

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

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	:	
FINANCIAL GUARANTY INSURANCE	:	
COMPANY,	:	
	:	
Plaintiff,	:	Index No. 652914/2014
	:	
- against -	:	Justice Friedman
	:	
MORGAN STANLEY ABS CAPITAL I INC.,	:	IAS Part 60
MORGAN STANLEY MORTGAGE CAPITAL	:	
HOLDINGS LLC, MORGAN STANLEY & CO.	:	
LLC, as successor to MORGAN STANLEY & CO.	:	ANSWER AND
INC., MORGAN STANLEY, and SAXON	:	AFFIRMATIVE DEFENSES
MORTGAGE SERVICES, INC.,	:	TO AMENDED COMPLAINT
	:	
Defendants.	:	
	:	
-----	X	

Defendants Morgan Stanley ABS Capital I Inc. (“MSAC”), Morgan Stanley Mortgage Capital Holdings LLC (“MSMC”), Morgan Stanley & Co. LLC, as successor to Morgan Stanley & Co. Inc. (“MS&Co”), Morgan Stanley (“MS”), and Saxon Mortgage Services, Inc. (“Saxon,” and together with MSAC, MSMC, MS&Co, and MS, “Morgan Stanley”) answer the Amended Complaint filed by plaintiff Financial Guaranty Insurance Company (“FGIC”) as follows:

1. Morgan Stanley denies the allegations contained in paragraph 1, except admits that FGIC issued a financial guaranty insurance policy (the “Policy”) guaranteeing payments due on certain securities issued in the MSAC 2007-NC4 transaction (the “Transaction”), and further admits that certain Morgan Stanley entities made certain representations and warranties in the Transaction’s governing agreements. Morgan Stanley respectfully refers the Court to the referenced documents for their complete and accurate contents.

2. Morgan Stanley denies the allegations contained in paragraph 2, except admits that the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 (“MSAC 2007-NC4” or the “Trust”) contained New Century loans acquired by Morgan Stanley.

3. Morgan Stanley denies the allegations contained in paragraph 3, except admits that the mortgage loans in the Trust had an aggregate original principal balance of approximately \$1,051 million.

4. Morgan Stanley denies the allegations contained in paragraph 4, except admits that the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 transaction (the “Transaction”) received ratings from the ratings agencies and that those ratings were conveyed to FGIC.

5. Morgan Stanley denies the allegations contained in paragraph 5, except admits that the Representation and Warranties Agreement (the “RWA”) and Indemnity and Insurance Agreement (the “Insurance Agreement”) contain certain representations and warranties made by Morgan Stanley and both the RWA and the Insurance Agreement provide for Morgan Stanley to repurchase certain Mortgage Loans under certain circumstances. Morgan Stanley respectfully refers the Court to the referenced documents for their complete and accurate contents.

6. Morgan Stanley denies the allegations contained in paragraph 6, except admits that the Insurance Agreement contains certain representations and warranties made by Morgan Stanley and respectfully refers the Court to the referenced documents for their complete and accurate contents.

7. Morgan Stanley denies the allegations contained in paragraph 7, except admits that the Insurance Agreement contains the quoted language and respectfully refers the Court to the referenced documents for their complete and accurate contents.

8. Morgan Stanley denies the allegations in paragraph 8 regarding any purported reviews of mortgage loans for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 8.

9. No response to the allegations in paragraph 9 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 9 regarding any purported review of mortgage loans for lack of knowledge or information sufficient to form a belief as to its truth, and otherwise denies the allegations in paragraph 9.

10. Morgan Stanley denies the allegations in paragraph 10, except that it admits that FGIC requested the repurchase of certain loans and that Morgan Stanley repurchased certain loans. Insofar as paragraph 10 contains legal arguments and conclusions of law, no response is necessary or required, but to the extent a response is deemed required, Morgan Stanley also denies those allegations in paragraph 10.

11. No response to the allegations in paragraph 11 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 11 regarding any purported review of mortgage loans for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 11.

12. No response to the allegations in paragraph 12 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 12 regarding any purported reviews of mortgage loans for lack of knowledge or information sufficient to form a belief as to their truth, except admits that Morgan Stanley entered into a settlement agreement with the SEC under a July 24, 2014 Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 (the “SEC Settlement Agreement”), and respectfully refers the Court to the referenced document for its complete and accurate contents.

13. Morgan Stanley denies the allegations in paragraph 13.

14. No response to the allegations in paragraph 14 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 14.

15. No response to the allegations in paragraph 15 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 15 relating to delinquencies, modifications and FGIC’s obligations under the policy for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 15.

16. No response to the allegations in paragraph 16 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 16.

17. Morgan Stanley denies the allegations in paragraph 17, except insofar as paragraph 17 contains legal arguments and conclusions of law, to which no response is necessary or required. To the extent a response is deemed required, Morgan Stanley also denies those allegations in paragraph 17.

18. Morgan Stanley denies the allegations in paragraph 18 for lack of knowledge or information sufficient to form a belief.

19. Morgan Stanley admits the allegations in the paragraph 19.

20. Morgan Stanley denies the allegations in paragraph 20, except admits that MSMC was formed under the laws of New York, has its executive offices at 1585 Broadway, New York, New York 10036, is the successor-in-interest to Morgan Stanley Mortgage Capital Inc., and served as the Sponsor of the Transaction. Morgan Stanley further admits that one or more defendants provided warehouse lending or other credit facilities in various forms to certain mortgage lenders, including New Century or one or more of its affiliates.

