAL INTEGRITY'S RACKETEERING AND CONSPIRACY CLAIMS MUST BE DISMISSED UNDER EITHER NEW YORK OR OHIO LAW

Under New York law, the first step in a choice-of-law analysis is to determine whether an actual conflict exists. *Matter of Allstate Ins. Co. (Stolarz)*, 81 N.Y.2d 219, 223 (1993). In Section III.B above, the Court determined that identical allegations fail under the OCAA. New York does not permit *any* private action under its racketeering law. N.Y. Penal Law § 460.20. Similarly, Section III.C finds identical conspiracy allegations deficient under Ohio law. Like racketeering, "New York law does not recognize a tort action for civil conspiracy." *Vasile v. Dean Witter Reynolds Inc.*, 20 F. Supp. 2d 465, 481 (E.D.N.Y. 1998) *aff'd sub nom. Vasile v. Dean Witter Reynolds, Inc.*, 205 F.3d 1327 (2d Cir. 2000). Plaintiffs do not dispute either point.

Ohio and New York law differ, but each would require dismissal of National Integrity's racketeering and conspiracy causes of action. The Court therefore finds no actual conflict between them in this case. Causes of Action Six and Fifteen are **DISMISSED WITH PREJUDICE**.

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securities laws to a single securities transaction does not present a conflict of laws issue, [defendant]'s argument that only New York law may apply to the transaction at issue is rejected."); *United Heritage Life Ins. Co. v. First Matrix Investor Services*, No. CV 06-0496, 2009 WL 3229374, at *4 (D. Idaho Sept. 30, 2009) ("[M]ore than one state's securities laws can apply to a transaction.").

C. NATIONAL INTEGRITY'S NEGLIGENT MISREPRESENTATION CLAIM IS BARRED

The parties agree that Ohio law should apply to National Integrity's negligent misrepresentation claim. Applying New York law, this Court has repeatedly dismissed negligent misrepresentation claims by RMBS investors for failure to plead a "special relationship" between the investor and Countrywide. *Dexia Holdings, Inc. v. Countrywide Fin. Corp.*, 2:11-CV-07165-MRP, 2012 WL 1798997, at *7 (C.D. Cal. Feb. 17, 2012); *Allstate Ins. Co. v. Countrywide Fin. Corp.*, 824 F. Supp. 2d 1164, 1192 (C.D. Cal. 2011). Some courts have found that Ohio has a similar "special relationship" requirement. *Doe v. SexSearch.com*, 551 F.3d 412, 418 (6th Cir. 2008) ("[A] claim for negligent misrepresentation requires 'a special relationship under which the defendant supplied information to the plaintiff for the latter's guidance in its business transaction.'") (citing *Ziegler v. Findlay Indus., Inc.*, 464 F. Supp. 2d 733, 738 (N.D. Ohio 2006)); *Advantage Renovations, Inc. v. Maui Sands Resort, Co., L.L.C.*, 2012 WL 1493826, at *7 (Ohio Ct. App. Apr. 27, 2012) (Ohio law requires "special duty or relationship"); *McNabb v. Hoeppner*, 2011 WL 2571386, at *4 (Ohio Ct. App. June 22, 2011) (dismissing for lack of a "special relationship"). Other courts have eschewed the "special relationship" language in favor of a requirement that "(1) the defendant must provide false information for the guidance of the plaintiff in its business transactions and (2) the plaintiff must be the person or one of a limited group of persons for whose benefit and guidance the defendant intends to supply the information or knows that the recipient intends to supply it." *Nat'l Mulch & Seed, Inc. v. Rexius Forest By-Products Inc.*, 2:02-CV-1288, 2007 WL 894833, at *9-11 (S.D. Ohio Mar. 22, 2007) (citing *Gutter v. Dow Jones, Inc.*, 22 Ohio St.3d 286, 288 (1986)). In those courts' view, "special relationship" is merely convenient shorthand for the limiting (to information provided for use in business transactions

and to a limited group) elements of a negligent misrepresentation claim. *In re Nat'l Century Fin. Enters., Inc., Inv. Litig.*, 580 F. Supp. 2d 630, 647 (S.D. Ohio 2008).

The approach taken in *National Mulch & Seed* is persuasive. Ohio law does not impose a separate "special relationship" requirement. Rather, the term is properly viewed as shorthand for the limiting elements of the cause of action. 2007 WL 894833, at *9-11. National Integrity alleges that it is part of a "limited class" of purchasers because (i) it is an institutional investor, (ii) its portfolio managers had face-to-face meetings with Countrywide, and (iii) Countrywide provided data and helped National Integrity develop pricing models. Opp at 62. These allegations are not sufficient to state a claim for negligent misrepresentation under Ohio law.

The general rule is that the investing public is not a sufficiently limited class. *Federated Mgmt. Co. v. Coopers & Lybrand*, 738 N.E.2d 842, 855-56 (Ohio Ct. App. 2000). National Integrity has alleged that it is a sophisticated institutional investor, but nothing about the Certificates or Offering Materials limited purchases to such entities. Two cases from Ohio district courts help frame the issue. In *In re National Century Financial Enterprises, Inc., Investment Litigation*, the court held that representations made in connection with a private placement may state a claim for negligent misrepresentation because participation in the private placement was limited to a small group of Qualified Institutional Buyers ("QIBs"). 580 F. Supp. 2d at 652-53 (QIB purchasers constitute a sufficiently limited group). A more recent case, *Ohio Police & Fire Pension Fund v. Standard & Poor's Fin. Services, LLC*, held that even QIBs constitute an insufficiently limited group to state a cause of action for negligent misrepresentation. 813 F. Supp. 2d 871, 881-82 (S.D. Ohio 2011). The *Ohio Police* court also dismissed claims relating to non-private placements because the "complaint [did] not allege that the securities . . . were offered only to qualified institutional investors or only to pension funds." *Id.* at 881. The same analysis applies here. Any investor with sufficient means was

eligible to buy the Certificates at issue in this case. And thousands of investors from around the world bought the same or substantially the same Countrywide-issued RMBS. That is not the type of limited class that will support a negligent misrepresentation claim.

National Integrity's allegations regarding face-to-face meetings and data provision do nothing to narrow the scope of the "class." The data and pricing models that National Integrity discusses were publicly available to any investor on Countrywide's website. Complaint ¶ 374. Similarly, the face-to-face meetings that National Integrity cites to were at marketing road shows and public investor forums. Complaint ¶ 81. These events were open to the public. More importantly, the alleged misrepresentations that National Integrity complains of occurred in the Offering Documents, not in the face-to-face meetings. Those Offering Documents were available to the entire investing world. Accordingly, an action for negligent misrepresentation is unsustainable under Ohio law. Cause of Action Seven is **DISMISSED WITH PREJUDICE**.

D. THE PARTIES HAVE NOT IDENTIFIED ANY CONFLICT BETWEEN NEW YORK AND OHIO WITH RESPECT TO THE COMMON LAW FRAUD CLAIM

National Integrity's only remaining primary claim is for common law fraud. The representations that National Integrity has identified relating to transfer of title are not false for the reasons set out in Section III.A above. That leaves National Integrity's allegations premised on underwriting, appraisals, loan-to-value ratios, and ratings. Applying New York law, the Court has repeatedly held that identical allegations are better addressed on a more complete factual record. *Dexia Holdings, Inc. v. Countrywide Fin. Corp.*, 2:11-CV-07165-MRP, 2012 WL 1798997, at *5–6 (C.D. Cal. Feb. 17, 2012); A*llstate Ins. Co. v. Countrywide Fin. Corp.*, 894 F. Supp. 2d 1164, 1183–88 (C.D. Cal. 2011) ("*Allstate I*"). National Integrity argues that Ohio substantive law should apply to its common law claims (Opp. at 71), but no party has identified a material difference between the laws of

Ohio and New York with respect to common law fraud. The Court will therefore adopt its previous rulings in *Allstate* and *Dexia* with respect to the common law fraud claim. National Integrity's fraud allegations premised on underwriting, appraisals, loan-to-value ratios, and ratings are sufficient at the motion to dismiss stage.

E. DELAWARE LAW BARS NATIONAL INTEGRITY'S SUCCESSOR LIABILITY CLAIMS

The *National Integrity* action was transferred from a district court in New York. Accordingly, New York's choice-of-law rules apply to National Integrity's claims. In *Allstate*, the Court applied New York's choice-of-law rules to a successor liability claim against Bank of America. *Allstate I*, 894 F. Supp. 2d at 1171–72. The Court found that Delaware law applies to such claims, and that the claims are barred under Delaware law. *Id.* at 1171–74; 1192–93. The logic of *Allstate* applies with equal force in this case. Accordingly, Cause of Action Thirteen is **DISMISSED WITH PREJUDICE**.

V. CONCLUSION

For the reasons set out above, the *Western and Southern* action is **DISMISSED WITH PREJUDICE**. Cause of Action Fourteen in *National Integrity* may proceed based on allegations relating to underwriting, appraisals, loan-to-value ratios, and ratings. *National Integrity* is otherwise **DISMISSED WITH PREJUDICE**.

IT IS SO ORDERED.

DATED: June 29, 2012

Hon. Mariana R. Pfaelzer
United States District Judge

EXHIBIT L

The following is a free writing prospectus. The information in this free writing prospectus is preliminary and is subject to change.

FREE WRITING PROSPECTUS

$[2,172,500,000]
(Approximate)

Deutsche Alt-A Securities Mortgage Loan Trust
Series 2007-OA4

ACE Securities Corp.
(Depositor)

Deutsche Alt-A Securities Mortgage Loan Trust, Series 2007-OA4
(Issuing Entity)

Deutsche Bank

June 22, 2007

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this free writing prospectus relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling Deutsche Bank toll-free at 1-800-503-4611. This free writing prospectus is not required to contain all information that is required to be included in the base prospectus and the prospectus supplement. The information in this free writing prospectus is preliminary and is subject to change. The information in this free writing prospectus, if conveyed prior to the time of your commitment to purchase, supersedes information contained in any prior similar free writing prospectus relating to these securities. THIS FREE WRITING PROSPECTUS IS NOT AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE SUCH OFFER, SOLICITATION OR SALE IS NOT PERMITTED. The information in this free writing prospectus may be based on preliminary assumptions about the pool assets and the structure. Any such assumptions are subject to change.

The analysis in this report is based on information provided by ACE Securities Corp. (the "Depositor"). Investors are urged to read the base prospectus and the prospectus supplement and other relevant documents filed or to be filed with the Securities and Exchange Commission because they contain important information. Such documents may be obtained without charge at the Securities and Exchange Commission's website. Once available, the base prospectus and prospectus supplement may be obtained without charge by contacting Deutsche Bank Securities Inc. ("DBSI") toll free at 1-800-503-4611. This free writing prospectus is not required to contain all information that is required to be included in the base prospectus and the prospectus supplement (collectively, the "Prospectus"). The information in this free writing prospectus is preliminary and is subject to change. The information in this free writing prospectus, if conveyed prior to the time of your commitment to purchase, supersedes information contained in any prior similar free writing prospectus relating to these securities. This free writing prospectus is not an offer to sell or a solicitation of an offer to buy these securities in any state where such offer, solicitation or sale is not permitted. You should consult your own counsel, accountant, and other advisors as to the legal, tax, business, financial and related aspects of a purchase of these securities.

The attached information contains certain tables and other statistical analyses (the "Computational Materials") which have been prepared by DBSI in reliance upon information furnished by the Depositor. Numerous assumptions were used in preparing the Computational Materials that may or may not be reflected herein. As such, no assurance can be given as to whether the Computational Materials and/or the assumptions upon which they are based reflect present market conditions or future market performance. These Computational Materials should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. Any weighted average lives, yields and principal payment periods shown in the Computational Materials are based on prepayment assumptions, and changes in such prepayment assumptions may dramatically affect such weighted average lives, yields and principal payment periods. In addition, it is possible that prepayments on the underlying assets will occur at rates slower or faster than the rates shown in the attached Computational Materials. Furthermore, unless otherwise provided, the Computational Materials assume no losses on the underlying assets and no interest shortfalls. The specific characteristics of the securities may differ from those shown in the Computational Materials by a permitted variance of +/- 10% prior to issuance. Neither DBSI nor any of its affiliates makes any representation or warranty as to the actual rate or timing of payments on any of the underlying assets or the payments or yield on the securities.

This free writing prospectus is being delivered to you solely to provide you with information about the offering of the asset-backed securities referred to in this free writing prospectus and to solicit an indication of your interest in purchasing such securities, when, as and if issued. Any such indication of interest will not constitute a contractual commitment by you to purchase any of the securities. You may withdraw your indication of interest at any time.

The asset-backed securities referred to in this free writing prospectus are being offered when, as and if issued. Our obligation to sell securities to you is conditioned on the securities having the characteristics described in this free writing prospectus. If that condition is not satisfied, we will notify you, and neither the issuer nor DBSI will have any obligation to you to deliver all or any portion of the securities which you have committed to purchase, and there will be no liability between us as a consequence of the non-delivery.

An investor or potential investor in the certificates (and each employee, representative, or other agent of such person or entity) may disclose to any and all persons, without limitation, the tax treatment and tax structure of the transaction (as defined in United States Treasury Regulation Section 1.6011-4) and all related materials of any kind, including opinions or other tax analyses, that are provided to such person or entity. However, such person or entity may not disclose any other information relating to this transaction unless such information is related to such tax treatment and tax structure.

THIS INFORMATION IS FURNISHED TO YOU SOLELY BY DBSI AND NOT BY THE ISSUER OF THE SECURITIES OR ANY OF ITS AFFILIATES. DBSI IS ACTING AS UNDERWRITER AND NOT ACTING AS AGENT FOR THE ISSUER IN CONNECTION WITH THE PROPOSED TRANSACTION.

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FREE WRITING PROSPECTUS DATED: June 22, 2007

Deutsche Alt-A Securities
Mortgage Loan Trust, Series 2007-OA4
$[2,172,500,000] *(Approximate)*

Subject to an aggregate permitted variance of +/-5%

All Terms and Conditions are subject to change

Class	Approximate Size(1) ($)	Collateral Group	Pass-Through Rate	WAL (yrs) to Pricing Speed	Expected Ratings (S/M)(2)
Offered					
I-A-1A	[442,152,000]	Group I Mortgage Loans	LIBOR + [ ]%(3)	[3.21]	[AAA/Aaa]
I-A-1B	[425,000,000]	Group I Mortgage Loans	LIBOR + [ ]%(4)	[3.21]	[AAA/Aaa]
II-A-1	[151,898,000]	Group II Mortgage Loans	LIBOR + [ ]% (5)	[3.19]	[AAA/Aaa]
II-A-2	[37,975,000]	Group II Mortgage Loans	LIBOR + [ ]% (5)	[3.19]	[AAA/Aaa]
III-A-1	[149,925,000]	Group III Mortgage Loans	LIBOR + [ ]%(6)	[3.23]	[AAA/Aaa]
A-2A(7)	[100,000,000](7)	Group I and Group III Mortgage Loans	(7)	[3.21]	[AAA/Aaa]
A-2B(8)	[323,781,000](8)	Group I and Group III Mortgage Loans	(8)	[3.21]	[AAA/Aaa]
A-3(9)	[254,268,000](9)	Group I and Group III Mortgage Loans	(9)	[3.21]	[AAA/Aaa]
A-4(10)	[150,001,000](10)	Group I and Group III Mortgage Loans	(10)	[3.21]	[AAA/Aaa]
M-1	[44,000,000]	All Groups of Mortgage Loans	LIBOR + [ ]%(13)	[6.07]	[AA+/Aa1]
M-2	[19,800,000]	All Groups of Mortgage Loans	LIBOR + [ ]%(13)	[6.07]	[AA/Aa2]
M-3	[11,000,000]	All Groups of Mortgage Loans	LIBOR + [ ]%(13)	[6.06]	[AA-/Aa3]
M-4	[11,000,000]	All Groups of Mortgage Loans	LIBOR + [ ]%(13)	[6.06]	[A+/A1]
M-5	[11,000,000]	All Groups of Mortgage Loans	LIBOR + [ ]%(13)	[6.06]	[A/A2]
M-6	[11,000,000]	All Groups of Mortgage Loans	LIBOR + [ ]%(13)	[6.06]	[A-/A3]
M-7	[11,000,000]	All Groups of Mortgage Loans	LIBOR + [ ]%(13)	[6.01]	[BBB+/Baa1]
M-8	[11,000,000]	All Groups of Mortgage Loans	LIBOR + [ ]%(13)	[5.81]	[BBB/Baa2]
M-9	[7,700,000]	All Groups of Mortgage Loans	LIBOR + [ ]%(13)	[5.54]	[BBB-/Baa3]
Total Offered	**$[2,172,500,000]**				
Components					
I-A-2A	[85,259,367]	Group I Mortgage Loans	(11)	N/A	N/A
III-A-2A	[14,740,632]	Group III Mortgage Loans	(12)	N/A	N/A
I-A-2B	[276,053,632]	Group I Mortgage Loans	(3)	N/A	N/A
III-A-2B	[47,727,367]	Group III Mortgage Loans	(6)	N/A	N/A
I-A-3	[216,787,000]	Group I Mortgage Loans	(3)	N/A	N/A
III-A-3	[37,481,000]	Group III Mortgage Loans	(6)	N/A	N/A
I-A-4	[150,000,000]	Group I Mortgage Loans	(3)	N/A	N/A
III-A-4	[1,000]	Group III Mortgage Loans	(6)	N/A	N/A
Non-Offered					
M-10	[_____]	All Groups of Mortgage Loans	LIBOR + [ ]%(13)	*Not offered Hereby*	
M-11	[_____]	All Groups of Mortgage Loans	LIBOR + [ ]%(13)	*Not offered Hereby*	
Total	**$[2,187,900,000]**				

(1) The Structure is preliminary and subject to change. The variance on the individual bond sizes is + / - 10%.
(2) To be rated by at least 2 rating agencies.
(3) The Pass-Through Rates for the Class I-A-1A Certificates and the Class I-A-2B, Class I-A-3 and Class I-A-4 Components will be variable rates equal to the lesser of (i) One-Month LIBOR plus the related margin and (ii) the related Net WAC Pass-Through Rate. If the Optional Call is not exercised on the first possible date, the respective margins will increase to two times the original margin. The Class 1-A-1A Certificates and the Class I-A-2B, Class I-A-3 and Class I-A-4 Components will have the benefit of the Floor Agreement and the Certificate Swap Agreement (as more fully described herein).

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(4) The Pass-Through Rate for the Class I-A-1B Certificates will be a variable rate equal to the lesser of (i) One-Month LIBOR plus the related margin and (ii) the related Net WAC Pass-Through Rate; provided, that the pass-through rate for the Class I-A-1B Certificates will only be subject to the related Net WAC Pass-Through Rate if payments are not made under the Class I-A-1B Swap Agreement or the Class I-A-1B Swap Agreement has been terminated. If the Optional Call is not exercised on the first possible date, its margin will increase to two times its original margin. In addition, in the event that the Class I-A-1B Swap Agreement is terminated early, the current margin for the Class I-A-1B Certificates will increase by [__]% per annum on or before the first possible optional termination date and will increase by [__]% per annum after the first possible optional termination date. The Class I-A-1B Certificates will have the benefit of the Certificate Swap Agreement, the Class I-A-1B Swap Agreement, and the Floor Agreement, each as further described below.

(5) The Pass-Through Rate for the Class II-A-1 and Class II-A-2 Certificates will be a variable rate equal to the lesser of (i) One-Month LIBOR plus respective margins and (ii) the related Net WAC Pass-Through Rate. If the Optional Call is not exercised on the first possible date, its margin will increase to two times its original margin. The Class II-A-1 and Class II-A-2 Certificates will have the benefit of the Floor Agreement and the Certificate Swap Agreement (as more fully described herein).

(6) The Pass-Through Rates for the Class III-A-1 Certificates and the Class III-A-2B, Class III-A-3 and Class III-A-4 Components will be a variable rate equal to the lesser of (i) One-Month LIBOR plus the related margin and (ii) the related Net WAC Pass-Through Rate. If the Optional Call is not exercised on the first possible date, the respective margins will increase to two times the original margin. The Class III-A-1 Certificates and the Class III-A-2B, Class III-A-3 and Class III-A-4 Components will have the benefit of the Floor Agreement and the Certificate Swap Agreement (as more fully described herein).

(6) The Pass-Through Rate for the Class III-A-1 Certificates will be a variable rate equal to the lesser of (i) One-Month LIBOR plus the related margin and (ii) the related Net WAC Pass-Through Rate. If the Optional Call is not exercised on the first possible date, its margin will increase to two times its original margin. The Class III-A-1 Certificates will have the benefit of the Floor Agreement and the Certificate Swap Agreement (as more fully described herein).

(7) The Class A-2A Certificates will be deemed for purposes of the distribution of interest and principal and the allocation of losses to consist of two components as described under "Components" in the table above. The Class A-2A Certificates will be entitled to all distributions of principal of and interest on the Class I-A-2A and Class III-A-2A Components. The components are not severable.

(8) The Class A-2B Certificates will be deemed for purposes of the distribution of interest and principal and the allocation of losses to consist of two components as described under "Components" in the table above. The Class A-2B Certificates will be entitled to all distributions of principal of and interest on the Class I-A-2B and Class III-A-2B Components. The components are not severable.

(9) The Class A-3 Certificates will be deemed for purposes of the distribution of interest and principal and the allocation of losses to consist of two components as described under "Components" in the table above. The Class A-3 Certificates will be entitled to all distributions of principal of and interest on the Class I-A-3 and Class III-A-3 Components. The components are not severable.

(10) The Class A-4 Certificates will be deemed for purposes of the distribution of interest and principal and the allocation of losses to consist of two components as described under "Components" in the table above. The Class A-4 Certificates will be entitled to all distributions of principal of and interest on the Class I-A-4 and Class III-A-4 Components. The components are not severable.

(11) The Pass-Through Rate for the Class I-A-2A Component will be a variable rate equal to the lesser of (i) One-Month LIBOR plus the related margin and (ii) the related Net WAC Pass-Through Rate; provided, that the pass-through rate for the Class I-A-2A Component will only be subject to the related Net WAC Pass-Through Rate if payments are not made under the Class A-2A Swap Agreement or the Class A-2A Swap Agreement has been terminated. If the Optional Call is not exercised on the first possible date, its margin will increase to two times its original margin. In addition, in the event that the Class A-2A Swap Agreement is terminated early, the current margin for the Class I-A-2A Component will increase by [__]% per annum on or before the first possible optional termination date and will increase by [__]% per annum after the first possible optional termination date. The Class I-A-2A Component will have the benefit of the Certificates Swap Agreement, the Class A-2A Swap Agreement, and the Floor Agreement, each as further described below.

(12) The Pass-Through Rate for the Class III-A-2A Component will be a variable rate equal to the lesser of (i) One-Month LIBOR plus the related margin and (ii) the related Net WAC Pass-Through Rate; provided, that the pass-through rate for the Class III-A-2A Component will only be subject to the related Net WAC Pass-Through Rate if payments are not made under the Class A-2A Swap Agreement or the Class A-2A Swap Agreement has been terminated. If the Optional Call is not exercised on the first possible date, its margin will increase to two times its original margin. In addition, in the event that the Class A-2A Swap Agreement is terminated early, the current margin for the Class III-A-2A Component will increase by [__]% per annum on or before the first possible optional termination date and will increase by [__]% per annum after the first possible optional termination date. The Class III-A-2A Component will have the benefit of the Certficate Swap Agreement, the Class A-2A Swap Agreement, and the Floor Agreement, each as further described below.

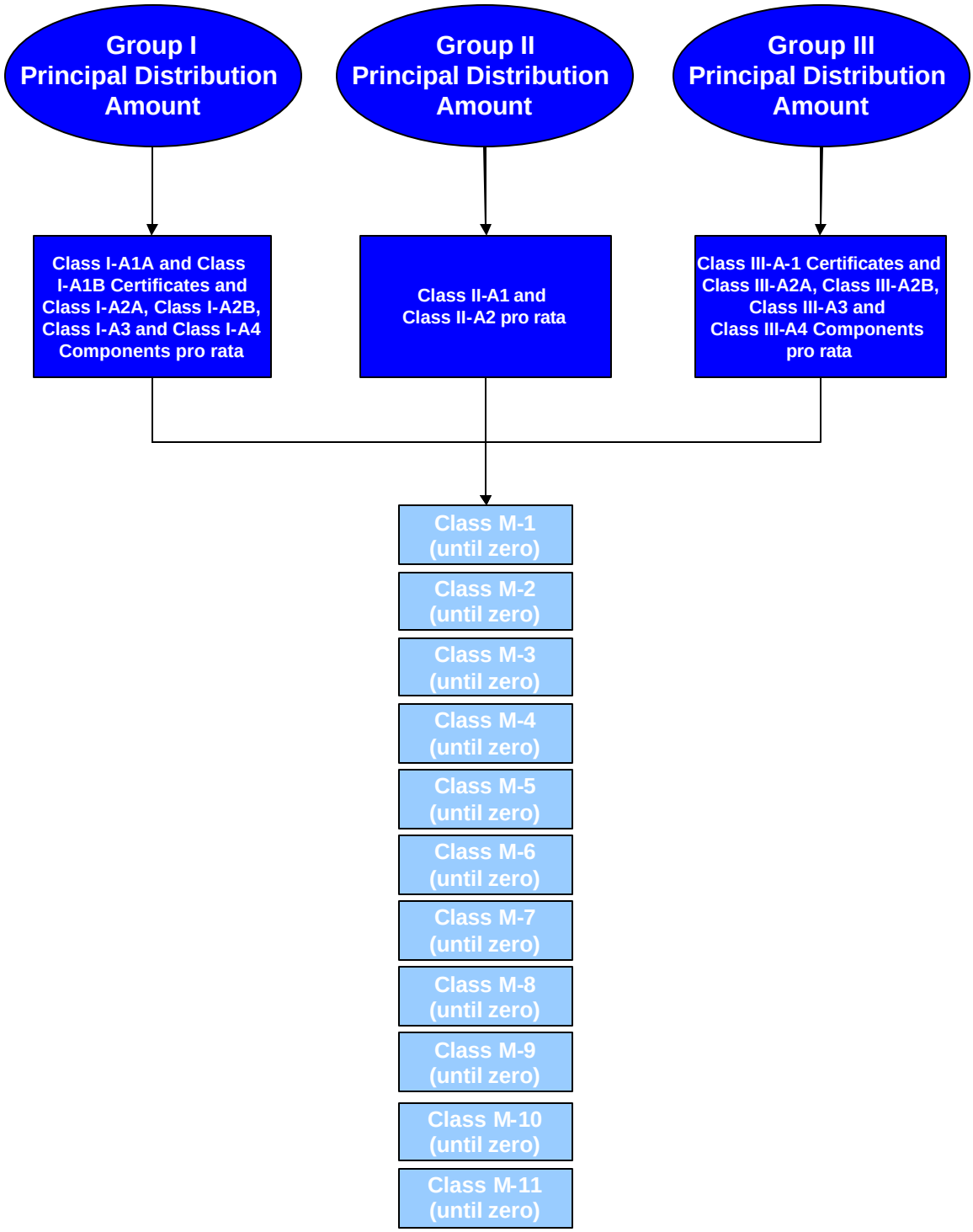
(13) The Pass-Through Rates for the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, M-10 and Class M-11 Certificates will be variable rates equal to the lesser of (i) One-Month LIBOR plus the respective margins and (ii) the related Net WAC Pass-Through Rate. If the Optional Call is not exercised on the first possible date, the margins will increase to 1.5 times the original margins. These Certificates will have the benefit of the Floor Agreement and the Certificate Swap Agreement (as more fully described herein).

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Deutsche Alt-A Securities
Mortgage Loan Trust, Series 2007-OA4

Deutsche Bank

Transaction Overview



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Deutsche Alt-A Securities Mortgage Loan Trust, Series 2007-OA4

Deutsche Bank

Transaction Overview

Certificates:	The Class I-A-1A and Class I-A-1B Certificates (together the "Group I Senior Certificates"), the Class II-A-1 and Class II-A-2 Certificates (together the "Group II Senior Certificates"), the Class III-A-1 Certificates (the "Group III Senior Certificates"), the Class A-2A, A-2B, Class A-3 and Class A-4 Certificates (together the "Group I/III Senior Certificates" and together with the Group I Senior Certificates, the Group II Senior Certificates and the Group III Senior Certificates, the "Class A Certificates" and the "Senior Certificates"), and the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates (the "Mezzanine Certificates"). Additionally, the trust will issue the Class CE-1, Class CE-2, Class CE-3, Class P and Class R Certificates.
Components:	The Class I-A-2A, Class I-A-2B, Class I-A-3 and Class I-A-4 Components (together, the "Group I Components") and the Class III-A-2A, Class III-A-2B, Class III-A-3 and Class III-A-4 Components (together, the "Group III Components").
Offered Certificates:	The Senior Certificates and the Mezzanine Certificates other than the Class M-10 and Class M-11 Certificates.
LIBOR Certificates:	The Senior Certificates and the Mezzanine Certificates
Pricing Speed:	25% CPR.
Depositor:	ACE Securities Corp.
Master Servicer and Securities Administrator:	Wells Fargo Bank, N.A.
Servicers:	Countrywide Home Loans Servicing LP ("Countrywide Servicing") and GMAC Mortgage; LLC ("GMACM") with respect to approximately 86.54% and 13.46% of the total principal balance of the Mortgage Loans as of the Cut-Off Date, respectively. See Exhibit A to this Free Writing Prospectus for a description of Countrywide Servicing as servicer.
Originator:	The Originator of the Mortgage Loans is Countrywide Home Loans, Inc ("Countrywide") with respect to approximately 86.54% of the total principal balance of the Mortgage Loans, as of the Cut-Off Date. The remainder of the Mortgage Loans were originated by various originators, each of which has originated less than 10.00% of the Mortgage Loans by aggregate principal balance as of the Cut-Off Date. See Exhibit B to this Free Writing Prospectus for a description of Countrywide as originator.
Trustee:	HSBC Bank USA, National Association
Certificate Swap Provider:	Deutsche Bank AG, New York Branch
Floor Provider:	TBD
Class I-A-1B Swap Provider and Class A-2A Swap Provider:	Deutsche Bank AG, New York Branch
Credit Risk Manager:	Clayton Fixed Income Services Inc.
Cut-off Date:	June 1, 2007.
Closing Date:	June 29, 2007.
Legal Structure:	REMIC.
Optional Call:	10% Cleanup Call.
Distribution Dates:	25th of each month, or the next business day, commencing in July 2007.
Interest Accrual Period:	The interest accrual period with respect to the LIBOR Certificates and any Distribution Date will be the period beginning with the previous Distribution Date (or in the case of the first Distribution Date, the Closing Date) and ending on the day prior to such Distribution Date (calculated on an actual/360 day basis).
Settlement:	The price to be paid for the Offered Certificates will not include accrued interest.

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Transaction Overview

ERISA:

- Generally, the Class I-A-1A, Class I-A-1B, Class II-A-1, Class III-A-1 and Class A-4 Certificates may be purchased by employee benefit plans or other retirement arrangements subject to the Employee Retirement Income Security Act of 1974 or Section 4975 of the Internal Revenue Code of 1986. However, a person investing assets of any such plans or arrangements may not hold or acquire the Class I-A-1A, Class II-A-1, Class III-A-1 and Class A-4 Certificates before the termination of the Floor Agreement and the Certificate Swap Agreement, and may not hold or acquire the Class I-A-1B Certificates before the termination of the Floor Agreement, the Certificate Swap Agreement and the Class I-A-1B Swap Agreement, unless such acquisition or holding is eligible for the exemptive relief available under certain administrative or statutory exemptions. The Class II-A-2, Class A-2A, Class A-2B and Class A-3 Certificates and Mezzanine Certificates may only be purchased by plan investors that are certain insurance company general accounts.

SMMEA:

- The Offered Certificates (other than the Class M-4, Class M-5, Class M-6, Class M-7, Class M-8 and Class M-9 Certificates) are expected to be SMMEA eligible. Investors should consult legal counsel in determining the extent to which the Offered Certificates constitute legal investments for them.

Credit Enhancement:

- Credit Enhancement for the Offered Certificates will be provided by excess interest, overcollateralization, and subordination (see "Allocation of Losses" herein).

Collateral:

- All of the mortgage loans (the "Mortgage Loans") are 30 or 40 year fixed rate and adjustable rate loans secured by first liens on one-to four-family residential properties. All of the Mortgage Loans are negative amortization loans.
- The Mortgage Loans are divided into three groups (the "Group I Mortgage Loans", the "Group II Mortgage Loans" and the "Group III Mortgage Loans"; also referred to as "Loan Group I", "Loan Group II" and "Loan Group III")
- Approximately 39.06% of the Mortgage Loans in the aggregate, and approximately 35.28%, 0.00% and 92.82% of the Mortgage Loans in Loan Group I, Loan Group II and Loan Group III, respectively, have mortgage rates that are generally fixed for an initial period from one to three months after origination and then adjust monthly or every three months (the "Option ARM Loans"). However, the scheduled payments on the Option ARM Loans generally adjust annually on a date specified in the related mortgage note and will be fixed based on the original fixed rate until the first payment adjustment date.
- Approximately 60.93% of the Mortgage Loans in the aggregate, and approximately 64.72%, 99.85% and 7.18% of the Mortgage Loans in Loan Group I, Loan Group II and Loan Group III, respectively, have mortgage rates that are generally fixed for a three, five or seven year period after origination, and then adjust semiannually or annually (the "Hybrid Option ARM Loans").
- Approximately 0.01% of the Mortgage Loans in the aggregate, and approximately 0.00%, 0.15% and 0.00% of the Mortgage Loans in Loan Group I, Loan Group II and Loan Group III, respectively, have fixed mortgage rates (the "Fixed Rate Payment Option Loans"). The scheduled payments on the Fixed Rate Payment Option Loans adjust on a date specified in the mortgage note.
- The "Mortgage Index" used to calculate the mortgage rates for the Mortgage Loans in the aggregate and for each Loan Group is as follows:

Mortgage Index	Mortgage Loans in the Aggregate (% of Cut-off Date Principal Balance)	Loan Group I (% of Cut-off Date Principal Balance)	Loan Group II (% of Cut-off Date Principal Balance)	Loan Group III (% of Cut-off Date Principal Balance)
One-Year MTA	[36.71]%	[33.44]%	[0]	[85.51]%
One-Year LIBOR	[60.29]%	[64.14]%	[97.77]%	[7.31]%
Six-Month LIBOR	[0.66]%	[0.58]%	[2.23]%	[0]
One-Month LIBOR	[1.95]%	[1.62]%	[0]	[5.53]%
11th District COFI	[0.38]%	[0.23]%	[0]	[1.65]%

- **NOTE:** The information related to the Mortgage Loans described herein reflects preliminary information. It is expected that on or prior to the Closing Date, certain loans may be prepaid or otherwise removed from the pool of Mortgage Loans and additional mortgage loans may be added to the pool of Mortgage Loans. The characteristics of the pool of mortgage loans may vary from those reflected herein and the aggregate principal balance of the Mortgage Loans as of the Closing Date may be greater than or less than the aggregate principal balance of the Mortgage Loans presented herein by up to 5%. Consequently, the aggregate initial principal balance of the Certificates may vary up to 5% from the amounts shown herein.

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Transaction Overview

Negative Amortization:	■ Since the Mortgage Loans are subject to negative amortization, the Senior Certificates and the Mezzanine Certificates are subject to increases in their principal balances. However, the amount of negative amortization that occurs in each interest accrual period with respect to each Mortgage Loan will be offset by principal collections for such period. Any negative amortization in excess of principal collections ("**Net Deferred Interest**") shall be allocated among the Senior Certificates and the Mezzanine Certificates based on the amount of interest accrued on each such Class for the related Interest Accrual Period.
Advances:	■ Each Servicer will collect monthly payments of principal and interest on the Mortgage Loans serviced by such Servicer and will be obligated to make advances of delinquent monthly principal and interest payments. The Servicers are required to advance delinquent payments of principal and interest on the related Mortgage Loans only to the extent such amounts are deemed recoverable. If a Servicer fails to make any such advance, the Master Servicer will be required to do so subject to its determination of recoverability. The Servicers and the Master Servicer are entitled to be reimbursed for these advances, and therefore these advances are not a form of credit enhancement.
Compensating Interest:	■ Each Servicer will be required each month to cover interest shortfalls as a result of voluntary prepayments on Mortgage Loans serviced by such Servicer generally up to the monthly Servicing Fee payable to such Servicer. If a Servicer fails to make any required Compensating Interest payment, the Master Servicer will be required to do so for such Distribution Date.
Administration Fee Rate:	■ The Administration Fee Rate with respect to each Mortgage Loan will be equal to the sum of (i) the servicing fee rate, (ii) the rate at which the fee payable to the Credit Risk Manager is calculated and (iii) the rate at which the premium payable in connection with any lender paid primary mortgage insurance policy is calculated, if applicable.

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Deutsche Alt-A Securities Mortgage Loan Trust, Series 2007-OA4

Deutsche Bank

Transaction Overview

Administration Fee:	■ The Administration Fee with respect to each Mortgage Loan and any Distribution Date, will be equal to the product of one-twelfth of (x) the Administration Fee Rate for such Mortgage Loan multiplied by (y) the principal balance of that Mortgage Loan as of the last day of the immediately preceding due period (or as of the Cut-Off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related prepayment period.
Certificate Principal Balance:	■ The Certificate Principal Balance of any class of Senior Certificates (other than the Group I/III Senior Certificates) or Mezzanine Certificates, or any Component, as of any date of determination is equal to the initial Certificate Principal Balance of such certificate or Component (a) reduced by the aggregate of (i) all amounts allocable to principal previously distributed with respect to that certificate or Component and (ii) any reductions in the Certificate Principal Balance of such certificate or Component deemed to have occurred in connection with allocations of Realized Losses in the manner described herein and (b) increased by the amount of Net Deferred Interest allocated to such class of certificates or Component; provided that the Certificate Principal Balance of each class of Senior Certificates (other than the Group I/III Senior Certificates) and Mezzanine Certificates, or Component, to which Realized Losses have been allocated will be increased by the amount of any Subsequent Recoveries on the related Mortgage Loans received by the related servicer or the master servicer as set forth herein, but not by more than the amount of Realized Losses previously allocated to reduce the Certificate Principal Balances of such certificates or Component and not previously reimbursed to such certificates or Component as an Allocated Realized Loss Amount. ■ The Certificate Principal Balance of any class of Group I/III Senior Certificates, as of any date of determination is equal to the Certificate Principal Balance of the related Components as of such date of determination.
Net Mortgage Rate:	■ The Net Mortgage Rate for each Mortgage Loan will be equal to the mortgage interest rate thereon less the related Administration Fee Rate.

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Transaction Overview

Net WAC Pass-Through Rate:

With respect to any Distribution Date, the Net WAC Pass-Through Rate for each Class of Group I Senior Certificates, Group II Senior Certificates, Group III Senior Certificates and Mezzanine Certificates, and each Component, will be as follows:

i. with respect to the Class I-A-1A Certificates and the Class I-A-2B, Class I-A-3 and Class I-A-4 Components, a per annum rate (subject to adjustment based on the actual number of days elapsed in the related Interest Accrual Period) equal to the product of (i) 12 and (ii) a fraction, expressed as a percentage, (A) the numerator of which is the excess, if any, of (a) the amount of interest which accrued on the Group I Mortgage Loans in the prior calendar month minus the aggregate Administration Fees for the Group I Mortgage Loans for such Distribution Date, over (b) the product of (x) any Net Securities Administrator Certificate Swap Payment and Swap Termination Payment payable to the Certificate Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Certificate Swap Agreement) multiplied by (y) the Group I Certificate Swap Allocation Percentage, and (B) the denominator of which is the aggregate principal balance of the Group I Mortgage Loans as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period;

ii. with respect to the Class I-A-1B Certificates, a per annum rate (subject to adjustment based on the actual number of days elapsed in the related Interest Accrual Period) equal to the product of (i) 12 and (ii) a fraction, expressed as a percentage, (A) the numerator of which is the excess, if any, of (a) the amount of interest which accrued on the Group I Mortgage Loans in the prior calendar month minus the aggregate Administration Fees for the Group I Mortgage Loans for such Distribution Date, over (b) the sum of (i) any Adjusted Net Securities Administrator Class I-A-1B Swap Payment and Swap Termination Payment payable to the Class I-A-1B Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Class I-A-1B Swap Agreement) and (ii) the product of (x) any Net Securities Administrator Certificate Swap Payment and Swap Termination Payment payable to the Certificate Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Certificate Swap Agreement) multiplied by (y) the Group I Certificate Swap Allocation Percentage, and (B) the denominator of which is the aggregate principal balance of the Group I Mortgage Loans as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period;

iii. with respect to the Class II-A-1 and Class II-A-2 Certificates, a per annum rate (subject to adjustment based on the actual number of days elapsed in the related Interest Accrual Period) equal to the product of (i) 12 and (ii) a fraction, expressed as a percentage, (A) the numerator of which is the excess, if any, of (a) the amount of interest which accrued on the Group II Mortgage Loans in the prior calendar month minus the aggregate Administration Fees for the Group II Mortgage Loans for such Distribution Date, over (b) the product of (x) any Net Securities Administrator Certificate Swap Payment and Swap Termination Payment payable to the Certificate Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Certificate Swap Agreement) multiplied by (y) the Group II Certificate Swap Allocation Percentage, and (B) the denominator of which is the aggregate principal balance of the Group II Mortgage Loans as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period;

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Transaction Overview

Net WAC Pass-Through Rate (continued):

iv. with respect to the Class III-A-1 Certificates and the Class III-A-2B, Class III-A-3 and Class III-A-4 Components, a per annum rate (subject to adjustment based on the actual number of days elapsed in the related Interest Accrual Period) equal to the product of (i) 12 and (ii) a fraction, expressed as a percentage, (A) the numerator of which is the excess, if any, of (a) the amount of interest which accrued on the Group III Mortgage Loans in the prior calendar month minus the aggregate Administration Fees for the Group III Mortgage Loans for such Distribution Date, over (b) the product of (x) any Net Securities Administrator Certificate Swap Payment and Swap Termination Payment payable to the Certificate Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Certificate Swap Agreement) multiplied by (y) the Group III Certificate Swap Allocation Percentage, and (B) the denominator of which is the aggregate principal balance of the Group III Mortgage Loans as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period;

v. with respect to the Class I-A-2A Component, a per annum rate (subject to adjustment based on the actual number of days elapsed in the related Interest Accrual Period) equal to the product of (i) 12 and (ii) a fraction, expressed as a percentage, (A) the numerator of which is the difference of (a) the amount of interest which accrued on the Group I Mortgage Loans in the prior calendar month minus the aggregate Administration Fees for the Group I Mortgage Loans for such Distribution Date, over (b) the sum of (i) the product of (x) any Adjusted Net Securities Administrator Class A-2A Swap Payment and Swap Termination Payment payable to the Class A-2A Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Class A-2A Swap Agreement) multiplied by (x) the Group I Allocation Percentage and (ii) the product of (x) any Net Securities Administrator Certificate Swap Payment and Swap Termination Payment payable to the Certificate Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Certificate Swap Agreement) multiplied by (y) the Group I Certificate Swap Allocation Percentage, and (B) the denominator of which is the aggregate principal balance of the Group I Mortgage Loans as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period;

vi. with respect to the Class III-A-2A Component, a per annum rate (subject to adjustment based on the actual number of days elapsed in the related Interest Accrual Period) equal to the product of (i) 12 and (ii) a fraction, expressed as a percentage, (A) the numerator of which is the difference of (a) the amount of interest which accrued on the Group III Mortgage Loans in the prior calendar month minus the aggregate Administration Fees for the Group III Mortgage Loans for such Distribution Date, over (b) the sum of (i) the product of (x) any Adjusted Net Securities Administrator Class A-2A Swap Payment and Swap Termination Payment payable to the Class A-2A Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Class A-2A Swap Agreement) multiplied by (x) the Group III Allocation Percentage and (ii) the product of (x) any Net Securities Administrator Certificate Swap Payment and Swap Termination Payment payable to the Certificate Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Certificate Swap Agreement) multiplied by (y) the Group III Certificate Swap Allocation Percentage, and (B) the denominator of which is the aggregate principal balance of the Group III Mortgage Loans as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period;

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Transaction Overview

Net WAC Pass-Through Rate (continued):

vii. with respect to the Mezzanine Certificates, the weighted average (weighted, with respect to clause (x), (y) and (z), on the basis of the Group Subordinate Component for Loan Group I, Loan Group II and Loan Group III, respectively) of:

(x) a per annum rate (subject to adjustment based on the actual number of days elapsed in the related Interest Accrual Period) equal to the product of (i) 12 and (ii) a fraction, expressed as a percentage, (A) the numerator of which is the excess, if any, of (a) the amount of interest which accrued on the Group I Mortgage Loans in the prior calendar month minus the aggregate Administration Fees for the Group I Mortgage Loans for such Distribution Date, over (b) the product of (x) any Net Securities Administrator Certificate Swap Payment and Swap Termination Payment payable to the Certificate Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Certificate Swap Agreement) multiplied by (y) the Group I Certificate Swap Allocation Percentage, and (B) the denominator of which is the aggregate principal balance of the Group I Mortgage Loans as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period;

(y) a per annum rate (subject to adjustment based on the actual number of days elapsed in the related Interest Accrual Period) equal to the product of (i) 12 and (ii) a fraction, expressed as a percentage, (A) the numerator of which is the excess, if any, of (a) the amount of interest which accrued on the Group II Mortgage Loans in the prior calendar month minus the aggregate Administration Fees for the Group II Mortgage Loans for such Distribution Date, over (b) the product of (x) any Net Securities Administrator Certificate Swap Payment and Swap Termination Payment payable to the Certificate Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Certificate Swap Agreement) multiplied by (y) the Group II Certificate Swap Allocation Percentage, and (B) the denominator of which is the aggregate principal balance of the Group II Mortgage Loans as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period; and

(z) a per annum rate (subject to adjustment based on the actual number of days elapsed in the related Interest Accrual Period) equal to the product of (i) 12 and (ii) a fraction, expressed as a percentage, (A) the numerator of which is the excess, if any, of (a) the amount of interest which accrued on the Group III Mortgage Loans in the prior calendar month minus the aggregate Administration Fees for the Group III Mortgage Loans for such Distribution Date, over (b) the product of (x) any Net Securities Administrator Certificate Swap Payment and Swap Termination Payment payable to the Certificate Swap Provider for such Distribution Date (which was not caused by a Swap Provider Trigger Event, as defined in the Certificate Swap Agreement) multiplied by (y) the Group III Certificate Swap Allocation Percentage, and (B) the denominator of which is the aggregate principal balance of the Group III Mortgage Loans as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period.

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Transaction Overview

Group Subordinate Amount:

- For any Distribution Date and Loan Group I, the excess, if any, of (i) the then outstanding aggregate principal balance of the Group I Mortgage Loans over (ii) the then outstanding aggregate Class Principal Balance of the Group I Senior Certificates and Group I Components.
- For any Distribution Date and Loan Group II, the excess, if any, of (i) the then outstanding aggregate principal balance of the Group II Mortgage Loans over (ii) the then outstanding aggregate Class Principal Balance of the Group II Senior Certificates.
- For any Distribution Date and Loan Group III, the excess, if any, of (i) the then outstanding aggregate principal balance of the Group III Mortgage Loans over (ii) the then outstanding aggregate Class Principal Balance of the Group III Senior Certificates and Group III Components.

Group I Certificate Swap Allocation Percentage:

- For any Distribution Date, the aggregate principal balance of the Group I Mortgage Loans divided by the aggregate principal balance of all of the Mortgage Loans, in each case, as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period.

Group II Certificate Swap Allocation Percentage:

- For any Distribution Date, the aggregate principal balance of the Group II Mortgage Loans divided by the aggregate principal balance of all of the Mortgage Loans, in each case, as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period.

Group III Certificate Swap Allocation Percentage:

- For any Distribution Date, the aggregate principal balance of the Group III Mortgage Loans divided by the aggregate principal balance of all of the Mortgage Loans, in each case, as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period.

Group I Allocation Percentage:

- For any Distribution Date, the aggregate principal balance of the Group I Mortgage Loans divided by the aggregate principal balance of all of the Group I Mortgage Loans and Group III Mortgage Loans, in each case, as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period.

Group III Allocation Percentage:

- For any Distribution Date, the aggregate principal balance of the Group III Mortgage Loans divided by the aggregate principal balance of all of the Group I Mortgage Loans and Group III Mortgage Loans, in each case, as of the last day of the immediately preceding due period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period.

Interest Remittance Amount:

- For any Distribution Date and any Loan Group, as more fully described in the pooling and servicing agreement, will equal the sum of the following amounts:
  - i. all interest received by or on behalf of each servicer with respect to the Mortgage Loans in that Loan Group by the Determination Date for such Distribution Date and not previously distributed;
  - ii. all Advances in respect of interest made by a servicer and/or the master servicer with respect to Mortgage Loans in that Loan Group for that Distribution Date;
  - iii. any amounts paid as Compensating Interest on the Mortgage Loans in that Loan Group by a servicer and/or the master servicer for that Distribution Date;
  - iv. the interest portions of the total amount deposited in the Distribution Account in connection with the repurchase of any Mortgage Loan in that Loan Group by the depositor or the sponsor; and
  - v. the interest portions of the total amount deposited in the Distribution Account related to that Loan Group in connection with the optional termination of the trust fund;

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Transaction Overview

Interest Remittance Amount (Continued):

minus the sum of the following amounts:

(1) all scheduled payments of interest collected on the Mortgage Loans in that Loan Group but due on a date after the related Due Date;

(2) all interest paid by the mortgagors in connection with partial principal prepayments received with respect to the Mortgage Loans in that Loan Group after the related Prepayment Period;

(3) all interest paid by the mortgagors in connection with prepayments in full received with respect to the Mortgage Loans in that Loan Group after the related Prepayment Period;

(4) all amounts (other than Advances in respect of principal) related to that Loan Group reimbursable to a servicer pursuant to the terms of the related Servicing Agreement or to the master servicer, the securities administrator, the trustee or the custodians pursuant to the terms of the Pooling and Servicing Agreement or the Custodial Agreements; and

(5) any fees payable to the servicers, the master servicer, the credit risk manager and any premiums payable in connection with any lender paid primary mortgage insurance policies for the related Due Period related to that Loan Group.

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Transaction Overview

Interest Funds:
- With respect to any Loan Group, for any Distribution Date is equal to the sum of (i) the Interest Remittance Amount for that Loan Group for such Distribution Date and (ii) the aggregate Deferred Interest for the Mortgage Loans in that Loan Group for the related Due Date up to the Principal Remittance Amount for that Loan Group for that Distribution Date.

Aggregate Interest Funds:
- With respect to any Distribution Date, the sum of the Interest Funds for Loan Group I, Loan Group II and Loan Group III.

Interest Distribution Amount:
- With respect to any class of Group I Senior Certificates, Group II Senior Certificates, Group III Senior Certificates, Group I Components and Group III Components, and any Distribution Date, interest accrued during the related Interest Accrual Period on the related Certificate Principal Balance of that class of certificates or Component immediately prior to the Distribution Date at the Pass-Through Rate for that class of certificates or Component reduced (to an amount not less than zero), by such class' or Component's allocable share, if any, of (i) Net Deferred Interest on the Mortgage Loans in the related Loan Group for that Distribution Date, (ii) Prepayment Interest Shortfalls on Mortgage Loans in the related Loan Group to the extent not covered by Compensating Interest paid by the master servicer or the servicers, (iii) Relief Act Interest Shortfalls on Mortgage Loans in the related Loan Group and (iv) the interest portion of Realized Losses incurred on the Mortgage Loans in the related Loan Group.
- With respect to any Class of Mezzanine Certificates and any Distribution Date, interest accrued during the related Interest Accrual Period on the related Certificate Principal Balance of that class of certificates immediately prior to the Distribution Date at the Pass-Through Rate for that class of certificates reduced (to an amount not less than zero), by such class' allocable share, if any, of (i) Net Deferred Interest on all the Mortgage Loans for that Distribution Date, (ii) Prepayment Interest Shortfalls on all the Mortgage Loans to the extent not covered by Compensating Interest paid by the master servicer or the servicers, (iii) Relief Act Interest Shortfalls on all the Mortgage Loans and (iv) the interest portion of Realized Losses incurred on all the Mortgage Loans.

Interest Carry Forward Amount:
- With respect to any class of Group I Senior Certificates, Group II Senior Certificates, Group III Senior Certificates and Mezzanine Certificates, or Component, and any Distribution Date will be equal to the amount, if any, by which the Interest Distribution Amount for that class of certificates or Component for the immediately preceding Distribution Date exceeded the actual amount distributed to such class of certificates or Component in respect of interest on the immediately preceding Distribution Date, together with any Interest Carry Forward Amount with respect to such class of certificates or Component remaining unpaid from previous Distribution Dates, plus interest accrued thereon at the related Pass-Through Rate for the most recently ended Interest Accrual Period.

Senior Interest Distribution Amount:
- For any Distribution Date and any class of Group I Senior Certificates, Group II Senior Certificates and Group III Senior Certificates, or Component, the Interest Distribution Amount for such Distribution Date for that class of Senior Certificates or Component and the Interest Carry Forward Amount, if any, for such Distribution Date for that class of Senior Certificates or Component.

Principal Remittance Amount:
- For any Distribution Date and any Loan Group, as more fully described in the pooling and servicing agreement, will equal the sum of the following amounts:
  i. the total amount of all principal received by or on behalf of each servicer with respect to the Mortgage Loans in that Loan Group by the Determination Date for such Distribution Date and not previously distributed (including liquidation proceeds, condemnation proceeds, insurance proceeds and subsequent recoveries);
  ii. all Advances in respect of principal made by a servicer and/or the master servicer with respect to Mortgage Loans in that Loan Group for that Distribution Date;
  iii. the principal portions of the total amount deposited in the Distribution Account in connection with the repurchase of any Mortgage Loan in that Loan Group by the depositor or the sponsor; and
  iv. the principal portions of the total amount deposited in the Distribution Account with respect to that Loan Group in connection with the optional termination of the trust fund;

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Transaction Overview

Principal Remittance Amount (Continued):

- minus, the sum of the following amounts:
  - (1) all scheduled payments of principal collected on the Mortgage Loans in that Loan Group but due on a date after the related Due Date;
  - (2) all partial principal prepayments received with respect to the Mortgage Loans in that Loan Group after the related Prepayment Period, excluding all interest paid by the mortgagors in connection with such partial principal prepayments;
  - (3) all prepayments in full received with respect to the Mortgage Loans in that Loan Group after the related Prepayment Period, excluding all interest paid by the mortgagors in connection with such prepayments in full;
  - (4) liquidation proceeds, insurance proceeds, condemnation proceeds and subsequent recoveries received on the Mortgage Loans in that Loan Group after the related Prepayment Period;
  - ii. all Advances in respect of principal with respect to Mortgage Loans in that Loan Group to a servicer pursuant to the terms of the related Servicing Agreement or to the master servicer, the securities administrator, the trustee or the custodians pursuant to the terms of the Pooling and Servicing Agreement or the applicable Custodial Agreement; and

all other amounts reimbursable to a servicer pursuant to the terms of the related Servicing Agreement or to the master servicer, the securities administrator, the trustee or the custodians pursuant to the terms of the Pooling and Servicing Agreement or the applicable Custodial Agreement for the related Due Period with respect to that Loan Group to the extent not reimbursed from the Interest Remittance Amount for that Loan Group for the related Due Period.

Aggregate Principal Remittance Amount:

- With respect to any Distribution Date, the sum of the Principal Remittance Amount for Loan Group I, Loan Group II and Loan Group III.

Principal Funds:

- With respect to any Loan Group, for any Distribution Date is equal to the excess, if any, of (i) the Principal Remittance Amount for that Loan Group for that Distribution Date over (ii) the aggregate Deferred Interest for the Mortgage Loans in that Loan Group for the related Due Date.

Aggregate Principal Funds:

- With respect to any Distribution Date, the sum of the Principal Funds for Loan Group I, Loan Group II and Loan Group III.

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Transaction Overview

Deferred Interest:	With respect to each Mortgage Loan and each related Due Date, the excess, if any, of the amount of interest accrued on such Mortgage Loan from the preceding Due Date to such Due Date over the interest portion of the monthly payment due for such Due Date. Such excess may occur because the mortgage rates of the Mortgage Loans adjust monthly, while the monthly payment generally adjusts annually, or as a result of the application of the Payment Caps, in either case, resulting in negative amortization.
Net Deferred Interest:	With respect to any Loan Group and any Distribution Date, the excess, if any, of the aggregate Deferred Interest for each Mortgage Loan in that Loan Group for the related Due Date, over the Principal Remittance Amount for that Loan Group for such Distribution Date.
Available Funds:	For any Distribution Date and each Loan Group, the sum of the Principal Funds and the Interest Funds for such Distribution Date and such Loan Group.
Aggregate Available Funds:	For any Distribution Date, the sum of the Available Funds for Loan Group I, Loan Group II and Loan Group III.
Net WAC Rate Carryover Amount:	With respect to any Distribution Date on which the related Pass-Through Rate for the Senior Certificates and Mezzanine Certificates is limited to the applicable Net WAC Pass-Through Rate, the Net WAC Rate Carryover Amount is an amount equal to the sum of (i) the excess of (x) the amount of interest such certificates would have been entitled to receive on such Distribution Date if the related Net WAC Pass-Through Rate had not been applicable to such certificates on such Distribution Date over (y) the amount of interest accrued on such Distribution Date at the related Net WAC Pass-Through Rate plus (ii) the related Net WAC Rate Carryover Amount for any previous Distribution Date not previously distributed, together with interest thereon at a rate equal to the related Pass-Through Rate for such class of certificates for the most recently ended Interest Accrual Period determined without taking into account the related Net WAC Pass-Through Rate.
Principal Distribution Amount:	The Principal Distribution Amount for any Distribution Date will equal (i) the Aggregate Principal Funds for such Distribution Date plus (ii) any Overcollateralization Increase Amount *minus* (iii) the amount of any Overcollateralization Reduction Amount for such Distribution Date and any amounts payable or reimbursable to the servicers, the trustee, the custodian, the master servicer or the securities administrator prior to distributions being made on the Senior Certificates and Mezzanine Certificates. In no event will the Principal Distribution Amount with respect to any Distribution Date be less than zero or greater than the then outstanding aggregate Certificate Principal Balance of the Senior Certificates and Mezzanine Certificates.

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Transaction Overview (Cont.)

Group I Principal Distribution Amount:	With respect to each Distribution Date is equal to the product of (i) the Principal Distribution Amount and (ii) a fraction, the numerator of which is the Principal Remittance Amount for Loan Group I for that Distribution Date and the denominator of which is the Aggregate Principal Remittance Amount for that Distribution Date.
Group II Principal Distribution Amount:	With respect to each Distribution Date is equal to the product of (i) the Principal Distribution Amount and (ii) a fraction, the numerator of which is the Principal Remittance Amount for Loan Group II for that Distribution Date and the denominator of which is the Aggregate Principal Remittance Amount for that Distribution Date.
Group III Principal Distribution Amount:	With respect to each Distribution Date is equal to the product of (i) the Principal Distribution Amount and (ii) a fraction, the numerator of which is the Principal Remittance Amount for Loan Group III for that Distribution Date and the denominator of which is the Aggregate Principal Remittance Amount for that Distribution Date.
Senior Principal Distribution Amount:	For any Distribution Date will equal the excess of: (1) the aggregate Certificate Principal Balance of the Senior Certificates immediately prior to such Distribution Date, over (2) the lesser of (A) the product of (i) (x) [81.25]% on any Distribution Date on or after the Stepdown Date and prior to the Distribution Date in [July 2013] or (y) [85.00]% on or after the Distribution Date in [July 2013] and (ii) the aggregate Stated Principal Balance of the Mortgage Loans as of the due date in the month of that Distribution Date (after giving effect to unscheduled principal collections received in the related prepayment period) and (B) the aggregate Stated Principal Balance of the Mortgage Loans as of the due date in the month of that Distribution Date (after giving effect to unscheduled principal collections received in the related prepayment period) minus the OC Floor.
Group I Senior Principal Distribution Amount:	With respect to each Distribution Date is equal to the product of (i) the Senior Principal Distribution Amount and (ii) a fraction, the numerator of which is the Principal Remittance Amount for Loan Group I for that Distribution Date and the denominator of which is the Aggregate Principal Remittance Amount for that Distribution Date.
Group II Senior Principal Distribution Amount:	With respect to each Distribution Date is equal to the product of (i) the Senior Principal Distribution Amount and (ii) a fraction, the numerator of which is the Principal Remittance Amount for Loan Group II for that Distribution Date and the denominator of which is the Aggregate Principal Remittance Amount for that Distribution Date.
Group III Senior Principal Distribution Amount:	With respect to each Distribution Date is equal to the product of (i) the Senior Principal Distribution Amount and (ii) a fraction, the numerator of which is the Principal Remittance Amount for Loan Group III for that Distribution Date and the denominator of which is the Aggregate Principal Remittance Amount for that Distribution Date.
Mezzanine Principal Distribution Amount:	For any class of Mezzanine Certificates and Distribution Date, will equal the excess of: (1) the sum of: (a) the aggregate Certificate Principal Balance of the Senior Certificates (after taking into account the distribution of the Senior Principal Distribution Amount for such Distribution Date), (b) the aggregate Certificate Principal Balance of any class(es) of Mezzanine Certificates that are senior to the subject class (in each case, after taking into account the distribution of the applicable Mezzanine Principal Distribution Amount(s) for such more senior class(es) of Mezzanine Certificates for such Distribution Date), and (c) the Certificate Principal Balance of such class of Mezzanine Certificates immediately prior to the subject Distribution Date, over (2) the lesser of (a) the product of (x) 100% minus the applicable Stepdown Target Subordination Percentage for the subject class of Mezzanine Certificates for that Distribution Date and (y) the aggregate Stated Principal Balance of the Mortgage Loans as of the due date in the month of that Distribution Date (after giving effect to unscheduled principal collections received in the related prepayment period) and (b) the aggregate Stated Principal Balance of the Mortgage Loans as of the due date in the month of that Distribution Date (after giving effect to unscheduled principal collections received in the related prepayment period) minus the OC Floor; provided, however, that if such class of Mezzanine Certificates is the only class of Mezzanine Certificates outstanding on such Distribution Date, that class will be entitled to receive the entire remaining Aggregate Principal Funds until its Certificate Principal Balance is reduced to zero.

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Transaction Overview (Cont.)

Required Overcollateralization Amount:	▪ Overcollateralization refers to the amount by which the aggregate principal balance of the Mortgage Loans exceeds the aggregate certificate principal balance of the Senior Certificates and Mezzanine Certificates. This excess (the "Overcollateralization Amount") is intended to protect the certificateholders against shortfalls in payments on the Senior Certificates and Mezzanine Certificates. The Required Overcollateralization Amount for the Senior Certificates and Mezzanine Certificates, which will be fully established at issuance, is anticipated to be approximately 0.55% of the aggregate stated principal balance of the Mortgage Loans as of the Cut-off Date. If, due to losses, the Overcollateralization Amount is reduced below the Required Overcollateralization Amount, excess spread, if any is available, will be paid to the Senior Certificates and Mezzanine Certificates then entitled to receive distributions in respect of principal in order to reduce the certificate principal balance of such Certificates to the extent necessary to reach the Required Overcollateralization Amount.
Overcollateralization Increase Amount:	▪ For any Distribution Date, the lesser of (i) the Net Monthly Excess Cashflow and (ii) the excess if any of the Required Overcollateralization Amount over the Overcollateralization Amount, in each case for that Distribution Date.
Overcollateralization Reduction Amount:	▪ For any Distribution Date, the lesser of (a) the Aggregate Principal Funds on such Distribution Date and (b) the excess, if any, of (i) the Overcollateralization Amount for such Distribution Date over (ii) the Required Overcollateralization Amount for such Distribution Date.
Stepdown Date:	▪ The earlier of (i) the first Distribution Date on which the aggregate Certificate Principal Balance of the Senior Certificates has been reduced to zero and (ii) the later to occur of (x) the Distribution Date occurring in [July 2010] and (y) the first Distribution Date on which the Credit Enhancement Percentage (calculated for this purpose only after taking into account distributions of principal on the Mortgage Loans, but prior to any distribution of principal to the holders of the Senior Certificates and Mezzanine Certificates) is equal to or greater than (a) on any Distribution Date prior to the Distribution Date in [July 2013], [18.75]% and (b) on any Distribution Date on or after the Distribution Date in [July 2013], [15.00]%.

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Transaction Overview (Cont.)

OC Floor:

- An amount equal to 0.50% of the aggregate Stated Principal Balance of the Mortgage Loans as of the Cut-off Date.

Net Monthly Excess Cashflow:

- For any Distribution Date, the sum of (i) any Overcollateralization Reduction Amount and (ii) the excess of (x) the Available Distribution Amount for the Distribution Date over (y) the sum for that Distribution Date of the aggregate of the Senior Interest Distribution Amounts payable to the holders of the Group I Senior, Group II Senior and Group II Senior Certificates, and the Group I Components and Group III Components, the aggregate of the Interest Distribution Amounts payable to the holders of the Mezzanine Certificates, the Aggregate Principal Funds, any Adjusted Net Securities Administrator Class I-A-1B Swap Payment or Swap Termination Payment owed to the Class I-A-1B Swap Provider, any Adjusted Net Securities Administrator Class A-2A Swap Payment or Swap Termination Payment owed to the Class A-2A Swap Provider, and any Net Securities Administrator Swap Payment or Swap Termination Payment owed to the Certificate Swap Provider.

Credit Enhancement Percentage:

- The Credit Enhancement Percentage for any class of Senior Certificates or Mezzanine Certificates and any Distribution Date is the percentage obtained by dividing (x) the aggregate Certificate Principal Balance of the class or classes subordinate thereto and the Overcollateralization Amount by (y) the aggregate principal balance of the Mortgage Loans calculated after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period, and distribution of the Principal Distribution Amount to the holders of the Senior Certificates and Mezzanine Certificates then entitled to distributions of principal on such Distribution Date.

Class	Two of Three Rating Agencies (S/M)	Initial CE %	CE % On/After Stepdown Date and Prior to July 2013	CE % On/After July 2013
Senior	[AAA/Aaa]	[7.50]%	2.50 x Initial CE %	2.00 x Initial CE %
M-1	[AA+/Aa1]	[5.50]%	2.50 x Initial CE %	2.00 x Initial CE %
M-2	[AA/Aa2]	[4.60]%	2.50 x Initial CE %	2.00 x Initial CE %
M-3	[AA-/Aa3]	[4.10]%	2.50 x Initial CE %	2.00 x Initial CE %
M-4	[A+/A1]	[3.60]%	2.50 x Initial CE %	2.00 x Initial CE %
M-5	[A/A2]	[3.10]%	2.50 x Initial CE %	2.00 x Initial CE %
M-6	[A-/A3]	[2.60]%	2.50 x Initial CE %	2.00 x Initial CE %
M-7	[BBB+/Baa1]	[2.10]%	2.50 x Initial CE %	2.00 x Initial CE %
M-8	[BBB/Baa2]	[1.60]%	2.50 x Initial CE %	2.00 x Initial CE %
M-9	[BBB-/Baa3]	[1.25]%	2.50 x Initial CE %	2.00 x Initial CE %
M-10	*Not offered*	[0.90]%	2.50 x Initial CE %	2.00 x Initial CE %
M-11	*Not offered*	[0.55]%	2.50 x Initial CE %	2.00 x Initial CE %

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Transaction Overview (Cont.)

Trigger Event:
- If either a Delinquency Trigger Event or a Cumulative Loss Trigger Event exists.

Delinquency Trigger Event:
- With respect to any Distribution Date on or after the Stepdown Date, if the rolling sixty day delinquency rate for the outstanding Mortgage Loans equals or exceeds the product of (i) (x) on or after the Stepdown Date and prior to the Distribution Date in [July 2013], [ ]% or (y) on or after the Distribution Date in [July 2013], [ ]% and (ii) the Credit Enhancement Percentage of the Senior Certificates, then a Delinquency Trigger Event exists.

Cumulative Loss Trigger Event:
- With respect to any Distribution Date on or after the Stepdown Date, if the aggregate amount of Realized Losses on the Mortgage Loans from (and including) the Cut-off Date to (and including) the related due date (reduced by the aggregate amount of subsequent recoveries received from the Cut-off Date through the prepayment period related to that due date) divided by the aggregate Scheduled Principal Balance as of the Cut-off Date exceeds the applicable percentage, for such Distribution Date, of the aggregate Stated Principal Balance of the Mortgage Loans, as set forth below, then a Cumulative Loss Trigger Event will exist:

Distribution Date Occurring in	Percentage
July 2009 to June 2010	[ ]%, plus 1/12th of [ ]% for each month thereafter
July 2010 to June 2011	[ ]%, plus 1/12th of [ ]% for each month thereafter
July 2011 to June 2012	[ ]%, plus 1/12th of [ ]% for each month thereafter
July 2012 to June 2013	[ ]%, plus 1/12th of [ ]% for each month thereafter
July 2013 to June 2014	[ ]%, plus 1/12th of [ ]% for each month thereafter
July 2014 and thereafter	[ ]%

Sequential Trigger Event:
- A Sequential Trigger Event is in effect on any Distribution Date if (x) on any Distribution Date before the Distribution Date in [July 2010], the aggregate amount of Realized Losses on the Group II Mortgage Loans incurred since the Cut-off Date through the last day of the related Prepayment Period divided by the aggregate Stated Principal Balance of the Group II Mortgage Loans as of the Cut-off Date exceeds [___]% or (y) on any Distribution Date on or after the Distribution Date in [July 2010], a Trigger Event is in effect or (z) on any Distribution Date before the Distribution Date in [July 2010], the Group II Rolling Sixty-Day Delinquency Rate equals or exceeds [___]% of the prior period's Credit Enhancement Percentage for the Group II Senior Certificates.

Group II Rolling Sixty-Day Delinquency Rate:
- With respect to any Distribution Date, the average of the Group II Sixty-Day Delinquency Rates for that Distribution Date and the two immediately preceding Distribution Dates.

Group II Sixty-Day Delinquency Rate:
- With respect to any Distribution Date, is a fraction, expressed as a percentage, the numerator of which is the aggregate Stated Principal Balance for such Distribution Date of all Group II Mortgage Loans that were 60 or more days delinquent as of the close of business on the last day of the calendar month preceding such Distribution Date (including Group II Mortgage Loans in foreclosure, bankruptcy and REO Properties) and the denominator of which is the aggregate Stated Principal Balance for such Distribution Date of the Group II Mortgage Loans as of the related Due Date (after giving effect to principal prepayments in the Prepayment Period related to that prior Due Date).

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Transaction Overview (Cont.)

Distributions of Interest:

On each Distribution Date, the Aggregate Interest Funds will be distributed in the following order of priority:

I. First, Group I Interest Funds, Group II Interest Funds and Group III Interest Funds will be distributed, concurrently, as follows:

A. Group I Interest Funds will be distributed as follows:

1. First, concurrently, (x) to the Supplemental Interest Trust for payment to the Class I-A-1B Swap Provider, payments of any Adjusted Net Securities Administrator Class I-A-1B Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Class I-A-1B Swap Provider, (y) to the Supplemental Interest Trust for payment to the Class A-2A Swap Provider, the product of (i) any payments of any Adjusted Net Securities Administrator Class A-2A Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Class A-2A Swap Provider multiplied by (ii) the Group I Allocation Percentage and (z) to the Supplemental Interest Trust for payment to the Certificate Swap Provider, the product of (i) any payments of any Net Securities Administrator Certificate Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Certificate Swap Provider multiplied by (ii) the Group I Certificate Swap Allocation Percentage;and

2. Second, concurrently to the holders of Group I Senior Certificates and Group I Components, the related Senior Interest Distribution Amount for such Distribution Date to the extent of the remaining Group I Interest Funds, on a *pro rata* basis based on the entitlement of each such class of certificates or Component.

B. Group II Interest Funds will be distributed as follows:

1. First, to the Supplemental Interest Trust for payment to the Certificate Swap Provider, the product of (i) any payments of any Net Securities Administrator Certificate Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Certificate Swap Provider multiplied by (ii) the Group II Certificate Swap Allocation Percentage;and

2. Second, concurrently to the holders of Group II Senior Certificates, the related Senior Interest Distribution Amount for such Distribution Date to the extent of the remaining Group II Interest Funds, on a *pro rata* basis based on the entitlement of each such class.

C. Group III Interest Funds will be distributed as follows:

1. First, concurrently, (x) to the Supplemental Interest Trust for payment to the Class A-2A Swap Provider, the product of (i) any payments of any Adjusted Net Securities Administrator Class A-2A Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Class A-2A Swap Provider multiplied by (ii) the Group III Allocation Percentage and (y) to the Supplemental Interest Trust for payment to the Certificate Swap Provider, the product of (i) any payments of any Net Securities Administrator Certificate Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Certificate Swap Provider multiplied by (ii) the Group III Certificate Swap Allocation Percentage;and

2. Second, concurrently to the holders of Group III Senior Certificates and Group III Components, the related Senior Interest Distribution Amount for such Distribution Date to the extent of the remaining Group I Interest Funds, on a *pro rata* basis based on the entitlement of each such class of certificates or Component.

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Transaction Overview (Cont.)

Distributions of Interest (Continued):

II. Second, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, sequentially, in that order, the related Interest Distribution Amount allocable to each such class to the extent of the remaining Aggregate Interest Funds for such Distribution Date remaining after distributions of interest to the Senior Certificates and Components, and to any class of Mezzanine Certificates with a higher payment priority.

Distributions of Principal:

On each Distribution Date, following distributions of Aggregate Interest Funds, Aggregate Principal Funds will be distributed as follows:

(A) On each Distribution Date (i) prior to the Stepdown Date or (ii) on which a Trigger Event is in effect, an amount up to the Principal Distribution Amount for that Distribution Date will be distributed in the following amounts and order of priority:

I. First, Group I Principal Funds, Group II Principal Funds and Group III Principal Funds will be distributed, concurrently, as follows:

A. Group I Principal Funds will be distributed, in an amount up to the Group I Principal Distribution Amount, as follows:

1. First, concurrently, (x) to the Supplemental Interest Trust for payment to the Class I-A-1B Swap Provider, payments of any Adjusted Net Securities Administrator Class I-A-1B Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Class I-A-1B Swap Provider, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date (y) to the Supplemental Interest Trust for payment to the Class A-2A Swap Provider, the product of (i) any payments of any Adjusted Net Securities Administrator Class A-2A Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Class A-2A Swap Provider multiplied by (ii) the Group I Allocation Percentage, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date and (z) to the Supplemental Interest Trust for payment to the Certificate Swap Provider, the product of (i) any payments of any Net Securities Administrator Certificate Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Certificate Swap Provider multiplied by (ii) the Group I Certificate Swap Allocation Percentage, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date;

2. Second, to the Class I-A-1A and Class I-A-1B Certificates, and the Class I-A-2A, Class I-A-2B, Class I-A-3 and Class I-A-4 Components, pro rata based on the Certificate Principal Balance of each such class of certificates and Component, until the Certificate Principal Balance of each such class of certificates and Component is reduced to zero;

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Transaction Overview (Cont.)

Distributions of Principal (Continued):

3. Third, concurrently, (a) to the Group II Senior Certificates and (b) to the Group III Senior Certificates and Group III Components (after any payments to such classes of certificates and Components from Group II Principal Funds and Group III Principal Funds, respectively), pro rata, (with respect to clause (a) based on the aggregate Certificate Principal Balance of the Group II Senior Certificates, and with respect to clause (b) based on the aggregate Certificate Principal Balance of the Group III Senior Certificates and Group III Components), as follows:

   a. concurrently, to the Class II-A-1 and Class II-A-2 Certificates, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero; provided, that if a Sequential Trigger Event is in effect, distributions to this clause will instead be made, sequentially, to the Class II-A-1 and Class II-A-2 Certificates, in that order, until their respective Certificate Principal Balance are reduced to zero and

   b. concurrently, to the Class III-A-1 Certificates and Class III-A-2A, Class III-A-2B, Class III-A-3 and Class III-A-4 Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero.

B. Group II Principal Funds will be distributed in an amount up to the Group II Principal Distribution Amount, as follows:

1. First, to the Supplemental Interest Trust for payment to the Certificate Swap Provider, the product of (i) any payments of any Net Securities Administrator Certificate Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Certificate Swap Provider multiplied by (ii) the Group II Certificate Swap Allocation Percentage, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date;

2. Second, to the Class II-A-1 and Class II-A-2 Certificates, pro rata based on the Certificate Principal Balance of each such class of certificates, until the Certificate Principal Balance of each such class of certificates is reduced to zero; provided, that if a Sequential Trigger Event is in effect, distributions to this clause will instead be made, sequentially, to the Class II-A-1 and Class II-A-2 Certificates, in that order, until their respective Certificate Principal Balance are reduced to zero;

3. Third, concurrently, (a) to the Group I Senior Certificates and Group I Components and (b) to the Group III Senior Certificates and Group III Components (after any payments to such classes of certificates and Components from Group I Principal Funds and Group III Principal Funds, respectively), pro rata, (with respect to clause (a) based on the aggregate Certificate Principal Balance of the Group I Senior Certificates and Group I Components, and with respect to clause (b) based on the aggregate Certificate Principal Balance of the Group III Senior Certificates and Group III Components), as follows:

   a. concurrently, to the Class I-A-1A and Class I-A-1B Certificates, and the Class I-A-2A, Class I-A-2B, Class I-A-3 and Class I-A-4 Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero; and

   b. concurrently, to the Class III-A-1 Certificates and Class III-A-2A, Class III-A-2B, Class III-A-3 and Class III-A-4 Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero.

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Transaction Overview (Cont.)

Distributions of Principal (Continued):

C. Group III Principal Funds will be distributed, in an amount up to the Group III Principal Distribution Amount, as follows:

1. First, concurrently, (x) to the Supplemental Interest Trust for payment to the Class A-2A Swap Provider, the product of (i) any payments of any Adjusted Net Securities Administrator Class A-2A Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Class A-2A Swap Provider multiplied by (ii) the Group III Allocation Percentage, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date and (y) to the Supplemental Interest Trust for payment to the Certificate Swap Provider, the product of (i) any payments of any Net Securities Administrator Certificate Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Certificate Swap Provider multiplied by (ii) the Group III Certificate Swap Allocation Percentage, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date;

2. Second, to the Class III-A-1 Certificates and Class III-A-2A, Class III-A-2B, Class III-A-3 and Class III-A-4 Components, pro rata based on the Certificate Principal Balance of each such class of certificates and Component, until the Certificate Principal Balance of each such class of certificates and Component is reduced to zero;

3. Third, concurrently, (a) to the Group I Senior Certificates and Group I Components and (b) to the Group II Senior Certificates (after any payments to such classes of certificates and Components from Group I Principal Funds and Group II Principal Funds, respectively), pro rata, (with respect to clause (a) based on the aggregate Certificate Principal Balance of the Group I Senior Certificates and Group I Components, and with respect to clause (b) based on the aggregate Certificate Principal Balance of the Group II Senior Certificates), as follows:

   a. concurrently, to the Class I-A-1A and Class I-A-1B Certificates, and the Class I-A-2A, Class I-A-2B, Class I-A-3 and Class I-A-4 Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero; and

   b. concurrently, to the Class II-A-1 and Class II-A-2 Certificates, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero; provided, that if a Sequential Trigger Event is in effect, distributions to this clause will instead be made, sequentially, to the Class II-A-1 and Class II-A-2 Certificates, in that order, until their respective Certificate Principal Balance are reduced to zero.

II. Second, the remaining Aggregate Principal Funds will be distributed, in an amount up to the Principal Distribution Amount remaining after clause (I), sequentially to the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, until their respective Certificate Principal Balances are reduced to zero.

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Transaction Overview (Cont.)

Distributions of Principal (Continued):

(B) On each Distribution Date (i) on or after the Stepdown Date and (ii) on which a Trigger Event is not in effect, an amount up to the Principal Distribution Amount for that Distribution Date will be distributed in the following amounts and order of priority:

I. First, Group I Principal Funds, Group II Principal Funds and Group III Principal Funds will be distributed, concurrently, as follows:

A. Group I Principal Funds will be distributed, in an amount up to the Group I Senior Principal Distribution Amount, as follows:

1. First, concurrently, (x) to the Supplemental Interest Trust for payment to the Class I-A-1B Swap Provider, payments of any Adjusted Net Securities Administrator Class I-A-1B Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Class I-A-1B Swap Provider, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date (y) to the Supplemental Interest Trust for payment to the Class A-2A Swap Provider, the product of (i) any payments of any Adjusted Net Securities Administrator Class A-2A Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Class A-2A Swap Provider multiplied by (ii) the Group I Allocation Percentage, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date and (z) to the Supplemental Interest Trust for payment to the Certificate Swap Provider, the product of (i) any payments of any Net Securities Administrator Certificate Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Certificate Swap Provider multiplied by (ii) the Group I Certificate Swap Allocation Percentage, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date;

2. Second, to the Class I-A-1A and Class I-A-1B Certificates, and the Class I-A-2A, Class I-A-2B, Class I-A-3 and Class I-A-4 Components, pro rata based on the Certificate Principal Balance of each such class of certificates and Component, until the Certificate Principal Balance of each such class of certificates and Component is reduced to zero;

3. Third, concurrently, (a) to the Group II Senior Certificates and (b) to the Group III Senior Certificates and Group III Components (after any payments to such classes of certificates and Components from Group II Principal Funds and Group III Principal Funds, respectively), pro rata, (with respect to clause (a) based on the aggregate Certificate Principal Balance of the Group II Senior Certificates, and with respect to clause (b) based on the aggregate Certificate Principal Balance of the Group III Senior Certificates and Group III Components), as follows:

a. concurrently, to the Class II-A-1 and Class II-A-2 Certificates, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero; provided, that if a Sequential Trigger Event is in effect, distributions to this clause will instead be made, sequentially, to the Class II-A-1 and Class II-A-2 Certificates, in that order, until their respective Certificate Principal Balance are reduced to zero and

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Transaction Overview (Cont.)

Distributions of Principal (Continued):

b. concurrently, to the Class III-A-1 Certificates and Class III-A-2A, Class III-A-2B, Class III-A-3 and Class III-A-4 Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero.

B. Group II Principal Funds will be distributed in an amount up to the Group II Senior Principal Distribution Amount, as follows:

1. First, to the Supplemental Interest Trust for payment to the Certificate Swap Provider, the product of (i) any payments of any Net Securities Administrator Certificate Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Certificate Swap Provider multiplied by (ii) the Group II Certificate Swap Allocation Percentage, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date;

2. Second, to the Class II-A-1 and Class II-A-2 Certificates, pro rata based on the Certificate Principal Balance of each such class of certificates, until the Certificate Principal Balance of each such class of certificates is reduced to zero; provided, that if a Sequential Trigger Event is in effect, distributions to this clause will instead be made, sequentially, to the Class II-A-1 and Class II-A-2 Certificates, in that order, until their respective Certificate Principal Balance are reduced to zero;

3. Third, concurrently, (a) to the Group I Senior Certificates and Group I Components and (b) to the Group III Senior Certificates and Group III Components (after any payments to such classes of certificates and Components from Group I Principal Funds and Group III Principal Funds, respectively), pro rata, (with respect to clause (a) based on the aggregate Certificate Principal Balance of the Group I Senior Certificates and Group I Components, and with respect to clause (b) based on the aggregate Certificate Principal Balance of the Group III Senior Certificates and Group III Components), as follows:

a. concurrently, to the Class I-A-1A and Class I-A-1B Certificates, and the Class I-A-2A, Class I-A-2B, Class I-A-3 and Class I-A-4 Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero; and

b. concurrently, to the Class III-A-1 Certificates and Class III-A-2A, Class III-A-2B, Class III-A-3 and Class III-A-4 Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero.