21. Morgan Stanley admits the allegations in paragraph 21.

22. Morgan Stanley denies the allegations in paragraph 22, except admits that Saxon is incorporated under the laws of Texas, has its executive offices at 4708 Mercantile Drive, Fort Worth, Texas 76137, and served as servicer as of the closing date for the mortgage loans in the Trust.

23. Morgan Stanley denies the allegations in paragraph 23, except admits that it is incorporated under the laws of Delaware, has its executive offices at 1585 Broadway, New York, New York 10036, and is the parent of MSAC, MSMC, MS&Co, and Saxon.

24. Morgan Stanley denies the allegations contained in paragraph 24, except admits that the individuals named in paragraph 24 were employed by Morgan Stanley or one of its affiliates during at least some portion of the 2006–07 time period and that certain Morgan Stanley related entities served in various roles in the transaction as set forth in the relevant documents.

25. Morgan Stanley denies the allegations in paragraph 25, except admits that Morgan Stanley entered into a settlement agreement with the Board of Governors of the Federal Reserve System effective April 2, 2012 (the “Federal Reserve Consent Order”), and respectfully refers the Court to the referenced document for its complete and accurate contents.

26. No response to the allegations of paragraph 26 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 26 regarding Ocwen Financial Corporation’s SEC filings for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 26.

27. No response to the allegations of paragraph 27 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required Morgan Stanley denies the allegations in paragraph 27.

28. No response to the allegations of paragraph 28 and footnote 1 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 28 and footnote 1.

29. No response to the allegations of paragraph 29 and footnote 2 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 29 and footnote 2.

30. Morgan Stanley denies the allegations in paragraph 30 and footnote 3, for lack of knowledge or information sufficient as to form a belief as to what FGIC received, and otherwise denies the allegations, except admits that Steven Shapiro signed the Underwriting Agreement.

31. Morgan Stanley denies the allegations regarding FGIC in paragraph 31 for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 31.

32. Morgan Stanley denies the allegations contained in paragraph 32, except admits that Morgan Stanley provided warehouse lending or other credit facilities in various forms to certain mortgage lenders, including New Century or one or more of its affiliates.

33. Morgan Stanley denies the allegations contained in paragraph 33, except admits that Morgan Stanley at times received fees for providing warehouse financing or other credit facilities in various forms to certain mortgage lenders, including New Century or one or more of its affiliates, pursuant to the agreements governing those arrangements and that certain Morgan Stanley entities acquired subprime mortgage loans from certain lenders including New Century.

34. Morgan Stanley denies the allegations contained in paragraph 34 with respect to New Century for lack of knowledge or information sufficient to form a belief

as to their truth and otherwise denies the allegations, except admits based on information and belief that New Century disclosed in a form 8K that it would need to restate its earnings and was subject to regulatory investigations and respectfully refers the Court to the filing for its complete and accurate contents. Morgan Stanley further admits that it provided warehouse lending or other credit facilities in various forms to certain mortgage lenders, including New Century or one or more of its affiliates, that Morgan Stanley ceased their credit lines to New Century, and that on April 2, 2007, New Century entered bankruptcy.

35. Morgan Stanley denies the allegations contained in paragraph 35, except admits that Morgan Stanley Mortgage Capital Inc. (“MSMCI”) purchased certain loans from New Century at a public auction and that MSMCI is MSMC’s predecessor entity, and refers the Court to the April 27, 2007 stipulated order for its complete and accurate content.

36. Morgan Stanley denies the allegations in paragraph 36, except admits that Saxon was the servicer at the closing date of the Transaction of the mortgage loans in the Trust and that Saxon received certain loan files and servicing records for the mortgage loans in the Trust.

37. Morgan Stanley denies the allegations in paragraph 37.

38. Morgan Stanley denies the allegations in paragraph 38.

39. Morgan Stanley denies the allegations in paragraph 39, except admits that the closing date of the MSAC 2007-NC4 transaction was on June 20, 2007.

40. Morgan Stanley denies the allegations regarding FGIC in paragraph 40 for lack of knowledge or information sufficient to form a belief as to their truth and otherwise denies the allegations in paragraph 40.

41. Morgan Stanley denies the allegations in paragraph 41.

42. Morgan Stanley denies the allegations in paragraph 42.

43. Morgan Stanley denies the allegations in paragraph 43, except admits that the Transaction documents contain certain representations and warranties made by certain Morgan Stanley entities, and respectfully refers the Court to the referenced documents for their complete and accurate contents.

44. Morgan Stanley denies the allegations in paragraph 44.

45. Morgan Stanley denies the allegations in paragraph 45 and refers the court to the bankruptcy court stipulation for its complete and accurate contents.

46. Morgan Stanley denies the allegations in paragraph 46.

47. Morgan Stanley denies the allegations in paragraph 47.

48. Morgan Stanley denies the allegations contained in paragraph 48 except admits that John Mack made certain statements to the Congressional Financial Crisis Inquiry Commission and respectfully refers the court to the cited document for its complete and accurate contents.