C. Group III Principal Funds will be distributed, in an amount up to the Group III Senior Principal Distribution Amount, as follows:

1. First, concurrently, (x) to the Supplemental Interest Trust for payment to the Class A-2A Swap Provider, the product of (i) any payments of any Adjusted Net Securities Administrator Class A-2A Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Class A-2A Swap Provider multiplied by (ii) the Group III Allocation Percentage, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date and (y) to the Supplemental Interest Trust for payment to the Certificate Swap Provider, the product of (i) any payments of any Net Securities Administrator Certificate Swap Payment or Swap Termination Payment (not caused by a Swap Provider Trigger Event) owed to the Certificate Swap Provider multiplied by (ii) the Group III Certificate Swap Allocation Percentage, to the extent remaining unpaid after distributions of Aggregate Interest Funds on such Distribution Date;

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Transaction Overview (Cont.)

Distributions of Principal (Continued):

2. Second, to the Class III-A-1 Certificates and Class III-A-2A, Class III-A-2B, Class III-A-3 and Class III-A-4 Components, pro rata based on the Certificate Principal Balance of each such class of certificates and Component, until the Certificate Principal Balance of each such class of certificates and Component is reduced to zero;

3. Third, concurrently, (a) to the Group I Senior Certificates and Group I Components and (b) to the Group II Senior Certificates (after any payments to such classes of certificates and Components from Group I Principal Funds and Group II Principal Funds, respectively), pro rata, (with respect to clause (a) based on the aggregate Certificate Principal Balance of the Group I Senior Certificates and Group I Components, and with respect to clause (b) based on the aggregate Certificate Principal Balance of the Group II Senior Certificates), as follows:

   a. concurrently, to the Class I-A-1A and Class I-A-1B Certificates, and the Class I-A-2A, Class I-A-2B, Class I-A-3 and Class I-A-4 Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero; and

   b. concurrently, to the Class II-A-1 and Class II-A-2 Certificates, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero provided, that if a Sequential Trigger Event is in effect, distributions to this clause will instead be made, sequentially, to the Class II-A-1 and Class II-A-2 Certificates, in that order, until their respective Certificate Principal Balance are reduced to zero.

II. Second, the remaining Aggregate Principal Funds will be distributed, in an amount up to their respective Mezzanine Principal Distribution Amounts, sequentially to the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, until their respective Certificate Principal Balances are reduced to zero.

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Transaction Overview (Cont.)

Distribution of Net Monthly Excess Cashflow:

On each Distribution Date following (i) distributions of Aggregate Interest Funds and (ii) distributions of Aggregate Principal Funds, the Net Monthly Excess Cashflow will be distributed as follows:

1. First, to the holders of the classes of certificates then entitled to receive distributions in respect of principal, in an amount equal to the Overcollateralization Increase Amount for such Distribution Date, distributable as part of the Principal Distribution Amount for that Distribution Date in accordance with the priorities set forth under "Distributions of Principal" above;
2. Second, sequentially, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, the related Interest Distribution Amount remaining unpaid and Interest Carry Forward Amount for each such class for such Distribution Date;
3. Third, concurrently, (a) to the Group I Senior Certificates and Group I Components, (b) to the Group II Senior Certificates and (c) to the Group III Senior Certificates and Group III Components, pro rata (based, with respect to clause (a), (b) and (c), on the aggregate Allocated Realized Loss Amount with respect to such classes of certificates and Components), as follows:
   (a) to the Class I-A-1A and Class I-A-1B Certificates, and the Class I-A-2A, Class I-A-2B, Class I-A-3 and Class I-A-4 Components, up to the Allocated Realized Loss Amount related to each such class of certificates or Component for that Distribution Date; provided, that any amounts otherwise distributable to the Class I-A-3 Component will be distributed *first*, concurrently, to the Class I-A-1A and Class I-A-1B Certificates, pro rata based on the Allocated Realized Loss Amount for each such class of certificates, and *second*, concurrently, to the Class I-A-2A and Class I-A-2B Components, pro rata based on the Allocated Realized Loss Amount for each such Component; and provided, further, that any amounts otherwise distributable to the Class I-A-2A and Class I-A-2B Components will be distributed, *first*, to the Class I-A-1A and Class I-A-1B Certificates, pro rata based on the Allocated Realized Loss Amount for each such class of certificates.
   (b) to the Class II-A-1 and Class II-A-2 Certificates, sequentially, in that order, up to the Allocated Realized Loss Amount related to each such class of certificates for such Distribution Date;
   (c) to the Class III-A-1 Certificates, and the Class III-A-2A, Class III-A-2B, Class III-A-3 and Class III-A-4 Components, up to the Allocated Realized Loss Amount related to each such class of certificates or Component for that Distribution Date; provided, that any amounts otherwise distributable to the Class III-A-3 Component will be distributed *first*, to the Class III-A-1 Certificates, and *second*, concurrently, to the Class III-A-2A and Class III-A-2B Components, pro rata based on the Allocated Realized Loss Amount for each such Component; and provided, further, that any amounts otherwise distributable to the Class III-A-2A and Class III-A-2B Components will be distributed, *first*, to the Class III-A-1 Certificates.
4. Fourth, sequentially, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, the Allocated Realized Loss Amount for each such class of certificates and such Distribution Date;
5. Fifth, to pay the Net WAC Rate Carryover Amount *first*, concurrently, to the Senior Certificates, pro rata based on the amount of Net WAC Rate Carryover Amount, and *second*, sequentially, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order;
6. Sixth, to pay any remaining amount to the Class CE-1, Class P and Class R Certificates in accordance with the pooling and servicing agreement.

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Transaction Overview (Cont.)

Allocation of Losses:

- To the extent not covered by excess interest, overcollateralization, or amounts received under the Floor Agreement, the Certificate Swap Agreement, the Class I-A-1B Swap Agreement or the Class A-2A Swap Agreement, Realized Losses on the Mortgage Loans will be allocated to the most junior class of Mezzanine Certificates outstanding beginning with the Class M-11 Certificates, until the Certificate Principal Balance of each class of the Mezzanine Certificates has been reduced to zero.
- Thereafter, Realized Losses on the Mortgage Loans will be allocated, as follows:

(i) Realized Losses on the Group I Mortgage Loans will be allocated to the Class I-A-1A and Class I-A-1B Certificates, and the Class I-A-2A, Class I-A-2B, Class I-A-3 and Class I-A-4 Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero; provided however that any Realized Losses otherwise allocable to the Class I-A-2A and Class I-A-2B Components will be allocated to the Class I-A-3 Component, until its Certificate Principal Balance is reduced to zero and provided further that any Realized Losses otherwise allocable to the Class I-A-1A and Class I-A-1B Certificates will be allocated, *first*, to the Class I-A-3 Component, until its Certificate Principal Balance is reduced to zero; and *second*, to the Class I-A-2A and Class I-A-2B Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero;

(ii) Realized Losses on the Group II Mortgage Loans will be allocated sequentially, to the Class II-A-2 and Class II-A-1 Certificates, in that order, in each case, until the Certificate Principal Balance of such class of Certificates is reduced to zero and

(iii) Realized Losses on the Group III Mortgage Loans will be allocated to the Class III-A-1 Certificates, and the Class III-A-2A, Class III-A-2B, Class III-A-3 and Class III-A-4 Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero; provided however that any Realized Losses otherwise allocable to the Class III-A-2A and Class III-A-2B Components will be allocated to the Class III-A-3 Component, until its Certificate Principal Balance is reduced to zero and provided further that any Realized Losses otherwise allocable to the Class III-A-1 Certificates will be allocated, *first*, to the Class III-A-3 Component, until its Certificate Principal Balance is reduced to zero; and *second*, to the Class III-A-2A and Class III-A-2B Components, pro rata based on Certificate Principal Balance, until their respective Certificate Principal Balances are reduced to zero.

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Transaction Overview (Cont.)

The Floor Agreement:

- The Senior Certificates, the Mezzanine Certificates and the Class CE-1 Certificates will have the benefit of an interest rate floor agreement. On or before the Closing Date, the Trustee will enter into an interest rate floor agreement (the "**Floor Agreement**") with the **Floor Provider**. A separate trust created under the pooling and servicing agreement (the "**Supplemental Interest Trust**") will hold the Floor Agreement documented by a confirmation between the Trustee, on behalf of the Supplemental Interest Trust, and the Floor Provider. The Floor Agreement and any payments made by the Floor Provider thereunder will be assets of the Supplemental Interest Trust but will not be assets of any REMIC.
- Pursuant to the Floor Agreement, on the second business day prior to each Distribution Date, the Floor Provider will be obligated to pay to the Supplemental Interest Trust for the benefit of the holders of the Senior Certificates and Mezzanine Certificates (the "**Floor Provider Payment**"), an amount (the "**Floor Payment**") equal to the product of (i) the excess, if any, of (x) the Floor Strike Rate (as indicated on the attached Preliminary Floor Schedule) over (y) the greater of (a) one-month LIBOR (as determined pursuant to the interest rate floor agreement) and (b) the Floor Ceiling Rate (as indicated on the attached Preliminary Floor Schedule), (ii) the Floor Notional Balance (as indicated on the attached Preliminary Floor Schedule) and (iii) a fraction, the numerator of which is the actual number of days elapsed from the previous Distribution Date to but excluding the current Distribution Date (or, for the first Distribution Date, the actual number of days elapsed from the Closing Date to but excluding the first Distribution Date), and the denominator of which is 360. Payments received by the Supplemental Interest Trust pursuant to the Floor Agreement will be deposited by the securities administrator in a reserve fund in the Supplemental Interest Trust (the "**Floor Account**") and will be available for distributions to the Senior Certificates, Mezzanine Certificates and Class CE-1 Certificates as set forth below.
- On each Distribution Date, to the extent required, following (i) distributions of Aggregate Interest Funds, (ii) distributions of Aggregate Principal Funds and (iii) the distribution of the Net Monthly Excess Cashflow, the securities administrator will withdraw any amounts in the Floor Account and distribute such amounts in the following order of priority:
  1. First, concurrently, to each class of Group I Senior, Group II Senior and Group III Senior Certificates, and each Group I Component and Group III Component, the related Senior Interest Distribution Amount remaining unpaid after the distributions of the Aggregate Interest Funds, on a pro rata basis based on such respective remaining Senior Interest Distribution Amounts;
  2. Second, sequentially, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, the related Interest Distribution Amount and Interest Carry Forward Amount, to the extent remaining unpaid after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above;
  3. Third, concurrently, (a) to the Group I Senior Certificates and Group I Components, (b) to the Group II Senior Certificates and (c) to the Group III Senior Certificates and Group III Components, pro rata (based, with respect to clause (a), (b) and (c), on the aggregate Allocated Realized Loss Amount with respect to such classes of certificates and Components), as follows:
     (a) to the Class I-A-1A and Class I-A-1B Certificates, and the Class I-A-2A, Class I-A-2B, Class I-A-3 and Class I-A-4 Components, up to the Allocated Realized Loss Amount related to each such class of certificates or Component for that Distribution Date remaining undistributed after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above; provided, that any amounts otherwise distributable to the Class I-A-3 Component will be distributed *first,* concurrently, to the Class I-A-1A and Class I-A-1B Certificates, pro rata based on the Allocated Realized Loss Amount for each such class of certificates, and *second,* concurrently, to the Class I-A-2A and Class I-A-2B Components, pro rata based on the Allocated Realized Loss Amount for each such Component; and provided, further, that any amounts otherwise distributable to the Class I-A-2A and Class I-A-2B Components will be distributed, *first,* to the Class I-A-1A and Class I-A-1B Certificates, pro rata based on the Allocated Realized Loss Amount for each such class of certificates.
     (b) to the Class II-A-1 and Class II-A-2 Certificates, sequentially, in that order, up to the Allocated Realized Loss Amount related to each such class of certificates for such Distribution Date remaining undistributed after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above;

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Transaction Overview (Cont.)

The Floor Agreement (Continued):

(c) to the Class III-A-1 Certificates, and the Class III-A-2A, Class III-A-2B, Class III-A-3 and Class III-A-4 Components, up to the Allocated Realized Loss Amount related to each such class of certificates or Component for that Distribution Date remaining undistributed after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above; provided, that any amounts otherwise distributable to the Class III-A-3 Component will be distributed *first*, to the Class III-A-1 Certificates, and *second*, concurrently, to the Class III-A-2A and Class III-A-2B Components, pro rata based on the Allocated Realized Loss Amount for each such Component; and provided, further, that any amounts otherwise distributable to the Class III-A-2A and Class III-A-2B Components will be distributed, *first*, to the Class III-A-1 Certificates.

4. Fourth, sequentially, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, the Allocated Realized Loss Amount for each such class of certificates and such Distribution Date remaining undistributed after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above;
5. Fifth, to the holders of the class or classes of Certificates then entitled to receive distributions in respect of principal, in an amount necessary to restore or maintain the Required Overcollateralization Amount as part of the Principal Distribution Amount for that Distribution Date in accordance with the priorities set forth under "Distributions of Principal" above, after taking into account all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above;
6. Sixth, to pay the Net WAC Rate Carryover Amount remaining undistributed after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above, first, concurrently, to the Senior Certificates, pro rata based on the amount of Net WAC Rate Carryover Amount, and second, sequentially, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order; and
7. Eighth, any amounts remaining to the Class CE-1 Certificates.

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Transaction Overview (Cont.)

The Certificate Swap Agreement:

- The Senior Certificates, Mezzanine Certificates and Class CE-1 Certificates will have the benefit of an interest rate swap agreement (the "**Certificate Swap Agreement**"). On or prior to the Closing Date, the trustee will enter into the Certificate Swap Agreement with the **Certificate Swap Provider**. The Supplemental Interest Trust will hold the Certificate Swap Agreement between the trustee, on behalf of the Supplemental Interest Trust, and the Certificate Swap Provider. The Certificate Swap Agreement and any payments made by the Certificate Swap Provider thereunder will be assets of the Supplemental Interest Trust and will not be assets of any REMIC.
- Pursuant to the Certificate Swap Agreement, on each Distribution Date, commencing in [July 2007] and terminating immediately following the Distribution Date in [June 2012], (i) the securities administrator (on behalf of the Supplemental Interest Trust and from funds available in the Certificate Swap Account) will be obligated to pay to the Certificate Swap Provider an amount equal to the product of (a) 5.475% per annum, (b) the notional amount set forth in the Certificate Swap Agreement (and as indicated on the attached Preliminary Certificate Swap Schedule) and (c) a fraction, the numerator of which is 30 (or, for the first Distribution Date, the actual number of days elapsed from the Closing Date to but excluding the first Distribution Date calculated on a 30/360 basis) and the denominator of which is 360 (the "**Securities Administrator Certificate Swap Payment**"). The amount payable by the Certificate Swap Provider to the Supplemental Interest Trust for the benefit of the certificateholders will be a floating amount equal to the product of (x) one-month LIBOR (as calculated pursuant to the Certificate Swap Agreement), (y) the notional amount set forth in the Certificate Swap Agreement (and as indicated on the attached Preliminary Certificate Swap Schedule) and (z) a fraction, the numerator of which is the actual number of days elapsed from the previous Distribution Date to but excluding the current Distribution Date (or, for the first Distribution Date, the actual number of days elapsed from the Closing Date to but excluding the first Distribution Date), and the denominator of which is 360 (the "**Certificate Swap Provider Payment**").
- On the first business day prior to each Distribution Date, to the extent that the Securities Administrator Certificate Swap Payment exceeds the Certificate Swap Provider Payment (a "**Net Securities Administrator Certificate Swap Payment**"), the securities administrator will be required to deposit the Net Securities Administrator Certificate Swap Payment into the Certificate Swap Account and remit such Net Securities Administrator Certificate Swap Payment to the Certificate Swap Provider. On the first business day prior to each Distribution Date, to the extent that the Certificate Swap Provider Payment exceeds the Securities Administrator Certificate Swap Payment (a "**Net Certificate Swap Provider Payment**"), the Certificate Swap Provider will be required to deposit into the Certificate Swap Account the Net Certificate Swap Provider Payment for distribution to the Senior Certificates, Mezzanine Certificates and Class CE-1 Certificates in accordance with the priority of payments described below.
- On each Distribution Date following (i) distributions of Aggregate Interest Funds, (ii) distributions of Aggregate Principal Funds, (iii) the distribution of the Net Monthly Excess Cashflow and (iv) withdrawals from the Floor Account, the securities administrator will withdraw any amounts in the Certificate Swap Account to the extent required and distribute such amounts in the following order of priority:

  1. First, to the Certificate Swap Provider, any Net Securities Administrator Certificate Swap Payment owed to the Certificate Swap Provider pursuant to the Certificate Swap Agreement for such Distribution Date;
  2. Second, to the Certificate Swap Provider, any Swap Termination Payment owed to the Certificate Swap Provider not due to a Swap Provider Trigger Event;
  3. Third, concurrently, to each class of Group I Senior, Group II Senior and Group III Senior Certificates, and each Group I Component and Group III Component, the related Senior Interest Distribution Amount remaining unpaid after the distributions of the Aggregate Interest Funds, on a pro rata basis based on such respective remaining Senior Interest Distribution Amounts;

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Transaction Overview (Cont.)

The Certificate Swap Agreement (Continued):

4. Fourth, sequentially, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, the related Interest Distribution Amount and Interest Carry Forward Amount, to the extent remaining unpaid after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above;
5. Fifth, concurrently, (a) to the Group I Senior Certificates and Group I Components, (b) to the Group II Senior Certificates and (c) to the Group III Senior Certificates and Group III Components, pro rata (based, with respect to clause (a), (b) and (c), on the aggregate Allocated Realized Loss Amount with respect to such classes of certificates and Components), as follows:
   (a) to the Class I-A-1A and Class I-A-1B Certificates, and the Class I-A-2A, Class I-A-2B, Class I-A-3 and Class I-A-4 Components, up to the Allocated Realized Loss Amount related to each such class of certificates or Component for that Distribution Date remaining undistributed after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above; provided, that any amounts otherwise distributable to the Class I-A-3 Component will be distributed *first*, concurrently, to the Class I-A-1A and Class I-A-1B Certificates, pro rata based on the Allocated Realized Loss Amount for each such class of certificates, and *second*, concurrently, to the Class I-A-2A and Class I-A-2B Components, pro rata based on the Allocated Realized Loss Amount for each such Component; and provided, further, that any amounts otherwise distributable to the Class I-A-2A and Class I-A-2B Components will be distributed, *first*, to the Class I-A-1A and Class I-A-1B Certificates, pro rata based on the Allocated Realized Loss Amount for each such class of certificates.
   (b) to the Class II-A-1 and Class II-A-2 Certificates, sequentially, in that order, up to the Allocated Realized Loss Amount related to each such class of certificates for such Distribution Date remaining undistributed after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above;
   (c) to the Class III-A-1 Certificates, and the Class III-A-2A, Class III-A-2B, Class III-A-3 and Class III-A-4 Components, up to the Allocated Realized Loss Amount related to each such class of certificates or Component for that Distribution Date remaining undistributed after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above; provided, that any amounts otherwise distributable to the Class III-A-3 Component will be distributed *first*, to the Class III-A-1 Certificates, and *second*, concurrently, to the Class III-A-2A and Class III-A-2B Components, pro rata based on the Allocated Realized Loss Amount for each such Component; and provided, further, that any amounts otherwise distributable to the Class III-A-2A and Class III-A-2B Components will be distributed, *first*, to the Class III-A-1 Certificates.
6. Sixth, sequentially, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order, the Allocated Realized Loss Amount for each such class of certificates and such Distribution Date remaining undistributed after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above;
7. Seventh, to the holders of the class or classes of Certificates then entitled to receive distributions in respect of principal, in an amount necessary to restore or maintain the Required Overcollateralization Amount as part of the Principal Distribution Amount for that Distribution Date in accordance with the priorities set forth under "Distributions of Principal" above, after taking into account all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above;

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Transaction Overview (Cont.)

The Certificate Swap Agreement (Continued):

8. Eighth, to pay the Net WAC Rate Carryover Amount remaining undistributed after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above, first, concurrently, to the Senior Certificates, pro rata based on the amount of Net WAC Rate Carryover Amount, and second, sequentially, to the holders of the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9, Class M-10 and Class M-11 Certificates, in that order; and
9. Ninth, any amounts remaining to the Class CE-1 Certificates.

Upon early termination of the Certificate Swap Agreement for various events of default and termination events specified in the Certificate Swap Agreement, the Supplemental Interest Trust or the Certificate Swap Provider may be liable to make a termination payment (a ''Swap Termination Payment'') to the other party (regardless of which party caused the termination). The Swap Termination Payment will be computed in accordance with the procedures set forth in the Certificate Swap Agreement**. In the event that the Securities Administrator as the Supplemental Interest Trust Trustee, on behalf of the Supplemental Interest Trust, is required to make a Swap Termination Payment, that payment will be paid on the related Distribution Date, and on any subsequent Distribution Dates until paid in full, generally, prior to distributions to Certificateholders.**

The Class I-A-1B Swap Agreement:

- In addition to the Certificate Swap Agreement, the Class I-A-1B Certificates will have the benefit of a second interest rate swap agreement (the "**Class I-A-1B Swap Agreement**"). On or prior to the Closing Date, the trustee will enter into the Class I-A-1B Swap Agreement with the **Class I-A-1B Swap Provider**. The Class I-A-1B Swap Agreement and any payments made by the Class I-A-1B Swap Provider will be assets of the Supplemental Interest Trust and will not be assets of any REMIC.

- On each Distribution Date commencing in [July 2007] and terminating on the earlier of (a) the Distribution Date on which the Certificate Principal Balance of the Class I-A-1B Certificates has been reduced to zero or (b) the Distribution Date in [July 2047], the "**Securities Administrator Class I-A-1B Swap Payment**" will be equal to the product of:

  (a) a per annum rate (the "**Class I-A-1B Swap Fee Rate**") equal to the lesser of (1) the sum of (A) One-Month LIBOR plus [_____]%, for any Distribution Date on or prior to the first possible Optional Termination Date, or One-Month LIBOR plus [_____]% for any Distribution Date after the first possible Optional Termination Date and (B) a per annum rate not to exceed [_____]% for any Distribution Date on or prior to the first possible Optional Termination Date, or [_____]% for any Distribution Date after the first possible Optional Termination Date; and (2) the related Net WAC Pass-Through Rate for the Class I-A-1B Certificates for the related Interest Accrual Period,

  (b) a notional amount equal to the Certificate Principal Balance of the Class I-A-1B Certificates immediately prior to the related Distribution Date, and

  (c) the actual number of days in the related Interest Accrual Period divided by 360.

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this free writing prospectus relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling Deutsche Bank toll-free at 1-800-503-4611. This free writing prospectus is not required to contain all information that is required to be included in the base prospectus and the prospectus supplement. The information in this free writing prospectus is preliminary and is subject to change. The information in this free writing prospectus, if conveyed prior to the time of your commitment to purchase, supersedes information contained in any prior similar free writing prospectus relating to these securities. THIS FREE WRITING PROSPECTUS IS NOT AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE SUCH OFFER, SOLICITATION OR SALE IS NOT PERMITTED. The information in this free writing prospectus may be based on preliminary assumptions about the pool assets and the structure. Any such assumptions are subject to change.

Transaction Overview (Cont.)

The Class I-A-1B Swap Agreement (Continued):

- On each such Distribution Date, the "**Class I-A-1B Swap Provider Payment**" will be equal to the product of:

  (a) One-Month LIBOR plus [_____]% for any Distribution Date on or prior to the first possible Optional Termination Date, or One-Month LIBOR plus [_____]% for any Distribution Date after the first possible Optional Termination Date,

  (b) a notional amount equal to the Certificate Principal Balance of the Class I-A-1B Certificates immediately prior to the related Distribution Date, and

  (c) the actual number of days in the related interest accrual period divided by 360.

- On each such Distribution Date, to the extent that the Securities Administrator Class I-A-1B Swap Payment exceeds the Class I-A-1B Swap Provider Payment (a "**Net Securities Administrator Class I-A-1B Swap Payment**"), the securities administrator will be required to deposit the Adjusted Net Securities Administrator Class I-A-1B Swap Payment into the Class I-A-1B Swap Account and remit such Adjusted Net Securities Administrator Class I-A-1B Swap Payment to the Class I-A-1B Swap Provider. To the extent that the Class I-A-1B Swap Provider Payment exceeds the Securities Administrator Class I-A-1B Swap Payment (a "**Net Class I-A-1B Swap Provider Payment**"), the Class I-A-1B Swap Provider will be required to deposit into the Class I-A-1B Swap Account the Net Class I-A-1B Swap Provider Payment for distribution to the Class I-A-1B Certificates in accordance with the priority of payments described below.

- For each such Distribution Date (other than the earlier of (a) the Distribution Date on which the Certificate Principal Balance of the Class I-A-1B Certificates has been reduced to zero or (b) the Distribution Date in [July 2047]), the "**Adjusted Net Securities Administrator Class I-A-1B Swap Payment**" will be equal to the excess, if any, of (A) the sum of (x) the Net Securities Administrator Class I-A-1B Swap Payment plus (y) the Unpaid Deferred Adjusted Net Class I-A-1B Swap Amount for such Distribution Date over (B) any Deferred Adjusted Net Class I-A-1B Swap Amount for the current Distribution Date. For the the earlier of (a) the Distribution Date on which the Certificate Principal Balance of the Class I-A-1B Certificates has been reduced to zero or (b) the Distribution Date in [July 2047], the "**Adjusted Net Securities Administrator Class I-A-1B Swap Payment**" will be equal to the sum of (x) the Net Securities Administrator Class I-A-1B Swap Payment plus (y) the Unpaid Deferred Adjusted Net Class I-A-1B Swap Amount for such Distribution Date.

- The "**Deferred Adjusted Net Class I-A-1B Swap Amount**" for any Distribution Date will be equal to the lesser of (a) the excess of (x) the sum of (i) the Net Securities Administrator Class I-A-1B Swap Payment plus (ii) the Unpaid Deferred Adjusted Net Class I-A-1B Swap Amount for such Distribution Date over (y) Aggregate Available Funds for that Distribution Date and (b) the Net Deferred Interest for each Loan Group for that Distribution Date.

- The "**Unpaid Deferred Adjusted Net Class I-A-1B Swap Amount**" for any Distribution Date will be equal to the aggregate Deferred Adjusted Net Class I-A-1B Swap Amount from prior Distribution Dates plus interest accrued during the related Accrual Period on such Deferred Adjusted Net Class I-A-1B Swap Amount at the Class I-A-1B Swap Fee Rate.

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Transaction Overview (Cont.)

The Class I-A-1B Swap Agreement (Continued):

- On each Distribution Date following (i) distributions of Aggregate Interest Funds, (ii) distributions of Aggregate Principal Funds, (iii) the distribution of the Net Monthly Excess Cashflow and (iv) withdrawals from the Floor Account and Certificate Swap Account, the securities administrator will withdraw any amounts in the Class I-A-1B Swap Account to the extent required and distribute such amounts in the following order of priority:
  1. First, to the Class I-A-1B Swap Provider, any Adjusted Net Securities Administrator Class I-A-1B Swap Payment owed to the Class I-A-1B Swap Provider pursuant to the Class I-A-1B Swap Agreement for such Distribution Date;
  2. Second, to the Class I-A-1B Swap Provider, any Swap Termination Payment owed to the Class I-A-1B Swap Provider not due to a Swap Provider Trigger Event;
  3. Third, to the Class I-A-1B Certificates, the related Senior Interest Distribution Amount remaining unpaid after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above;
  4. Fourth, to the Class I-A-1B Certificates, the related Net WAC Rate Carryover Amount, to the extent remaining unpaid after all prior distributions on such Distribution Date, as described in the first sentence of this paragraph above;
  5. Fifth, to the Class I-A-1B Swap Provider, an amount equal to any Swap Termination Payment owed to the Class I-A-1B Swap Provider due to a Swap Provider Trigger Event pursuant to the Interest Rate Swap Agreement; and
  6. Sixth, to the holders of the Class CE-1 Certificates, any remaining amount.

Upon early termination of the Class I-A-1B Swap Agreement for various events of default and termination events specified in the Class I-A-1B Swap Agreement, the Supplemental Interest Trust or the Class I-A-1B Swap Provider may be liable to make a termination payment (a ''Swap Termination Payment'') to the other party (regardless of which party caused the termination). The Swap Termination Payment will be computed in accordance with the procedures set forth in the Class I-A-1B Swap Agreement**. In the event that the Securities Administrator, on behalf of the Supplemental Interest Trust, is required to make a Swap Termination Payment, that payment will be paid on the related Distribution Date, and on any subsequent Distribution Dates until paid in full, generally, prior to distributions to Class I-A-1B Certificateholders.**

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Transaction Overview (Cont.)

The Class A-2A Swap Agreement:

- In addition to the Certificate Swap Agreement, the Class A-2A Certificates will have the benefit of a second interest rate swap agreement (the "**Class A-2A Swap Agreement**"). On or prior to the Closing Date, the trustee will enter into the Class A-2A Swap Agreement with the **Class A-2A Swap Provider**. The Class A-2A Swap Agreement and any payments made by the Class A-2A Swap Provider will be assets of the Supplemental Interest Trust and will not be assets of any REMIC.

- On each Distribution Date commencing in [July 2047] and terminating on the earlier of (a) the Distribution Date on which the Certificate Principal Balance of the Class A-2A Certificates has been reduced to zero or (b) the Distribution Date in [July 2047], the "**Securities Administrator Class A-2A Swap Payment**" will be equal to the product of:

  (a) a per annum rate (the "**Class A-2A Swap Fee Rate**") equal to the lesser of (1) the sum of (A) One-Month LIBOR plus [_____]%, for any Distribution Date on or prior to the first possible Optional Termination Date, or One-Month LIBOR plus [_____]% for any Distribution Date after the first possible Optional Termination Date and (B) a per annum rate not to exceed [_____]% for any Distribution Date on or prior to the first possible Optional Termination Date, or [_____]% for any Distribution Date after the first possible Optional Termination Date; and (2) the weighted average of the Net WAC Pass-Through Rate for the Class I-A-2A Component and Class III-A-2A Component, weighted on the basis of the Certificate Principal Balance of the related Component, for the related Interest Accrual Period,

  (b) a notional amount equal to the Certificate Principal Balance of the Class A-2A Certificates immediately prior to the related Distribution Date, and

  (c) the actual number of days in the related Interest Accrual Period divided by 360.

- On each such Distribution Date, the "**Class A-2A Swap Provider Payment**" will be equal to the product of:

  (a) One-Month LIBOR plus [_____]% for any Distribution Date on or prior to the first possible Optional Termination Date, or One-Month LIBOR plus [_____]% for any Distribution Date after the first possible Optional Termination Date,

  (b) a notional amount equal to the Certificate Principal Balance of the Class A-2A Certificates immediately prior to the related Distribution Date, and

  (c) the actual number of days in the related interest accrual period divided by 360.

- On each such Distribution Date, to the extent that the Securities Administrator Class A-2A Swap Payment exceeds the Class A-2A Swap Provider Payment (a "**Net Securities Administrator Class A-2A Swap Payment**"), the securities administrator will be required to deposit the Adjusted Net Securities Administrator Class A-2A Swap Payment into the Class A-2A Swap Account and remit such Adjusted Net Securities Administrator Class A-2A Swap Payment to the Class A-2A Swap Provider. To the extent that the Class A-2A Swap Provider Payment exceeds the Securities Administrator Class A-2A Swap Payment (a "**Net Class A-2A Swap Provider Payment**"), the Class A-2A Swap Provider will be required to deposit into the Class A-2A Swap Account the Net Class A-2A Swap Provider Payment for distribution to the Class A-2A Certificates in accordance with the priority of payments described below.

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Transaction Overview (Cont.)

The Class A-2A Swap Agreement (Continued):

- For each such Distribution Date (other than the earlier of (a) the Distribution Date on which the Certificate Principal Balance of the Class A-2A Certificates has been reduced to zero or (b) the Distribution Date in [July 2047]), the "**Adjusted Net Securities Administrator Class A-2A Swap Payment**" will be equal to the excess, if any, of (A) the sum of (x) the Net Securities Administrator Class A-2A Swap Payment plus (y) the Unpaid Deferred Adjusted Net Class A-2A Swap Amount for such Distribution Date over (B) any Deferred Adjusted Net Class A-2A Swap Amount for the current Distribution Date. For the the earlier of (a) the Distribution Date on which the Certificate Principal Balance of the Class A-2A Certificates has been reduced to zero or (b) the Distribution Date in [July 2047], the "**Adjusted Net Securities Administrator Class A-2A Swap Payment**" will be equal to the sum of (x) the Net Securities Administrator Class A-2A Swap Payment plus (y) the Unpaid Deferred Adjusted Net Class A-2A Swap Amount for such Distribution Date.

- The "**Deferred Adjusted Net Class A-2A Swap Amount**" for any Distribution Date will be equal to the lesser of (a) the excess of (x) the sum of (i) the Net Securities Administrator Class A-2A Swap Payment plus (ii) the Unpaid Deferred Adjusted Net Class A-2A Swap Amount for such Distribution Date over (y) Aggregate Available Funds for that Distribution Date and (b) the Net Deferred Interest for each Loan Group for that Distribution Date.

- The "**Unpaid Deferred Adjusted Net Class A-2A Swap Amount**" for any Distribution Date will be equal to the aggregate Deferred Adjusted Net Class A-2A Swap Amount from prior Distribution Dates plus interest accrued during the related Accrual Period on such Deferred Adjusted Net Class A-2A Swap Amount at the Class A-2A Swap Fee Rate.
- On each Distribution Date following (i) distributions of Aggregate Interest Funds, (ii) distributions of Aggregate Principal Funds, (iii) the distribution of the Net Monthly Excess Cashflow and (iv) withdrawals from the Floor Account, Certificate Swap Account and Class I-A-1B Swap Account, the securities administrator will withdraw any amounts in the Class A-2A Swap Account to the extent required and distribute such amounts in the following order of priority:
  1. First, to the Class A-2A Swap Provider, any Adjusted Net Securities Administrator Class A-2A Swap Payment owed to the Class A-2A Swap Provider pursuant to the Class A-2A Swap Agreement for such Distribution Date;
  2. Second, to the Class A-2A Swap Provider, any Swap Termination Payment owed to the Class A-2A Swap Provider not due to a Swap Provider Trigger Event;
  3. Third, concurrently, to the Class I-A-2A and Class III-A-2A Components, pro rata based on the related Senior Interest Distribution Amount for each such Component remaining unpaid after all prior distributions on such Distribution Date, up to the related Senior Interest Distribution Amount of each such Component remaining unpaid after all prior distributions on such Distribution Date,as described in the first sentence of this paragraph above;
  4. Fourth, concurrently, to the Class I-A-2A and Class III-A-2A Components, pro rata based on the related Net WAC Rate Carryover Amount, to the extent remaining unpaid after all prior distributions on such Distribution Date, for each such Component, up to the related Net WAC Rate Carryover Amount for each such Component, to the extent remaining unpaid after all prior distributions on such Distribution Date as described in the first sentence of this paragraph above;
  5. Fifth, to the Class A-2A Swap Provider, an amount equal to any Swap Termination Payment owed to the Class A-2A Swap Provider due to a Swap Provider Trigger Event pursuant to the Interest Rate Swap Agreement; and
  6. Sixth, to the holders of the Class CE-1 Certificates, any remaining amount.

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Transaction Overview (Cont.)

The Class A-2A Swap Agreement (Continued):

- Upon early termination of the Class A-2A Swap Agreement for various events of default and termination events specified in the Class A-2A Swap Agreement, the Supplemental Interest Trust or the Class A-2A Swap Provider may be liable to make a termination payment (a ''Swap Termination Payment'') to the other party (regardless of which party caused the termination). The Swap Termination Payment will be computed in accordance with the procedures set forth in the Class A-2A Swap Agreement**. In the event that the Securities Administrator, on behalf of the Supplemental Interest Trust, is required to make a Swap Termination Payment, that payment will be paid on the related Distribution Date, and on any subsequent Distribution Dates until paid in full, generally, prior to distributions to Class A-2A Certificateholders.**

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this free writing prospectus relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling Deutsche Bank toll-free at 1-800-503-4611. This free writing prospectus is not required to contain all information that is required to be included in the base prospectus and the prospectus supplement. The information in this free writing prospectus is preliminary and is subject to change. The information in this free writing prospectus, if conveyed prior to the time of your commitment to purchase, supersedes information contained in any prior similar free writing prospectus relating to these securities. THIS FREE WRITING PROSPECTUS IS NOT AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE SUCH OFFER, SOLICITATION OR SALE IS NOT PERMITTED. The information in this free writing prospectus may be based on preliminary assumptions about the pool assets and the structure. Any such assumptions are subject to change.

Preliminary Floor Agreement Schedule*

Distribution Date	Floor Notional ($)	Floor Ceiling Rate (%)	Floor Strike Rate (%)
7/25/2007	0	0	0
8/25/2007	0	0	0
9/25/2007	0	0	0
10/25/2007	0	0	0
11/25/2007	0	0	0
12/25/2007	641,979,850	4.117	4.654
1/25/2008	616,571,551	3.922	4.534
2/25/2008	592,173,483	3.762	4.427
3/25/2008	568,744,906	3.616	4.315
4/25/2008	546,246,917	3.474	4.215
5/25/2008	524,643,006	3.256	4.215
6/25/2008	503,897,483	3.0324	4.215
7/25/2008	0	0	0

* Subject to change based on information to be received prior to the Closing Date.

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Preliminary Certificate Swap Agreement Schedule*

Distribution Date	Notional Schedule ($)	Distribution Date	Notional Schedule ($)	Strike Rate (%)
7/25/2007	1,340,000,000.00	10/25/2010	456,461,398.39	5.475
8/25/2007	1,303,545,169.73	11/25/2010	444,186,319.64	5.475
9/25/2007	1,268,092,312.18	12/25/2010	432,245,007.11	5.475
10/25/2007	1,233,613,629.04	1/25/2011	420,627,962.87	5.475
11/25/2007	1,200,082,099.74	2/25/2011	409,326,617.78	5.475
12/25/2007	1,167,471,459.48	3/25/2011	398,332,303.38	5.475
1/25/2008	1,135,756,177.96	4/25/2011	387,636,591.52	5.475
2/25/2008	1,104,911,438.70	5/25/2011	377,231,287.55	5.475
3/25/2008	1,074,913,118.90	6/25/2011	367,106,552.97	5.475
4/25/2008	1,045,737,769.90	7/25/2011	357,255,730.36	5.475
5/25/2008	1,017,362,598.26	8/25/2011	347,672,208.07	5.475
6/25/2008	989,765,447.23	9/25/2011	338,348,656.80	5.475
7/25/2008	962,924,778.89	10/25/2011	329,273,294.53	5.475
8/25/2008	936,819,656.71	11/25/2011	320,437,943.08	5.475
9/25/2008	911,429,728.64	12/25/2011	311,840,375.16	5.475
10/25/2008	886,735,210.64	1/25/2012	303,359,227.60	5.475
11/25/2008	862,716,870.74	2/25/2012	295,216,403.42	5.475
12/25/2008	839,356,013.52	3/25/2012	287,074,723.80	5.475
1/25/2009	816,634,464.98	4/25/2012	278,960,758.98	5.475
2/25/2009	794,534,557.92	5/25/2012	270,684,871.97	5.475
3/25/2009	773,039,117.69	6/25/2012	261,826,626.14	5.475
4/25/2009	752,131,448.35			5.475
5/25/2009	731,795,319.21			5.475
6/25/2009	712,014,951.78			5.475
7/25/2009	692,775,007.07			5.475
8/25/2009	674,060,573.24			5.475
9/25/2009	655,857,153.62			5.475
10/25/2009	638,150,655.03			5.475
11/25/2009	620,927,376.54			5.475
12/25/2009	604,173,998.32			5.475
1/25/2010	587,877,571.14			5.475
2/25/2010	572,025,505.79			5.475
3/25/2010	556,605,563.15			5.475
4/25/2010	541,605,844.24			5.475
5/25/2010	527,014,780.79			5.475
6/25/2010	512,821,125.91			5.475
7/25/2010	495,384,893.65			5.475
8/25/2010	482,050,847.00			5.475
9/25/2010	469,079,674.19			5.475

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FOR ADDITIONAL INFORMATION PLEASE CALL:

Deutsche Bank Securities

MBS Trading	
Adam Yarnold	212-250-2669
Samuel Warren	212-250-2669
Florian Halili	212-250-0877
MBS Banking	
Susan Valenti	212-250-3455
Roxana McKinney	212-250-0848
Rika Yano	212-250-6997
MBS Structuring	
Manu Chiranjiv	+91-22-6711-3271
MBS Analytics	
Alex Lee	212-250-7826
Fan Huang	212-250-5470
Unjoo Choi	212-250-5325

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EXHIBIT M

The following is a free writing prospectus. The information in this free writing prospectus is preliminary and is subject to completion or change.

FREE WRITING PROSPECTUS

ACE Securities Corp

$798,535,000 *(Approximate)*

Home Equity Loan Trust

Series 2007-ASAP1

ACE Securities Corp
(Depositor)

ACE Securities Corp Home Equity Loan Trust, Series 2007-ASAP1
(*Issuing Entity)*

Deutsche Bank

March 8, 2007

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

The analysis in this report is based on information provided by ACE Securities Corp. (the "Depositor"). Investors are urged to read the base prospectus and the prospectus supplement and other relevant documents filed or to be filed with the Securities and Exchange Commission because they contain important information. Such documents may be obtained without charge at the Securities and Exchange Commission's website. Once available, the base prospectus and prospectus supplement may be obtained without charge by contacting Deutsche Bank Securities Inc.'s ("DBSI") trading desk at (212) 250-7730. This free writing prospectus is not required to contain all information that is required to be included in the base prospectus and the prospectus supplement (collectively, the "Prospectus"). The information in this free writing prospectus is preliminary and is subject to completion or change. The information in this free writing prospectus, if conveyed prior to the time of your commitment to purchase, supersedes information contained in any prior similar free writing prospectus relating to these securities. This free writing prospectus is not an offer to sell or a solicitation of an offer to buy these securities in any state where such offer, solicitation or sale is not permitted. You should consult your own counsel, accountant, and other advisors as to the legal, tax, business, financial and related aspects of a purchase of these securities.

The attached information contains certain tables and other statistical analyses (the "Computational Materials") which have been prepared by DBSI in reliance upon information furnished by the Depositor. Numerous assumptions were used in preparing the Computational Materials that may or may not be reflected herein. As such, no assurance can be given as to whether the Computational Materials and/or the assumptions upon which they are based reflect present market conditions or future market performance. These Computational Materials should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. Any weighted average lives, yields and principal payment periods shown in the Computational Materials are based on prepayment assumptions, and changes in such prepayment assumptions may dramatically affect such weighted average lives, yields and principal payment periods. In addition, it is possible that prepayments on the underlying assets will occur at rates slower or faster than the rates shown in the attached Computational Materials. Furthermore, unless otherwise provided, the Computational Materials assume no losses on the underlying assets and no interest shortfalls. The specific characteristics of the securities may differ from those shown in the Computational Materials by a permitted variance of +/- 10% prior to issuance. Neither DBSI nor any of its affiliates makes any representation or warranty as to the actual rate or timing of payments on any of the underlying assets or the payments or yield on the securities.

An investor or potential investor in the certificates (and each employee, representative, or other agent of such person or entity) may disclose to any and all persons, without limitation, the tax treatment and tax structure of the transaction (as defined in United States Treasury Regulation Section 1.6011-4) and all related materials of any kind, including opinions or other tax analyses, that are provided to such person or entity. However, such person or entity may not disclose any other information relating to this transaction unless such information is related to such tax treatment and tax structure.

THIS INFORMATION IS FURNISHED TO YOU SOLELY BY DBSI AND NOT BY THE ISSUING ENTITY OF THE SECURITIES OR ANY OF ITS AFFILIATES. DBSI IS ACTING AS UNDERWRITER AND NOT ACTING AS AGENT FOR THE ISSUING ENTITY IN CONNECTION WITH THE PROPOSED TRANSACTION.

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

FREE WRITING PROSPECTUS DATED March 8, 2007
ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1
$798,535,000 *(Approximate)*

All dollar amounts and percentages contained herein are subject to a permitted variance of +/- 10%

Structure Overview

To 10% Optional Termination

Class	Approximate Size ($)	Type	WAL (yrs)	Principal Payment Window (months)	Pmt Delay (days)	Interest Accrual Basis	Legal Final Maturity	Expected Ratings S / M
Offered Certificates:								
A-1	284,631,000	Float	2.29	1 – 84	0	ACT/360	March 2037	AAA / Aaa
A-2A	181,404,000	Float	1.00	1 – 22	0	ACT/360	March 2037	AAA / Aaa
A-2B	67,264,000	Float	2.00	22 - 28	0	ACT/360	March 2037	AAA / Aaa
A-2C	57,273,000	Float	3.00	28 – 56	0	ACT/360	March 2037	AAA / Aaa
A-2D	57,045,000	Float	6.22	56 – 84	0	ACT/360	March 2037	AAA / Aaa
M-1	31,510,000	Float	4.91	45 – 84	0	ACT/360	March 2037	[AA+]/ Aa1
M-2	28,608,000	Float	4.81	42 – 84	0	ACT/360	March 2037	[AA+] /Aa2
M-3	16,170,000	Float	4.75	41 – 84	0	ACT/360	March 2037	[AA]/Aa3
M-4	14,926,000	Float	4.72	40 – 84	0	ACT/360	March 2037	[AA]/A1
M-5	14,097,000	Float	4.70	40 – 84	0	ACT/360	March 2037	[AA-]/A2
M-6	13,682,000	Float	4.67	39 – 84	0	ACT/360	March 2037	[A+]/A3
M-7	12,024,000	Float	4.66	38 – 84	0	ACT/360	March 2037	[A-]/Baa1
M-8	11,609,000	Float	4.65	38 – 84	0	ACT/360	March 2037	[BBB+]/Baa2
M-9	8,292,000	Float	4.65	38 – 84	0	ACT/360	March 2037	[BBB]/Baa3
Total	**$798,535,000**							

Pricing Speed

Fixed-Rate Mortgage Loans	100% PPC (4% CPR growing to 23% CPR over 12 months)
Adjustable-Rate Mortgage Loans	100% PPC (5% CPR in month 1, an additional 2% CPR for each month thereafter, building to 27% CPR in month 12 and remaining constant at 27% CPR until month 23, increasing to and remaining constant at 60% CPR from month 24 until month 27 and decreasing and remaining constant at 30% CPR from month 28 and thereafter; provided, however, the prepayment rate will not exceed 85% CPR per annum in any period for any percentage of PPC)

Transaction Overview

Certificates: The Class A-1 Certificates and the Class A-2A, Class A-2B, Class A-2C and Class A-2D Certificates (collectively, the "Class A-2 Certificates"; and together with the Class A-1 Certificates, the "Senior Certificates" or "Class A Certificates"), the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, and Class M-9 Certificates (collectively, the "Mezzanine Certificates" or "Class M Certificates"). The Class A-1 Certificates are backed by conforming principal balance fixed-rate and adjustable-rate first and second lien mortgage loans (the "Group I Mortgage Loans") and the Class A-2 Certificates are backed by fixed-rate and adjustable-rate first and second lien mortgage loans with conforming and non-conforming principal balances (the "Group II Mortgage Loans"). The Mezzanine Certificates are backed by the Group I Mortgage Loans and Group II Mortgage Loans (collectively, the "Mortgage Loans"). The Senior Certificates along with the Mezzanine Certificates are referred to herein as the "Offered Certificates."

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

Transaction Overview (Cont.)

Certificates:	The trust will also issue the Class CE Certificates, the Class P Certificates and the Class R Certificates which are referred to herein as the "Non-offered Certificates". The pass-through rate on the Class A-1 Certificates will be the lesser of (i) One-Month LIBOR plus a margin and (ii) the applicable Net WAC Pass-Through Rate. The pass-through rates on the Class A-2 Certificates will be the lesser of (i) One-Month LIBOR plus their respective margins and (ii) the applicable Net WAC Pass-Through Rate. The pass-through rates on the Mezzanine Certificates will be the lesser of (i) One-Month LIBOR plus their respective margins and (ii) the applicable Net WAC Pass-Through Rate.
Collateral:	As of the Cut-off Date, the Mortgage Loans will consist of approximately 4,657 adjustable-rate and fixed-rate, first and second lien, closed-end, mortgage loans. The aggregate outstanding principal balance of the Mortgage Loans is approximately $829,214,912 as of the Cut-off Date. The Mortgage Loans will be separated into two groups. The Group I Mortgage Loans will represent approximately 2,479 conforming principal balance fixed-rate and adjustable-rate Mortgage Loans totaling approximately $364,444,648 and the Group II Mortgage Loans will represent approximately 2,178 conforming and non-conforming principal balance fixed and adjustable-rate Mortgage Loans totaling approximately $464,770,264.
Class A Certificates:	Class A-1, Class A-2A, Class A-2B, Class A-2C and Class A-2D Certificates
Class M Certificates:	Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, and Class M-9 Certificates
Depositor:	ACE Securities Corp. ("ACE")
Issuing Entity:	ACE Securities Corp. Home Equity Loan Trust, Series 2007-ASAP1. The Issuing Entity is also referred to herein as the trust.
Master Servicer and Securities Administrator:	Wells Fargo Bank, National Association
Servicer:	Ocwen Loan Servicing, LLC
Trustee:	HSBC Bank USA, National Association
Custodians:	Wells Fargo Bank, National Association and Deutsche Bank National Trust Company
Credit Risk Manager:	Clayton Fixed Income Services Inc.
Underwriter:	Deutsche Bank Securities Inc.
Swap Provider:	TBD
Cut-off Date:	February 1, 2007
Expected Pricing:	Week of March 5, 2007
Expected Closing Date:	On or about March 13, 2007
Record Date:	For so long as the Offered Certificates are held in book-entry form, the Record Date will be the business day immediately preceding the related Distribution Date. With respect to any Offered Certificates held in definitive form, the Record Date will be the last business day of the month immediately preceding the month in which the related Distribution Date occurs.
Distribution Date:	25th day of each month (or the next business day if such day is not a business day) commencing in March 2007.

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

Transaction Overview (Cont.)

Determination Date:	The Determination Date with respect to any Distribution Date is the 15th day of the month in which the Distribution Date occurs or, if such day is not a business day, on the immediately preceding business day.
Due Period:	The Due Period with respect to any Distribution Date commences on the second day of the month immediately preceding the month in which such Distribution Date occurs and ends on the first day of the month in which such Distribution Date occurs.
Prepayment Period:	The Prepayment Period with respect to any Distribution Date shall be (i) with respect to principal prepayments in full, the period from the 16th day of the month immediately preceding the Distribution Date to the 15th day of the month in which the Distribution Date occurs and (ii) with respect to principal prepayments in part, the calendar month immediately preceding the month in which the Distribution Date occurs.
Interest Accrual Period:	Interest will initially accrue on the Offered Certificates from the Closing Date to (but excluding) the first Distribution Date, and thereafter, from the prior Distribution Date to (but excluding) the current Distribution Date on an actual/360 basis. The Offered Certificates will initially settle flat (no accrued interest).
Interest Distribution Amount:	For the Certificates of any class on any Distribution Date is equal to interest accrued during the related Interest Accrual Period on the certificate principal balance of that class immediately prior to such Distribution Date at the then applicable pass-through rate for such class, and reduced (to not less than zero), in the case of each such class, by the allocable share, if any, for such class of prepayment interest shortfalls to the extent not covered by Compensating Interest paid by the Master Servicer or the Servicer and shortfalls resulting from the application of the Servicemembers' Civil Relief Act or similar state or local laws.
Senior Interest Distribution Amount:	For the Class A Certificates on any Distribution Date is an amount equal to the sum of the Interest Distribution Amount for such Distribution Date for each such class and the Interest Carry Forward Amount, if any, for such Distribution Date for each such class.
Administration Fee Rate:	The Master Servicer, Servicer and Credit Risk Manager will be paid monthly fees on the outstanding principal balance of the Mortgage Loans. These fees initially aggregate to a weighted average cost of approximately 0.5170% for the Mortgage Loans.
Prepayment Interest Shortfalls:	Interest shortfalls attributable to voluntary principal prepayments on the Mortgage Loans.
Compensating Interest:	The Servicer will be required to cover Prepayment Interest Shortfalls on prepayments in full on the Mortgage Loans up to the amount of the Servicing Fee. If the Servicer fails to make any required Compensating Interest payment, the Master Servicer will be required to do so up to the amount of the Master Servicing Fee.
Optional Termination:	On any Distribution Date on which the aggregate outstanding principal balance of the Mortgage Loans as of the last day of the related Due Period is less than or equal to 10% of the aggregate outstanding principal balance of the Mortgage Loans as of the Cut-off Date, the Master Servicer may purchase all of the Mortgage Loans and REO properties remaining in the trust, causing an early retirement of the certificates, but is not required to do so.

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

Transaction Overview (Cont.)

Monthly Servicer Advances:	The Servicer will collect monthly payments of principal and interest on the Mortgage Loans and will be obligated to make advances of delinquent monthly principal and interest payments. The Servicer is required to advance delinquent payments of principal and interest on the Mortgage Loans only to the extent such amounts are deemed recoverable. If the Servicer fails to make any such advance, the Master Servicer will be required to do so subject to its determination of recoverability. The Servicer and the Master Servicer are entitled to be reimbursed for these advances, and therefore these advances are not a form of credit enhancement.
Credit Enhancement:	1) Excess Interest; 2) Overcollateralization ("OC"); and 3) Subordination
Allocation of Losses:	Any Realized Losses on the Mortgage Loans will be allocated on any Distribution Date, first, to Net Monthly Excess Cashflow and Net Swap Payments received from the Swap Provider, if any, second, to the Class CE Certificates, third, to the Class M-9 Certificates, fourth, to the Class M-8 Certificates, fifth, to the Class M-7 Certificates, sixth, to the Class M-6 Certificates, seventh, to the Class M-5 Certificates, eighth, to the Class M-4 Certificates, ninth, to the Class M-3 Certificates, tenth, to the Class M-2 Certificates and eleventh, to the Class M-1 Certificates. There will be no allocation of Realized Losses to the Class A Certificates. Investors in the Class A Certificates should note, however, that although Realized Losses cannot be allocated to such Certificates, under certain loss scenarios there may not be enough principal and interest on the Mortgage Loans to distribute to the holders of the Class A Certificates all principal and interest amounts to which they are then entitled. Once Realized Losses have been allocated to the Mezzanine Certificates, such amounts with respect to such Certificates will no longer accrue interest and such amounts will not be reinstated thereafter. However, the amount of any Realized Losses allocated to the Mezzanine Certificates may be distributed to such certificates on a subordinated basis on any Distribution Date from Net Monthly Excess Cashflow, if any is available for such Distribution Date, and any Net Swap Payments paid by the Swap Provider.
Required Overcollateralization Amount:	Overcollateralization refers to the amount by which the aggregate principal balance of the Mortgage Loans exceeds the aggregate certificate principal balance of the Certificates. This excess (the "Overcollateralization Amount") is intended to protect the certificateholders against shortfalls in payments on the Certificates. The Required Overcollateralization Amount for the Certificates, which will be fully established at issuance, is anticipated to be approximately 3.70% of the aggregate principal balance of the Mortgage Loans as of the Cut-off Date. On or after the Stepdown Date and provided that a trigger event is not in effect, the Required Overcollateralization Amount may be permitted to decrease to approximately 7.40% of the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period, subject to a floor amount of approximately 0.50% of the aggregate outstanding principal balance of the Mortgage Loans as of the Cut-off Date. If, due to losses, the Overcollateralization Amount is reduced below the Required Overcollateralization Amount, excess spread, if any is available will be paid to the Certificates then entitled to receive distributions in respect of principal in order to reduce the certificate principal balance of such Certificates to the extent necessary to reach the Required Overcollateralization Amount. In addition, Net Swap Payments paid by the Swap Provider may be used to restore or maintain the Required Overcollateralization Amount.
Overcollateralization Increase Amount:	An Overcollateralization Increase Amount for any Distribution Date is the lesser of (i) the Net Monthly Excess Cashflow and Net Swap Payments received from the Swap Provider, if any, for that Distribution Date and (ii) the excess of the Required Overcollateralization Amount over the current Overcollateralization Amount.

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Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

Transaction Overview (Cont.)

Overcollateralization Reduction Amount: An Overcollateralization Reduction Amount for any Distribution Date is the amount by which the current Overcollateralization Amount exceeds the Required Overcollateralization Amount after taking into account all other distributions to be made on the Distribution Date limited to the distribution of principal on the Mortgage Loans.

Stepdown Date: Is the earlier of (i) the first Distribution Date following the distribution date on which the aggregate certificate principal balances of the Class A Certificates have been reduced to zero and (ii) the later to occur of (x) the Distribution Date occurring in March 2010 and (y) the first Distribution Date on which the Credit Enhancement Percentage (calculated for this purpose only after taking into account distributions of principal on the Mortgage Loans, but prior to any distribution of principal to the holders of the Certificates) is equal to or greater than approximately 43.80%.

Credit Enhancement Percentage: As of the Closing Date the Initial Credit Enhancement Percentage is as set forth below under the heading "Initial CE %". The Credit Enhancement Percentage for any class and any Distribution Date is the percentage obtained by dividing (x) the aggregate certificate principal balance of the class or classes subordinate thereto (which includes the Overcollateralization Amount) by (y) the aggregate principal balance of the Mortgage Loans, calculated after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period and distribution of the Principal Distribution Amount to the holders of the certificates then entitled to distributions of principal on the Distribution Date.

Class	(S/M)	Initial CE %	CE % On/After Step Down Date
A	AAA / Aaa	21.90%	43.80%
M-1	[AA+]/ Aa1	18.10%	36.20%
M-2	[AA+]/Aa2	14.65%	29.30%
M-3	[AA]/Aa3	12.70%	25.40%
M-4	[AA]/A1	10.90%	21.80%
M-5	[AA]-/A2	9.20%	18.40%
M-6	[A+]/A3	7.55%	15.10%
M-7	[A-]/Baa1	6.10%	12.20%
M-8	[BBB+]/Baa2	4.70%	9.40%
M-9	[BBB]/Baa3	3.70%	7.40%

Net Monthly Excess Cashflow: For any Distribution Date is equal to the sum of (i) any Overcollateralization Reduction Amount and (ii) the excess of the Available Distribution Amount, net of any Net Swap Payment and the Swap Termination Payment, if any, required to be made by the Securities Administrator, on behalf of the supplemental interest trust (not caused by the occurrence of a Swap Provider trigger event) (described below), to the Swap Provider under the Swap Agreement, over the sum of (w) with respect to the Class A Certificates, the Senior Interest Distribution Amount for such Distribution Date, (x) with respect to the Mezzanine Certificates, the Interest Distribution Amount for such Distribution Date and (y) the amount of principal remittance required to be distributed to the holders of the certificates on such Distribution Date.

Net WAC Pass-Through Rate: Class A-1 Certificates or Class A-2 Certificates: The per annum rate (subject to adjustment based on the actual number of days elapsed in the related Interest Accrual Period) equal to the product of 12 and a fraction, expressed as a percentage, the numerator of which is the difference of (a) the amount of interest which accrued on the Mortgage Loans in the related loan group in the prior calendar month minus the fees payable to the Servicer, the Master Servicer and the Credit Risk Manager with respect to the related Mortgage Loans for such Distribution Date over (b) the Group I Allocation Percentage or Group II Allocation Percentage, as applicable, of any Net Swap Payment or Swap Termination Payment made to the Swap Provider (not caused by the occurrence of a Swap Provider trigger event) for such Distribution Date and the denominator of which is the aggregate principal balance of the Mortgage Loans in the related loan group as of the last day of the immediately preceding Due Period (or as of the Cut-off Date with respect to the first Distribution Date), after giving effect to principal prepayments received during the related Prepayment Period.

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Transaction Overview (Cont.)

Net WAC Pass-Through Rate (Continued):	Mezzanine Certificates: The per annum rate equal to (x) the weighted average (weighted in proportion to the results of subtracting from the aggregate principal balance of each loan group, the current certificate principal balance of the related Class A Certificates) of (i) the Net WAC Pass-Through Rate for the Class A-1 Certificates and (ii) the Net WAC Pass-Through Rate for the Class A-2 Certificates. Group I Allocation Percentage: The aggregate principal balance of the Group I Mortgage Loans divided by the sum of the aggregate principal balance of the Group I Mortgage Loans and the Group II Mortgage Loans. Group II Allocation Percentage: The aggregate principal balance of the Group II Mortgage Loans divided by the sum of the aggregate principal balance of the Group I Mortgage Loans and the Group II Mortgage Loans.
Net WAC Rate Carryover Amount:	If on any Distribution Date the Pass-Through Rate for any class of the Series 2007-ASAP1 Certificates is limited by the related Net WAC Pass-Through Rate, such class will be entitled to the "Net WAC Rate Carryover Amount" which will be equal to the sum of (i) the excess of (a) the amount of interest that would have accrued on such class based on one-month LIBOR plus the related margin over (b) the amount of interest accrued on such class based on the related Net WAC Pass-Through Rate and (ii) the unpaid portion of any related Net WAC Rate Carryover Amount from the prior Distribution Date together with interest accrued on such unpaid portion at a rate equal to one-month LIBOR plus the related margin for the most recently ended Interest Accrual Period. Any Net WAC Rate Carryover Amount will be paid on such Distribution Date or future Distribution Dates to the extent of funds available. The Net WAC Rate Carryover Amount will be distributed from certain amounts received by the Securities Administrator, on behalf of the Supplemental Interest Trust (described below), under the Swap Agreement, if any, and from the Net Monthly Excess Cashflow on a subordinated basis on the same Distribution Date or on any subsequent Distribution Date to the extent of available funds. The ratings on each class of Certificates do not address the likelihood of the payment of any Net WAC Rate Carryover Amount from Net Monthly Excess Cashflow.
Group I Cap Agreement:	On the Closing Date, the Trustee will enter into a "Group I Cap Agreement" which will be effective commencing on the Distribution Date in March 2007 and ending immediately following the Distribution Date in August 2007 to make payments in respect of any Net WAC Rate Carryover Amounts in respect of the Class A-1 and Mezzanine Certificates as described herein. The Group I Cap Agreement requires a cap payment in an amount equal to the product of: (1) the excess, if any, of one-month LIBOR over a strike rate of [7.50]% for the related Distribution Date; (2) the related scheduled notional amount, which is based on the lesser of (i) the expected amortization of the Group I Mortgage Loans and (ii) the aggregate Certificate Principal Balance of the Class A-1 Certificates, Mezzanine Certificates and Class CE Certificates, and (3) a fraction, the numerator of which is the actual number of days elapsed from the previous Distribution Date to but excluding the current Distribution Date (or, for the first Distribution Date, the actual number of days elapsed from the Closing Date to but excluding the first Distribution Date), and the denominator of which is 360.

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Transaction Overview (Cont.)

Group II Cap Agreement:

On the Closing Date, the Trustee will enter into a "Group II Cap Agreement" which will be effective commencing on the Distribution Date in March 2007 and ending immediately following the Distribution Date in August 2007 to make payments in respect of any Net WAC Rate Carryover Amounts in respect of the Class A-2A, Class A-2B, Class A-2C, Class A-2D and Mezzanine Certificates as described herein. The Group II Cap Agreement requires a cap payment in an amount equal to the product of: (1) the excess, if any, of one-month LIBOR over a strike rate of [7.50]% for the related Distribution Date; (2) the related scheduled notional amount, which is based on the lesser of (i) the expected amortization of the Group II Mortgage Loans and (ii) the aggregate Certificate Principal Balance of the Class A-2A, Class A-2B, Class A-2C, Class A-2D and Mezzanine Certificates, and Class CE Certificates, and (3) a fraction, the numerator of which is the actual number of days elapsed from the previous Distribution Date to but excluding the current Distribution Date (or, for the first Distribution Date, the actual number of days elapsed from the Closing Date to but excluding the first Distribution Date), and the denominator of which is 360.

Swap Agreement:

On the Closing Date, the Trustee will enter into a Swap Agreement with the Swap Provider described in the final prospectus supplement. The Swap Agreement will have an initial notional amount of $738,019,064. Beginning with the Distribution Date in September 2007, the Trust (through a supplemental interest trust) will be obligated to pay an amount equal to [4.80]% per annum on the notional amount as set forth in the Swap Agreement to the Swap Provider and the Swap Provider will be obligated to pay to the supplemental interest trust, for the benefit of the holders of the Offered Certificates, an amount equal to one-month LIBOR on the notional amount as set forth in the Swap Agreement until the Swap Agreement is terminated. Only the net amount of the two obligations will be paid by the appropriate party (the "Net Swap Payment"). See the attached schedule.

A separate trust created under the pooling and servicing agreement (the "Supplemental Interest Trust") will hold the Swap Agreement. The Swap Agreement and any payments made by the Swap Provider thereunder will be assets of the Supplemental Interest Trust but will not be assets of any REMIC.

Upon early termination of the Swap Agreement, the Supplemental Interest Trust or the Swap Provider may be liable to make a termination payment (the ''Swap Termination Payment'') to the other party (regardless of which party caused the termination). The Swap Termination Payment will be computed in accordance with the procedures set forth in the Swap Agreement. **In the event that the Securities Administrator, on behalf of the Supplemental Interest Trust, is required to make a Swap Termination Payment, that payment will be paid on the related Distribution Date, and on any subsequent Distribution Dates until paid in full, generally, prior to distributions to Certificate holders.**

Available Distribution Amount:

For any Distribution Date, net of the administrative fees, an amount equal to (i) the aggregate amount of scheduled monthly payments on the Mortgage Loans due on the related Due Date and received on or prior to the related Determination Date; (ii) unscheduled payments in respect of the Mortgage Loans (including prepayments, insurance proceeds, liquidation proceeds, subsequent recoveries and proceeds from repurchases of and substitutions for the Mortgage Loans occurring during the related Prepayment Period or proceeds from the repurchase of the Mortgage Loans due to the Optional Termination of the Trust); (iii) all P&I Advances with respect to the Mortgage Loans received for the Distribution Date; (iv) all Compensating Interest paid by the Servicer or the Master Servicer in respect of Prepayment Interest Shortfalls for the related Due Period; and (v) Net Swap Payments payable by the Swap Provider.

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Transaction Overview (Cont.)

Class A Principal Distribution Amount:	Until the Stepdown Date, the Class A Principal Distribution Amount will be distributed to the holders of the Class A-1 Certificates and the Class A-2 Certificates concurrently, on a pro rata basis based on the related Class A principal allocation percentage (for any Distribution Date, the percentage equivalent of a fraction, the numerator of which is the principal remittance amount for the Group I Mortgage Loans (in the case of the Class A-1 Certificates) or the principal remittance amount for the Group II Mortgage Loans (in the case of the Class A-2 Certificates) and the denominator of which is equal to the principal remittance amount for all of the Mortgage Loans). Until the Stepdown Date, or if a Trigger Event occurs, the Class A Certificates will receive the principal collected on the Mortgage Loans plus any excess interest and any net swap payment received required to maintain the Required Overcollateralization Amount until the aggregate certificate principal balance of the Class A Certificates has been reduced to zero. On or after the Stepdown Date, if no Trigger Event occurs, principal paid on the Class A Certificates will be an amount such that the Class A Certificates will maintain approximately a 43.80% Credit Enhancement Percentage (2x the Class A Initial Credit Enhancement Percentage). The Class A Principal Distribution Amount will be distributed to the holders of the Class A-1 Certificates and the Class A-2 Certificates to the extent of their respective group-based principal distribution amount. Principal distributions to the Class A-2 Certificates will be allocated sequentially to the Class A-2A, Class A-2B, Class A-2C and Class A-2D Certificates, in that order, until the certificate principal balance of each such class has been reduced to zero; provided, however, on any Distribution Date on which the aggregate certificate principal balance of the Mezzanine Certificates has been reduced to zero, all principal distributions will be distributed to the Class A-2 Certificates concurrently, on a pro rata basis, based on the certificate principal balance of each such class, until the certificate principal balance of each such class has been reduced to zero.
Class M Principal Distribution Amount:	Generally, the Mezzanine Certificates will not receive any principal payments until the Stepdown Date. On or after the Stepdown Date (if no Trigger Event occurs), principal will be paid to the Mezzanine Certificates, first to the Class M-1 Certificates until it reaches approximately a 36.20% Credit Enhancement Percentage (2x the Class M-1 Initial Credit Enhancement Percentage), second to the Class M-2 Certificates until it reaches approximately a 29.30% Credit Enhancement Percentage (2x the Class M-2 Initial Credit Enhancement Percentage), third to the Class M-3 Certificates until it reaches approximately a 25.40% Credit Enhancement Percentage (2x the Class M-3 Initial Credit Enhancement Percentage), fourth to the Class M-4 Certificates until it reaches approximately a 21.80% Credit Enhancement Percentage (2x the Class M-4 Initial Credit Enhancement Percentage), fifth to the Class M-5 Certificates until it reaches approximately a 18.40% Credit Enhancement Percentage (2x the Class M-5 Initial Credit Enhancement Percentage), sixth to the Class M-6 Certificates until it reaches approximately a 15.10% Credit Enhancement Percentage (2x the Class M-6 Initial Credit Enhancement Percentage), seventh to the Class M-7 Certificates until it reaches approximately a 12.20% Credit Enhancement Percentage (2x the Class M-7 Initial Credit Enhancement Percentage), eighth to the Class M-8 Certificates until it reaches approximately a 9.40% Credit Enhancement Percentage (2x the Class M-8 Initial Credit Enhancement Percentage), and ninth to the Class M-9 Certificates until it reaches approximately a 7.40% Credit Enhancement Percentage (2x the Class M-9 Initial Credit Enhancement Percentage).

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Transaction Overview (Cont.)

Coupon Step-up: On the Distribution Date following the first possible optional termination date, the margins on the Class A Certificates and the Mezzanine Certificates will increase to the following, provided that the pass-through rate on the certificates will still be subject to the applicable Net WAC Pass-Through Rate.

Class	After Optional Termination
A	2 x related Margin
M	The lesser of 1.5 x related Margin and related Margin plus 0.50%

Trigger Event: If either the Delinquency Test or Cumulative Loss Test is violated.

Delinquency Test: The determination on any Distribution Date that the percentage obtained by dividing (x) the principal amount of (1) Mortgage Loans delinquent 60 days or more, (2) Mortgage Loans in foreclosure, (3) REO Properties and (4) Mortgage Loans discharged due to bankruptcy by (y) the aggregate principal balance of the Mortgage Loans, in each case, as of the last day of the previous calendar month, exceeds 36.50% of the Credit Enhancement Percentage of the Class A Certificates.

Cumulative Loss Test: The determination on any Distribution Date that the aggregate amount of Realized Losses incurred since the Cut-off Date through the last day of the related Due Period divided by the aggregate principal balance of the Mortgage Loans as of the Cut-off Date exceeds the applicable percentages set forth below with respect to such Distribution Date:

Distribution Date Occurring in	Percentage
March 2009 to February 2010	1.55%, plus 1/12th of 1.95% for each month thereafter
March 2010 to February 2011	3.50%, plus 1/12th of 1.95% for each month thereafter
March 2011 to February 2012	5.45%, plus 1/12th of 1.60% for each month thereafter
March 2012 to February 2013	7.05%, plus 1/12th of 0.85% for each month thereafter
March 2013 to Feburary 2014	7.90%, plus 1/12th of 0.05% for each month thereafter
March 2014 and thereafter	7.95%

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Transaction Overview (Cont.)

Payment Priority:

I. On each Distribution Date, the Available Distribution Amount (net of any Net Swap Payments payable by the Swap Provider) will be distributed as follows:

1. Commencing on the Distribution Date occurring in September 2007, to the Supplemental Interest Trust, to pay any Net Swap Payment or the Swap Termination Payment (not caused by a Swap Provider Trigger Event (as defined in the Swap Agreement)) owed to the Swap Provider.
2. To pay interest to the Class A Certificates, pro rata, including any accrued unpaid interest from a prior Distribution Date, then to pay interest excluding any accrued unpaid interest from a prior Distribution Date to the Mezzanine Certificates, on a sequential basis.
3. To pay principal to the Class A Certificates in accordance with the principal payment provisions described above.
4. To pay principal to the Mezzanine Certificates in accordance with the principal payment provisions described above.
5. From excess interest, if any, to the certificates then entitled to receive distributions in respect of principal in order to reduce the certificate principal balance of the certificates to the extent necessary to restore or maintain the Required Overcollateralization Amount.
6. From excess interest, if any, to pay the Interest Carry Forward Amounts on the Mezzanine Certificates, on a sequential basis.
7. From excess interest, if any, to pay the allocated Realized Losses on the Mezzanine Certificates, on a sequential basis.
8. From excess interest, if any, to pay the Net WAC Rate Carryover Amount on the Class A Certificates and the Mezzanine Certificates in the same order of priority as described in 2 above.
9. From excess interest, if any, commencing on the Distribution Date occurring in September 2007, to pay the Swap Termination Payment (caused by a Swap Provider Trigger Event under the Swap Agreement) owed to the Swap Provider.
10. To pay any remaining amount to the Non-offered Certificates in accordance with the Pooling and Servicing Agreement.

II. Commencing on the Distribution Date occurring in September 2007, any Net Swap Payments on deposit in the Supplemental Interest Trust will be paid as follows:

1. To pay any Net Swap Payment or the Swap Termination Payment (not caused by a Swap Provider Trigger Event (as defined in the Swap Agreement)) owed to the Swap Provider.
2. To pay any unpaid interest on the Class A Certificates including any accrued unpaid interest from a prior Distribution Date, on a pro rata basis, and then to pay any unpaid interest including any accrued unpaid interest from prior Distribution Dates to the Mezzanine Certificates, sequentially.
3. To pay any unpaid allocated Realized Losses* remaining unpaid on the Mezzanine Certificates, sequentially.
4. To pay any principal to the Offered Certificates in accordance with the principal payment provisions described above in an amount necessary to restore or maintain the Required Overcollateralization Amount.*
5. To pay the Net WAC Rate Carryover Amount on the Offered Certificates remaining unpaid in the same order of priority as described above.
6. To pay the Swap Termination Payment (caused by a Swap Provider Trigger Event under the Swap Agreement) owed to the Swap Provider.
7. To pay any remaining amount to the Class CE Certificates.

** Notwithstanding the foregoing, the cumulative amount paid pursuant to clauses 3 and 4 shall at no time be permitted to exceed the cumulative amount of realized losses incurred on the Mortgage Loans from and after the Cut-Off Date.*

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Transaction Overview (Cont.)

ERISA:	It is expected that the Offered Certificates may be purchased by, or with the assets of, employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or plans or arrangements subject to section 4975 of the Internal Revenue Code (each, a "Plan"). Prior to the termination of the Supplemental Interest Trust, Plans or persons using assets of a Plan may purchase the Offered Certificates if the purchase and holding meets the requirements of an investor-based class exemption issued by the Department of Labor. Investors should consult with their counsel with respect to the consequences under ERISA and the Internal Revenue Code of a Plan's acquisition and ownership of such certificates.
Legal Investment:	The Offered Certificates will not constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984.
Taxation – REMIC:	One or more REMIC elections will be made for designated portions of the Trust (exclusive of the reserve fund, the Group I Cap Agreement, the Group II Cap Agreement, certain shortfall payments or payments from the Supplemental Interest Trust or the obligation to make payments to the Supplemental Interest Trust pursuant to the Swap Agreement).
Form of Registration:	Book-entry form through DTC, Clearstream and Euroclear.
Minimum Denominations:	$25,000 and integral multiples of $1 in excess thereof.

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Cap Schedules

Group I Cap Schedule		
Payment Date	Notional Amount ($)	Strike Rate (%)
3/25/2007	364,444,648	7.50
4/25/2007	361,483,693	7.50
5/25/2007	357,902,756	7.50
6/25/2007	353,706,781	7.50
7/25/2007	348,703,874	7.50
8/25/2007	343,505,347	7.50

Group II Cap Schedule		
Payment Date	Notional Amount ($)	Strike Rate (%)
3/25/2007	464,770,264	7.50
4/25/2007	461,101,462	7.50
5/25/2007	456,645,091	7.50
6/25/2007	451,406,948	7.50
7/25/2007	445,396,823	7.50
8/25/2007	438,628,667	7.50

Swap Schedule

Distribution Date	Notional Schedule ($)	Distribution Date	Notional Schedule ($)
9/25/2007	738,019,064	12/25/2009	159,994,002
10/25/2007	715,587,468	1/25/2010	153,071,583
11/25/2007	691,374,736	2/25/2010	146,456,715
12/25/2007	665,648,170	3/25/2010	140,133,942
1/25/2008	638,714,700	4/25/2010	134,089,983
2/25/2008	612,628,027	5/25/2010	128,312,289
3/25/2008	587,600,195	6/25/2010	122,788,897
4/25/2008	563,599,229	7/25/2010	117,508,397
5/25/2008	540,582,821	8/25/2010	112,459,947
6/25/2008	518,510,414	9/25/2010	107,633,094
7/25/2008	497,343,209	10/25/2010	103,017,903
8/25/2008	477,043,851	11/25/2010	98,604,903
9/25/2008	457,490,714	12/25/2010	94,385,055
10/25/2008	438,698,247	1/25/2011	90,349,733
11/25/2008	420,400,086	2/25/2011	86,490,702
12/25/2008	399,729,443	3/25/2011	82,800,102
1/25/2009	346,653,625	4/25/2011	79,270,423
2/25/2009	300,053,365	5/25/2011	75,894,506
3/25/2009	261,038,561	6/25/2011	72,665,510
4/25/2009	229,774,251	7/25/2011	69,576,910
5/25/2009	218,431,400	8/25/2011	66,622,467
6/25/2009	208,812,881	9/25/2011	63,796,234
7/25/2009	199,725,756	10/25/2011	61,092,494
8/25/2009	191,042,611	11/25/2011	58,505,833
9/25/2009	182,744,913	12/25/2011	56,031,033
10/25/2009	174,815,202	1/25/2012	53,662,963
11/25/2009	167,236,850	2/25/2012	51,390,117

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Sensitivity Table
To 10% Call

	Fixed>> / Arm>>	0% PPC / 0% PPC	55% PPC / 55% PPC	100% PPC / 100% PPC	125% PPC / 125% PPC	160% PPC / 160% PPC
A-1	Avg Life	21.31	4.32	2.29	1.61	1.22
	First P ayment Date	Mar-07	Mar-07	Mar-07	Mar-07	Mar-07
	Last Payment Date	Dec-36	Mar-20	Feb-14	Jun-12	Aug-09
A-2A	Avg Life	14.66	1.55	1.00	0.83	0.68
	First Payment Date	Mar-07	Mar-07	Mar-07	Mar-07	Mar-07
	Last Payment Date	Sep-28	Feb-10	Dec-08	Sep-08	May-08
A-2B	Avg Life	23.33	3.74	2.00	1.76	1.46
	First Payment Date	Sep-28	Feb-10	Dec-08	Sep-08	May-08
	Last Payment Date	Jul-32	Jan-12	Jun-09	Feb-09	Nov-08
A-2C	Avg Life	27.18	6.61	3.00	2.09	1.83
	First Payment Date	Jul-32	Jan-12	Jun-09	Feb-09	Nov-08
	Last Payment Date	Dec-35	Dec-15	Oct-11	Jul-09	Feb-09
A-2D	Avg Life	29.59	11.75	6.22	3.64	2.15
	First Payment Date	Dec-35	Dec-15	Oct-11	Jul-09	Feb-09
	Last Payment Date	Dec-36	Mar-20	Feb-14	Jun-12	Sep-09
M-1	Avg Life	28.19	8.57	4.91	5.13	3.53
	First Payment Date	Jan-32	Mar-11	Nov-10	Nov-11	Sep-09
	Last Payment Date	Dec-36	Mar-20	Feb-14	Jun-12	Jan-11
M-2	Avg Life	28.18	8.57	4.81	4.59	3.87
	First Payment Date	Dec-31	Mar-11	Aug-10	Apr-11	Jan-11
	Last Payment Dat e	Dec-36	Mar-20	Feb-14	Jun-12	Jan-11
M-3	Avg Life	28.18	8.57	4.75	4.32	3.82
	First Payment Date	Dec-31	Mar-11	Jul-10	Jan-11	Nov-10
	Last Payment Date	Dec-36	Mar-20	Feb-14	Jun-12	Jan-11
M-4	Avg Life	28.18	8.57	4.72	4.18	3.61
	First Payment Date	Dec-31	Mar-11	Jun-10	Nov-10	Aug-10
	Last Payment Date	Dec-36	Mar-20	Feb-14	Jun-12	Jan-11
M-5	Avg Life	28.18	8.57	4.70	4.08	3.44
	First Payment Date	Dec-31	Mar-11	Jun-10	Sep-10	May-10
	Last Payment Date	Dec-36	Mar-20	Feb-14	Jun-12	Jan-11

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

Sensitivity Table
To 10% Call (Continued)

	Fixed>> Arm>>	0% PPC 0% PPC	55% PPC 55% PPC	100% PPC 100% PPC	125% PPC 125% PPC	160% PPC 160% PPC
M-6	Avg Life	28.18	8.57	4.67	4.01	3.32
	First Payment Date	Dec-31	Mar-11	May-10	Jul-10	Mar-10
	Last Payment Date	Dec-36	Mar-20	Feb-14	Jun-12	Jan-11
M-7	Avg Life	28.18	8.57	4.66	3.94	3.22
	First Payment Date	Dec-31	Mar-11	Apr-10	Jun-10	Feb-10
	Last Payment Date	Dec-36	Mar-20	Feb-14	Jun-12	Jan-11
M-8	Avg Life	28.18	8.57	4.65	3.89	3.15
	First Payment Date	Nov-31	Mar-11	Apr-10	May-10	Jan-10
	Last Payment Date	Dec-36	Mar-20	Feb-14	Jun-12	Jan-11
M-9	Avg Life	28.18	8.57	4.65	3.86	3.09
	First Payment Date	Nov-31	Mar-11	Apr-10	May-10	Dec-09
	Last Payment Date	Dec-36	Mar-20	Feb-14	Jun-12	Jan-11

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

Sensitivity Table
To Maturity

	Fixed>> / Arm>>	0% PPC / 0% PPC	55% PPC / 55% PPC	100% PPC / 100% PPC	125% PPC / 125% PPC	160% PPC / 160% PPC
A-1	Avg Life	21.31	4.64	2.49	1.76	1.22
	First Payment Date	Mar-07	Mar-07	Mar-07	Mar-07	Mar-07
	Last Payment Date	Jan-37	Jul-33	Oct-22	Jul-19	Aug-09
A-2A	Avg Life	14.66	1.55	1.00	0.83	0.68
	First Payment Date	Mar-07	Mar-07	Mar-07	Mar-07	Mar-07
	Last Payment Date	Sep-28	Feb-10	Dec-08	Sep-08	May-08
A-2B	Avg Life	23.33	3.74	2.00	1.76	1.46
	First Payment Date	Sep-28	Feb-10	Dec-08	Sep-08	May-08
	Last Payment Date	Jul-32	Jan-12	Jun-09	Feb-09	Nov-08
A-2C	Avg Life	27.18	6.61	3.00	2.09	1.83
	First Payment Date	Jul-32	Jan-12	Jun-09	Feb-09	Nov-08
	Last Payment Date	Dec-35	Dec-15	Oct-11	Jul-09	Feb-09
A-2D	Avg Life	29.59	13.72	7.51	4.63	2.15
	First Payment Date	Dec-35	Dec-15	Oct-11	Jul-09	Feb-09
	Last Payment Date	Jan-37	Feb-33	Oct-22	Sep-19	Sep-09
M-1	Avg Life	28.19	9.40	5.43	5.63	5.68
	First Payment Date	Jan-32	Mar-11	Nov-10	Nov-11	Sep-09
	Last Payment Date	Jan-37	Jun-30	Sep-20	Aug-17	May-16
M-2	Avg Life	28.19	9.38	5.31	4.98	4.76
	First Payment Date	Dec-31	Mar-11	Aug-10	Apr-11	Mar-11
	Last Payment Date	Jan-37	Jun-29	Feb-20	Feb-17	Jul-14
M-3	Avg Life	28.19	9.35	5.24	4.70	4.14
	First Payment Date	Dec-31	Mar-11	Jul-10	Jan-11	Nov-10
	Last Payment Date	Jan-37	Jul-28	Jun-19	Aug-16	Feb-14
M-4	Avg Life	28.18	9.33	5.19	4.55	3.89
	First Payment Date	Dec-31	Mar-11	Jun-10	Nov-10	Aug-10
	Last Payment Date	Dec-36	Nov-27	Jan-19	Apr-16	Nov-13
M-5	Avg Life	28.18	9.29	5.15	4.43	3.70
	First Payment Date	Dec-31	Mar-11	Jun-10	Sep-10	May-10
	Last Payment Date	Dec-36	Mar-27	Jul-18	Dec-15	Aug-13

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

Sensitivity Table
To Maturity (Continued)

	Fixed>> Arm>>	0% PPC 0% PPC	55% PPC 55% PPC	100% PPC 100% PPC	125% PPC 125% PPC	160% PPC 160% PPC
M-6	Avg Life	28.18	9.24	5.09	4.33	3.56
	First Payment Date	Dec-31	Mar-11	May-10	Jul-10	Mar-10
	Last Payment Date	Dec-36	May-26	Jan-18	Jul-15	Apr-13
M-7	Avg Life	28.18	9.18	5.04	4.23	3.44
	First Payment Date	Dec-31	Mar-11	Apr-10	Jun-10	Feb-10
	Last Payment Date	Dec-36	Jun-25	Jun-17	Jan-15	Dec-12
M-8	Avg Life	28.18	9.08	4.96	4.14	3.34
	First Payment Date	Nov-31	Mar-11	Apr-10	May-10	Jan-10
	Last Payment Date	Dec-36	May-24	Oct-16	Jul-14	Aug-12
M-9	Avg Life	28.18	8.97	4.88	4.04	3.23
	First Payment Date	Nov-31	Mar-11	Apr-10	May-10	Dec-09
	Last Payment Date	Dec-36	Feb-23	Dec-15	Nov-13	Feb-12

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

Effective Available Funds Schedule*

Period	Date	Net WAC Pass-Through Rate Class A-1 (%)	Net WAC Pass-Through Rate Class A-2 (%)	Net WAC Pass-Through Rate Mezz (%)
1	3/25/2007	31.965	31.130	31.497
2	4/25/2007	20.035	19.710	19.853
3	5/25/2007	20.285	19.950	20.097
4	6/25/2007	20.034	19.708	19.851
5	7/25/2007	20.285	19.948	20.096
6	8/25/2007	20.033	19.706	19.850
7	9/25/2007	22.044	21.716	21.860
8	10/25/2007	21.974	21.635	21.784
9	11/25/2007	21.692	21.363	21.508
10	12/25/2007	21.589	21.249	21.398
11	1/25/2008	21.268	20.937	21.083
12	2/25/2008	21.048	20.721	20.865
13	3/25/2008	21.054	20.705	20.858
14	4/25/2008	20.618	20.292	20.435
15	5/25/2008	20.521	20.184	20.332
16	6/25/2008	20.203	19.878	20.021
17	7/25/2008	20.136	19.782	19.937
18	8/25/2008	19.819	19.478	19.628
19	9/25/2008	19.640	19.302	19.451
20	10/25/2008	19.572	19.240	19.386
21	11/25/2008	19.281	18.944	19.092
22	12/25/2008	19.464	19.153	19.290
23	1/25/2009	19.814	19.288	19.520
24	2/25/2009	18.991	18.502	18.717
25	3/25/2009	18.940	18.396	18.635
26	4/25/2009	17.639	17.155	17.368
27	5/25/2009	17.696	17.192	17.414
28	6/25/2009	17.428	16.954	17.163
29	7/25/2009	17.980	17.409	17.660
30	8/25/2009	17.612	17.071	17.309
31	9/25/2009	17.487	16.946	17.184
32	10/25/2009	17.603	17.050	17.293
33	11/25/2009	17.240	16.706	16.941
34	12/25/2009	17.527	16.932	17.194
35	1/25/2010	17.858	17.259	17.522
36	2/25/2010	17.757	17.229	17.461
37	3/25/2010	18.554	17.965	18.224
38	4/25/2010	17.530	17.004	17.235
39	5/25/2010	17.707	17.161	17.401
40	6/25/2010	17.421	16.887	17.122
41	7/25/2010	18.135	17.523	17.792
42	8/25/2010	17.727	17.166	17.413

*Running to Call

*PPC: 100% (ARM); PPC: 100% (Fixed)

*1 Month LIBOR: 20%

*6 Month Libor: 20%

*Includes Net Swap Payments received from the Swap Provider and includes Cap Proceeds

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

Effective Available Funds Schedule* (cont.)