49. No response to the allegations in paragraph 49 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 49.

50. No response to the allegations in paragraph 50 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a

response is deemed required, Morgan Stanley denies the allegations in paragraph 50 regarding FGIC for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 50.

51. Morgan Stanley denies the allegations in paragraph 51, and respectfully refers the Court to the cited document for its complete and accurate contents.

52. No response to the allegations in paragraph 52 and footnote 4 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 52 and footnote 4, except admits that the Insurance Agreement contains certain warranties.

53. No response to the allegations in paragraph 53 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations about FGIC in paragraph 53 for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 53.

54. No response to the allegations of paragraph 54 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 54 regarding any purported loan data reviews by FGIC's consultants for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 54.

55. Morgan Stanley denies the allegations in paragraph 55.

56. Morgan Stanley denies the allegations contained in paragraph 56 and footnote 5, and respectfully refers the Court to the referenced Prospectus Supplement for its complete and accurate contents.

57. Morgan Stanley denies the allegations contained in paragraph 57, except admits that the Prospectus Supplement contains certain statistical information on owner occupancy rates and CLTV, and respectfully refers the Court to the referenced Prospectus Supplement for its complete and accurate contents.

58. No response to the allegations of paragraph 58 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 58 for lack of knowledge or information sufficient to form a belief as to the truth of FGIC's purported review and otherwise denies the allegations in paragraph 58, except admits that Morgan Stanley entered into the SEC Settlement Agreement, and respectfully refers the Court to the referenced document for its complete and accurate contents.

59. Morgan Stanley denies the allegations contained in paragraph 59.

60. No response to the allegations of paragraph 60 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 60 regarding FGIC for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 60.

61. Morgan Stanley denies the allegations contained in paragraph 61 concerning the analysis conducted by the ratings agencies and what was received by

FGIC for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 61.

62. No response to the allegations of paragraph 62 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 62 relating to FGIC's reliance on any ratings for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 62.

63. No response to the allegations of paragraph 63 and footnote 6 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 63 and footnote 6, and respectfully refers the Court to the Insurance Agreement and Policy for their complete and accurate contents. Morgan Stanley otherwise denies the allegations in paragraph 63.

64. No response to the allegations of paragraph 64 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations regarding FGIC in paragraph 64 for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 64.

65. No response to the allegations of paragraph 65 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations regarding FGIC in

paragraph 64 for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 65.

66. No response to the allegations of paragraph 66 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 66.

67. Morgan Stanley denies the allegations contained in paragraph 67.

68. Morgan Stanley denies the allegations contained in paragraph 68.

69. No response to the allegations of paragraph 69 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 69, except admits that MSMCI purchased certain loans from New Century at a public auction, owned the mortgage loans that were deposited in the Trust and that Saxon became servicer of the loans deposited in the Trust.

70. No response to the allegations of paragraph 70 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations about FGIC contained in paragraph 70 for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 70.

71. No response to the allegations of paragraph 71 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required Morgan Stanley denies the allegations about FGIC

contained in paragraph 71 for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 71.

72. Morgan Stanley admits the allegations contained in paragraph 72.

73. Morgan Stanley admits the allegations in paragraph 73.

74. Morgan Stanley denies the allegations in paragraph 74, except admits that Steven Shapiro signed certain agreements related to the Transaction and that the law firm Cadwalader, Wickersham & Taft LLP represented certain Morgan Stanley entities, and respectfully refers the Court to the referenced agreements for their complete and accurate contents.

75. Morgan Stanley denies the allegations in paragraph 75, except admits that Steven Shapiro signed the Bill of Sale and RWA, that the RWA contains certain representations and warranties made by MSMC and provides for MSMC to repurchase certain mortgage loans in certain circumstances, and respectfully refers the Court to the referenced documents for their complete and accurate contents.

76. Morgan Stanley denies the allegations in paragraph 76, except admits that Steven Shapiro signed the PSA, that the mortgage loans in the Trust had an aggregate principal balance of \$1,051 million and the Class A Certificates had an aggregate principal balance of \$876 million, and that Saxon agreed to provide notice in certain circumstances, and respectfully refers the Court to the referenced document for its complete and accurate contents.

77. Morgan Stanley denies the allegations in paragraph 77, except admits that MS&Co acted as Underwriter and reviewed the Prospectus Supplement or certain

portions of the Prospectus Supplement and further admits that Steven Shapiro signed the Underwriting Agreement.

78. Morgan Stanley denies the allegations in paragraph 78, except admits that it entered into the Insurance Agreement which includes certain representations and warranties and that the Insurance Agreement contains the quoted language, and respectfully refers the Court to the referenced document for its complete and accurate contents.

79. Morgan Stanley denies the allegations regarding any purported reliance by FGIC contained in paragraph 79 for lack of knowledge or information sufficient to form a belief as to their truth, except admits that the Financial Guaranty Insurance Policy Number 07030039 was issued and FGIC agreed to guarantee certain principal and interest payments due to the holders of the Class A Certificates and respectfully refers the Court to the referenced Policy for its complete and accurate contents.

80. Morgan Stanley denies the allegations contained in paragraph 80 and footnote 7, except admits that Morgan Stanley made certain representations and warranties in the transaction documents, and respectfully refers the Court to the referenced documents for their complete and accurate contents.