Period	Date	Net WAC Pass-Through Rate Class A-1 (%)	Net WAC Pass-Through Rate Class A-2 (%)	Net WAC Pass-Through Rate Mezz (%)
43	9/25/2010	17.623	17.057	17.306
44	10/25/2010	17.824	17.242	17.498
45	11/25/2010	17.409	16.846	17.094
46	12/25/2010	17.639	17.044	17.306
47	1/25/2011	17.311	16.753	16.999
48	2/25/2011	17.214	16.675	16.912
49	3/25/2011	18.138	17.540	17.802
50	4/25/2011	17.017	16.477	16.712
51	5/25/2011	17.240	16.683	16.925
52	6/25/2011	16.846	16.290	16.532
53	7/25/2011	17.162	16.605	16.847
54	8/25/2011	16.749	16.229	16.456
55	9/25/2011	16.660	16.139	16.366
56	10/25/2011	16.898	16.358	16.593
57	11/25/2011	16.486	15.961	16.189
58	12/25/2011	16.731	16.193	16.427
59	1/25/2012	16.350	15.821	16.051
60	2/25/2012	16.275	15.761	15.984
61	3/25/2012	12.253	11.709	11.946
62	4/25/2012	11.455	10.945	11.167
63	5/25/2012	11.829	11.301	11.530
64	6/25/2012	11.440	10.930	11.152
65	7/25/2012	11.823	11.293	11.523
66	8/25/2012	11.436	10.927	11.148
67	9/25/2012	11.428	10.921	11.142
68	10/25/2012	11.801	11.276	11.504
69	11/25/2012	11.412	10.904	11.125
70	12/25/2012	11.785	11.260	11.488
71	1/25/2013	11.406	10.895	11.117
72	2/25/2013	11.400	10.893	11.114
73	3/25/2013	12.613	12.054	12.297
74	4/25/2013	11.384	10.878	11.098
75	5/25/2013	11.756	11.232	11.459
76	6/25/2013	11.369	10.862	11.082
77	7/25/2013	11.748	11.222	11.450
78	8/25/2013	11.363	10.859	11.078
79	9/25/2013	11.355	10.852	11.070
80	10/25/2013	11.724	11.205	11.430
81	11/25/2013	11.337	10.834	11.053
82	12/25/2013	11.706	11.186	11.412
83	1/25/2014	11.320	10.816	11.035
84	2/25/2014	11.311	10.807	11.026

*Running to Call

*PPC: 100% (ARM); PPC: 100% (Fixed)

*1 Month LIBOR: 20%

*6 Month Libor: 20%

*Includes Net Swap Payments received from the Swap Provider and includes Cap Proceeds

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

Excess Spread*

(Assumes Pricing Prepayment Speed, Excludes Basis Risk Shortfalls)

Period	Excess Spread in bp (Static LIBOR)	1 Month Forward LIBOR (%)	6 Month Forward LIBOR (%)	Excess Spread in bp (Forward LIBOR)	Period	Excess Spread in bp (Static LIBOR)	1 Month Forward LIBOR (%)	6 Month Forward LIBOR (%)	Excess Spread in bp (Forward LIBOR)
1	545	5.3200	5.3300	545	**45**	426	4.7905	4.8752	422
2	205	5.3324	5.2950	204	**46**	436	4.7896	4.8949	433
3	223	5.3185	5.2449	223	**47**	425	4.7877	4.9163	427
4	205	5.2479	5.1840	212	**48**	425	4.7852	4.9354	427
5	223	5.2257	5.1305	231	**49**	457	4.9005	4.9558	451
6	205	5.1778	5.0710	219	**50**	424	4.9016	4.9574	420
7	248	5.1057	5.0057	248	**51**	434	4.9037	4.9593	430
8	248	5.0366	4.9627	248	**52**	422	4.9062	4.9605	420
9	247	4.9848	4.9213	247	**53**	433	4.9073	4.9624	432
10	248	4.9109	4.8814	248	**54**	421	4.9087	4.9636	421
11	246	4.8849	4.8490	247	**55**	420	4.9102	4.9642	421
12	246	4.8058	4.8105	248	**56**	431	4.9116	4.9744	431
13	249	4.8360	4.7835	252	**57**	419	4.9125	4.9832	420
14	245	4.7964	4.7441	249	**58**	431	4.9144	4.9943	431
15	247	4.7566	4.7041	252	**59**	421	4.9151	5.0030	424
16	245	4.7165	4.6646	250	**60**	422	4.9154	5.0127	426
17	248	4.6767	4.6257	255	**61**	443	4.9598	5.0237	454
18	245	4.6352	4.5838	253	**62**	407	4.9613	5.0243	420
19	247	4.5989	4.5483	256	**63**	424	4.9641	5.0263	436
20	250	4.5606	4.5711	261	**64**	406	4.9650	5.0275	419
21	249	4.5216	4.5988	261	**65**	424	4.9664	5.0292	437
22	280	4.4857	4.6282	287	**66**	406	4.9686	5.0312	420
23	395	4.4479	4.6636	386	**67**	406	4.9689	5.0307	420
24	396	4.4116	4.7050	392	**68**	423	4.9703	5.0417	436
25	415	4.7260	4.7459	402	**69**	405	4.9714	5.0526	419
26	391	4.7150	4.7346	383	**70**	422	4.9724	5.0647	435
27	399	4.7035	4.7233	391	**71**	404	4.9740	5.0755	420
28	391	4.6931	4.7128	385	**72**	404	4.9730	5.0885	420
29	405	4.6827	4.7025	395	**73**	456	5.0476	5.1000	464
30	397	4.6714	4.6909	389	**74**	403	5.0491	5.1011	412
31	396	4.6608	4.6800	390	**75**	420	5.0517	5.1037	429
32	405	4.6504	4.7047	398	**76**	402	5.0528	5.1040	412
33	396	4.6396	4.7306	391	**77**	419	5.0547	5.1055	429
34	409	4.6296	4.7573	403	**78**	401	5.0566	5.1071	412
35	429	4.6181	4.7891	426	**79**	401	5.0573	5.1066	411
36	433	4.6078	4.8169	431	**80**	418	5.0596	5.1144	428
37	462	4.8008	4.8472	449	**81**	400	5.0598	5.1225	410
38	418	4.7997	4.8463	409	**82**	417	5.0611	5.1294	427
39	431	4.7986	4.8447	422	**83**	399	5.0625	5.1365	411
40	423	4.7972	4.8431	416	**84**	398	5.0619	5.1449	411
41	436	4.7963	4.8423	431					
42	427	4.7950	4.8405	422					
43	427	4.7940	4.8381	422					
44	437	4.7922	4.8581	432					

* The product of 1) 120,000 and 2) a percentage, the numerator of which is aggregate net interest on the mortgage loans minus aggregate current interest paid to the certificates and any net swap payment to the swap provider plus any net swap payment received from the swap provider, and the denominator of which is aggregate pool balance of mortgage loans.

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Breakeven CDR Table for the Mezzanine Certificates

The assumptions for the breakeven CDR table below are as follows:

- The Pricing Assumption is applied
- 10% cleanup call is not exercised
- Forward Curves
- 40% Severity
- Interest & Principal advancing
- 6 month recovery lag
- Triggers Failing

The table below displays the Constant Default Rate ("CDR") and the related cumulative collateral loss before the referenced Class incurs a writedown.

Class	CDR Break-Even (%)	Cumulative Loss (%)
M-1	29.71	21.99
M-2	23.72	19.15
M-3	20.72	17.53
M-4	18.15	16.01
M-5	15.91	14.58
M-6	13.81	13.14
M-7	11.96	11.78
M-8	10.37	10.53
M-9	9.57	9.87

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

DESCRIPTION OF THE TOTAL COLLATERAL

SUMMARY – AGGREGATE POOL*

Number of Mortgage Loans	4,657	Index Type:	
Aggregate Principal Balance	$829,214,912	6 Month LIBOR:	76.97%
Conforming Principal Balance Loans	$640,654,938	Fixed Rate:	23.03%
Average Principal Balance:	$178,058	W.A. Initial Periodic Cap:	2.985%
Range:	$10,295 - $1,480,000	W.A. Subsequent Periodic Cap:	1.002%
W.A. Coupon:	8.116%	W.A. Lifetime Rate Cap:	6.002%
Range:	5.125% - 16.750%	Property Type:	
W.A. Gross Margin:	5.697%	Single Family:	65.48%
Range:	2.250% - 8.260%	PUD:	26.42%
W.A. Remaining Term (months):	347	Condo:	5.77%
Range (months):	113-360	2-4 Family:	2.33%
W.A. Seasoning (months):	2	Occupancy Status:	
Latest Maturity Date:	February 1, 2037	Primary:	97.66%
State Concentration (Top 5):		Investment:	1.89%
California:	31.60%	Second Home:	0.46%
Florida:	10.42%	Documentation Status:	
Arizona:	6.53%	Full:	70.90%
Ohio:	3.98%	Stated:	21.56%
Texas:	3.74%	Limited:	3.92%
W.A. Original Combined LTV:	83.14%	None:	3.61%
Range:	15.09% - 100.00%	Non-Zero W.A. Prepayment Penalty-Term (months):	28
First Liens:	93.69%	Loans with Prepay Penalties:	79.90%
Second Liens:	6.31%	Interest Only Loans:	36.67%
Non-Balloon Loans:	72.68%	Non-Zero W.A. Interest Only Term (months):	60
Non-Zero W.A. FICO Score:	649		

* Subject to a permitted variance of +/- 10%

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

DESCRIPTION OF THE TOTAL COLLATERAL

Collateral Type

Collateral Type	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Fixed - 15 Year	18	2,478,931	0.30	6.813	680	63.22
Fixed - 20 Year	7	321,459	0.04	11.762	636	99.99
Fixed - 30 Year	515	108,686,329	13.11	7.063	684	73.96
Balloon - 10/30	17	904,418	0.11	11.875	633	99.87
Balloon - 15/30	783	38,488,756	4.64	11.470	645	99.42
Balloon - 20/30	158	10,547,968	1.27	11.184	666	99.79
Balloon - 30/40	141	28,522,230	3.44	7.831	660	83.05
Balloon - 30/50	3	988,172	0.12	6.560	743	86.47
ARM - 6 Month	2	692,272	0.08	8.048	657	91.91
ARM - 6 Month IO	11	2,770,399	0.33	7.496	613	75.95
ARM - 1 Year/6 Month	13	2,373,638	0.29	8.219	625	84.32
ARM - 1 Year/6 Month IO	5	2,088,000	0.25	6.980	648	80.00
ARM - 1 Year/6 Month 30/40 Balloon	1	81,963	0.01	8.810	751	100.00
ARM - 1 Year/6 Month 30/50 Balloon	2	1,037,599	0.13	6.439	651	76.72
ARM - 2 Year/6 Month	1,000	149,944,492	18.08	8.546	632	84.61
ARM - 2 Year/6 Month IO	855	223,667,877	26.97	7.854	652	81.90
ARM - 2 Year/6 Month 30/40 Balloon	287	64,302,358	7.75	8.184	639	83.72
ARM - 2 Year/6 Month 30/50 Balloon	186	51,697,676	6.23	8.181	633	86.33
ARM - 3 Year/6 Month	202	31,561,577	3.81	8.327	629	84.17
ARM - 3 Year/6 Month IO	272	63,512,335	7.66	7.475	643	84.15
ARM - 3 Year/6 Month 30/40 Balloon	55	12,490,451	1.51	8.270	636	86.69
ARM - 3 Year/6 Month 30/50 Balloon	46	13,675,005	1.65	7.581	649	82.64
ARM - 5 Year/6 Month	12	2,506,935	0.30	7.569	642	73.00
ARM - 5 Year/6 Month IO	51	12,061,651	1.45	7.705	662	82.14
ARM - 5 Year/6 Month 30/40 Balloon	4	697,153	0.08	8.038	610	73.91
ARM - 5 Year/6 Month 30/50 Balloon	11	3,115,269	0.38	7.745	646	85.62
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

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ACE Securities Corp.
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DESCRIPTION OF THE TOTAL COLLATERAL

IO Terms

IO Terms (mos.)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0	3,463	525,114,650	63.33	8.322	648	83.61
60	1,191	303,513,162	36.60	7.759	650	82.31
120	3	587,100	0.07	8.146	626	82.41
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

Principal Balance at Origination

Principal Balance at Origination ($)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0.01 - 50,000.00	672	22,708,945	2.74	11.539	631	97.50
50,000.01 - 100,000.00	937	70,477,859	8.50	9.743	632	88.56
100,000.01 - 150,000.00	883	109,802,593	13.24	8.551	632	84.64
150,000.01 - 200,000.00	685	119,293,913	14.39	8.054	638	82.89
200,000.01 - 250,000.00	487	109,004,448	13.15	7.943	640	83.50
250,000.01 - 300,000.00	319	87,319,924	10.53	7.956	645	83.73
300,000.01 - 350,000.00	191	61,885,626	7.46	7.876	652	84.33
350,000.01 - 400,000.00	126	47,360,061	5.71	7.732	654	82.31
400,000.01 - 450,000.00	103	43,749,041	5.28	7.430	663	81.14
450,000.01 - 500,000.00	71	33,690,687	4.06	7.370	665	79.74
500,000.01 - 550,000.00	54	28,219,959	3.40	7.466	663	80.00
550,000.01 - 600,000.00	38	21,662,029	2.61	6.882	681	81.00
600,000.01 - 650,000.00	22	13,736,146	1.66	7.178	661	77.38
650,000.01 - 700,000.00	13	8,773,141	1.06	6.849	696	74.36
700,000.01 - 750,000.00	10	7,307,769	0.88	7.149	672	74.38
750,000.01 - 800,000.00	12	9,402,618	1.13	7.025	685	66.92
800,000.01 - 850,000.00	5	4,178,594	0.50	7.035	700	76.39
850,000.01 - 900,000.00	3	2,612,549	0.32	7.363	673	80.00
900,000.01 - 950,000.00	5	4,667,834	0.56	7.651	712	78.99
950,000.01 - 1,000,000.00	7	6,900,369	0.83	7.352	699	77.62
1,000,000.01 >=	14	16,460,810	1.99	7.406	721	73.00
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

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ACE Securities Corp.
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Deutsche Bank

DESCRIPTION OF THE TOTAL COLLATERAL

Remaining Principal Balance

Remaining Principal Balance ($)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0.01 - 50,000.00	673	22,735,052	2.74	11.541	631	97.50
50,000.01 - 100,000.00	936	70,451,751	8.50	9.742	632	88.56
100,000.01 - 150,000.00	886	110,252,121	13.30	8.547	633	84.61
150,000.01 - 200,000.00	683	119,044,316	14.36	8.052	638	82.91
200,000.01 - 250,000.00	486	108,804,517	13.12	7.947	640	83.50
250,000.01 - 300,000.00	319	87,319,924	10.53	7.956	645	83.73
300,000.01 - 350,000.00	191	61,885,626	7.46	7.876	652	84.33
350,000.01 - 400,000.00	126	47,360,061	5.71	7.732	654	82.31
400,000.01 - 450,000.00	103	43,749,041	5.28	7.430	663	81.14
450,000.01 - 500,000.00	71	33,690,687	4.06	7.370	665	79.74
500,000.01 - 550,000.00	55	28,769,649	3.47	7.479	663	80.29
550,000.01 - 600,000.00	37	21,112,339	2.55	6.850	682	80.63
600,000.01 - 650,000.00	22	13,736,146	1.66	7.178	661	77.38
650,000.01 - 700,000.00	13	8,773,141	1.06	6.849	696	74.36
700,000.01 - 750,000.00	10	7,307,769	0.88	7.149	672	74.38
750,000.01 - 800,000.00	12	9,402,618	1.13	7.025	685	66.92
800,000.01 - 850,000.00	5	4,178,594	0.50	7.035	700	76.39
850,000.01 - 900,000.00	3	2,612,549	0.32	7.363	673	80.00
900,000.01 - 950,000.00	5	4,667,834	0.56	7.651	712	78.99
950,000.01 - 1,000,000.00	7	6,900,369	0.83	7.352	699	77.62
1,000,000.01 >=	14	16,460,810	1.99	7.406	721	73.00
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

Remaining Term

Months Remaining	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
61 - 120	17	904,418	0.11	11.875	633	99.87
121 - 180	801	40,967,687	4.94	11.188	647	97.23
181 - 240	165	10,869,427	1.31	11.201	665	99.79
301 - 360	3,674	776,473,380	93.64	7.906	649	82.14
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

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DESCRIPTION OF THE TOTAL COLLATERAL

Mortgage Rate

Mortgage Rate (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
5.000 - 5.499	12	4,728,643	0.57	5.331	759	50.44
5.500 - 5.999	113	49,766,147	6.00	5.722	725	64.35
6.000 - 6.499	106	30,919,658	3.73	6.230	685	81.16
6.500 - 6.999	334	87,581,037	10.56	6.738	666	79.87
7.000 - 7.499	435	98,421,340	11.87	7.212	658	82.01
7.500 - 7.999	718	164,195,509	19.80	7.712	649	81.22
8.000 - 8.499	517	105,972,295	12.78	8.183	639	83.08
8.500 - 8.999	568	107,767,499	13.00	8.698	632	84.17
9.000 - 9.499	306	48,233,750	5.82	9.181	618	88.34
9.500 - 9.999	312	44,004,033	5.31	9.730	610	88.93
10.000 - 10.499	191	20,792,044	2.51	10.215	624	93.67
10.500 - 10.999	222	20,822,969	2.51	10.713	637	97.03
11.000 - 11.499	239	15,619,941	1.88	11.209	636	98.90
11.500 - 11.999	234	13,900,115	1.68	11.756	626	99.24
12.000 - 12.499	171	8,966,747	1.08	12.223	615	99.72
12.500 - 12.999	65	3,255,768	0.39	12.681	609	98.93
13.000 - 13.499	25	954,573	0.12	13.230	604	99.85
13.500 - 13.999	14	650,334	0.08	13.783	597	99.74
14.000 - 14.499	23	867,562	0.10	14.333	593	99.99
14.500 - 14.999	44	1,520,925	0.18	14.723	590	99.94
15.000 - 15.499	6	202,279	0.02	15.015	594	100.00
15.500 - 15.999	1	26,780	0.00	15.875	595	100.00
16.500 - 16.999	1	44,962	0.01	16.750	598	100.00
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

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DESCRIPTION OF THE TOTAL COLLATERAL

Original Combined Loan-to-Value Ratio

Original Combined Loan-to-Value Ratio (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Less than or equal to 50.00	89	20,431,932	2.46	6.568	687	40.65
50.01 - 55.00	30	8,447,555	1.02	6.694	674	52.82
55.01 - 60.00	47	10,276,267	1.24	7.062	656	58.00
60.01 - 65.00	80	20,925,007	2.52	6.775	678	63.46
65.01 - 70.00	91	20,069,419	2.42	7.445	644	68.55
70.01 - 75.00	107	29,110,921	3.51	7.260	651	73.80
75.01 - 80.00	1,860	405,176,738	48.86	7.702	650	79.90
80.01 - 85.00	199	41,349,399	4.99	8.221	615	84.26
85.01 - 90.00	325	65,556,446	7.91	8.200	641	89.47
90.01 - 95.00	268	53,542,874	6.46	8.090	653	94.61
95.01 - 100.00	1,561	154,328,354	18.61	9.930	645	99.95
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

FICO Score at Origination

FICO Score At Origination	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
1 - 499	1	79,896	0.01	10.125	492	100.00
500 - 524	1	99,865	0.01	8.000	505	74.07
525 - 549	81	13,061,849	1.58	9.114	544	74.71
550 - 574	163	27,016,503	3.26	8.970	563	77.88
575 - 599	538	72,286,267	8.72	9.530	588	84.84
600 - 624	1,063	151,418,001	18.26	8.671	612	85.16
625 - 649	1,084	188,802,071	22.77	8.123	638	84.75
650 - 674	890	163,584,443	19.73	7.885	661	84.47
675 - 699	441	98,519,714	11.88	7.501	686	82.56
700 - 724	202	52,870,400	6.38	7.220	711	80.74
725 - 749	90	25,518,440	3.08	7.066	737	76.55
750 - 774	54	19,365,256	2.34	7.150	763	78.50
775 - 799	41	14,700,563	1.77	6.171	786	68.91
800 - 824	8	1,891,643	0.23	5.857	808	56.77
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

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DESCRIPTION OF THE TOTAL COLLATERAL

Geographic Distribution*

Location	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
California	786	262,013,023	31.60	7.439	673	78.60
Florida	495	86,372,365	10.42	7.898	642	82.32
Arizona	345	54,146,667	6.53	8.131	639	84.39
Ohio	273	33,030,892	3.98	8.337	630	86.71
Texas	310	30,989,474	3.74	8.754	642	86.99
Illinois	186	30,739,553	3.71	8.869	634	85.64
Michigan	223	28,560,249	3.44	8.975	643	88.31
Maryland	112	25,293,074	3.05	8.219	635	82.93
Nevada	129	24,543,914	2.96	8.258	645	85.16
Washington	139	24,493,397	2.95	8.133	644	84.29
Minnesota	161	23,971,915	2.89	8.371	638	86.76
Virginia	111	20,331,016	2.45	8.379	636	84.69
Georgia	108	14,817,577	1.79	8.665	640	86.34
Wisconsin	127	14,716,239	1.77	8.665	639	87.19
Oregon	78	13,570,046	1.64	7.878	649	83.11
Colorado	87	13,459,609	1.62	8.153	647	86.73
Pennsylvania	100	13,400,300	1.62	8.880	629	88.74
New Jersey	46	11,045,596	1.33	8.624	627	82.63
Tennessee	97	10,718,849	1.29	8.474	635	89.08
Indiana	97	10,357,512	1.25	8.868	621	87.39
Missouri	80	9,295,789	1.12	9.200	626	90.79
Kentucky	63	7,095,753	0.86	8.610	635	85.58
New York	30	6,904,017	0.83	8.290	645	79.00
North Carolina	61	6,729,513	0.81	9.242	625	87.05
Connecticut	30	5,829,141	0.70	8.522	615	81.20
Louisiana	41	4,332,933	0.52	9.268	626	88.54
South Carolina	33	4,057,262	0.49	9.557	629	85.40
Utah	23	4,025,685	0.49	7.935	643	88.42
Alabama	30	3,790,719	0.46	8.932	618	86.37
New Mexico	31	3,771,226	0.45	9.067	619	82.00
Mississippi	33	3,564,830	0.43	9.044	620	89.73
Arkansas	29	3,395,997	0.41	8.771	639	90.66
Iowa	33	2,758,889	0.33	9.526	617	90.61
Oklahoma	28	2,232,276	0.27	8.825	628	87.23

*Geographic Distribution continued on the next page

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DESCRIPTION OF THE TOTAL COLLATERAL

Geographic Distribution (Continued)

Location	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Idaho	17	2,026,290	0.24	8.533	642	81.06
Massachusetts	12	2,012,055	0.24	8.874	628	84.25
Hawaii	5	1,758,144	0.21	7.397	671	71.91
District of Columbia	6	1,707,280	0.21	8.286	638	71.81
Montana	9	1,661,555	0.20	9.355	592	82.09
West Virginia	9	1,274,662	0.15	9.120	648	84.97
Delaware	7	973,315	0.12	8.907	632	93.67
Kansas	11	820,873	0.10	9.637	641	91.32
Nebraska	7	552,444	0.07	8.635	640	86.79
Wyoming	3	427,901	0.05	9.625	600	82.64
New Hampshire	3	415,060	0.05	8.875	616	86.29
Vermont	2	408,422	0.05	8.485	644	87.19
South Dakota	6	341,250	0.04	9.381	636	93.40
Maine	2	268,552	0.03	7.781	656	96.25
Alaska	1	150,400	0.02	9.625	542	80.00
North Dakota	2	61,413	0.01	11.257	638	100.00
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

DESCRIPTION OF THE TOTAL COLLATERAL

Occupancy Status

Occupancy Status	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Primary	4,533	809,785,395	97.66	8.113	648	83.20
Investment	102	15,652,356	1.89	8.280	664	80.43
Second Home	22	3,777,160	0.46	7.957	660	81.14
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

Documentation Type

Program	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Full	3,426	587,929,559	70.90	8.072	641	83.80
Stated	930	178,813,445	21.56	8.179	665	81.71
Limited	108	32,528,676	3.92	8.293	672	81.72
No Documentation	193	29,943,231	3.61	8.399	671	80.12
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

Loan Purpose

Purpose	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Purchase	3,068	477,551,961	57.59	8.364	650	85.37
Refinance - Cashout	1,259	283,953,406	34.24	7.805	645	80.03
Refinance - Rate Term	330	67,709,544	8.17	7.668	658	80.42
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

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DESCRIPTION OF THE TOTAL COLLATERAL

Property Type

Property Type	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Single Family	3,005	543,006,485	65.48	8.112	650	82.63
PUD	1,254	219,076,172	26.42	8.045	645	84.05
Condo	288	47,825,274	5.77	8.296	652	84.84
2-4 Family	110	19,306,980	2.33	8.566	647	82.93
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

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DESCRIPTION OF THE TOTAL COLLATERAL

Rate Adjustment*

Month & Year of Next Rate Adjustment	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
2007-05	4	792,399	0.12	8.056	596	69.84
2007-06	3	728,582	0.11	7.653	661	85.76
2007-07	6	1,941,690	0.30	7.406	617	80.45
2007-11	4	353,103	0.06	9.255	622	85.61
2007-12	10	2,812,416	0.44	7.189	646	79.61
2008-01	4	1,525,780	0.24	7.228	640	84.09
2008-02	4	1,225,400	0.19	8.256	626	86.60
2008-03	1	195,238	0.03	9.600	634	94.96
2008-06	2	192,756	0.03	8.668	601	90.00
2008-07	8	1,568,746	0.25	7.412	647	82.40
2008-08	13	3,030,727	0.47	8.279	634	75.21
2008-09	42	10,033,874	1.57	8.092	642	82.46
2008-10	122	25,833,406	4.05	8.297	637	81.67
2008-11	707	146,882,766	23.01	8.206	641	82.99
2008-12	695	145,387,047	22.78	8.135	643	83.81
2009-01	596	125,205,378	19.62	8.098	642	84.38
2009-02	141	30,946,966	4.85	7.966	650	82.32
2009-08	1	312,102	0.05	7.625	662	80.00
2009-09	4	677,909	0.11	8.484	624	84.11
2009-10	27	4,810,726	0.75	8.126	634	82.21
2009-11	158	32,696,217	5.12	8.022	635	84.67
2009-12	207	43,961,656	6.89	7.678	641	84.34
2010-01	146	32,590,665	5.11	7.629	646	84.81
2010-02	32	6,190,092	0.97	7.896	616	80.26
2011-09	3	536,797	0.08	8.232	648	78.71
2011-11	20	4,027,422	0.63	8.270	635	82.88
2011-12	24	5,178,546	0.81	7.618	658	79.60
2012-01	27	6,965,642	1.09	7.307	653	81.98
2012-02	4	1,672,600	0.26	8.110	696	79.31
Total:	**3,015**	**638,276,649**	**100.00**	**8.055**	**642**	**83.49**

*ARM Loans Only

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DESCRIPTION OF THE TOTAL COLLATERAL

Gross Margin*

Gross Margin (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
2.000 - 2.499	5	1,079,540	0.17	7.057	676	79.36
2.500 - 2.999	4	705,540	0.11	7.548	645	80.00
3.000 - 3.499	2	1,310,176	0.21	7.847	636	80.00
4.000 - 4.499	18	2,970,954	0.47	7.687	642	84.98
4.500 - 4.999	31	7,652,324	1.20	7.245	650	75.97
5.000 - 5.499	1,739	382,446,861	59.92	7.736	645	78.47
5.500 - 5.999	405	85,117,886	13.34	8.228	630	86.88
6.000 - 6.499	70	16,059,914	2.52	8.317	635	85.46
6.500 - 6.999	655	126,588,891	19.83	8.793	642	95.94
7.000 - 7.499	42	6,496,789	1.02	9.130	633	88.92
7.500 - 7.999	38	6,562,060	1.03	9.473	613	89.78
8.000 - 8.499	6	1,285,712	0.20	9.892	610	91.73
Total:	**3,015**	**638,276,649**	**100.00**	**8.055**	**642**	**83.49**

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DESCRIPTION OF THE TOTAL COLLATERAL

Maximum Mortgage Rate*

Maximum Mortgage Rate (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
11.000 - 11.499	3	560,680	0.09	6.503	629	80.00
11.500 - 11.999	22	6,440,775	1.01	5.787	680	78.30
12.000 - 12.499	73	21,464,087	3.36	6.246	675	82.01
12.500 - 12.999	260	70,865,937	11.10	6.736	665	79.84
13.000 - 13.499	381	88,024,812	13.79	7.209	658	81.81
13.500 - 13.999	626	146,420,292	22.94	7.709	649	81.35
14.000 - 14.499	444	96,069,917	15.05	8.180	639	83.15
14.500 - 14.999	464	93,705,521	14.68	8.692	632	83.70
15.000 - 15.499	260	43,629,480	6.84	9.179	617	88.29
15.500 - 15.999	240	38,074,813	5.97	9.706	604	88.73
16.000 - 16.499	90	13,162,301	2.06	10.191	599	92.06
16.500 - 16.999	73	9,964,227	1.56	10.660	601	95.29
17.000 - 17.499	33	4,611,390	0.72	11.173	595	99.40
17.500 - 17.999	27	3,107,387	0.49	11.624	614	99.24
18.000 - 18.499	12	1,544,160	0.24	12.150	590	100.00
18.500 - 18.999	3	194,826	0.03	12.651	588	96.05
19.000 - 19.499	1	54,962	0.01	13.049	595	100.00
19.500 - 19.999	2	265,900	0.04	13.786	589	100.00
20.500 - 20.999	1	115,182	0.02	14.625	586	100.00
Total:	**3,015**	**638,276,649**	**100.00**	**8.055**	**642**	**83.49**

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DESCRIPTION OF THE TOTAL COLLATERAL

Minimum Mortgage Rate*

Minimum Mortgage Rate (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
2.500 - 2.999	2	302,740	0.05	7.875	638	80.00
4.500 - 4.999	1	49,896	0.01	7.875	689	20.83
5.000 - 5.499	8	1,792,020	0.28	7.302	625	71.39
5.500 - 5.999	28	7,885,568	1.24	6.206	671	80.00
6.000 - 6.499	75	21,655,920	3.39	6.264	675	82.02
6.500 - 6.999	263	71,093,845	11.14	6.751	665	80.06
7.000 - 7.499	379	87,692,593	13.74	7.218	658	81.81
7.500 - 7.999	624	146,573,689	22.96	7.710	649	81.39
8.000 - 8.499	441	94,863,829	14.86	8.181	639	83.15
8.500 - 8.999	459	92,570,217	14.50	8.698	632	83.68
9.000 - 9.499	259	43,933,930	6.88	9.178	617	88.31
9.500 - 9.999	238	37,398,468	5.86	9.720	604	88.81
10.000 - 10.499	89	12,933,946	2.03	10.192	600	92.36
10.500 - 10.999	72	10,075,443	1.58	10.688	608	95.54
11.000 - 11.499	32	4,546,458	0.71	11.174	593	99.39
11.500 - 11.999	26	2,733,059	0.43	11.743	590	99.14
12.000 - 12.499	12	1,544,160	0.24	12.150	590	100.00
12.500 - 12.999	3	194,826	0.03	12.651	588	96.05
13.000 - 13.499	1	54,962	0.01	13.049	595	100.00
13.500 - 13.999	2	265,900	0.04	13.786	589	100.00
14.500 - 14.999	1	115,182	0.02	14.625	586	100.00
Total:	**3,015**	**638,276,649**	**100.00**	**8.055**	**642**	**83.49**

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DESCRIPTION OF THE TOTAL COLLATERAL

Initial Periodic Rate Cap*

Initial Periodic Cap (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
1.000	12	3,320,089	0.52	7.600	619	79.10
1.500	1	195,238	0.03	9.600	634	94.96
2.000	25	6,376,663	1.00	7.569	635	80.80
2.250	1	146,597	0.02	7.875	619	80.00
3.000	2,966	626,514,564	98.16	8.061	642	83.53
3.050	1	99,817	0.02	8.500	644	100.00
4.000	1	154,911	0.02	12.000	597	100.00
5.000	2	473,430	0.07	8.317	622	87.73
6.000	6	995,339	0.16	7.916	635	77.63
Total:	**3,015**	**638,276,649**	**100.00**	**8.055**	**642**	**83.49**

*ARM Loans Only

Subsequent Periodic Rate Cap*

Subsequent Periodic Cap (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
1.000	3,007	636,999,006	99.80	8.055	642	83.48
1.500	4	683,782	0.11	8.620	626	88.41
2.000	3	437,860	0.07	7.566	658	80.00
3.000	1	156,000	0.02	8.750	604	80.00
Total:	**3,015**	**638,276,649**	**100.00**	**8.055**	**642**	**83.49**

*ARM Loans Only

Lifetime Periodic Cap*

Lifetime Periodic Cap (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
3.000 - 3.499	1	229,600	0.04	8.250	615	80.00
6.000 - 6.499	3,003	634,961,653	99.48	8.052	642	83.48
6.500 - 6.999	5	1,749,237	0.27	8.239	641	79.51
7.000 - 7.499	6	1,336,159	0.21	9.167	670	92.88
Total:	**3,015**	**638,276,649**	**100.00**	**8.055**	**642**	**83.49**

*ARM Loans Only

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

DESCRIPTION OF THE TOTAL COLLATERAL

Original Prepayment Charge Term

Prepayment Penalty Term (mos.)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0	1,152	166,697,720	20.10	8.826	639	85.30
6	6	2,367,468	0.29	7.775	680	78.03
12	181	44,517,025	5.37	8.340	649	83.45
13	4	1,065,519	0.13	7.595	671	80.45
24	2,112	371,627,715	44.82	8.258	646	84.57
36	1,081	220,890,960	26.64	7.379	663	78.94
48	120	21,749,886	2.62	7.363	628	84.69
60	1	298,620	0.04	6.500	652	80.00
Total:	**4,657**	**829,214,912**	**100.00**	**8.116**	**649**	**83.14**

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

DESCRIPTION OF THE GROUP I COLLATERAL

SUMMARY – GROUP I*

Number of Mortgage Loans:	2,479	Index Type:	
Aggregate Principal Balance:	$364,444,648	6 Month LIBOR:	78.39%
Conforming Principal Balance Loans:	$364,444,648	Fixed Rate:	21.61%
Average Principal Balance:	$147,013	W.A. Initial Periodic Cap:	2.983%
Range:	$10,295 - $541,518	W.A. Subsequent Periodic Cap:	1.002%
W.A. Coupon:	8.303%	W.A. Lifetime Rate Cap:	6.001%
Range:	5.125% - 16.750%	Property Type:	
W.A. Gross Margin:	5.805%	Single Family:	68.09%
Range:	2.250% - 8.260%	PUD:	23.27%
W.A. Remaining Term (months):	350	Condo:	5.43%
Range (months):	172-360	2-4 Family:	3.21%
W.A. Seasoning (months):	2	Occupancy Status:	
Latest Maturity Date:	February 1, 2037	Primary:	96.01%
State Concentration (Top 5):		Investment:	3.14%
California:	15.47%	Second Home:	0.85%
Florida:	10.15%	Documentation Status:	
Arizona:	8.64%	Full:	81.89%
Minnesota:	5.66%	Stated:	15.56%
Illinois:	5.09%	Limited:	0.53%
W.A. Original Combined LTV:	84.54%	None:	2.02%
Range:	15.09% - 100.00%	Non-Zero W.A. Prepayment Penalty Term (months):	28
First Liens:	95.60%	Loans with Prepay Penalties:	80.10%
Second Liens:	4.40%	Interest Only Loans:	26.90%
Non-Balloon Loans:	69.92%	Non-Zero W.A. Interest Only Term (months):	60
Non-Zero W.A. FICO Score:	638		