81. Morgan Stanley denies the allegations contained in paragraph 81, and respectfully refers the Court to the referenced document for its complete and accurate contents.

82. Morgan Stanley denies the allegations contained in paragraph 82 and footnote 8, except admits that the quoted language appears in the Prospectus Supplement

and respectfully refers the Court to the referenced document for its complete and accurate contents.

83. Morgan Stanley denies the allegations contained in paragraph 83, except admits that the quoted language appears in the Prospectus Supplement and respectfully refers the Court to the referenced document for its complete and accurate contents.

84. Morgan Stanley denies the allegations contained in paragraph 84, except admits that the quoted language appears in the Prospectus Supplement and respectfully refers the Court to the referenced document for its complete and accurate contents.

85. Morgan Stanley denies the allegations contained in paragraph 85, except admits that the quoted language appears in the Prospectus Supplement and respectfully refers the Court to the referenced document for its complete and accurate contents.

86. Morgan Stanley denies the allegations contained in paragraph 86, except admits that the quoted language appears in the Prospectus Supplement and respectfully refers the Court to the referenced document for its complete and accurate contents.

87. Morgan Stanley denies the allegations contained in paragraph 87, and respectfully refers the Court to the referenced document for its complete and accurate contents.

88. No response to the allegations in paragraph 88 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 88.

89. No response to the allegations in paragraph 89 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 89,

except admits that the Insurance Agreement contains the quoted language, and respectfully refers the Court to the referenced document for its complete and accurate contents.

90. Morgan Stanley denies the allegations contained in paragraph 90 and footnotes 9, 10 and 11, except admits that the Insurance Agreement includes the quoted language and respectfully refers the Court to the referenced documents for their complete and accurate contents.

91. Morgan Stanley denies the allegations contained in paragraph 91, and respectfully refers the Court to the referenced document for its complete and accurate contents.

92. No response to the allegations in paragraph 92 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 92.

93. Morgan Stanley denies the allegations contained in paragraph 93, and respectfully refers the Court to the referenced document for its complete and accurate contents.

94. No response to the allegations in paragraph 94 and footnote 12 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 94 and footnote 12, and respectfully refers the Court to the referenced document for its complete and accurate contents.

95. Morgan Stanley denies the allegations contained in paragraph 95 for lack of knowledge or information sufficient to form a belief as to the truth of the allegations concerning FGIC's purported review, and otherwise denies the allegations in paragraph 95.

96. No response to the allegations of paragraph 96 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 96 for lack of knowledge or information sufficient to form a belief as to the truth of the allegations concerning FGIC's purported review, and otherwise denies the allegations in paragraph 96.

97. No response to the allegations of paragraph 97 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 97.

98. Morgan Stanley denies the allegations contained in paragraph 98 for lack of knowledge or information sufficient to form a belief as to the truth of the allegations concerning FGIC's review, and otherwise denies the allegations in paragraph 98.

99. No response to the allegations of paragraph 99 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 99.

100. No response to the allegations of paragraph 100 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a

response is deemed required, Morgan Stanley denies the allegations contained in paragraph 100.

101. No response to the allegations of paragraph 101 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 101.

102. No response to the allegations of paragraph 102 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 102 for lack of knowledge or information sufficient to form a belief as to the truth of the allegations concerning FGIC's review, and otherwise denies the allegations in paragraph 102.

103. No response to the allegations of paragraph 103 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 103.

104. No response to the allegations of paragraph 104 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations for lack of knowledge or information sufficient to form a belief as to the truth of the allegations concerning FGIC's review, and otherwise denies the allegations in paragraph 104.

105. No response to the allegations of paragraph 105 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a

response is deemed required, Morgan Stanley denies the allegations contained in paragraph 105.

106. No response to the allegations of paragraph 106 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 106.

107. No response to the allegations of paragraph 107 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 107, except admits repurchasing 6 mortgage loans in the Trust that were the subject of FGIC's repurchase demands.

108. Morgan Stanley denies the allegations in paragraph 108, except admits the receipt of a letter dated December 20, 2012 from Federal Home Loan Mortgage Corporation ("Freddie Mac").

109. Morgan Stanley denies the allegations in paragraph 109, except admits the receipt of a letter dated February 1, 2013 from Freddie Mac.

110. No response to the allegations of paragraph 110 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations contained in paragraph 110 and refers the Court to the SEC filings for their complete and accurate content.

111. Morgan Stanley admits that it has not repurchased any mortgage loans in the Trust that were subject to the letters received from the Trustee.

112. Morgan Stanley denies the allegations in paragraph 112, except admits that Morgan Stanley entered into the SEC Settlement Agreement, and respectfully refers the Court to the referenced document for its complete and accurate contents.

113. Morgan Stanley denies the allegations in paragraph 113, except admits that Morgan Stanley entered into the SEC Settlement Agreement, and respectfully refers the Court to the referenced document for its complete and accurate contents.

114. No response to the allegations of paragraph 114 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 114, except admits that the Insurance Agreement contains the quoted language and respectfully refers the Court to the referenced document for its complete and accurate contents.

115. No response to the allegations in paragraph 115 and footnotes 13 and 14 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 115 and footnotes 13 and 14, and respectfully refers the Court to the referenced documents for their complete and accurate contents.

116. Morgan Stanley denies the allegations in paragraph 116, except admits that the PSA contains the quoted language and respectfully refers the Court to the referenced document for its complete and accurate contents.

117. No response to the allegations of paragraph 117 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations regarding FGIC in

paragraph 117 for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 117.

118. No response to the allegations of paragraph 118 and footnote 15 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 118 and footnote 15.

119. No response to the allegations of paragraph 119 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 119.

120. No response to the allegations of paragraph 120 and footnote 16 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 120 and footnote 16.

121. No response to the allegations of paragraph 121 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 121.

122. No response to the allegations of paragraph 122 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 122.

123. Morgan Stanley denies the allegations in paragraph 123.

124. No response to the allegations of paragraph 124 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 124.

125. No response to the allegations of paragraph 125 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 125.

126. Morgan Stanley denies the allegations in paragraph 126, except insofar as paragraph 126 contains legal arguments and conclusions of law, to which no response is necessary or required. To the extent a response is deemed required, Morgan Stanley also denies those allegations in paragraph 126.

127. No response to the allegations in paragraph 127 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 127.

128. Morgan Stanley denies the allegations in paragraph 128, and respectfully refers the Court to the referenced document for its complete and accurate contents.

129. No response to the allegations in paragraph 129 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 129 regarding FGIC's review for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 129.

130. No response to the allegations in paragraph 130 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 130 and respectfully refers the Court to the referenced document for its complete and accurate contents.

131. No response to the allegations in paragraph 131 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 131 regarding FGIC's purported review for lack of knowledge or information sufficient to form a belief as to the content and basis of the allegations, and otherwise denies the allegations in paragraph 131.

132. No response to the allegations in paragraph 132 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 132.

133. No response to the allegations in paragraph 133 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 133.

134. Morgan Stanley denies the allegations in paragraph 134 relating to any materials obtained by FGIC for lack of knowledge or information sufficient to form a belief as to the content and basis of the allegations, and otherwise denies the allegations in paragraph 134.

135. Morgan Stanley denies the allegations in paragraph 135.

136. No response to the allegations in paragraph 136 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 136.

137. No response to the allegations in paragraph 137 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 137.

138. No response to the allegations in paragraph 138 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 138 related to any purported review of foreclosed loans for lack of knowledge or information sufficient to form a belief as to the content and basis of the allegations, and otherwise denies the allegations in paragraph 138.

139. No response to the allegations in paragraph 139 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 139 related to any purported review of servicing records for lack of knowledge or information sufficient to form a belief as to the content and basis of the allegations, and otherwise denies the allegations in paragraph 139.

140. No response to the allegations of paragraph 140 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 140, except admits that Morgan Stanley entered into a Consent Order with the Board of Governors of the Federal Reserve System, effective April 2, 2012, and respectfully refers the Court to the referenced document for its complete and accurate contents.

141. No response to the allegations in paragraph 141 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 141.

142. No response to the allegations in paragraph 142 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 142.

143. No response to the allegations in paragraph 143 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 143.

144. Morgan Stanley denies the allegations in paragraph 144.

145. No response to the allegations in paragraph 145 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 145, except admits that the PSA contains the quoted language and respectfully refers the Court to the referenced document for its complete and accurate contents.

146. No response to the allegations in paragraph 146 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 146, and respectfully refers the Court to the referenced document for its complete and accurate contents.

147. No response to the allegations in paragraph 147 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 147 for lack of knowledge or information sufficient to form a belief as to their truth.

148. No response to the allegations in paragraph 148 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a

response is deemed required, Morgan Stanley denies the allegations in paragraph 148 regarding Ocwen for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 148.

149. Morgan Stanley denies the allegations in paragraph 149.

150. Morgan Stanley denies the allegations in paragraph 150.

151. Morgan Stanley denies the allegations in paragraph 151.

152. No response to the allegations in paragraph 152 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 152.

153. No response to the allegations in paragraph 153 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 153.

154. No response to the allegations in paragraph 154 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 154, and respectfully refers the Court to the referenced document for its complete and accurate contents.

155. No response to the allegations in paragraph 155 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 155 except admits that Davis Polk & Wardwell LLP communicated with FGIC on behalf of Saxon.

156. No response to the allegations in paragraph 156 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 156.

157. Morgan Stanley denies the allegations in paragraph 157, except admits that Saxon entered a Side Letter Agreement with FGIC, and respectfully refers the Court to the referenced document for its complete and accurate contents.

158. No response to the allegations in paragraph 158 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 158.

159. No response to the allegations in paragraph 159 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 159.

160. No response to the allegations in paragraph 160 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 160.

161. No response to the allegations in paragraph 161 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 161.

162. No response to the allegations of paragraph 162 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 162.

163. Morgan Stanley denies the allegations in paragraph 163, and respectfully refers the Court to the referenced document for its complete and accurate contents.

164. No response to the allegations of paragraph 164 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 164.

165. No response to the allegations of paragraph 165 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 165.

166. No response to the allegations of paragraph 166 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 166.

167. Morgan Stanley denies the allegations in paragraph 167, except admits that the PSA contains the quoted language and respectfully refers the Court to the referenced document for its complete and accurate contents.