* Subject to a permitted variance of +/- 10%

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

DESCRIPTION OF THE GROUP I COLLATERAL

Collateral Type

Collateral Type	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Fixed - 15 Year	10	1,441,561	0.40	6.931	701	68.65
Fixed - 20 Year	2	64,626	0.02	11.066	636	100.00
Fixed - 30 Year	301	46,052,110	12.64	7.739	663	79.47
Balloon - 15/30	363	13,279,879	3.64	11.573	638	99.65
Balloon - 20/30	57	2,357,600	0.65	11.332	641	99.63
Balloon - 30/40	84	15,335,474	4.21	7.976	655	84.27
Balloon - 30/50	2	238,345	0.07	7.144	632	77.58
ARM - 6 Month IO	7	1,967,500	0.54	6.927	617	73.75
ARM - 1 Year/6 Month	5	1,114,500	0.31	8.662	597	78.60
ARM - 1 Year/6 Month IO	2	484,000	0.13	6.606	655	80.00
ARM - 1 Year/6 Month 30/40 Balloon	1	81,963	0.02	8.810	751	100.00
ARM - 1 Year/6 Month 30/50 Balloon	1	187,834	0.05	8.990	577	85.00
ARM - 2 Year/6 Month	675	92,242,754	25.31	8.643	627	85.10
ARM - 2 Year/6 Month IO	366	71,670,735	19.67	7.855	641	82.96
ARM - 2 Year/6 Month 30/40 Balloon	176	34,788,055	9.55	8.288	628	84.15
ARM - 2 Year/6 Month 30/50 Balloon	121	27,544,064	7.56	8.290	633	88.21
ARM - 3 Year/6 Month	106	15,100,478	4.14	8.438	632	86.27
ARM - 3 Year/6 Month IO	102	19,487,256	5.35	7.809	644	84.36
ARM - 3 Year/6 Month 30/40 Balloon	39	7,893,445	2.17	8.304	623	85.66
ARM - 3 Year/6 Month 30/50 Balloon	25	5,970,908	1.64	7.989	643	84.83
ARM - 5 Year/6 Month	5	778,423	0.21	8.355	624	82.25
ARM - 5 Year/6 Month IO	20	4,431,352	1.22	7.780	660	85.62
ARM - 5 Year/6 Month 30/40 Balloon	4	697,153	0.19	8.038	610	73.91
ARM - 5 Year/6 Month 30/50 Balloon	5	1,234,634	0.34	7.512	665	85.09
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

IO Terms

IO Terms (mos.)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0	1,982	266,403,806	73.10	8.482	637	85.06
60	496	97,899,542	26.86	7.818	642	83.15
120	1	141,300	0.04	7.513	663	90.00

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Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

DESCRIPTION OF THE GROUP I COLLATERAL

Principal Balance at Origination

Principal Balance at Origination ($)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0.01 - 50,000.00	397	13,106,270	3.60	11.622	628	97.90
50,000.01 - 100,000.00	464	35,322,057	9.69	9.399	626	86.55
100,000.01 - 150,000.00	578	72,263,305	19.83	8.458	631	84.62
150,000.01 - 200,000.00	417	72,187,856	19.81	8.061	639	83.22
200,000.01 - 250,000.00	275	61,754,331	16.94	7.998	637	83.70
250,000.01 - 300,000.00	164	44,767,660	12.28	7.956	639	84.42
300,000.01 - 350,000.00	99	31,983,969	8.78	7.855	651	83.83
350,000.01 - 400,000.00	59	22,227,503	6.10	7.547	655	82.76
400,000.01 - 450,000.00	24	9,818,594	2.69	7.418	670	81.42
450,000.01 - 500,000.00	1	471,586	0.13	6.500	682	80.00
500,000.01 - 550,000.00	1	541,518	0.15	6.800	703	80.00
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

Remaining Principal Balance

Remaining Principal Balance ($)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0.01 - 50,000.00	397	13,106,270	3.60	11.622	628	97.90
50,000.01 - 100,000.00	464	35,322,057	9.69	9.399	626	86.55
100,000.01 - 150,000.00	580	72,563,164	19.91	8.452	631	84.58
150,000.01 - 200,000.00	415	71,887,998	19.73	8.065	639	83.25
200,000.01 - 250,000.00	275	61,754,331	16.94	7.998	637	83.70
250,000.01 - 300,000.00	164	44,767,660	12.28	7.956	639	84.42
300,000.01 - 350,000.00	99	31,983,969	8.78	7.855	651	83.83
350,000.01 - 400,000.00	59	22,227,503	6.10	7.547	655	82.76
400,000.01 - 450,000.00	24	9,818,594	2.69	7.418	670	81.42
450,000.01 - 500,000.00	1	471,586	0.13	6.500	682	80.00
500,000.01 - 550,000.00	1	541,518	0.15	6.800	703	80.00
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

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DESCRIPTION OF THE GROUP I COLLATERAL

Remaining Term

Months Remaining	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
121 - 180	373	14,721,440	4.04	11.118	644	96.62
181 - 240	59	2,422,226	0.66	11.325	641	99.64
301 - 360	2,047	347,300,981	95.30	8.163	638	83.93
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

Mortgage Rate

Mortgage Rate (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
5.000 - 5.499	3	1,056,029	0.29	5.256	779	44.42
5.500 - 5.999	36	9,303,812	2.55	5.742	726	65.64
6.000 - 6.499	47	11,087,579	3.04	6.225	673	77.60
6.500 - 6.999	150	31,789,822	8.72	6.742	672	80.40
7.000 - 7.499	223	42,763,256	11.73	7.228	659	83.09
7.500 - 7.999	384	71,690,498	19.67	7.715	644	81.98
8.000 - 8.499	282	49,783,035	13.66	8.195	631	84.30
8.500 - 8.999	359	56,314,906	15.45	8.707	623	84.91
9.000 - 9.499	190	25,895,580	7.11	9.182	614	88.08
9.500 - 9.999	201	26,647,769	7.31	9.724	605	88.13
10.000 - 10.499	100	9,327,001	2.56	10.203	613	93.08
10.500 - 10.999	111	10,480,333	2.88	10.693	618	97.22
11.000 - 11.499	98	6,001,994	1.65	11.208	615	98.37
11.500 - 11.999	104	5,273,530	1.45	11.748	611	98.89
12.000 - 12.499	98	3,999,355	1.10	12.194	615	99.55
12.500 - 12.999	35	1,242,652	0.34	12.654	607	100.00
13.000 - 13.499	17	541,081	0.15	13.222	608	99.74
13.500 - 13.999	6	161,110	0.04	13.775	596	98.95
14.000 - 14.499	8	218,460	0.06	14.284	593	99.99
14.500 - 14.999	24	774,426	0.21	14.718	590	99.88
15.000 - 15.499	2	47,457	0.01	15.000	589	100.00
16.500 - 16.999	1	44,962	0.01	16.750	598	100.00
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

DESCRIPTION OF THE GROUP I COLLATERAL

Original Combined Loan-to-Value Ratio

Original Combined Loan-to-Value Ratio (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Less than or equal to 50.00	47	8,093,463	2.22	6.853	678	40.05
50.01 - 55.00	19	3,263,777	0.90	7.974	625	53.56
55.01 - 60.00	22	4,076,085	1.12	7.825	633	57.69
60.01 - 65.00	45	8,146,429	2.24	7.580	636	63.46
65.01 - 70.00	53	9,935,837	2.73	7.635	629	68.69
70.01 - 75.00	62	12,443,847	3.41	7.803	634	73.82
75.01 - 80.00	887	145,813,546	40.01	7.833	639	79.82
80.01 - 85.00	127	22,856,580	6.27	8.426	610	84.37
85.01 - 90.00	211	37,884,218	10.40	8.272	636	89.58
90.01 - 95.00	182	34,737,755	9.53	7.998	653	94.55
95.01 - 100.00	824	77,193,112	21.18	9.741	640	99.93
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

FICO Score at Origination

FICO Score At Origination	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
525 - 549	54	8,655,398	2.37	9.139	543	76.39
550 - 574	101	16,164,874	4.44	8.933	563	77.84
575 - 599	308	37,695,878	10.34	9.601	588	84.77
600 - 624	664	86,005,323	23.60	8.745	612	85.97
625 - 649	556	82,849,366	22.73	8.185	637	85.86
650 - 674	409	62,953,461	17.27	7.921	661	85.84
675 - 699	201	34,993,034	9.60	7.489	686	83.38
700 - 724	95	17,082,372	4.69	7.286	712	84.95
725 - 749	49	10,175,388	2.79	7.082	738	82.18
750 - 774	23	3,736,806	1.03	7.351	763	86.77
775 - 799	15	3,411,208	0.94	6.137	786	60.59
800 - 824	4	721,541	0.20	6.490	810	69.72
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

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ACE Securities Corp.
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DESCRIPTION OF THE GROUP I COLLATERAL

Geographic Distribution*

Location	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
California	211	56,377,317	15.47	7.365	658	76.38
Florida	225	36,975,869	10.15	7.976	633	82.38
Arizona	207	31,480,289	8.64	8.053	639	85.23
Minnesota	141	20,613,690	5.66	8.379	636	87.30
Illinois	113	18,554,473	5.09	8.995	626	87.29
Michigan	151	18,340,179	5.03	8.948	640	88.92
Texas	169	14,565,408	4.00	8.861	633	87.39
Washington	87	14,426,995	3.96	8.123	645	84.98
Wisconsin	111	12,705,708	3.49	8.635	640	86.49
Maryland	62	12,238,766	3.36	8.246	639	83.95
Nevada	60	12,157,567	3.34	7.971	649	85.49
Ohio	105	11,733,944	3.22	8.734	628	87.79
Virginia	53	9,781,834	2.68	8.265	634	84.44
Oregon	49	8,121,751	2.23	7.771	654	83.84
Georgia	69	8,121,044	2.23	8.852	633	85.34
Colorado	53	8,109,415	2.23	8.151	645	88.76
Pennsylvania	61	7,554,377	2.07	8.947	627	88.77
Indiana	76	7,448,664	2.04	8.854	622	88.93
Tennessee	57	6,267,412	1.72	8.494	640	90.26
New Jersey	28	6,214,657	1.71	8.422	620	81.36
Missouri	51	5,810,563	1.59	9.094	623	90.91
Kentucky	50	4,264,701	1.17	9.085	623	88.26
North Carolina	35	3,254,378	0.89	9.406	621	88.57
Utah	18	3,065,879	0.84	8.003	645	89.42
Alabama	23	2,668,101	0.73	8.965	619	86.03
Iowa	26	2,298,583	0.63	9.551	614	90.46
Connecticut	18	2,236,327	0.61	8.025	634	77.46
South Carolina	22	2,133,998	0.59	9.421	625	86.43
Louisiana	20	1,873,877	0.51	9.916	612	90.73
New York	9	1,754,636	0.48	8.213	642	80.42
Oklahoma	20	1,522,610	0.42	9.178	620	88.50
Massachusetts	8	1,363,313	0.37	8.519	629	85.96
New Mexico	14	1,344,502	0.37	8.967	620	84.68
Mississippi	18	1,313,365	0.36	9.792	604	92.63

*Geographic Distribution continued on the next page

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DESCRIPTION OF THE GROUP I COLLATERAL

Geographic Distribution (Continued)

Location	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Idaho	10	1,100,481	0.30	8.449	660	82.00
District of Columbia	4	1,032,484	0.28	8.189	611	60.35
Montana	6	945,003	0.26	8.844	612	82.25
West Virginia	7	764,737	0.21	9.416	655	88.28
Arkansas	8	718,292	0.20	9.552	625	98.63
Delaware	2	581,972	0.16	8.033	643	94.56
Kansas	6	555,093	0.15	9.253	638	89.16
Nebraska	7	552,444	0.15	8.635	640	86.79
Hawaii	1	541,518	0.15	6.800	703	80.00
Vermont	2	408,422	0.11	8.485	644	87.19
Wyoming	2	256,921	0.07	10.540	613	84.40
New Hampshire	1	130,990	0.04	7.125	649	80.00
Maine	1	100,687	0.03	8.875	594	90.00
North Dakota	2	61,413	0.02	11.257	638	100.00
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

Occupancy Status

Occupancy Status	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Primary	2,383	349,918,427	96.01	8.307	637	84.71
Investment	79	11,437,508	3.14	8.238	670	80.58
Second Home	17	3,088,713	0.85	8.064	660	80.16
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

Documentation Type

Program	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Full	2,072	298,433,464	81.89	8.316	633	85.80
Stated Documentation	346	56,723,612	15.56	8.253	658	79.19
No Documentation	49	7,373,331	2.02	8.186	692	76.30
Limited	12	1,914,241	0.53	8.298	645	79.59
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

DESCRIPTION OF THE GROUP I COLLATERAL

Loan Purpose

Purpose	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Refinance - Cashout	841	162,520,427	44.59	8.100	637	82.33
Purchase	1,375	157,607,784	43.25	8.566	638	86.75
Refinance - Rate Term	263	44,316,436	12.16	8.114	644	84.80
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

Property Type

Property Type	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Single Family	1,693	248,145,561	68.09	8.335	637	84.30
PUD	582	84,806,120	23.27	8.123	640	85.27
Condo	132	19,790,393	5.43	8.388	646	85.44
2-4 Family	72	11,702,574	3.21	8.792	637	83.02
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

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ACE Securities Corp.
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DESCRIPTION OF THE GROUP I COLLATERAL

Rate Adjustment*

Month & Year of Next Rate Adjustment	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
2007-05	2	401,000	0.14	7.435	595	60.19
2007-06	1	376,000	0.13	6.375	691	80.00
2007-07	4	1,190,500	0.42	6.931	601	76.35
2007-12	5	1,103,062	0.39	7.173	648	78.61
2008-01	1	187,834	0.07	8.990	577	85.00
2008-02	3	577,400	0.20	9.806	570	82.79
2008-06	1	86,062	0.03	9.000	590	90.00
2008-07	5	756,381	0.26	8.217	634	82.35
2008-08	9	1,366,943	0.48	8.457	618	80.28
2008-09	24	4,782,910	1.67	8.413	617	85.16
2008-10	77	12,834,892	4.49	8.311	632	81.53
2008-11	421	70,706,785	24.75	8.434	633	84.93
2008-12	390	64,847,397	22.70	8.262	632	84.30
2009-01	342	58,968,837	20.64	8.194	632	85.53
2009-02	69	11,895,401	4.16	8.086	646	84.36
2009-08	1	312,102	0.11	7.625	662	80.00
2009-09	3	399,200	0.14	8.473	633	80.00
2009-10	12	1,565,330	0.55	8.404	636	83.69
2009-11	75	13,788,149	4.83	8.263	632	85.77
2009-12	103	18,611,222	6.51	7.981	640	86.22
2010-01	63	11,172,352	3.91	8.026	643	84.66
2010-02	15	2,603,732	0.91	8.375	611	79.97
2011-09	2	384,350	0.13	7.580	675	78.20
2011-11	10	1,950,822	0.68	8.135	637	88.71
2011-12	11	2,456,577	0.86	7.591	669	79.68
2012-01	9	1,792,812	0.63	7.932	648	88.00
2012-02	2	557,000	0.19	7.552	620	77.94
Total:	**1,660**	**285,675,052**	**100.00**	**8.242**	**633**	**84.63**

*ARM Loans Only

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

DESCRIPTION OF THE GROUP I COLLATERAL

Gross Margin*

Gross Margin (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
2.000 - 2.499	2	360,676	0.13	7.346	710	78.08
2.500 - 2.999	1	194,800	0.07	7.625	673	80.00
4.000 - 4.499	11	1,447,038	0.51	7.603	649	88.94
4.500 - 4.999	17	4,284,431	1.50	7.202	643	73.49
5.000 - 5.499	830	140,394,052	49.14	7.891	633	77.65
5.500 - 5.999	264	48,744,491	17.06	8.349	625	86.93
6.000 - 6.499	43	7,829,341	2.74	8.410	628	86.09
6.500 - 6.999	434	73,475,677	25.72	8.771	640	96.28
7.000 - 7.499	25	3,753,172	1.31	9.090	626	89.74
7.500 - 7.999	28	4,183,146	1.46	9.415	607	87.92
8.000 - 8.499	5	1,008,229	0.35	9.793	628	97.71
Total:	**1,660**	**285,675,052**	**100.00**	**8.242**	**633**	**84.63**

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DESCRIPTION OF THE GROUP I COLLATERAL

Maximum Mortgage Rate*

Maximum Mortgage Rate (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
11.000 - 11.499	1	229,600	0.08	8.250	615	80.00
11.500 - 11.999	7	1,411,763	0.49	5.794	701	79.42
12.000 - 12.499	31	7,073,307	2.48	6.257	663	78.99
12.500 - 12.999	110	22,551,687	7.89	6.746	668	80.55
13.000 - 13.499	186	36,348,921	12.72	7.225	658	82.79
13.500 - 13.999	329	62,512,463	21.88	7.713	643	82.15
14.000 - 14.499	238	43,693,011	15.29	8.197	630	84.54
14.500 - 14.999	288	46,870,181	16.41	8.693	621	84.37
15.000 - 15.499	163	23,211,623	8.13	9.174	612	87.82
15.500 - 15.999	159	23,135,618	8.10	9.708	601	88.67
16.000 - 16.499	53	6,610,021	2.31	10.198	598	92.59
16.500 - 16.999	48	6,742,373	2.36	10.680	605	96.64
17.000 - 17.499	24	2,970,214	1.04	11.206	595	99.54
17.500 - 17.999	17	1,774,127	0.62	11.736	588	99.10
18.000 - 18.499	5	496,166	0.17	12.126	593	100.00
18.500 - 18.999	1	43,978	0.02	12.750	597	100.00
Total:	**1,660**	**285,675,052**	**100.00**	**8.242**	**633**	**84.63**

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DESCRIPTION OF THE GROUP I COLLATERAL

Minimum Mortgage Rate*

Minimum Mortgage Rate (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
5.000 - 5.499	3	427,755	0.15	8.348	617	77.34
5.500 - 5.999	12	2,577,846	0.90	6.778	672	82.84
6.000 - 6.499	33	7,265,139	2.54	6.313	662	79.09
6.500 - 6.999	114	23,166,595	8.11	6.794	667	80.68
7.000 - 7.499	184	35,982,887	12.60	7.245	658	82.74
7.500 - 7.999	330	62,690,713	21.94	7.714	643	82.19
8.000 - 8.499	236	43,200,462	15.12	8.197	630	84.49
8.500 - 8.999	285	46,307,829	16.21	8.703	621	84.34
9.000 - 9.499	161	22,984,915	8.05	9.177	612	87.98
9.500 - 9.999	157	22,795,193	7.98	9.716	601	88.61
10.000 - 10.499	52	6,381,666	2.23	10.199	599	93.22
10.500 - 10.999	47	6,674,499	2.34	10.687	605	96.76
11.000 - 11.499	23	2,905,282	1.02	11.207	591	99.53
11.500 - 11.999	17	1,774,127	0.62	11.736	588	99.10
12.000 - 12.499	5	496,166	0.17	12.126	593	100.00
12.500 - 12.999	1	43,978	0.02	12.750	597	100.00
Total:	**1,660**	**285,675,052**	**100.00**	**8.242**	**633**	**84.63**

*ARM Loans Only

Initial Periodic Rate Cap*

Initial Periodic Cap (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
1.000	7	1,967,500	0.69	6.927	617	73.75
2.000	12	2,364,352	0.83	8.292	617	81.94
2.250	1	146,597	0.05	7.875	619	80.00
3.000	1,637	280,631,123	98.23	8.251	634	84.75
5.000	1	229,600	0.08	8.250	615	80.00
6.000	2	335,879	0.12	8.348	608	72.99
Total:	**1,660**	**285,675,052**	**100.00**	**8.242**	**633**	**84.63**

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DESCRIPTION OF THE GROUP I COLLATERAL

Subsequent Periodic Rate Cap*

Subsequent Periodic Cap (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
1.000	1,656	285,030,507	99.77	8.242	633	84.63
1.500	3	488,544	0.17	8.229	623	85.80
3.000	1	156,000	0.05	8.750	604	80.00
Total:	**1,660**	**285,675,052**	**100.00**	**8.242**	**633**	**84.63**

*ARM Loans Only

Lifetime Periodic Cap*

Lifetime Periodic Cap (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
3.000 - 3.499	1	229,600	0.08	8.250	615	80.00
6.000 - 6.499	1,653	284,322,805	99.53	8.243	633	84.64
6.500 - 6.999	2	356,053	0.12	7.493	631	74.24
7.000 - 7.499	4	766,593	0.27	8.284	623	88.87
Total:	**1,660**	**285,675,052**	**100.00**	**8.242**	**633**	**84.63**

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DESCRIPTION OF THE GROUP I COLLATERAL

Original Prepayment Charge Term

Prepayment Penalty Term (mos.)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0	582	72,532,349	19.90	8.893	632	86.14
12	94	19,372,217	5.32	8.347	641	84.27
13	2	372,500	0.10	7.300	657	83.79
24	1,152	164,577,814	45.16	8.370	634	85.12
36	649	107,589,769	29.52	7.799	649	82.64
Total:	**2,479**	**364,444,648**	**100.00**	**8.303**	**638**	**84.54**

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DESCRIPTION OF THE GROUP II COLLATERAL

SUMMARY – GROUP II POOL*

Number of Mortgage Loans	2,178	Index Type:	
Aggregate Principal Balance	$464,770,264	6 Month LIBOR:	75.87%
Conforming Principal Balance Loans	$276,210,291	Fixed Rate:	24.13%
Average Principal Balance:	$213,393	W.A. Initial Periodic Cap:	2.988%
Range:	$10,681 - $1,480,000	W.A. Subsequent Periodic Cap:	1.002%
W.A. Coupon:	7.969%	W.A. Lifetime Rate Cap:	6.004%
Range:	5.250% - 15.875%	Property Type:	
W.A. Gross Margin:	5.61%	Single Family:	63.44%
Range:	2.250% - 8.250%	PUD:	28.89%
W.A. Remaining Term (months):	345	Condo:	6.03%
Range (months):	113-360	2-4 Family:	1.64%
W.A. Seasoning (months):	2	Occupancy Status:	
Latest Maturity Date:	February 1, 2037	Primary:	98.95%
State Concentration (Top 5):		Investment:	0.91%
California:	44.24%	Second Home:	0.15%
Florida:	10.63%	Documentation Status:	
Arizona:	4.88%	Full:	62.29%
Ohio:	4.58%	Stated:	26.27%
Texas:	3.53%	Limited:	6.59%
W.A. Original Combined LTV:	82.03%	None:	4.86%
Range:	17.53% - 100.00%	Non-Zero W.A. Prepayment Penalty – Term (months):	28
First Liens:	92.20%	Loans with Prepay Penalties:	79.74%
Second Liens:	7.80%	Interest Only Loans:	44.34%
Non-Balloon Loans:	74.84%	Non-Zero W.A. Interest Only Term (months):	60
Non-Zero W.A. FICO Score:	657		

* Subject to a permitted variance of +/- 10%

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

Deutsche Bank

Collateral Type

Collateral Type	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Fixed - 15 Year	8	1,037,370	0.22	6.649	650	55.66
Fixed - 20 Year	5	256,833	0.06	11.937	636	99.99
Fixed - 30 Year	214	62,634,219	13.48	6.566	700	69.90
Balloon - 10/30	17	904,418	0.19	11.875	633	99.87
Balloon - 15/30	420	25,208,877	5.42	11.415	649	99.30
Balloon - 20/30	101	8,190,368	1.76	11.141	673	99.83
Balloon - 30/40	57	13,186,756	2.84	7.662	665	81.64
Balloon - 30/50	1	749,827	0.16	6.375	779	89.29
ARM - 6 Month	2	692,272	0.15	8.048	657	91.91
ARM - 6 Month IO	4	802,899	0.17	8.891	602	81.33
ARM - 1 Year/6 Month	8	1,259,138	0.27	7.827	649	89.39
ARM - 1 Year/6 Month IO	3	1,604,000	0.35	7.093	645	80.00
ARM - 1 Year/6 Month 30/50 Balloon	1	849,765	0.18	5.875	667	74.89
ARM - 2 Year/6 Month	325	57,701,738	12.42	8.391	641	83.82
ARM - 2 Year/6 Month IO	489	151,997,143	32.70	7.854	657	81.40
ARM - 2 Year/6 Month 30/40 Balloon	111	29,514,304	6.35	8.060	653	83.20
ARM - 2 Year/6 Month 30/50 Balloon	65	24,153,612	5.20	8.056	633	84.18
ARM - 3 Year/6 Month	96	16,461,099	3.54	8.226	626	82.25
ARM - 3 Year/6 Month IO	170	44,025,079	9.47	7.327	643	84.07
ARM - 3 Year/6 Month 30/40 Balloon	16	4,597,005	0.99	8.212	659	88.46
ARM - 3 Year/6 Month 30/50 Balloon	21	7,704,097	1.66	7.266	653	80.95
ARM - 5 Year/6 Month	7	1,728,513	0.37	7.215	650	68.83
ARM - 5 Year/6 Month IO	31	7,630,299	1.64	7.661	663	80.11
ARM - 5 Year/6 Month 30/50 Balloon	6	1,880,635	0.40	7.897	633	85.97
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

IO Terms

IO Terms (mos.)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0	1,481	258,710,844	55.66	8.157	659	82.13
60	695	205,613,620	44.24	7.731	654	81.92

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120	2	445,800	0.10	8.346	614	80.00
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

DESCRIPTION OF THE GROUP II COLLATERAL

Principal Balance at Origination

Principal Balance at Origination ($)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0.01 - 50,000.00	275	9,602,675	2.07	11.425	634	96.94
50,000.01 - 100,000.00	473	35,155,802	7.56	10.089	638	90.58
100,000.01 - 150,000.00	305	37,539,288	8.08	8.730	635	84.68
150,000.01 - 200,000.00	268	47,106,057	10.14	8.043	637	82.39
200,000.01 - 250,000.00	212	47,250,116	10.17	7.872	643	83.22
250,000.01 - 300,000.00	155	42,552,265	9.16	7.956	651	83.00
300,000.01 - 350,000.00	92	29,901,657	6.43	7.899	653	84.87
350,000.01 - 400,000.00	67	25,132,558	5.41	7.896	654	81.91
400,000.01 - 450,000.00	79	33,930,447	7.30	7.434	661	81.05
450,000.01 - 500,000.00	70	33,219,101	7.15	7.382	665	79.74
500,000.01 - 550,000.00	53	27,678,440	5.96	7.479	662	80.01
550,000.01 - 600,000.00	38	21,662,029	4.66	6.882	681	81.00
600,000.01 - 650,000.00	22	13,736,146	2.96	7.178	661	77.38
650,000.01 - 700,000.00	13	8,773,141	1.89	6.849	696	74.36
700,000.01 - 750,000.00	10	7,307,769	1.57	7.149	672	74.38
750,000.01 - 800,000.00	12	9,402,618	2.02	7.025	685	66.92
800,000.01 - 850,000.00	5	4,178,594	0.90	7.035	700	76.39
850,000.01 - 900,000.00	3	2,612,549	0.56	7.363	673	80.00
900,000.01 - 950,000.00	5	4,667,834	1.00	7.651	712	78.99
950,000.01 - 1,000,000.00	7	6,900,369	1.48	7.352	699	77.62
1,000,000.01 >=	14	16,460,810	3.54	7.406	721	73.00
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

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DESCRIPTION OF THE GROUP II COLLATERAL

Remaining Principal Balance

Remaining Principal Balance ($)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0.01 - 50,000.00	276	9,628,783	2.07	11.430	634	96.95
50,000.01 - 100,000.00	472	35,129,694	7.56	10.087	638	90.57
100,000.01 - 150,000.00	306	37,688,957	8.11	8.730	635	84.67
150,000.01 - 200,000.00	268	47,156,319	10.15	8.032	637	82.39
200,000.01 - 250,000.00	211	47,050,186	10.12	7.881	643	83.24
250,000.01 - 300,000.00	155	42,552,265	9.16	7.956	651	83.00
300,000.01 - 350,000.00	92	29,901,657	6.43	7.899	653	84.87
350,000.01 - 400,000.00	67	25,132,558	5.41	7.896	654	81.91
400,000.01 - 450,000.00	79	33,930,447	7.30	7.434	661	81.05
450,000.01 - 500,000.00	70	33,219,101	7.15	7.382	665	79.74
500,000.01 - 550,000.00	54	28,228,130	6.07	7.492	662	80.30
550,000.01 - 600,000.00	37	21,112,339	4.54	6.850	682	80.63
600,000.01 - 650,000.00	22	13,736,146	2.96	7.178	661	77.38
650,000.01 - 700,000.00	13	8,773,141	1.89	6.849	696	74.36
700,000.01 - 750,000.00	10	7,307,769	1.57	7.149	672	74.38
750,000.01 - 800,000.00	12	9,402,618	2.02	7.025	685	66.92
800,000.01 - 850,000.00	5	4,178,594	0.90	7.035	700	76.39
850,000.01 - 900,000.00	3	2,612,549	0.56	7.363	673	80.00
900,000.01 - 950,000.00	5	4,667,834	1.00	7.651	712	78.99
950,000.01 - 1,000,000.00	7	6,900,369	1.48	7.352	699	77.62
1,000,000.01 >=	14	16,460,810	3.54	7.406	721	73.00
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

Remaining Term

Months Remaining	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
61 - 120	17	904,418	0.19	11.875	633	99.87
121 - 180	428	26,246,246	5.65	11.227	649	97.58
181 - 240	106	8,447,200	1.82	11.166	672	99.84
301 - 360	1,627	429,172,399	92.34	7.698	657	80.69
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

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DESCRIPTION OF THE GROUP II COLLATERAL

Mortgage Rate

Mortgage Rate (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
5.000 - 5.499	9	3,672,614	0.79	5.353	753	52.17
5.500 - 5.999	77	40,462,335	8.71	5.717	725	64.06
6.000 - 6.499	59	19,832,079	4.27	6.233	691	83.14
6.500 - 6.999	184	55,791,214	12.00	6.735	663	79.57
7.000 - 7.499	212	55,658,085	11.98	7.200	658	81.18
7.500 - 7.999	334	92,505,011	19.90	7.709	653	80.63
8.000 - 8.499	235	56,189,260	12.09	8.171	646	82.01
8.500 - 8.999	209	51,452,593	11.07	8.688	641	83.37
9.000 - 9.499	116	22,338,170	4.81	9.180	623	88.64
9.500 - 9.999	111	17,356,263	3.73	9.740	619	90.17
10.000 - 10.499	91	11,465,044	2.47	10.225	633	94.15
10.500 - 10.999	111	10,342,635	2.23	10.734	656	96.84
11.000 - 11.499	141	9,617,947	2.07	11.209	649	99.23
11.500 - 11.999	130	8,626,585	1.86	11.761	635	99.45
12.000 - 12.499	73	4,967,392	1.07	12.247	616	99.85
12.500 - 12.999	30	2,013,117	0.43	12.697	611	98.27
13.000 - 13.499	8	413,492	0.09	13.241	599	100.00
13.500 - 13.999	8	489,224	0.11	13.786	597	100.00
14.000 - 14.499	15	649,102	0.14	14.350	593	100.00
14.500 - 14.999	20	746,499	0.16	14.728	590	100.00
15.000 - 15.499	4	154,822	0.03	15.019	596	100.00
15.500 - 15.999	1	26,780	0.01	15.875	595	100.00
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

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DESCRIPTION OF THE GROUP II COLLATERAL

Original Combined Loan-to-Value Ratio

Original Combined Loan-to-Value Ratio (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Less than or Equal to 50.00	42	12,338,469	2.65	6.381	693	41.05
50.01 - 55.00	11	5,183,779	1.12	5.888	705	52.35
55.01 - 60.00	25	6,200,182	1.33	6.561	672	58.20
60.01 - 65.00	35	12,778,578	2.75	6.262	704	63.47
65.01 - 70.00	38	10,133,582	2.18	7.258	658	68.41
70.01 - 75.00	45	16,667,075	3.59	6.856	664	73.80
75.01 - 80.00	973	259,363,193	55.80	7.629	656	79.94
80.01 - 85.00	72	18,492,819	3.98	7.968	621	84.13
85.01 - 90.00	114	27,672,228	5.95	8.101	648	89.33
90.01 - 95.00	86	18,805,119	4.05	8.260	652	94.72
95.01 - 100.00	737	77,135,242	16.60	10.118	650	99.97
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

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DESCRIPTION OF THE GROUP II COLLATERAL

FICO Score at Origination

FICO Score At Origination	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
1 - 499	1	79,896	0.02	10.125	492	100.00
500 - 524	1	99,865	0.02	8.000	505	74.07
525 - 549	27	4,406,451	0.95	9.065	545	71.42
550 - 574	62	10,851,629	2.33	9.026	563	77.94
575 - 599	230	34,590,389	7.44	9.452	588	84.91
600 - 624	399	65,412,678	14.07	8.574	612	84.10
625 - 649	528	105,952,706	22.80	8.074	639	83.88
650 - 674	481	100,630,983	21.65	7.863	660	83.62
675 - 699	240	63,526,680	13.67	7.508	686	82.11
700 - 724	107	35,788,028	7.70	7.189	711	78.73
725 - 749	41	15,343,053	3.30	7.055	737	72.81
750 - 774	31	15,628,450	3.36	7.103	763	76.52
775 - 799	26	11,289,355	2.43	6.181	785	71.43
800 - 824	4	1,170,103	0.25	5.467	807	48.78
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

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DESCRIPTION OF THE GROUP II COLLATERAL

Geographic Distribution*

Location	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
California	575	205,635,706	44.24	7.460	677	79.21
Florida	270	49,396,496	10.63	7.839	648	82.28
Arizona	138	22,666,378	4.88	8.239	640	83.22
Ohio	168	21,296,948	4.58	8.119	631	86.11
Texas	141	16,424,066	3.53	8.660	649	86.63
Maryland	50	13,054,308	2.81	8.194	633	81.98
Nevada	69	12,386,347	2.67	8.540	642	84.83
Illinois	73	12,185,080	2.62	8.678	645	83.14
Virginia	58	10,549,182	2.27	8.485	639	84.92
Michigan	72	10,220,070	2.20	9.023	648	87.23
Washington	52	10,066,402	2.17	8.148	641	83.30
Georgia	39	6,696,533	1.44	8.439	649	87.55
Pennsylvania	39	5,845,924	1.26	8.793	633	88.71
Oregon	29	5,448,295	1.17	8.037	641	82.03
Colorado	34	5,350,194	1.15	8.157	648	83.65
New York	21	5,149,381	1.11	8.316	646	78.52
New Jersey	18	4,830,939	1.04	8.883	636	84.28
Tennessee	40	4,451,437	0.96	8.447	628	87.43
Connecticut	12	3,592,814	0.77	8.831	603	83.53
Missouri	29	3,485,226	0.75	9.376	632	90.58
North Carolina	26	3,475,135	0.75	9.089	628	85.62
Minnesota	20	3,358,225	0.72	8.322	651	83.44
Indiana	21	2,908,848	0.63	8.903	620	83.44
Kentucky	13	2,831,052	0.61	7.893	654	81.54
Arkansas	21	2,677,705	0.58	8.561	643	88.53
Louisiana	21	2,459,056	0.53	8.775	637	86.86
New Mexico	17	2,426,724	0.52	9.123	618	80.52
Mississippi	15	2,251,465	0.48	8.608	630	88.04
Wisconsin	16	2,010,531	0.43	8.855	633	91.61
South Carolina	11	1,923,265	0.41	9.708	634	84.26
Hawaii	4	1,216,625	0.26	7.663	657	68.31
Alabama	7	1,122,618	0.24	8.855	616	87.17
Utah	5	959,806	0.21	7.718	640	85.24
Idaho	7	925,809	0.20	8.633	620	79.94

*Geographic Distribution continued on the next page

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DESCRIPTION OF THE GROUP II COLLATERAL

Geographic Distribution (Continued)

Location	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Montana	3	716,552	0.15	10.028	564	81.89
Oklahoma	8	709,667	0.15	8.068	645	84.51
District of Columbia	2	674,796	0.15	8.435	680	89.34
Massachusetts	4	648,742	0.14	9.622	625	80.66
West Virginia	2	509,925	0.11	8.677	638	80.00
Iowa	7	460,305	0.10	9.400	629	91.35
Delaware	5	391,343	0.08	10.208	616	92.33
South Dakota	6	341,250	0.07	9.381	636	93.40
New Hampshire	2	284,070	0.06	9.682	601	89.19
Kansas	5	265,779	0.06	10.440	647	95.81
Wyoming	1	170,981	0.04	8.250	581	80.00
Maine	1	167,866	0.04	7.125	693	100.00
Alaska	1	150,400	0.03	9.625	542	80.00
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

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ACE Securities Corp.
Home Equity Loan Trust, Series 2007-ASAP1

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DESCRIPTION OF THE GROUP II COLLATERAL

Occupancy Status

Occupancy Status	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Primary	2,150	459,866,969	98.95	7.966	657	82.04
Investment	23	4,214,848	0.91	8.395	647	80.04
Second Home	5	688,447	0.15	7.478	658	85.55
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

Documentation Type

Program	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Full	1,354	289,496,095	62.29	7.822	649	81.75
Stated Documentation	584	122,089,834	26.27	8.144	669	82.88
Limited	96	30,614,435	6.59	8.293	673	81.85
No Documentation	144	22,569,900	4.86	8.469	664	81.36
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

Loan Purpose

Purpose	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Purchase	1,693	319,944,176	68.84	8.264	656	84.69
Refinance - Cashout	418	121,432,980	26.13	7.411	654	76.94
Refinance - Rate Term	67	23,393,108	5.03	6.822	685	72.12
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

Property Type

Property Type	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
Single Family Residence	1,312	294,860,924	63.44	7.925	661	81.22
PUD	672	134,270,052	28.89	7.996	647	83.28
Condo	156	28,034,882	6.03	8.230	656	84.42
2-4 Family	38	7,604,406	1.64	8.218	662	82.79
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

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DESCRIPTION OF THE GROUP II COLLATERAL

Rate Adjustment*

Month & Year of Next Rate Adjustment	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
2007-05	2	391,399	0.11	8.694	598	79.71
2007-06	2	352,582	0.10	9.016	628	91.91
2007-07	2	751,190	0.21	8.159	643	86.95
2007-11	4	353,103	0.10	9.255	622	85.61
2007-12	5	1,709,354	0.48	7.200	644	80.25
2008-01	3	1,337,946	0.38	6.981	649	83.96
2008-02	1	648,000	0.18	6.875	675	90.00
2008-03	1	195,238	0.06	9.600	634	94.96
2008-06	1	106,694	0.03	8.400	610	90.00
2008-07	3	812,366	0.23	6.662	660	82.45
2008-08	4	1,663,784	0.47	8.133	648	71.05
2008-09	18	5,250,964	1.49	7.800	664	80.00
2008-10	45	12,998,514	3.69	8.283	641	81.81
2008-11	286	76,175,981	21.60	7.994	649	81.18
2008-12	305	80,539,650	22.84	8.033	652	83.42
2009-01	254	66,236,541	18.79	8.012	650	83.36
2009-02	72	19,051,565	5.40	7.891	652	81.04
2009-09	1	278,709	0.08	8.500	612	90.00
2009-10	15	3,245,396	0.92	7.993	633	81.49
2009-11	83	18,908,068	5.36	7.847	637	83.87
2009-12	104	25,350,434	7.19	7.455	642	82.96
2010-01	83	21,418,313	6.07	7.422	648	84.89
2010-02	17	3,586,360	1.02	7.548	619	80.48
2011-09	1	152,447	0.04	9.875	580	80.00
2011-11	10	2,076,600	0.59	8.398	633	77.40
2011-12	13	2,721,969	0.77	7.642	648	79.53
2012-01	18	5,172,831	1.47	7.090	655	79.90
2012-02	2	1,115,600	0.32	8.388	734	80.00
Total:	**1,355**	**352,601,597**	**100.00**	**7.904**	**649**	**82.56**

*ARM Loans Only

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DESCRIPTION OF THE GROUP II COLLATERAL

Gross Margin*

Gross Margin (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
2.000 - 2.499	3	718,864	0.20	6.912	659	80.00
2.500 - 2.999	3	510,740	0.14	7.519	634	80.00
3.000 - 3.499	2	1,310,176	0.37	7.847	636	80.00
4.000 - 4.499	7	1,523,916	0.43	7.767	635	81.21
4.500 - 4.999	14	3,367,894	0.96	7.299	659	79.11
5.000 - 5.499	909	242,052,809	68.65	7.646	652	78.94
5.500 - 5.999	141	36,373,394	10.32	8.066	637	86.81
6.000 - 6.499	27	8,230,573	2.33	8.229	642	84.85
6.500 - 6.999	221	53,113,215	15.06	8.823	645	95.48
7.000 - 7.499	17	2,743,617	0.78	9.184	642	87.80
7.500 - 7.999	10	2,378,915	0.67	9.575	622	93.03
8.000 - 8.499	1	277,484	0.08	10.250	546	70.00
Total:	**1,355**	**352,601,597**	**100.00**	**7.904**	**649**	**82.56**

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ACE Securities Corp.
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DESCRIPTION OF THE GROUP II COLLATERAL

Maximum Mortgage Rate*

Maximum Mortgage Rate (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
11.000 - 11.499	2	331,080	0.09	5.291	639	80.00
11.500 - 11.999	15	5,029,012	1.43	5.785	674	77.99
12.000 - 12.499	42	14,390,780	4.08	6.240	681	83.50
12.500 - 12.999	150	48,314,250	13.70	6.731	664	79.51
13.000 - 13.499	195	51,675,891	14.66	7.198	658	81.13
13.500 - 13.999	297	83,907,829	23.80	7.707	654	80.76
14.000 - 14.499	206	52,376,906	14.85	8.167	646	81.99
14.500 - 14.999	176	46,835,340	13.28	8.690	642	83.03
15.000 - 15.499	97	20,417,856	5.79	9.184	622	88.82
15.500 - 15.999	81	14,939,195	4.24	9.703	609	88.82
16.000 - 16.499	37	6,552,280	1.86	10.185	600	91.52
16.500 - 16.999	25	3,221,854	0.91	10.617	594	92.47
17.000 - 17.499	9	1,641,176	0.47	11.114	595	99.14
17.500 - 17.999	10	1,333,260	0.38	11.473	648	99.43
18.000 - 18.499	7	1,047,994	0.30	12.162	589	100.00
18.500 - 18.999	2	150,848	0.04	12.622	586	94.90
19.000 - 19.499	1	54,962	0.02	13.049	595	100.00
19.500 - 19.999	2	265,900	0.08	13.786	589	100.00
20.500 - 20.999	1	115,182	0.03	14.625	586	100.00
Total:	**1,355**	**352,601,597**	**100.00**	**7.904**	**649**	**82.56**

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DESCRIPTION OF THE GROUP II COLLATERAL

Minimum Mortgage Rate*

Minimum Mortgage Rate (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
2.500 - 2.999	2	302,740	0.09	7.875	638	80.00
4.500 - 4.999	1	49,896	0.01	7.875	689	20.83
5.000 - 5.499	5	1,364,265	0.39	6.974	627	69.52
5.500 - 5.999	16	5,307,721	1.51	5.928	671	78.62
6.000 - 6.499	42	14,390,780	4.08	6.240	681	83.50
6.500 - 6.999	149	47,927,250	13.59	6.731	664	79.76
7.000 - 7.499	195	51,709,706	14.67	7.200	658	81.17
7.500 - 7.999	294	83,882,976	23.79	7.708	654	80.79
8.000 - 8.499	205	51,663,366	14.65	8.168	646	82.02
8.500 - 8.999	174	46,262,388	13.12	8.694	643	83.01
9.000 - 9.499	98	20,949,015	5.94	9.179	622	88.66
9.500 - 9.999	81	14,603,275	4.14	9.727	608	89.13
10.000 - 10.499	37	6,552,280	1.86	10.185	600	91.52
10.500 - 10.999	25	3,400,944	0.96	10.690	613	93.15
11.000 - 11.499	9	1,641,176	0.47	11.114	595	99.14
11.500 - 11.999	9	958,932	0.27	11.756	595	99.21
12.000 - 12.499	7	1,047,994	0.30	12.162	589	100.00
12.500 - 12.999	2	150,848	0.04	12.622	586	94.90
13.000 - 13.499	1	54,962	0.02	13.049	595	100.00
13.500 - 13.999	2	265,900	0.08	13.786	589	100.00
14.500 - 14.999	1	115,182	0.03	14.625	586	100.00
Total:	**1,355**	**352,601,597**	**100.00**	**7.904**	**649**	**82.56**

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DESCRIPTION OF THE GROUP II COLLATERAL

Initial Periodic Rate Cap*

Initial Periodic Cap (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
1.000	5	1,352,589	0.38	8.580	623	86.88
1.500	1	195,238	0.06	9.600	634	94.96
2.000	13	4,012,311	1.14	7.142	645	80.12
3.000	1,329	345,883,442	98.09	7.907	649	82.54
3.050	1	99,817	0.03	8.500	644	100.00
4.000	1	154,911	0.04	12.000	597	100.00
5.000	1	243,830	0.07	8.380	628	95.00
6.000	4	659,460	0.19	7.695	649	80.00
Total:	**1,355**	**352,601,597**	**100.00**	**7.904**	**649**	**82.56**

*ARM Loans Only

Subsequent Periodic Rate Cap*

Subsequent Periodic Cap (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
1.000	1,351	351,968,499	99.82	7.903	649	82.55
1.500	1	195,238	0.06	9.600	634	94.96
2.000	3	437,860	0.12	7.566	658	80.00
Total:	**1,355**	**352,601,597**	**100.00**	**7.904**	**649**	**82.56**

*ARM Loans Only

Lifetime Periodic Cap*

Lifetime Periodic Cap (%)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
6.000 - 6.499	1,350	350,638,847	99.44	7.898	649	82.54
6.500 - 6.999	3	1,393,184	0.40	8.430	643	80.86
7.000 - 7.499	2	569,566	0.16	10.356	733	98.27
Total:	**1,355**	**352,601,597**	**100.00**	**7.904**	**649**	**82.56**

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DESCRIPTION OF THE GROUP II COLLATERAL

Original Prepayment Charge Term

Prepayment Penalty Term (mos.)	Number of Initial Mortgage Loans	Aggregate Remaining Principal Balance ($)	% of Aggregate Remaining Principal Balance	W.A. Coupon (%)	W.A. Non-Zero FICO	W.A. Original CLTV (%)
0	570	94,165,371	20.26	8.774	644	84.65
6	6	2,367,468	0.51	7.775	680	78.03
12	87	25,144,808	5.41	8.334	655	82.81
13	2	693,019	0.15	7.753	679	78.65
24	960	207,049,902	44.55	8.169	655	84.14
36	432	113,301,191	24.38	6.979	676	75.43
48	120	21,749,886	4.68	7.363	628	84.69
60	1	298,620	0.06	6.500	652	80.00
Total:	**2,178**	**464,770,264**	**100.00**	**7.969**	**657**	**82.03**

The depositor has filed a registration statement (including a prospectus) with the SEC for the offering to which this free writing prospectus relates. Before you invest, you should read the prospectus in that registration statement and other documents the depositor has filed with the SEC for more complete information about the depositor and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the depositor, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling DBSI's trading desk at 212-250-7730. This free writing prospectus is not required to contain all information that is required to be included in the base prospectus and the prospectus supplement. The information in this free writing prospectus is preliminary and is subject to completion or change. The information in this free writing prospectus, if conveyed prior to the time of your commitment to purchase, supersedes information contained in any prior similar free writing prospectus relating to these securities. THIS FREE WRITING PROSPECTUS IS NOT AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE SUCH OFFER, SOLICITATION OR SALE IS NOT PERMITTED. The information in this free writing prospectus may be based on preliminary assumptions about the pool assets and the structure. Any such assumptions are subject to change.