168. No response to the allegations of paragraph 168 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 168.

169. Morgan Stanley denies the allegations in paragraph 169 regarding any purported review of servicing records for lack of knowledge or information sufficient to form a belief as to the content and basis of the allegations, and otherwise denies the allegations in paragraph 169.

170. No response to the allegations of paragraph 170 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 170.

171. No response to the allegations in paragraph 171 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 171, and respectfully refers the Court to the referenced document for its complete and accurate contents.

172. No response to the allegations in paragraph 172 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 172.

173. No response to the allegations in paragraph 173 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 173.

174. No response to the allegations in paragraph 174 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 174.

175. Morgan Stanley denies the allegations in paragraph 175, except insofar as paragraph 175 contains legal arguments and conclusions of law, to which no response is necessary or required. To the extent a response is deemed required, Morgan Stanley also denies those allegations in paragraph 175.

176. Morgan Stanley denies the allegations in paragraph 176.

177. No response to the allegations in paragraph 177 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 177.

178. No response to the allegations in paragraph 178 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 178 regarding FGIC's purported findings about New Century's loan origination practices for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations, and otherwise denies the allegations in paragraph 178.

179. Morgan Stanley denies the allegations in paragraph 179 regarding the Bankruptcy Examiner's conclusions for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

180. Morgan Stanley denies the allegations in paragraph 180 regarding the Bankruptcy Examiner's report for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

181. Morgan Stanley denies the allegations in paragraph 181 regarding the Bankruptcy Examiner's report for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

182. Morgan Stanley denies the allegations in paragraph 182 regarding the Bankruptcy Examiner's report for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

183. No response to the allegations in paragraph 183 and footnote 17 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 183 and footnote 17, and respectfully refers the Court to the referenced document for its complete and accurate contents.

184. Morgan Stanley denies the allegations in paragraph 184 regarding the Bankruptcy Examiner's report for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations, and otherwise denies the allegations in paragraph 184.

185. Morgan Stanley denies the allegations in paragraph 185 regarding the Bankruptcy Examiner's report for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

186. Morgan Stanley denies the allegations in paragraph 186 regarding the Financial Crisis Inquiry Commission's investigation and conclusions for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

187. Morgan Stanley denies the allegations in paragraph 187 regarding the testimony before the Financial Crisis Inquiry Commission (the "FCIC") for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

188. Morgan Stanley denies the allegations in paragraph 188, except admits that Allstate Insurance Company filed a complaint making certain allegations against certain Morgan Stanley entities.

189. Morgan Stanley denies the allegations in the first three sentences in paragraph 189 to the extent they are inconsistent with the decision in *Allstate Ins. Co. v. Morgan Stanley*, No. 651840/2011, 2013 WL 2369953 (N.Y. Sup. Ct. Mar. 14, 2013) (the "*Allstate* case"), and respectfully refers the Court to the referenced document for its complete and accurate contents. Morgan Stanley otherwise denies the allegations in

paragraph 189, except admits that Justice Bransten issued a decision related to the *Allstate* case denying a motion to dismiss certain claims against certain Morgan Stanley entities, and admits that the First Department affirmed Justice Bransten's decision.

190. Morgan Stanley denies the allegations in paragraph 190 and footnote 18 for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

191. Morgan Stanley denies the allegations in paragraph 191 and footnote 19 for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

192. Morgan Stanley denies the allegations in paragraph 192 for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

193. Morgan Stanley denies the allegations in paragraph 193 for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

194. No response to the allegations in paragraph 194 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 194 for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations, and otherwise denies the allegations in paragraph 194.

195. Morgan Stanley denies the allegations in paragraph 195 for lack of knowledge or information sufficient to form a belief as to the content and basis for the allegations.

196. No response to the allegations in paragraph 196 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 196.

197. No response to the allegations in paragraph 197 and footnote 20 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 197 and footnote 20, and respectfully refers the Court to the referenced document for its complete and accurate contents.

198. No response to the allegations in paragraph 198 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 198 regarding any purported analysis of mortgage loans for lack of knowledge or information sufficient to form a belief as to their truth, and otherwise denies the allegations in paragraph 198.

199. Morgan Stanley denies the allegations in paragraph 199 and footnotes 21, 22, and 23, except admits that certain Morgan Stanley entities performed due diligence on certain pools of mortgage loans, that Clayton Holdings LLC (“Clayton”) generally had a grading system for loans that it reviewed, and that Clayton at times performed due diligence on certain pools of mortgage loans, and respectfully refers the Court to the cited documents for their complete and accurate contents.

200. Morgan Stanley denies the allegations in paragraph 200 and footnotes 24 and 25, and respectfully refers the Court to the cited documents for their complete and accurate contents.

201. Morgan Stanley denies the allegations in the first and last sentences of paragraph 201 and footnote 27. Morgan Stanley further denies the allegations in the second and third sentences of paragraph 201 and footnote 26 for lack of knowledge or information sufficient to form a belief as to the content and basis of the allegations, and respectfully refers the Court to the cited list for its complete and accurate contents.

202. Morgan Stanley denies the allegations in paragraph 202 and footnote 28.

203. No response to the allegations in paragraph 203 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 203 regarding losses on the loans for lack of knowledge or information sufficient to form a belief as to the content and basis of the allegations, and otherwise denies the allegations in paragraph 203.

204. No response to the allegations in paragraph 204 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 204 for lack of knowledge or information sufficient to form a belief as to the content and basis of the allegations.

205. No response to the allegations in paragraph 205 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 205.

206. No response to the allegations in paragraph 206 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 206.

207. No response to the allegations in paragraph 207 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 207.

208. No response to the allegations in paragraph 208 is necessary or required because the allegations contain legal arguments and conclusions of law. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 208.

209. Morgan Stanley repeats and re-alleges its responses to every allegation contained in the foregoing paragraphs as if fully set forth herein.

210. No response to the allegations in paragraph 210 is necessary or required because the First Department dismissed the First Cause of Action. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 210.

211. No response to the allegations in paragraph 211 is necessary or required because the First Department dismissed the First Cause of Action. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 211.

212. No response to the allegations in paragraph 212 is necessary or required because the First Department dismissed the First Cause of Action. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 212.

213. No response to the allegations in paragraph 213 is necessary or required because the First Department dismissed the First Cause of Action. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 213.

214. No response to the allegations in paragraph 214 is necessary or required because the First Department dismissed the First Cause of Action. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 214.

215. No response to the allegations in paragraph 215 is necessary or required because the First Department dismissed the First Cause of Action. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 215.

216. No response to the allegations in paragraph 216 is necessary or required because the First Department dismissed the First Cause of Action. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 216.

217. No response to the allegations in paragraph 217 is necessary or required because the First Department dismissed the First Cause of Action. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 217.

218. No response to the allegations in paragraph 218 is necessary or required because the First Department dismissed the First Cause of Action. To the extent a response is deemed required, Morgan Stanley denies the allegations in paragraph 218.

219. Morgan Stanley repeats and re-alleges its responses to every allegation contained in the foregoing paragraphs as if fully set forth herein.

220. Morgan Stanley denies the allegations in paragraph 220.

221. Morgan Stanley denies the allegations in paragraph 221.

222. Morgan Stanley denies the allegations in paragraph 222.

223. Morgan Stanley denies the allegations in paragraph 223.

224. Morgan Stanley denies the allegations in paragraph 224.

225. Morgan Stanley repeats and re-alleges its responses to every allegation contained in the foregoing paragraphs as if fully set forth herein.

226. Morgan Stanley denies the allegations in paragraph 226.

227. Morgan Stanley denies the allegations in paragraph 227.

- 228. Morgan Stanley denies the allegations in paragraph 228.
- 229. Morgan Stanley repeats and re-alleges its responses to every allegation contained in the foregoing paragraphs as if fully set forth herein.
- 230. Morgan Stanley denies the allegations in paragraph 230.
- 231. Morgan Stanley denies the allegations in paragraph 231.
- 232. Morgan Stanley denies the allegations in paragraph 232.
- 233. Morgan Stanley denies the allegations in paragraph 233.
- 234. Morgan Stanley denies the allegations in paragraph 234.
- 235. Morgan Stanley repeats and re-alleges its responses to every allegation contained in the foregoing paragraphs as if fully set forth herein.
- 236. Morgan Stanley denies the allegations in paragraph 236 and respectfully refers the Court to the referenced documents for their complete and accurate contents.
- 237. Morgan Stanley denies the allegations in paragraph 237.
- 238. Morgan Stanley denies the allegations in paragraph 238.
- 239. Morgan Stanley repeats and re-alleges its responses to every allegation contained in the foregoing paragraphs as if fully set forth herein.
- 240. Morgan Stanley denies the allegations in paragraph 240 and respectfully refers the Court to the referenced documents for their complete and accurate contents.
- 241. Morgan Stanley denies the allegations in paragraph 241.
- 242. Morgan Stanley denies the allegations in paragraph 242.
- 243. Morgan Stanley denies the allegations in paragraph 243 and respectfully refers the Court to the referenced documents for their complete and accurate contents.
- 244. Morgan Stanley denies the allegations in paragraph 244.

245. Morgan Stanley denies the allegations in paragraph 245.

246. Morgan Stanley denies the allegations in paragraph 246 and respectfully refers the Court to the referenced documents for their complete and accurate contents.

247. Morgan Stanley denies the allegations in paragraph 247.

248. Morgan Stanley denies the allegations in paragraph 248.

249. Morgan Stanley repeats and re-alleges its responses to every allegation contained in the foregoing paragraphs as if fully set forth herein.

250. Morgan Stanley denies the allegations in paragraph 250.

251. Morgan Stanley denies the allegations in paragraph 251.

252. Morgan Stanley denies the allegations in paragraph 252.

253. Morgan Stanley denies the allegations in paragraph 253.

254. Morgan Stanley repeats and re-alleges its responses to every allegation contained in the foregoing paragraphs as if fully set forth herein.

255. Morgan Stanley denies the allegations in paragraph 255 and respectfully refers the Court to the referenced documents for their complete and accurate contents.