FOR ADDITIONAL INFORMATION PLEASE CALL:

Deutsche Bank Securities

Whole Loan Trading

Michael Commaroto	212-250-3114
Paul Mangione	212-250-5786
Adam Simms	212-250-8119

ABS Banking

Sue Valenti	212-250-3455
Rika Yano	212-250-6997
Karan Mehta	212-250-0869
Roxana McKinney	212-250-0848

ABS Structuring

Bill Yeung	212-250-6893
Christopher Sudol	212-250-0507

ABS Collateral

Reta Chandra	212-250-2729
Justice Asante	212-250-8595

The depositor has filed a registration statement (including a prospectus) with the SEC for the offering to which this free writing prospectus relates. Before you invest, you should read the prospectus in that registration statement and other documents the depositor has filed with the SEC for more complete information about the depositor and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the depositor, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling DBSI's trading desk at 212-250-7730. This free writing prospectus is not required to contain all information that is required to be included in the base prospectus and the prospectus supplement. The information in this free writing prospectus is preliminary and is subject to completion or change. The information in this free writing prospectus, if conveyed prior to the time of your commitment to purchase, supersedes information contained in any prior similar free writing prospectus relating to these securities. THIS FREE WRITING PROSPECTUS IS NOT AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE SUCH OFFER, SOLICITATION OR SALE IS NOT PERMITTED. The information in this free writing prospectus may be based on preliminary assumptions about the pool assets and the structure. Any such assumptions are subject to change.

EXHIBIT N

NewsRoom

6/8/04 Am. Banker 10
2004 WLNR 4064676

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June 8, 2004

Volume 169; Issue 109

* Deutsche Group Buying Loans via Correspondents

By Jody Shenn

Buying mortgages is nothing new for Deutsche Bank Securities Inc., but buying them through a correspondent channel is.

The difference? The Deutsche Bank AG unit's new group, headed by Maxine Matteo and based in Boca Raton, Fla., commits to buy specific loans at specific rates before they close, as long as what is delivered matches Deutsche's underwriting guidelines.

Previously, Deutsche Bank bought mortgages destined for securitization only in bulk, mostly from large specialty finance companies.

Such bulk deals could be as small as $3 million, but many smaller originators "want to have an approval before they even make the loans," said Ms. Matteo, the group's managing director.

Deutsche joins most Wall Street firms in buying loans directly from correspondents. Doing so gives the firms more control over the types of loans they get and a larger base of sellers, and it cuts out middlemen. (Regardless, bigger lenders usually do better selling the loans to the Street in bulk, industry executives say.)

One drawback is the fixed costs involved in maintaining such a channel in a cyclical business, observers say. But Street firms face heavier competition for loans from big lenders such as Countrywide Financial Corp. and Washington Mutual Inc., which are increasing their securitization businesses, and rising rates are shrinking the overall pie.

The goal is to make it easy for "as big a seller or as small a seller" as exists to sell to Deutsche, said Michael Commaroto, its head of private-label mortgage-backed securities and whole loan trading.

"We are trying to give our customers an alternative to ... conduits sponsored by large mortgage companies or thrifts," he said.

Ms. Matteo reports to Mr. Commaroto. She joined Deutsche, which announced the business line Thursday, in January from National City Corp.'s nonprime lending unit, First Franklin Financial Corp., where she was a senior vice president. Several other members of her team, which is expected to grow to nine people soon, also joined then.

For now her group is buying only nonprime products on a flow basis. But "within a month or two" it will also buy loans categorized as Alternative-A, Ms. Matteo said. Such loans are usually defined as those to prime borrowers who could not provide standard documentation, or were near misses in other criteria.

Deutsche also offers warehouse lines of credit to some correspondents. Eventually, home equity lending and jumbo mortgages will be included in its "whole suite of products," Mr. Commaroto said.

An online automated underwriting system, which it will test soon, will be one key, Ms. Matteo said. Deutsche is licensing the underlying technology from ARC Systems of Austin. It uses a "rules-based system" that is easy to understand, instead of being "a black box," she said.

A dedicated team of employees at Lydian Data Services, a subsidiary of Lydian Trust Co., in Florida will audit loan files after Deutsche buys them to make sure that underwriting conditions are met. It does this for many Street firms.

Amy Brandt, the president of WMC Finance Co. in Woodland Hills, Calif., said many of the other Wall Street firms do not offer automated underwriting in their correspondent channels. Deutsche is "smart to do" so, she said, because it reduces the likelihood of having to buy back loans, making sellers more comfortable.

So far 92 lenders have signed up as Deutsche correspondents, Ms. Matteo said. However, some executives at midsize nonprime firms that were already selling loans to Deutsche said they were not aware of the move.

Hence, some speculated that Deutsche is targeting mortgage brokerages that have recently become lenders, or want to.

Nonprime is "much more broker-centric," noted David Olson at Wholesale Access Mortgage Research and Consulting Inc. in Columbia, Md.

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---- Index References ----

Company: COUNTRYWIDE FINANCIAL CORP; DEUTSCHE BANK SECURITIES INC; WASHINGTON MUTUAL INC; DEUTSCHE BANK AG; NATIONAL CITY CORP; DEUTSCHE BANK AKTIENGESELLSCHAFT ADR; FRANKLIN FINANCIAL CORP

Industry: (Banking (1BA20); Mortgage Banking (1MO85); Financial Services (1FI37); Retail Banking Services (1RE38); Consumer Finance (1CO55))

Region: (USA (1US73); Americas (1AM92); North America (1NO39))

Language: EN

Other Indexing: (CONSULTING INC; COUNTRYWIDE FINANCIAL CORP; DEUTSCHE; DEUTSCHE BANK; DEUTSCHE BANK AG; DEUTSCHE BANK SECURITIES INC; DEUTSCHE GROUP; FRANKLIN FINANCIAL CORP; LYDIAN DATA SERVICES; LYDIAN TRUST CO; NATIONAL CITY CORP; THOMSON MEDIA INC; WASHINGTON MUTUAL INC; WHOLESALE ACCESS MORTGAGE RESEARCH; WMC FINANCE CO) (Amy Brandt; Commaroto; David Olson; Eventually; Matteo; Maxine Matteo; Michael Commaroto)

Word Count: 795

End of Document

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NewsRoom

EXHIBIT O

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK - CIVIL TERM - PART: 48
----------X
STICHTING PENSIOENFONDS ABP,

Plaintiff,

-against-

ACE SECURITIES CORP., DEUTSCHE BANK AG, DEUTSCHE ALT-A SECURITIES INC., DEUTSCHE BANK SECURITIES INC., DB STRUCTURED PRODUCTS INC., DB HOME LENDING LLC, DOUGLAS JOHNSON, EVELYN ECHEVARRIA, JULIANA JOHNSON, ANILESH AHUJA, JEFFREY LEHOCKY, JOSEPH RICE, RICHARD D'ALBERT, RICHARD FERGUSON,

Defendants.
----------X

Index No. 652460/11
ORAL ARGUMENT
and DECISION

60 Centre Street
New York, N.Y.
July 27, 2012

B E F O R E:

HONORABLE JEFFREY K. OING,
Justice

A P P E A R A N C E S:

GRANT & EISENHOFER P.A.
Attorneys for the Plaintiff
123 Justison Street
Wilmington, Delaware 19801
BY: GEOFFREY C. JARVIS, ESQ.

PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP
Attorneys for the Defendants
1285 Avenue of the Americas
New York, N.Y. 10019-6064
BY: MOSES SILVERMAN, ESQ.
JESSICA S. CAREY, ESQ.
and MICHAEL KLUNDER, ESQ.

ALAN F. BOWIN, CSR, RMR, CRR
Official Court Reporter

Proceedings

THE COURT: The Court has before it the matter of Stichting Pensioenfonds ABP versus Ace Securities Corp., et al., index No. 652460 of 2011. This is motion sequence No. 1, which is defendants', collectively, motion to dismiss the action.

Will the parties enter their appearances for record.

For the plaintiff?

MR. JARVIS: Good morning, your Honor.

My names is Geoff Jarvis. I'm with Grant & Eisenhofer, for the plaintiff, Stichting Pensioenfonds ABP.

THE COURT: Thank you.

For defendant?

MR. SILVERMAN: Good morning, your Honor.

Moses Silverman, Paul, Weiss, Rifkind, with my partner Jessica Carey, for the defendants.

THE COURT: Okay, thank you.

Okay, this is your motion.

Please be seated.

(Counsel complied.)

THE COURT: This is your motion to dismiss, counsel. Tell me why I should dismiss this action.

There are four causes of action, so what I propose to do, so it's easier for the plaintiff, is to

treat each cause of action by itself, compartmentalize it. So, after you explain or argue why the first cause of action should be dismissed, I'll have plaintiff's counsel get up and tell me why I shouldn't dismiss. That would be easier.

MR. SILVERMAN: I'm happy to do that, your Honor, although I should say that the first three causes of action all really relate to the same thing, which is fraud.

THE COURT: Right.

MR. JARVIS: Your Honor, may I make a suggestion?

THE COURT: Yes.

MR. JARVIS: There are, sort of -- I don't know -- four -- three or four -- areas where there are statute of limitations; there's a false statement issue, a scienter issue and others. It might make sense to argue each issue.

Would that be okay, Mr. Silverman?

THE COURT: That would be okay. I have it broken down that way, too. That's fine.

You know, before we get started, I want to get, for the record: the individual defendants are discontinued from this action?

MR. SILVERMAN: Yes. Our adversary,

themselves.

So I think the aiding and abetting fraud has to fall at this point. Because you've discontinued the action against the individual actors, you don't have an aider and abettor.

MR. JARVIS: Your Honor, I think that there is some question as to whether a corporate parent can aid and abet. When a corporate parent itself does not speak, I would have to agree with Mr. Silverman that you can't accuse them, I think, of fraud because they didn't make the statements. But when those acting under their control did -- it's sort of like control-person liability in the federal court. But when you are sort of sitting at the top, you don't make the statements but you have this one doing this and this one doing that, we argue that you consciously participated in the fraud; it meets the requirement.

Defendants didn't raise any challenge to my aiding and abetting claim. If your Honor would like me to separately plead that claim --

THE COURT: They're moving to dismiss.

MR. SILVERMAN: We're moving to dismiss the claims as to a number of defendants, starting with Deutsche Bank AG, to which there are no specific claims of fraud, fraudulent inducement or aiding and abetting.

And with respect to those other entities for which they have principal claims of fraud or -- which your Honor has sustained for purposes of the motion to dismiss, there is no basis for the aiding and abetting claim.

But I was really focusing on the fact that Deutsche Bank AG and some others, there is no claim against them at all in terms of what it is that they were supposed to have done.

THE COURT: Okay, let me just say for the record, the first cause of action is asserted against Deutsche Bank AG, Deutsche Bank Securities Inc., Ace Securities Corp., Deutsche ALT-A Securities Inc. and DB Structured Products Inc. Those are the defendants that the first cause of action for fraud is being asserted against.

MR. SILVERMAN: Correct.

THE COURT: And at this juncture and time, I've sustained the first cause of action as being sufficiently pleaded on for fraud purposes.

MR. SILVERMAN: I understand.

THE COURT: Okay? So now, what is the -- you know, with respect to DB Home Lending, I don't have an allegation here against them in this cause of action.

So, mistake?

MR. JARVIS: Your Honor, look, it was an

oversight. I'll take the responsibility for that and your Honor can dismiss them.

THE COURT: Right now, at this juncture, I'm going to dismiss DB Home Lending Inc. [sic] because I don't have an allegation against --

You can do what you need to do later on but at this point, I'm going to grant that motion to dismiss them --

You don't like that?

MR. SILVERMAN: What's that?

THE COURT: You don't want that?

MR. SILVERMAN: No, no. I'm just saying, I won something. It's a look of happiness from me.

THE COURT: I thought you were going to say, "Don't do that," but --

So at this juncture, that first cause of action, it doesn't set forth anything against Deutsche Bank Home -- DB Home Lending LLC, so the fact of the matter is, they're out of the case.

So that motion with respect to dismissing the action -- or the first cause of action -- against DB Home Lending is granted and they're out.

Of course, that's without prejudice. You can do what you need to do later on.

I'm sorry, Mr. Silverman; I cut you off.

MR. SILVERMAN: Your Honor, there are specific allegations in the complaint about what some of the other defendants did. There was no specific allegation as to what Deutsche Bank AG, the parent, did. It is a German-based bank; there is no allegation that they had any involvement -- that corporate entity -- in what independent corporate subsidiaries -- and these are all indirect or direct subsidiaries of Deutsche Bank AG, but there is no connection of what it is that my friend (indicating) has alleged they did to sell or misrepresent these products.

There were no representations by Deutsche Bank AG; there was no -- there were no sales by Deutsche Bank AG. They just happen to be the parent of some U.S.-based entities which have been alleged to have engaged in fraud.

The mere fact that you are the parent of --

THE COURT: Oh, sort of the reversing the pierce -- reversing piercing the corporate veil, going off after the parent.

But these are the subs that did all the work.

MR. SILVERMAN: And they're the ones they're suing. They're independent legal entities; I think they're all American entities; and yet, they're suing the German parent without anything specific about what

the German parent did.

THE COURT: What's your response with respect to that argument?

MR. JARVIS: I haven't briefed this because it wasn't really raised in the papers, but the argument we have is that under the aiding and abetting claim, that the various separate corporations can, in fact, aid and abet one another.

And, in fact, if your Honor --

THE COURT: Yeah, you're absolutely right about that; I'm not saying that's not the situation in terms of aiding and abetting. But when you look at your aiding and abetting cause of action --

I'm looking here (indicating) and it says that the individual defendants, collectively, the aiding and abetting defendant --

You're saying that the individual defendants, because you can't say that Deutsche Bank AG, Deutsche Bank Securities Inc., Ace Securities Corp., Deutsche ALT-A Securities Inc. and DB Structured Products Inc. and the individual defendants -- you can't say that they're all aiding and abetting defendants, because if that is actually true, who are they aiding and abetting? Because in the next sentence, you name the same defendants as being -- the aiders and abettors as

being the principal actors. And how can you be a principal actor and an aider and abettor at the same time? It's sort of --

MR. JARVIS: It is inartfully --

THE COURT: The picture is awfully ugly in that sense.

MR. JARVIS: It was a little inartfully pled, your Honor; I won't argue with you there.

THE COURT: Right, so --

MR. JARVIS: But I think the theory is that those who did not make statements, as Mr. Silverman has pointed out, were aided and abetted -- aided and abetted who did make the statements.

THE COURT: All right.

MR. JARVIS: And the thought is, that's what you get aiding and abetting for. For fraud, you have to have spoke it.

THE COURT: You know, I got to tell you, this third cause of action was very troubling because I looked at it in terms of the allegations here and it wasn't as clear as all the other things I talked about, particularly in view of the fact that we have a discontinued action against the individual defendants, which really complicates the matter a little bit in that sense. So, you know --

MR. JARVIS: Can I make a suggestion, your Honor?

THE COURT: What's your suggestion?

MR. JARVIS: That you allow us to replead, simply, three and he could brief three, other than on the grounds of those you decided.

THE COURT: What I'm going to do is, I'm going to dismiss the third cause of action, for aiding and abetting fraud, without prejudice and you can do what you want with that later on. I mean, I'm not here to tell you what.

MR. JARVIS: Fair enough, your Honor.

THE COURT: I'm going to grant the motion and that third cause of action is dismissed.

MR. SILVERMAN: Thank you, your Honor.

THE COURT: Turning --

Hold your thought.

MR. SILVERMAN: Yes.

THE COURT: And turning back to the defendant Deutsche Bank AG, you know, I understand what you're saying here about the parent being -- but, you know, I don't see in these allegations, anywhere, exactly what Deutsche Bank AG did.

It's the parent; we know that. But you know what? Before we hook into the parents, I need some

allegations here. And I think Mr. Silverman is absolutely right that there is nothing here that really would require me to say, "You know what? Deutsche Bank AG just gave the agreement on everything, that they passed" -- I tend to think that that's not accurate -- not being accurate, but that's not even alleged here.

Unless I missed something and you can point that out to me, Mr. Jarvis.

MR. JARVIS: We do not allege false statements directly by DBAG.

THE COURT: Okay.

MR. JARVIS: The intent was to get them under aiding and abetting. We'll have to work that out.

THE COURT: So the motion to dismiss defendant Deutsche Bank AG from this action is granted.

Again, we're at the pleading stage; you do what you think is next, but I'm going to grant that branch of the motion to dismiss the defendant Deutsche Bank AG and they're out of this case, for now, as they say.

MR. SILVERMAN: So, your Honor --

So we've dismissed DBAG and DB Home --

THE COURT: Right.

MR. SILVERMAN: Okay. And also --

THE COURT: From the action.

MR. SILVERMAN: -- without prejudice.

THE COURT: Without prejudice.

And with respect to the third cause of action, that entire cause of action is also dismissed.

MR. SILVERMAN: Without prejudice.

THE COURT: Without prejudice.

Okay?

MR. SILVERMAN: Understood. Okay.

And I believe, also, DB Structured Products is a defendant that they concede that they have not made a specific allegation against.

THE COURT: Is that accurate, Mr. Jarvis?

MR. JARVIS: I'm not sure about that. I don't --

Mr. Silverman, in his briefing, has represented that we do not have a specific statement linked to DB Structured Products. I'm not sure that that's true, but I've got to believe Mr. Silverman and his people are right. I'm not going to --

THE COURT: Well, you wrote the complaint; you would know.

MR. JARVIS: I didn't write it personally.

MR. SILVERMAN: You know how many complaints this guy has written?

MR. JARVIS: I mean, your Honor, you can

EXHIBIT P

Bishop's Gate sells and securitizes these mortgage loans to third parties, subject to certain aging limitations, including the requirement that no mortgage loan may be held by Bishop's Gate for more than one year. Any Mortgage Loan transferred to the depositor by Bishop's Gate will have been purchased from PHH Mortgage or an affiliated seller by Bishop's Gate.

Bishop's Gate has obtained, and will obtain, funding for the purchase of mortgage loans by, from time to time, issuing commercial paper, borrowing, and issuing one or more series of notes and/or certificates.

ISSUING ENTITY

PHH Alternative Mortgage Trust, Series 2007-2 is a common law trust formed under the laws of the State of New York pursuant to the Pooling and Servicing Agreement. The Pooling and Servicing Agreement constitutes the "governing instrument" under the laws of the State of New York. After its formation, the PHH Alternative Mortgage Trust, Series 2007-2 will not engage in any activity other than (i) acquiring and holding the Mortgage Loans and the other assets of the trust and proceeds therefrom, (ii) issuing the certificates, (iii) making payments on the certificates and (iv) engaging in other activities that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith. The foregoing restrictions are contained in the Pooling and Servicing Agreement. These restrictions cannot be amended without the consent of holders of certificates evidencing at least 51% of the voting rights. For a description of other provisions relating to amending the Pooling and Servicing Agreement, please see "Description of the Agreements–Amendment" in the prospectus.

The assets of the PHH Alternative Mortgage Trust, Series 2007-2 will consist of the Group I Mortgage Loans, Group II Mortgage Loans and certain related assets.

PHH Alternative Mortgage Trust, Series 2007-2's fiscal year end is December 31.

THE DEPOSITOR

Deutsche Alt-A Securities, Inc., the depositor, is a special purpose corporation incorporated in the State of Delaware on August 29, 2002. The principal executive offices of the depositor are located at 60 Wall Street, New York, New York 10005. Its telephone number is (212) 250-5000. The depositor does not have, nor is it expected in the future to have, any significant assets.

The limited purposes of the depositor are, in general, to acquire, own and sell mortgage loans and financial assets; to issue, acquire, own, hold and sell securities and notes secured by or representing ownership interests in mortgage loans and other financial assets, collections on the mortgage loans and related assets; and to engage in any acts that are incidental to, or necessary, suitable or convenient to accomplish, these purposes. The depositor does not have, nor is it expected in the future to have, any significant assets. After issuance and registration of the securities contemplated in this prospectus supplement, the prospectus and any supplement hereto, the depositor will have no material duties or responsibilities with respect to the pool assets or securities.

All of the shares of capital stock of the depositor are held by DB Structured Products, Inc., a Delaware corporation.

THE SPONSOR

The sponsor is PHH Mortgage. PHH Mortgage, a New Jersey corporation, is a wholly owned subsidiary of PHH Corporation.

PHH Mortgage has been publicly securitizing prime fixed-rate residential mortgage loans since 2002 and began securitizing residential mortgage loans privately in 1995. PHH Mortgage began publicly securitizing Alt A fixed- and adjustable-rate residential mortgage loans in January 2007 and PHH Alternative Mortgage Trust, Series 2007-2 is PHH Mortgage's second public securitization of Alt A fixed- and adjustable-rate residential mortgage

AFFIDAVIT OF STEPHEN AULD Q.C. IN SUPPORT OF DEFENDANTS' MOTION TO DISMISS

I, **STEPHEN AULD Q.C.**, born 1957, a citizen of the United Kingdom, residing at Wisteria House, 58 Burkes Road, Beaconsfield, Buckinghamshire HP9 1EE, England, **MAKE OATH** and declare as follows:

INTRODUCTION

1. I am a Barrister and Queen's Counsel practising at One Essex Court, Temple, London EC4Y 9AR, the Chambers of Lord Grabiner QC. Attached as Exhibit Q is a copy of my current Curriculum Vitae. My professional qualifications and experience are further described in paragraphs 5 to 11 inclusive below.

2. This Affidavit is made in support of a motion on behalf of the Defendants to dismiss the claims, inter alia, on the basis that there has been no assignment to Sealink and that consequently Sealink has no standing to sue. Matters dealt with in this Affidavit are generally matters of opinion. Nevertheless, they are true to the best of my knowledge, information and belief and are based upon the sources which I identify.

3. Broadly, the issue which I am asked to consider is whether the assignment of various claims to Sealink Funding Limited ("Sealink" or "the Plaintiff") would be effective under English law. The claims are against Deutsche Bank AG, Deutsche Bank Securities, Inc., DB Structured Products Inc., ACE Securities Corp., and Deutsche Alt-A Securities, Inc. (as defined below, collectively, "Deutsche Bank" or "the Defendants").

4. For the purposes of this Affidavit, I have been provided with the documents listed in Exhibit R hereto. I have also considered and refer to the authorities in Exhibit S. In this Affidavit I will also refer to various commentaries including principally: (1) Smith, ***The Law of Assignment*** – a specialist text on the law of assignment (attached as Exhibit S-31); (2) ***Goode on Commercial Law*** 4th Edition – a leading text on English commercial law (attached as Exhibit S-32); (3) ***Snell's Equity*** 32nd Edition – a leading text on the law of equity (attached as Exhibit S-33); (4) Lewison, ***The Interpretation of Contracts*** 5th Edition - a leading text on contractual interpretation (attached as Exhibit S-34) and (5) ***Treitel, The Law of Contract*** 13th Edition – a leading text on the law of contract (attached as Exhibit S-35).

PROFESSIONAL QUALIFICATIONS AND EXPERIENCE

5. As my Curriculum Vitae reflects, I graduated in law from Trinity Hall, Cambridge, in 1978, and was called to the English Bar (i.e., as I understand it the equivalent of admission in a U.S. court) in 1979. I have practised as a Barrister in London for 33 years since 1980 in the field of commercial law. In 1999 I became a Queen's Counsel (QC), which is a formal recognition of the quality, experience and ability of a particular barrister in his or her field. See Exhibit Q.

6. I also have been called to the Bar in the British Virgin Islands and Grenada, and have given expert evidence in foreign proceedings, including proceedings in the United States.

7. As a commercial QC, I have had considerable experience in, among other things, (1) the construction and interpretation of English law contracts, and (2) considering issues concerning the assignment of causes of action. Recent and ongoing reported examples include (1) ***Socimer International Bank Limited v. Standard Bank London Limited*** [2008] EWCA Civ. 116; [2008] 1 Lloyd's Rep. 558 (attached as Exhibit S-14) (involving the construction of forward sales/repo documents and the implication of contractual terms); (2) ***Royal Bank of Scotland v. Highland Financial Partners*** [2010] EWHC 3119 (Comm); [2012] EWHC 1278 (attached as Exhibit S-20 and Exhibit S-28) (involving the construction and implication of terms in collateralized loan documentation, including the effect of a jurisdiction clause on an assignee); and (3) ***Patrick McKillen v. Misland (Cyprus) Investments Limited and Others*** [2011] EWHC 3466 (Ch), [2012] EWHC 505 (Ch), [2012] EWHC 521 (Ch) (attached as Exhibit S-24, Exhibit S-25 and Exhibit S-26) (involving the construction of a shareholder's agreement relating to a major hotel company).

8. In conjunction with my practice as a commercial QC, I have sat as an arbitrator in international commercial arbitrations. In that capacity, I have ruled on disputes concerning the construction of English law contracts and involving the assignment of causes of action although these disputes are, for obvious reasons, confidential.

9. As a result of my experiences as a commercial QC and arbitrator, I have on many occasions previously researched and analyzed English law regarding the assignment of causes of action. Since 2008, I have worked on many cases arising from the financial crisis affecting the principal United Kingdom banks (the facts of which did not reach or have not yet reached court and are therefore highly confidential). These have involved considering issues of assignment in connection with complex financial transactions like those in the present case.

SIMILAR PROCEEDINGS: COUNTRYWIDE AND MORGAN STANLEY

10. In addition to the experience detailed above, I have provided:

(1) Declarations on the applicable principles of English law in other proceedings brought by Sealink in the Central District Court of California ("the Countrywide Proceedings") on behalf of some of the Defendants in those proceedings namely Countrywide Financial Corporation, Countrywide Home Loans Inc., Countrywide Securities Corporation, CWALT, Inc., CWABS, Inc., CWHEQ, Inc. ("the Countrywide Defendants"); and

(2) Affidavits on the applicable principles of English law in other proceedings brought by Sealink in the Supreme Court of the State of New York ("the Morgan Stanley Proceedings") on behalf of the Defendants in those proceedings namely Morgan Stanley, Morgan Stanley & Co., Inc., Morgan Stanley ABS Capital I Inc., Morgan Stanley Capital I Inc., Morgan Stanley Mortgage Capital Inc. and Morgan Stanley Mortgage Capital Holdings LLC ("the Morgan Stanley Defendants").

11. In the Countrywide and the Morgan Stanley Proceedings, the relevant Countrywide and Morgan Stanley Defendants have filed motions to dismiss based in particular on the fact that the claims against them were not effectively assigned to Sealink under English law. In relation to those motions, I have provided Declarations (in the Countrywide Proceedings) and Affidavits (in the Morgan Stanley Proceedings) in relation to the appropriate and relevant principles of English law. The documents under consideration in the Countrywide and Morgan Stanley Proceedings in relation to the motions to dismiss, and the issues raised by those motions, appear to be very similar or identical to those raised in the current proceedings. I understand that Deutsche Bank have obtained the documents that were publicly filed by Sealink in the Countrywide and Morgan Stanley Proceedings for use in this case.

RELEVANT ASSUMPTIONS AND SCOPE OF AFFIDAVIT

12. For the purposes of this Affidavit, I have been asked to assume as true the allegations made in the Amended Complaint that various SPVs purchased the mortgage-backed securities at issue (the "MBS") from Deutsche Bank and transferred those MBS in a series of transactions to the Plaintiff. The transfers, and some of the relevant documentation, which are not clearly identified by Sealink in (or exhibited to) its complaint in these proceedings, will be referred to in more detail below but included transfers (1) to the SPVs Ellis, Eden, Ormond and Merchants Quay and various Cayman SPVs, which subsequently transferred the MBS to the Plaintiff and (2) directly from the SPV

Sealink Funding to the Plaintiff (Sealink Funding having acquired the MBS through a warehouse facility).

13. I will also assume that the facts and matters alleged in the Plaintiff's Amended Complaint gave the original purchasers of the MBS good causes of action against the Defendants. The relevant claims are tortious fraud claims. Deutsche Bank was not a party to any of the relevant contracts. I also assume that as a matter of New York law, the law applicable to the question of whether those tortious causes of action were assigned to Sealink is English law, being the governing law of each of the relevant contracts.

14. Finally in this context, while there are other arguments to be made under English law that Sealink lacks standing to sue, including a failure to observe the formalities of assignment required by English law and the plain meaning of certain key definitions in the documents, for the purposes of this motion, I have been asked to consider only whether as a matter of English law the language pleaded in the Amended Complaint is adequate to give Sealink standing to sue.

SEALINK'S TITLE TO SUE AND THE ASSIGNMENT

15. Although Sealink's Amended Complaint is a lengthy document, the aspect relating to its alleged title to sue and the question of the assignments upon which it relies for that purpose is dealt with relatively briefly on pages 18 to 20 which are in general terms and the pleading does not explain Sealink's position in any detail. Further, I understand that in the present proceedings, no disclosure has yet been given by Sealink of any underlying documents including those referred to in those paragraphs. I am, however, aware from the Countrywide and Morgan Stanley Proceedings of the documents which appear to be relied upon by Sealink for this purpose (or at least some of them). I refer to this aspect further below (see, in particular, paragraph 53 below).

SUMMARY OF ISSUES AND CONCLUSIONS

16. The issue to be determined is whether the language used in the relevant contractual documentation was sufficient to assign the causes of action to Sealink. In my view, that language was insufficient as I conclude in paragraph 76 below.

17. The issue is dealt with in this Affidavit and my conclusions reached as follows:

(1) First, I will outline the main relevant principles of English law relating to the law of assignment (see paragraphs 19 to 25 inclusive below).

(2) Secondly, I will outline the main relevant principles of English law relating to the construction of contracts, in particular, written contracts (see paragraphs 26 to 51 inclusive below).

(3) Thirdly, I will summarize, as I understand it, the relevant transaction by which the claims were allegedly assigned to Sealink (see paragraphs 52 to 69 inclusive below).

(4) Fourthly, I will give my reasons behind my conclusions that the language of assignment was insufficient to assign the claims (see paragraphs 70 to 75 inclusive below).

ENGLISH AUTHORITIES

18. This Affidavit refers to decisions and judgments of English courts. It may assist if I explain that the English court system includes the following relevant courts:

(1) The UK *Supreme Court* (formerly known as the *House of Lords*). This is the highest court in England and Wales and its decisions are binding on all lower courts.

(2) The *Court of Appeal*. This court hears appeals from a variety of courts and its judgments are (with certain very limited exceptions that are not material here) binding on itself and on lower courts. It is in turn bound by decisions of the UK Supreme Court.

(3) The *High Court of Justice*. This court consists of a number of divisions such as (i) the Queen's Bench Division (including the Commercial Court which focuses on commercial matters such as the one in this case) and (ii) the Chancery Division (which focuses on issues such as trusts, insolvency and property but also frequently hears commercial matters that could be heard in the Commercial Court of which this present case is again an example). Decisions of one High Court judge are persuasive to - but not generally binding upon - another High Court judge.

(4) The Judicial Committee of the *Privy Council*. This body has a very limited domestic jurisdiction (not presently relevant) and its principal role is to hear cases from a variety of Commonwealth countries, UK overseas territories and British Crown dependencies such as the Bahamas and the British Virgin Islands. The Privy Council's decisions are not binding on English courts but are often regarded as persuasive.

RELEVANT ASPECTS OF ENGLISH ASSIGNMENT LAW

19. The law of assignment is concerned with the transfer of "choses in action" which, according to Smith, ***The Law of Assignment*** at paragraph 2.02 (attached as Exhibit S-31) have three essential characteristics: (1) they are rights or interests in *intangible* (as opposed to tangible) property; (2) they are rights in (intangible) things that are recognized by English law as constituting *property* and (3) they are *private* (as opposed to public) law rights.

20. Choses in action include debts and causes of action although English law has traditionally been reluctant to allow the assignment of claims in tort. Although such reluctance has softened in more recent times a 2011 summary of the law from ***Treitel*** in paragraphs 15-059 to 15-060 (attached as Exhibit S-35) highlights the obstructions to assigning such claims:

> *"**Assignment generally ineffective.** A right of action in tort cannot generally be assigned. A person who is defamed or assaulted cannot sell his right to sue the tortfeasor. He can, however, sue the tortfeasor and agree to assign any damages he may recover; this is unobjectionable as it does not give the assignee any right to interfere with the conduct of the action. Exceptionally, a right of action in tort can be assigned to an insurance company which has compensated the victim of the tort and by a trustee in bankruptcy or the liquidator of an insolvent company who is, by statute, entitled to sell all rights of action for the benefit of the bankrupt's or of the company's creditors.*
>
> ***Criticism.** The generality of the rule against assignment of claims in tort is open to criticism. Such claims may be brought to assert rights of property; and it is hard to see why the assignment of a right of action in (for example) conversion is more likely to lead to maintenance than the assignment of a debt. Some tort claims can be enforced by restitutionary actions, and it is arguable that the assignment of these, at least, should be allowed."*

21. With certain exceptions which, in my view, are not applicable here, choses in action cannot be assigned at common law (Smith, ***The Law of Assignment*** at paragraph 5.04) (attached as Exhibit S-31). In the light of the common law restrictions on assignment of choses, there are instead two alternative methods of assignment: (1) statutory assignment under section 136 Law of Property Act 1925 and (2) equitable assignment.

22. When assigning a claim there is no set formula of words which have to be used and it is unnecessary to use the language of assignment. As long as a final and settled intention to transfer the chose is expressed, the particular form of words does not matter.[1]

23. Nevertheless, in order for an assignment to take effect it is necessary that the subject matter of the assignment be sufficiently identified. Consequently, ***Snell's Equity*** (see Exhibit S-33) states at paragraph 3-016 that "*[t]he assignment must sufficiently identify the chose which is being assigned.*" ***Snell's Equity*** cites the case of ***Watson v Duke of Wellington*** [1830] 1 Russ & MY 602 (Court of Chancery) (attached as Exhibit S-1) in support of that proposition. In ***Watson***, Leach MR stated that "*in order to constitute an equitable assignment there must be an engagement to pay out of a particular fund*". Similarly, in ***Tailby v Official Receiver*** [1888] 13 App Cas 523 (HL) (attached as Exhibit S-2) the issue was whether an assignment of "*all the book debts due and owing, or which might, during the continuance of the security, become due and owing to the said mortgagor*" included future book debts. The House of Lords in that case held that the wording did include future debts but the court also held that the chose "*shall answer the description in the assignment, or, in other words, that it shall be capable of being identified as the thing, or one of the very things assigned.*"

24. Accordingly, when causes of action are assigned, some express reference to legal claims or to the fruits of those claims is made. To my knowledge, all cases involving legal claims which have been assigned have involved assignment provisions that expressly referred to "claims," "legal rights of action," or "sums of money recoverable," as demonstrated below (emphasis added):

(1) In ***24 Seven Utility Services v Rosekey*** [2003] EWHC 3415 (Queen's Bench Division) (at paragraph 5) (attached as Exhibit S-12), the relevant assignment provision read:

> *"As owner of the Network LPN wishes to assign to 24seven* ***the right to claim the cost of the damage*** *from the said third parties."*

(2) In ***Trendtex v Credit Suisse*** [1982] A.C. 679 (House of Lords) (at page 699) (attached as Exhibit S-5), the relevant assignment provision read:

> *"Whereas C.S. has received an offer from a third party to buy T.T.C.'s rights against the Central Bank of Nigeria – such rights having been assigned by T.T.C. to C.S. on November 26,*

[1] Consequently, in ***Re Williams*** [1917] 1 Ch 1 at 8 (Court of Appeal) (attached as Exhibit S-3) Warrington LJ stated: "*Of course the mere form of words is immaterial if the assignor has used any form of words which expressed a final and settled intention to transfer the property to the assignee there and then... He need not use the word 'give' or 'assign' or any particular words.*"

*1976, in **guarantee of C.S's claim – for an amount of US$800,000.**"*

(3) In ***Weddell v Pearce & Major*** [1988] Ch. 26 (Chancery Division) (at page 29) (attached as Exhibit S-7), the relevant provision of the deed of assignment read:

> *"**all claims and legal rights of action** which the trustee may have against Messrs. Pearce & Major, Mr. Robin Miller and **all debts due therefrom** for the benefit of the property and estate of each of the bankrupts and the bankrupts jointly."*

(4) In ***Brownton Limited v Edward Moore*** [1985] 3 All ER 499 (Court of Appeal) (at page 503) (attached as Exhibit S-6), the deed of assignment is summarised as follows:

> *"The deed then provided that in consideration of the sum of £1 paid by EMR to Man and in consideration of the agreements by Man to consent to the order in the action and to indemnify Man as to costs, Man as beneficial owners assigned to EMR all their claim and interest arising under or by virtue of the agreement between Man and Cossor of 28th October, 1977 (the agreement for the purchase of the computer system) and Man's **right of action and claims of any sort, howsoever arising, against Cossor, including their claims made in the action.**"*

(5) In ***Batey v. Jewson*** [2008] EWCA Civ 18 (Court of Appeal) (in paragraph 9) (attached as Exhibit S-13), the assignment provision contemplated that the assignee could recover *"any sums of money recoverable from the dispute."*

(6) In ***Compania Colombiana de Seguros v Pacific Steam Navigation Co.*** [1965] 1 QB 101 (at page 104) (attached as Exhibit S-4), the law report summarises the relevant assignment agreements as follows:

> *"The first of the documents was in both Spanish and English and the material English part read: 'For loss and/or damage to the goods ... having received payment from the Compania Colombiana de Seguros for the foregoing, we cede and endorse to the said insurance company **all rights which we have or which we may acquire in the future to claim reimbursement thereof from the third parties who may be responsible for such loss or damage.**' The second of the documents in translation read: 'We have received from Cia. Colombiana de Seguros the amount of 73,228.90 pesos, amount of indemnification resulting from the loss covered by this liquidation, whereby the Cia. Colombiana de Seguros is freed from any responsibility for said purpose with the undersigned who, therefore, waives in favour of Cia. Colombiana de Seguros **any rights he may have or has against others possibly responsible for the damages or losses***

indemnified by this payment, and we agree not to carry out any act that might in any way hinder the carrying out of such rights by the Cia. Colombiana de Seguros.'"

(7) In ***Tinseltime v Roberts*** [2011] EWHC 1199 (TCC) (in paragraph 30) (Queen's Bench Division) (attached as Exhibit S-21) the contract expressly identified the subject matter as

"the full claim... for disruption and damage to factory and machinery."

25. As set out in more detail at paragraphs 70 to 75 inclusive below, in my view there was no effective assignment of the legal claims in this case because the wording in the relevant assignment documentation did not expressly refer to anything relating to legal claims (in contrast to all the cases detailed in the paragraph above where some reference to legal claims was made in the contractual documentation). Consequently, finding an assignment of the claims in this case would involve the English court breaking new ground and finding an assignment in circumstances where it had not done so before (i.e. where the contractual documentation had not made reference to legal claims). For reasons which will be more fully detailed below, my view is that, given the highly conservative approach to construction of the English courts (see paragraphs 29 to 34 below), the courts would be unlikely to break new ground and would, accordingly, be unlikely to find an assignment in this case.

THE LAW OF CONTRACTUAL CONSTRUCTION

26. Determining whether the parties have successfully assigned the legal claims at issue in these proceedings is a matter of construing the words that the parties have used in the relevant contractual documentation. The issue is whether the words used effected a transfer not just of the MBS themselves but also of the rights to sue Deutsche Bank. Accordingly, I set out below a summary of the relevant principles of English contractual construction.

The correct approach to contractual construction in English law

27. As Lord Hoffmann stated in the leading case of ***Investors Compensation Scheme v West Bromwich Building Society*** [1998] 1 WLR 896 at 912 (HL) (attached as Exhibit S-9):

"Interpretation is the ascertainment of the meaning which the document would convey to a reasonable person having all the background knowledge which would reasonably have been available to the parties in the situation in which they were at the time of the contract."

Objective Approach

28. English law approaches the construction of contracts, especially detailed written commercial contracts, from an objective viewpoint. The Court is looking at the meaning which a document would convey to a "reasonable person" rather than to the meaning the parties subjectively thought the words of the document conveyed. As Lord Hoffmann stated in ***Chartbrook v Persimmon Homes Ltd*** [2009] AC 1101 in paragraph 39 (attached as Exhibit S-16):

> *"English law... [asks] not what [the contracting parties'] intentions actually were, but what a reasonable outside observer would have taken them to be."*

The English Court prioritises certainty and predictability in construction

29. The key reason that the construction exercise is objective is to promote certainty. Indeed, the approach of the English court in relation to contractual construction (and to contractual matters generally) is one that prioritizes certainty and predictability (perhaps more so than other jurisdictions).

30. Judicial authority for the proposition that the English court adopts an objective approach to construction in order to promote certainty is found in ***AIB Group (UK) Plc v Martin*** [2002] 1 WLR 94 (attached as Exhibit S-11). Lord Hutton dealt with this important aspect in paragraph 4 as follows:

> *"I would add one further observation. It is a general rule in the construction of deeds that the intention of the parties is to be ascertained from the words used in the deed and that, with certain limited exceptions, extrinsic evidence cannot be given to show the real intention of the parties. On occasions this rule may lead to the actual intention of the parties being defeated but the rule is applied to ensure certainty in legal affairs."*[2]

31. This concern for certainty and predictability extends into all fields of contractual matters, not merely contractual interpretation, and it is an element of the English judicial approach which is generally understood to distinguish it from other jurisdictions.

32. For example, the English courts have refused, in contrast to other legal systems, to acknowledge a general duty of good faith in English contract law perceiving that such a duty would undermine

[2] Immediately after citing this passage, ***Lewison*** in paragraph 2.03 (attached as Exhibit S-34) states: *"The promotion of certainty is a theme that has run through English commercial law for centuries"*. Moreover, ***Lewison*** summarises the law, in my view correctly, in paragraph 2.02 as follows: *"...Despite references to the intention of the parties, the English approach to the interpretation of contracts has always been an objective one. This is one of the principal features of the English approach that distinguishes it from many European jurisdictions."*

the certainty and predictability of English contract law. As Ewan McKendrick notes in ***Goode on Commercial Law*** (4th Ed.) (2010) (attached at Exhibit S-32), a seminal treatise on English commercial law, at page 105:

> *"The reluctance of English courts to recognize a general duty of good faith or to interfere with bargains freely made is an aspect of a general mistrust of what are perceived to be over-broad principles not susceptible to clear or consistent application. Thus in contrast to Continental and American legal systems, English law does not possess any general requirement of good faith."*[3]

33. Although the present case raises no issues directly relating to good faith, the example illustrates that the approach of English courts to contractual matters is one that is particularly conscious (perhaps more so than other Western jurisdictions) of the need to promote certainty and predictability.

34. In short, English courts adopt an objective approach to construction and focus upon certainty and predictability in relation to issues of contractual construction (and contractual matters generally). Given this conservative approach to contractual construction my view (set out more fully in paragraph 74(2) below) is that an English court would be unlikely to break new ground in this case and find an assignment (given that, in all previous cases where the court has upheld the assignment of legal claims, the contractual documentation has referred to legal claims or the fruits of those claims – see paragraph 24 above).

The Relevant Date for Construction

35. It is important to recognise that in English law, the Court construes the contract at the *date of the contract* itself and does not take account of subsequent events or circumstances. As I explain below, the English Court avoids the situation where it is being asked to re-write the parties' written contract in the light of events which have occurred subsequently, particularly in the context of a dispute. The important objectives in English law are to achieve *certainty and clarity* in relation to the application and construction of written agreements.[4]

Language Used by the Parties

36. The language which the parties have chosen to use in their contract is crucial to (and very often determinative of) the meaning of the contract. In ***Bank of Credit and Commerce International SA v Ali*** [2001] UKHL 8; [2002] 1 AC 251 (attached as Exhibit S-10), Lord Hoffmann in the House

[3] The reference to good faith in American law is to s1-203 of the American Uniform Commercial Code.
[4] See ***Lewison*** paragraph 3.19.

of Lords stated (at paragraph 39) that the primary source for determining the intention of the parties is the words the parties have used in their contract and what those words objectively meant to the parties at the time they used them:

> *"The background is however very important . . . But the primary source for understanding what the parties meant is their language interpreted in accordance with conventional usage."*

37. Similarly, in ***BP Exploration v. Dolphin*** [2010] 2 Lloyds Rep. 192, Steel J (Queen's Bench Division) (attached as Exhibit S-18) (emphasis added) held in paragraph 13:

> *"Nonetheless if on the one hand the words used by the parties are straightforward (albeit giving rise to a harsh outcome in the circumstances that have arisen) and on the other hand it is difficult to reformulate the relevant provisions in a manner which avoids that harsh result, the court will be more ready to accept that* ***commercial parties with their competing interests feeding the negotiations, meant exactly what they said.***"

Relevant Context

38. The English court recognizes that contracts must be construed in their correct factual context. Most immediately in the case of detailed written contracts between substantial commercial parties, acting on the basis of experienced transactional legal advice (as is the position in the present case), the Court will focus upon the particular words or passages relied upon, in the immediate context of the clause or section of the contract in which they appear and more broadly within the contract as a whole. The Court may also take into account if relevant other written agreements which form part of the same transaction to the extent that these shed light on the meaning of the words under consideration. For example, in the present case where the Court would be concerned in particular with the construction of the words in the Phase 3 documents relied upon by Sealink, it would also importantly have regard to the Phase 1 documents where the same (or some of the same) parties, when they wished to refer to and transfer legal claims, expressly said so (see infra paragraphs 54 to 60).

.. a court would should be ...the English court will...

39. However, while the factual context of a contract could theoretically encompass a wide variety of materials, the English Court will be extremely reluctant to allow (and highly circumspect in relation to) any attempt by one of the parties to alter the meaning and effect of the written contract by reference to such material.

Subjective hindsight

40. It is fundamental that the English court will not construe a written contract on the basis of subjective hindsight. It is all too easy for a contracting party faced with agreed wording which does not suit their purposes in a subsequent dispute to argue subjectively that the commercial purpose of the transaction or the commercial commonsense position militates in favour of their own construction. Frequently, the court is faced with a position where the other contracting party can point to very different aspects of commercial purpose and commercial commonsense which, from its own subjective perspective, leads to the opposite conclusion. In the present case, Sealink's present focus for the purposes of the proceedings is entirely upon its alleged claims in tort against Deutsche Bank. I refer to this further in the context of so-called implied terms in paragraph 50 below.

Commercial Purpose/Commercial Sense

41. Consequently, although a court will where possible look to the commercial purpose of a contract, and will prefer the more commercially sensible of two competing interpretations, this does not override clear words the parties have used.[5]

42. In ***Rainy Sky SA v Kookmin Bank Ltd*** [2011] UKSC 50; [2011] 1 W.L.R. 2900 (Supreme Court) in paragraph 30 (attached as Exhibit S-23) it was held in this context by Lord Clarke: *"...where a term of a contract is open to more than one interpretation, it is generally appropriate to adopt the interpretation which is most consistent with business common sense"*. However, in that case, the court looked at the surrounding commercial context only because the phrase with which it was concerned "*such sums*" could reasonably have referred to the sums in two different clauses of the same contract. Against this background the court made clear again the important principle that (at paragraph 23) the court would not "*rewrite the language which the parties have used in order to make the contract conform to business commonsense*" and that "*where the parties have used unambiguous language, the court must apply* it".

43. In ***Procter & Gamble Co v Svenska Cellulosa Aktiebolaget SCA*** [2012] EWCA Civ 1413 (attached as Exhibit S-30), the Court of Appeal considered whether a fixed exchange rate could be read into a contract, despite express contractual wording to that effect being absent. The party arguing for the fixed exchange rate, relied heavily on appeals to notions of commercial commonsense. Nonetheless, despite these appeals to notions of commercial commonsense, such arguments failed with the Court of Appeal preferring to look to the language of the agreement. Moore-Bick LJ stated in paragraph 22 (emphasis added):

[5] As ***Lewison*** summarises the law at paragraph 2.08 (attached as Exhibit S-34):"*...the commercial purpose of the contract, as perceived by the court, cannot override the words of a contract where they are clear.*"

> *Mr. Onslow submitted on the authority of **Rainy Sky S.A. and Others v Kookmin Bank** [2011] UKSC 50, [2011] 1 W.L.R. 2900 that the Agreement was open to two possible constructions and that the construction for which he contended should be preferred because it made better commercial sense. I entirely agree that if a clause is reasonably capable of bearing two possible meanings (and is therefore ambiguous), the court should prefer that which better accords with the overall objective of the contract or with good commercial sense, **but the starting point must be the words the parties have used to express their intention and in the case of a carefully drafted agreement of the present kind the court must take care not to fall into the trap of re-writing the contract in order to produce what it considers to be a more reasonable meaning.** In my view the Agreement, considered as a whole, is not reasonably capable of being given two possible meanings. For the reasons I have given I do not think that it can reasonably be construed as providing for a fixed rate of exchange for the purposes of payment in sterling for goods supplied from Manchester.*

44. Similarly unsuccessful arguments based on appeals to notions of business commonsense had been run in the court below in ***Procter & Gamble Co v Svenska Cellulosa Aktiebolaget*** [2012] EWHC 498 (Ch) (Chancery Division) (attached as Exhibit S-27). Hildyard J said the following in the course of rejecting such arguments (emphasis added):

> *94 **Nor, to my mind, do such authorities sanction an approach of supplying terms that would result in an allocation of risk which it simply happens to consider fairer or more appropriate. Whilst of course I must faithfully follow Rainy Sky and the other authorities that appear to permit and direct the court to adopt a construction which is consistent with common sense and to reject a construction which it considers not to be so, I cannot think that this requires or permits a court simply to imply or interpolate terms that it happens to consider would be fairer.** As Lord Hoffmann stressed in **Attorney-General of Belize and others v Belize Telecom Ltd. and another** [2009] 1 WLR 1988 at 1993B:*
>
> *"The court has no power to improve upon the instrument which it is called upon to construe...It cannot introduce terms to make it fairer or more reasonable. It is concerned only to discover what the instrument means."*
>
> ***There are very good reasons for this, as well as the principle of freedom of contract. It is almost inevitable that a court has an imperfect grasp of all the commercial consequences; and it denies itself the knowledge of the pre-contractual negotiations that may offer the explanation for the result it happens to query."***

45. The ***Procter & Gamble*** proceedings have an added significance in relation to this case. In ***Procter & Gamble***, the unsuccessful party (as Sealink has done in the Countrywide and Morgan Stanley Proceedings) attempted to fill a lacuna in the express wording of a well-drafted contractual document by making appeals to notions of business commonsense (and also, as will be seen below, by making arguments relating to the implication of terms). The unsuccessful party was

represented in both the Chancery Division and the Court of Appeal by Mr Onslow QC who has provided declarations and affidavits opposing my views in both the Countrywide and the Morgan Stanley Proceedings respectively. In the Countrywide and Morgan Stanley Proceedings Mr Onslow has relied on similar appeals to notions of business commonsense and arguments relating to the implication of terms that the unsuccessful party relied on in the ***Procter & Gamble*** proceedings.[6]

The Implication of Terms

46. For ease of exposition, I am treating the implication of terms as separate to the process of construing the words of the contract. Nonetheless, many consider the exercise of implication of terms to be the same as that of contractual construction. As ***Lewison*** states in paragraph 6.03 (attached as Exhibit S-34):

> *"The court has no power to alter the terms of a contract. Thus the implication of a term is part of the process of interpreting the contract."*

47. In general terms, a term will be implied when such a term *"would spell out in express words what the instrument, read against the relevant background, would reasonably be understood to mean"* ***Attorney General of Belize v Belize Telecom*** [2009] UKPC 10; [2009] 1 WLR 1988 (Privy Council) (at paragraph 21) (attached as Exhibit S-15), per Lord Hoffmann.[7]

48. As ***Lewison*** notes at paragraph 6.05 (attached as Exhibit S-34) *"the test [for implication of a term] is a stringent one"*. ***Lewison*** cites ***Chantry Estates v Anderson*** [2010] EWCA Civ 316 (Court of Appeal) (at paragraph 16) (attached as Exhibit S-19) where Jacob LJ stated (original emphasis):

> *"It follows that what one is looking for as the reasonable addressee is whatever the agreement means in context. That may be something else from what at a first look it apparently means. But that will be so when the* ***only meaning*** *consistent with the other provisions of the instrument read against the relevant background is that something else."*

49. In line with this stringent test, English courts have, on numerous occasions, stated that terms will not be lightly implied. In ***Attorney General of Belize v Belize Telecom*** [2009] UKPC 10; [2009] 1

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[6] In addition to the above, where considerations of business common sense are indecisive, the court will in practise look to the language used by the parties in their contractual documentation. See ***Enterprise Inns Plc v Palmerston Associates Limited*** [2011] EWHC 3165 (Ch) (Chancery Division) (attached as Exhibit S-22) in paragraphs 66 and 87. Similar comments were made in ***Aston Hill Financial Inc v African Minerals Finance Limited*** [2012] EWHC 2173 (Queen's Bench Division: Commercial Court) (attached as Exhibit S-29) at paragraphs 31 and 32.

[7] ***Lewison*** in paragraph 6.05 summarises the proposition as follows: *"A term will be implied when the term spells out what the contract, read against the relevant background, must be understood to mean."*

W.L.R. 1988 (attached as Exhibit S-19), Lord Hoffmann observed at paragraph 14 that a contract's express provisions establish the parties' intent (emphasis added):

> *"The question of implication arises when the instrument does not expressly provide for what is to happen when some event occurs. The most usual inference in such a case is that nothing is to happen.* ***If the parties had intended something to happen, the instrument would have said so."***

50. Similarly, in ***Phillips Electronique Grand Public v British Sky Broadcasting*** [1995] EMLR 472, at 481-82 (attached as Exhibit S-8), a salutary warning of the risks with which the English court is concerned in this context was given by Sir Thomas Bingham MR (at the time sitting as the most senior judge in the Court of Appeal but later a judge in the House of Lords).[8] The effect of Sir Thomas' warning is that where the express language of the document is clear, "*implication with the benefit of hindsight*" by relying on other aspects of the so-called "factual matrix"[9] is "*tempting but wrong*". In that regard, an English court should not rewrite the parties' contract according to what, with subjective hindsight, may appear to have some "commercial logic." Sir Thomas' warning has been cited with approval in further cases at Court of Appeal level.[10]

51. The stringent approach to contractual interpretation has been emphasised in a number of recent cases including (emphasis added):

(1) In ***Procter & Gamble Co v Svenska Cellulosa Aktiebolaget*** [2012] EWHC 498 (Ch) (attached as Exhibit S-27) in the Chancery Division, Hildyard J said the following in refusing to imply a fixed exchange rate:

> *"83 ...The task being to discover the objective meaning of the* ***instrument the court must not seek to improve the instrument to accord with its view of what would have been commercially sensible****. The court cannot know why a provision that might in*

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[8] Sir Thomas stated as follows (emphasis added): ***"The courts' usual role in contractual interpretation is, by resolving ambiguities or reconciling apparent inconsistencies, to attribute the true meaning to the language in which the parties themselves have expressed their contract.*** *The implication of contract terms involves a different and altogether more ambitious undertaking: the interpolation of terms to deal with matters for which, ex hypothesi, the parties themselves have made no provision. It is because the implication of terms is so potentially intrusive that the law imposes strict constraints on the exercise of this extraordinary power. . . .* ***It is much more difficult to infer with confidence what the parties must have intended when they have entered into a lengthy and carefully drafted contract but have omitted to make provision for the matter at issue.*** *. . . The question of whether a term should be implied, and if so what, almost inevitably arises after a crisis has been reached in the performance of the contract.* ***So the court comes to the task of implication with the benefit of hindsight****, and it is tempting for the court then to fashion a term which will reflect the merits of the situation as they then appear.* ***Tempting, but wrong."***

[9] *See* ***Investors Compensation Scheme v West Bromwich Building Society*** [1998] 1 WLR 896 at 912 per Lord Hoffmann (attached as Exhibit S-9).

[10] Sir Thomas' passage warning of such risks was cited with approval by Rix LJ in the Court of Appeal in the case of ***Socimer International Bank Limited v Standard Bank London Limited*** [2008] EWCA Civ 116; [2008] 1 Lloyd's Rep. 558 (attached as Exhibit S-14), and Lord Clarke MR in the Court of Appeal in ***Mediterranean Salvage & Towage Ltd v Seamar Trading & Commerce*** [2009] EWCA Civ 531; [2010] 1 All ER (Comm) 1 (attached as Exhibit S-17).

> *retrospect appear to be sensible was not included; and it may well be ill-equipped to judge what at the time of the instrument would or would not have been commercially reasonable. Thus, once more to quote Lord Hoffmann in* ***Belize*** *(at [paragraph 16 A-B]):*
>
> *"**The court has no power to improve upon the instrument which it is called upon to construe, whether it be a contract, a statute or articles of association. It cannot introduce terms to make it fairer or more reasonable. It is concerned only to discover what the instrument means.**"*

And at paragraphs [17] and [18] [of Lord Hoffmann's judgment in ***Belize***:

> *"**The question of implication arises when the instrument does not expressly provide for what is to happen when some event occurs. The most usual inference in such a case is that nothing is to happen. If the parties had intended something to happen, the instrument would have said so. Otherwise, the express provisions of the instrument are to continue to operate undisturbed. If the event has caused loss to one or other of the parties, the loss lies where it falls**...*
>
> *84 It is to be noted that, in the present case, the event in question is not one which might have been difficult to foresee; nor is the risk of it one which the parties might naturally have overlooked. The event in question is that most basic of contractual events: the ascertainment of the amount payable in the currency of payment.* ***Also, there is no doubt as to the care taken in constructing the document: all parties were advised throughout by firms of the highest quality, and it is obvious on their face that the contracts have been carefully crafted***...
>
> *86 These factors, to my mind,* ***reinforce the prima facie supposition that if the parties had wanted to provide for fixed Sterling prices they would have said so unequivocally; likewise if they had intended the application of a fixed exchange rate they would have made unequivocal provision for it****; and these considerations increase the need for caution before interpolating a provision that is so notable for its absence...*

(2) Similarly, ***Procter & Gamble Co v Svenska Cellulosa Aktiebolaget SCA*** [2012] EWCA Civ 1413 (attached as Exhibit S-30) in the Court of Appeal, Moore-Bick LJ in paragraph 20 stated:

> *If it had been the parties' intention to adopt that rate of exchange for the payment of all goods supplied from Manchester, it would have been a simple matter to express the prices of goods supplied from that plant in sterling. The effect of doing so would have been to make sterling the money of account in relation to the sale of those goods. However, the parties conspicuously failed to take that step.*

(3) As can be seen, the principles relating to the possible implication of terms and the concerns which the English Courts have expressed in that context, are considered to be part of the process of construction of written contracts and are equally applicable to that process as a whole. The English Court is extremely careful to ensure that concepts such as the application of so-called commercial common sense and the implication of terms are not used by one party to a contract as a device, in effect to re-write the terms of the contract itself.

THE TRANSACTION BY WHICH THE MBS WERE TRANSFERRED TO SEALINK

52. Before setting out why in my view the language used in the contractual documentation is insufficient to transfer the claims to Sealink, it is necessary to set out in more detail the transaction by which, as alleged in the Amended Complaint, the claims were transferred and the contractual documentation of the transaction. As will be detailed below, the transaction in question had 3 main phases.

Relevant Contractual Documentation

53. From the Countrywide and Morgan Stanley Proceedings, I am aware of other contractual documentation which appears pertinent to this case. Nonetheless, despite the availability and discussion of the documentation in the other cases, Sealink have not exhibited such documentation in this case. Indeed, some of the contractual documentation upon which Sealink has relied in the other cases (such as a series of Global Master Securities Lending Agreements between Eden, Ellis and Merchants Quay on the one hand and Ormond Quay on the other hand dated 7 July 2005) does not expressly refer or necessarily relate to the MBS at issue in this case. Indeed, in terms of the approach which the English Court would take, in the absence of these proper particulars and documents, Sealink has failed to establish its case. Accordingly, in order to provide the best possible assistance to the US Court, I have been asked to refer to some of the relevant documents although, as I understand it, this is without prejudice to the Defendants' contention that Sealink's Complaint is insufficient.

Phase 1

54. In the first phase, various "Irish SPVs" were created which purchased MBS from Deutsche Bank.

55. Specifically, in 1999, Landesbank Sachsen Girozentrale (Sachsen LB) created Sachsen LB Europe Plc ("Sachen Europe") whose primary business was managing the purchase of asset-backed securities, including MBS. To facilitate this purpose Saschen Europe was involved in creating and managing the "Irish SPVs" namely Ormond Quay Funding Plc ("Ormond Quay"), Eden Quay Asset Management Ltd ("Eden Quay"), Ellis Quay Asset Management Ltd ("Ellis Quay"), Merchants Quay Asset Management Ltd ("Merchants Quay") and Sachsen Funding I Ltd ("Sachsen Funding").[11] The first four of these SPVs were created in 2004, the final SPV was created in 2006-2007.[12]

56. Between 2006 and 2007, Ellis Quay, Eden Quay, Ormond Quay, Merchants Quay (the Irish SPVs) and Sachsen Funding WH purchased MBS from Deutsche Bank.[13] Nonetheless, the MBS were often re-allocated or transferred among SPVs.[14]

57. I understand from the Countrywide and Morgan Stanley Proceedings that, with the exception of Sachsen Funding, the relationship between the four Irish SPVs was contractually regulated by a Master Framework Agreement dated 6 May 2004 (attached as Exhibit R-1) which was later reamended and restated in a document dated 7 July 2005 (attached as Exhibit R-2). The Master Framework Agreement was governed by English law.

58. The 2004 MFA expressly referenced rights of action in respect of benefits transferred under the MFA. Clause 1.1 provides the definition of "Benefit" as follows:

> *"in respect of any asset, agreement, property or right (each a "Right" for the purpose of this definition) held, assigned, conveyed, transferred, charged, sold or disposed of by any person shall be construed so as to include:*
>
> ...
>
> *(d) all items expressed to be held on trust for such person under or comprised in any such Right or its Ancillary Rights, all rights to deliver notices and/or take such steps as are required to cause payment to become due and payable in respect of such Right and its Ancillary Rights, all rights of action in respect of any breach of or in connection with any such Right and its Ancillary Rights and all rights to receive damages or obtain other relief in respect of such breach..."*

59. I am aware that in the Countrywide and Morgan Stanley Proceedings, certain of the relevant certificates in those cases were said to have been transferred to Ormond Quay pursuant to a series of further agreements. However, as Sealink does not detail such transfers (or the documentation on

[11] Paragraph 18 of the Amended Complaint.
[12] Paragraph 18 of the Amended Complaint.
[13] Paragraph 32 of the Amended Complaint.
[14] Paragraph 33 of the Amended Complaint: "*The RMBS were initially allocated based on a particular SPV or portfolio's profile. Often, RMBS were later re-allocated or transferred among SPVs or portfolios in order to optimize the SPV or portfolio's profile*".

which they were based) in (or attach them to) its Amended Complaint, I have been asked not to deal with them here. As I understand it, the Defendants reserve the right to further deal with such matters (or indeed any other matters relating to the Phase 1, Phase 2 or Phase 3 documentation) should Sealink better particularise its case in relation to (or produce) the contractual documentation.

60. Sealink's case is that Sachsen Funding acquired its MBS through a different mechanism than the other Irish SPVs. Sealink states that Sachsen Europe established a warehouse facility with Barclays Capital ("Barclays") through which the relevant MBS were purchased.[15] Sealink's case is that the MBS were subsequently transferred to Sachsen Funding.[16] Nonetheless, Sealink's Amended Complaint does not identify what contractual terms it is relying upon to establish that the transfer of the MBS from Barclays Capital to Sachsen Funding also accomplished a transfer of the causes of action.

Phase 2

61. The second phase involved the setting up of Cayman SPVs (specifically Castleview 1, Castleview 2 and Castleview 3)[17] and transferring some of the MBS to those Cayman SPVs.[18] Sachsen Europe created the Cayman SPVs to enable independent repo financing to be conducted for the Irish SPV's portfolios.[19]

62. The transfers to the Cayman SPVs were governed by Global Master Repurchase Agreements ("GMRA") (attached as Exhibit R-3, R-4 and R-5). The GMRAs transferred "all right, title and interest" in the securities at issue to the Cayman SPVs.[20]

63. The Cayman SPVs were established sequentially and assets were transferred when respective funding capacities were needed.[21] All transfers from the Irish SPVs to the Cayman SPVs were at par value *"which avoided recognition and consolidation of the massive underlying losses that the RMBS had already sustained"*.[22]

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[15] Paragraph 18e. of the Amended Complaint: "*In 2006, Sachsen Europe established a warehouse facility with Barclays Capital ("Barclays") through which the Sachsen Funding RMBS were purchased.*"

[16] Paragraph 21 of the Amended Complaint: "*On or about June 5, 2007, Sachsen Funding was prepared to issue commercial paper and the RMBS in the warehouse were transferred to Sachsen Funding.*"

[17] Paragraphs 22 to 24 of the Amended Complaint.

[18] Paragraph 36 and 37 of the Amended Complaint: *"Rather than discontinuing operations, which would have forced a disposal of the RMBS assets, Sachsen Europe arranged access to alternative funding. Sachsen Europe created the Cayman SPVs, which enabled independent repo financing to be conducted for the Irish SPVs' portfolios... Establishing the Cayman SPVs enabled the Certificates to be transferred from the Irish SPVs at par value."*

[19] Paragraph 36 of the Amended Complaint.

[20] Paragraph 38 of the Amended Complaint.

[21] Amended Complaint at paragraph 37.

[22] Amended Complaint at paragraph 38.

64. The third phase involved the creation of Sealink and the transfers to it of the MBS. It is this aspect of the transaction and the contract documents which appear to be relied upon in particular by Sealink in relation to its title to sue.

65. On August 26 2007 "LBBW" agreed to acquire Sachsen LB, effective 1 January 2008. The MBS were excluded from the sale which were instead sold to Sealink,[23] a special purpose vehicle that was designed to receive, hold and manage toxic MBS assets including those at issue in this case.[24]

66. The sale of the MBS at issue was effected by a series of Sale and Purchase Agreements[25] (the SPAs) dated 7 June 2008.[26]

67. On the same date, a "Master Framework and Definitions Schedule" in respect of the Transaction Documents relating to Sealink Funding Limited ("MFDS") was executed.

68. The MFDS is attached as Exhibit R-10. Section 2.1.2 of that Document states: "*Any reference in the Transaction Documents to . . . 'assets' includes present and future properties, revenues and rights of every description*".[27]

69. As I understand it, it is these words on which Sealink relies to establish that the claims were assigned and that it therefore has title to sue in these proceedings.

THE LANGUAGE USED WAS INSUFFICIENT TO ASSIGN THE CLAIMS

70. For the reasons given in the paragraphs below, I am of the view that an English court would not view the language used in the SPAs and MFDS as sufficient to transfer the claims to Sealink.

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[23] Amended Complaint at paragraph 39.
[24] Amended Complaint at paragraph 17.
[25] Amended Complaint at paragraph 39.
[26] Sale and Purchase Agreement dated 7 June 2008 between Castleview Asset Management Ltd as Seller and Sealink Funding Limited as Purchaser, attached as Exhibit R-6, at Schedule I (NHEL 2007-1 A2C, RAMP 2007-RS1 A3); Sale and Purchase Agreement dated 7 June 2008 between Castleview 2 Asset Management Ltd as Seller and Sealink Funding Limited as Purchaser attached as Exhibit R-7, at Schedule I (ACE 2007 ASAP1 A2B, ACE 2007-WM1 A2C, DBALT 2006-AR4 A2, DBALT 2006-AR6 A6, DBALT 2007-AR2 A2, DBALT 2007-BAR1 A3, DBALT 2007-OA4 A2A, INDX 2006- AR27 1A4); Sale and Purchase Agreement dated 7 June 2008 between Castleview 3 Asset Management Ltd as Seller and Sealink Funding Limited as Purchaser, attached as Exhibit R-8, at Schedule I (ACE 2007-ASAP2 A2B, DBALT 2007-1 11A2, DBALT 2007-1 1A3C, MHL 2007-1 2A11); Sale and Purchase Agreement dated 7 June 2008 between Sachsen Funding I Limited as Seller and Sealnk [sic] Funding Limited as Purchaser, attached as Exhibit R-9, at Schedule I (ACE 2007-ASAP1 A2D, DBALT 2006-AR6 A8, DBALT 2007-AR1 A5, DBALT 2007-AR1 A6, DBALT 2007-BAR1 A4, DBALT 2007-BAR1 A5, DBALT 2007-OA1 A3, DBALT 2007-OA1 M1, DBALT 2007-OA1 M2, DBALT 2007-OA2 A3, DMSI 2006-PR1 5AF4, PHHAM 2007-2 1A2, RALI 2007-QO2 A3, RAMP 2007-RS1 A4). Note that the final digit of the "ISIN" noted in Schedule I is missing from the "CUSIP" pleaded at Paragraph 32 of the Amended Complaint.
[27] Amended Complaint at paragraph 39.

71. In my view, although materials in the Countrywide and Morgan Stanley Proceedings suggest that Sealink will wish to introduce complexity and uncertainty into the process of construction, the English court would focus upon the words relied upon by Sealink and, if it concluded that those words were themselves relevant, would have little difficulty in concluding that they were not intended to assign the tort claims, that if the parties had intended this they would have said so (and, moreover, could have said so very simply and shortly). In reaching this conclusion, the Court would be greatly influenced by the fact that in the phase 1 document, when the same parties did wish to achieve this result, they *did* expressly say so.

72. In this context, it is necessary to appreciate that the transfer of an asset does not automatically or necessarily carry with it the transfer of associated causes of action, such as claims against third parties for compensation for a decline in an asset's value or for a failure to disclose defects in the asset, which mean that it was worth less than the price paid or its assessed value without those defects. Otherwise the purchaser of a defective asset who sells it in order to mitigate his loss would lose his cause of action. It is also important to recognise that the claims in the present proceedings are not contractual claims but claims against third parties in fraud.

73. I will now set out what are, in my view, the principal matters which would lead the English court to conclude that the fraud claims were not transferred with the assets in the present case. Before I commence with this analysis, it may assist the court to have a brief restatement of the relevant principles of English law outlined in paragraphs 19 to 51 inclusive above.

(1) Firstly, although no set formula of words is required to effect an assignment (***Re Williams***) some form of words must be used which sufficiently identifies the subject-matter of the assignment (***Watson v Duke of Wellington***). In this regard all the cases where causes of action have been assigned have contained express wording relating either to claims or to the fruits of those claims (paragraphs 22 to 24 above).

(2) Secondly, the express reference to claims or the fruits of those claims is made against a backdrop of English law's traditional reluctance to allow claims in tort to be assigned (see paragraph 20 above). Consequently, when parties wish to effect the assignment of tortious claims they make some express reference to those claims.

(3) Thirdly, construction is an objective exercise the object of which is to determine what words would mean to a reasonable observer in the position of the parties at the time of contracting. The object is not to determine what the parties subjectively thought they were agreeing (see ***Chartbrook v Persimmon Homes***, paragraphs 27 and 28 above).

(4) Fourthly, the court prioritises certainty and predictability in relation to matters of contractual construction (as it does in relation to contractual matters more generally, paragraphs 29 to 34 above).

(5) Fifthly, the time for determining the construction of a contract is the date of contracting (see paragraph 35 above).

(6) Sixthly, the language used by the parties is central to determining construction issues (see ***Bank of Credit and Commerce International SA v Ali, BP Exploration v Dolphin*** and paragraphs 36 and 37 above). While the court will where possible look to the commercial purpose of a contract and will apply the more commercially sensible of two available interpretations, it will not override clear words which have been used (see paragraph 41 to 45 above). Moreover, the court will not be swayed by arguments relating to commercial purpose where those arguments are indeterminative (***Enterprise Inns, Aston Hill*** and see footnote 6 above).

(7) Seventhly, English courts do not lightly imply contractual terms, the test for implying terms being a stringent one. Courts are particularly alive to not looking back with subjective hindsight as to what parties may have wished they had provided for and will not re-write parties' bargains (***Phillips Electronique*** and see paragraphs 46 to 51 above).

74. Having restated these principles, I will now set out how in my view the English court would apply them in this case and why the contractual language was insufficient to effect an assignment:

(1) Even if the court would look to the definition of "asset" in the MFDS, I do not think that the language used in the MFDS is sufficient to assign the tort claims. That document instructs that a reference to "assets" in the Transaction Documents includes "*present and future properties, revenues and rights of every description*". See Exhibit R-10 at 2.1.2. In my view, the language does not expressly identify anything relating to legal claims. This is in contrast to the cases listed in paragraph 24 above where legal claims were assigned. In each of those cases, express reference was made in the contractual documentation to legal claims or to the fruits of those claims. Whilst no specific language need be used to effect an assignment (***Re Williams***), some form of words must be used to sufficiently identify the subject matter of the assignment (***Watson v Duke of Wellington***) and I do not

believe that the wording "*present and future properties and rights of every description*" achieves this in relation to the legal claims at issue in this case.[28]

(2) The English court would be very unlikely to break new ground in this case and find an assignment in circumstances where it had never done so before because the relevant contractual documentation contained no express reference to claims or the fruits of those claims (see the cases detailed in paragraph 24 above). The English court's reluctance to break new ground would, in my view, reflect the conservative approach of the English court to contractual construction (and contractual matters generally, see paragraphs 29 to 34 inclusive above).

(3) The English court would view as significant the fact that other documentation relating to phase 1 of the same transaction did expressly reference the transfer rights of action (see the definition of "Benefit" in clause 1 of the MFA, attached as Exhibit R-1). I think a court would view the fact that rights of action were not similarly expressly referenced in the phase 3 documentation as indicating that the parties did not intend to transfer those rights of action.

(4) Regarding the principle that a court will prefer the more commercially sensible of two available interpretations (see paragraph 73(6) above). I do not think that the court would read the language used in the MFDS and the SPAs as including a choice between two available interpretations one of which was more commercially sensible than the other. In the light of the absence of wording referring to legal claims, a court would not consider an interpretation of the contractual wording that includes an assignment of legal claims as available to it. This is because (a) a court would not view the subject matter of the assignments as being sufficiently identified (see paragraph 73(1) above, as well as the cases which all expressly reference legal claims or the fruits of those claims in paragraph 24 above) and because (b) the court would not view the language used as sufficient to include the claims (in line with the principle in paragraph 73(6) above that the language used is central to the exercise of construction).

(5) This is not a case where the court would imply a term into the contract effecting the assignment of legal claims. As set out above, the test for implication of terms is a stringent one. There is no necessity to imply any such term and the contract works perfectly well without it. I think a court would be wary of engaging in an analysis as to what the parties may, with the benefit of hindsight, wished they had provided. As set out

[28] In addition, "Assets" as defined in Clause 1.1 of the SPAs means the "Assets" listed in Schedule 1 of the SPAs. There is no reference in those SPAs to legal claims or to the fruits of those claims. Rather, Schedule 1 is simply a list of MBS. See, e.g., Exhibit R-6.

in the passage taken from ***Phillips Electronique*** and quoted above, such an analysis is "*tempting but wrong.*" Viewed in its correct commercial context at the relevant date, the transaction works perfectly well without the need for any implication and objectively such implication is unnecessary.

(6) In any event, the court would not necessarily take into account considerations of business commonsense in interpreting the contractual wording.

75. In relation to all the points set out in paragraph 74 above, the court would take into account inter alia:

(1) The fact that these are contracts clearly drafted with the benefit of legal advice and with considerable care and the court would read them in accordance with the linguistic precision one would expect to see from such careful drafting. As Lewison states at paragraph 2.08

> "*A well-drafted contract is more likely than a badly drafted contract to make its meaning plain. Accordingly, there is probably less scope for the use of the apparent commercial purpose as an aid to construction in the case of a well drawn contract than in the case of a badly drawn one*".
>
> **Lewison** similarly summarises the law in paragraph 6.04 (emphasis added): "*The default position is that* ***nothing is to be implied into the contract. The more detailed and apparently complete the contract, the stronger this presumption is.***"

(2) That any experienced commercial party and transactional draftsman, preparing detailed written agreements of this sort relating to the assignment of assets would be very conscious of the problems in English law which surround and have surrounded the assignment of tort claims.

(3) That it is highly implausible to suggest that such parties would leave such a potentially important aspect to chance or to vague and non-applicable wording, especially where these claims could easily have been identified and expressly referred to.

CONCLUSION

76. Owing, inter alia, to the wording of the relevant contract relied upon by Sealink, I think it unlikely that an English court would uphold the claims based on an assignment in this case.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on this 16th day of January 2013, in London, England.

.....

STEPHEN AULD Q.C.

Sworn by: .....
Name: STEPHEN AULD Q.C.
Date: 16th JANUARY 2013
At: One Essex Court, Temple
London EC4Y 9AR, England
Before me:

.....
Name
~~Solicitor~~/Commissioner for Oaths

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Due to the size of Exhibits Q through S-35 ("EXHIBITS') to the Affidavit of Stephen Auld, we are unable to file them electronically using CM/ECF system.

The Exhibits are available to counsel and court upon request by contacting Simpson Thacher & Bartlett LLP .

CERTIFICATE OF SERVICE BY MAIL

I, Jacqueline Williams, hereby certify under the penalty of perjury that on January 16th, 2013 I served a true and correct copy of the attached:

- **NOTICE OF DEFENDANTS' MOTION TO DISMISS THE AMENDED COMPLAINT**
- **MEMORANDUM OF LAW IN SUPPORT OF DEFENDANTS' MOTION TO DISMISS THE AMENDED COMPLAINT**
- **AFFIDAVIT OF STEPHEN AULD Q.C. IN SUPPORT OF DEFENDANTS' MOTION TO DISMISS**
- **DECLARATION OF DAVID J. WOLL IN SUPPORT OF DEFENDANTS' MOTION TO DISMISS**
- **[PROPOSED] ORDER GRANTING DEFENDANTS' MOTION TO DISMISS THE AMENDED COMPLAINT**

Upon:

[SEE ATTACHED SERVICE LIST]

By depositing a true copy of the same in a properly addressed, postpaid wrapper in a regularly maintained official depository of the United States Post Office located in the City, County and State of New York.

Dated: New York, New York
January 16th, 2013

Jacqueline Williams

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