256. Morgan Stanley denies the allegations in paragraph 256.

257. Morgan Stanley denies the allegations in paragraph 257.

AFFIRMATIVE DEFENSES

Morgan Stanley asserts the following defenses and reserves the right to amend this answer to assert other and further defenses when and if, in the course of its investigation, discovery, or preparation for trial, it becomes appropriate. By designating these defenses, Morgan Stanley does not intend to suggest either that plaintiff does not bear the burden of proof as to such matters or that such matters are not elements of plaintiff's prima facie case against Morgan Stanley.

FIRST DEFENSE

Plaintiff has failed to state a claim against Morgan Stanley on which relief may be granted.

SECOND DEFENSE

Plaintiff's claims are barred, in whole or in part, because any alleged breaches of representations or warranties did not have a material and adverse effect on the value of plaintiff's interests in the related mortgage loans.

THIRD DEFENSE

Plaintiff's claims are barred, in whole or in part, because plaintiff is in breach of the relevant contracts.

FOURTH DEFENSE

Plaintiff's claims are barred, in whole or in part, because any alleged breaches of representations and warranties are not the proximate cause of any loss in value of any loan or damages to FGIC.

FIFTH DEFENSE

Plaintiff's claims are barred, in whole or in part, by its failure to meet the requisite condition precedent prior to filing its claims.

SIXTH DEFENSE

Plaintiff is barred from recovery by its own inequitable conduct, including but not limited to plaintiff's unreasonable and unjustifiable interpretation of the relevant contractual provisions.

SEVENTH DEFENSE

Plaintiff's claims are barred, in whole or in part, by the doctrines of laches, waiver, acquiescence, and/or estoppel.

EIGHTH DEFENSE

Plaintiff's claims are barred, in whole or in part, by the doctrines of unjust enrichment and/or unclean hands.

NINTH DEFENSE

Plaintiff's claims are barred, in whole or in part, by the doctrines of avoidable consequences and/or mitigation of damages.

TENTH DEFENSE

Plaintiff's claims are barred, in whole or in part, by the applicable statute of limitations.

ELEVENTH DEFENSE

Morgan Stanley is entitled to recover contribution or indemnification from others for any liability incurred as a result of the misconduct alleged against Morgan Stanley.

TWELFTH DEFENSE

Other parties not named in the Amended Complaint may be indispensable parties to this action.

THIRTEENTH DEFENSE

Plaintiff's claims fail, in whole or in part, based on the terms of the governing contracts.

FOURTEENTH DEFENSE

Plaintiff's claims are barred, in whole or in part, by FGIC's own material breach of contract.

FIFTEENTH DEFENSE

Plaintiff's claims are barred, in whole or in part, because FGIC lacks standing to bring the instant action.

SIXTEENTH DEFENSE

Plaintiff's claims are barred, in whole or in part, because FGIC has no right to enforce the PSA.

SEVENTEENTH DEFENSE

Plaintiff's claims are barred, in whole or in part, by the absence of fraudulent intent or scienter on the part of Morgan Stanley.

EIGHTEENTH DEFENSE

Plaintiff's claims are barred, in whole or in part, by the absence of reasonable or justifiable reliance.

NINETEENTH DEFENSE

Plaintiff's claims are barred, in whole or in part, to the extent plaintiff failed to conduct appropriate due diligence prior to issuing the Policy.

TWENTIETH DEFENSE

Plaintiff's claims are barred, in whole or in part, because plaintiff cannot establish any actionable misrepresentations that induced its participation in the Insurance Agreement and the Policy.

TWENTY-FIRST DEFENSE

Plaintiff's claims are barred, in whole or in part, because Morgan Stanley had no duty to disclose any facts allegedly not disclosed.

TWENTY-SECOND DEFENSE

Plaintiff's claims are barred, in whole or in part, because plaintiff knew the truth of the statements it now claims were allegedly misrepresented.

TWENTY-THIRD DEFENSE

Plaintiff's claims are barred, in whole or in part, because none of the Transaction documents contain any untrue statements of material fact or omit a material fact required to be stated therein or necessary to make the statements therein not misleading.

TWENTY-FOURTH DEFENSE

Plaintiff's claims are barred, in whole or in part, because at the time the Transaction documents became effective, Morgan Stanley believed that the statements therein were true and that there was no omission of material fact required to be stated therein or necessary to make the statements therein not misleading.

TWENTY-FIFTH DEFENSE

Plaintiff's claims are barred, in whole or in part, because any damages it alleges to have sustained were caused by the acts and/or omissions of persons other than Morgan Stanley.

TWENTY-SIXTH DEFENSE

Morgan Stanley is entitled to a setoff of any amount determined to be owed by it, because it did not receive prompt, sufficiently detailed notice of the alleged breaches of representations and warranties so that Morgan Stanley might take action before the Mortgage Loans lost value or lost further value.

TWENTY-SEVENTH DEFENSE

Plaintiff's claims are barred, in whole or in part, to the extent FGIC seeks reimbursement for the claims payments that are the result of the very risks FGIC agreed to insure.

TWENTY-EIGHTH DEFENSE

Plaintiff's claims are barred, in whole or in part, to the extent FGIC receives or is entitled to payments or other value from any other source in connection with its alleged losses on the Policy. Morgan Stanley is entitled to all rights of setoff for payments that FGIC receives in connection with the Policy.

TWENTY-NINTH DEFENSE

Plaintiff's claims are barred, in whole or in part, to the extent FGIC receives or is entitled to payments or other value in connection with its ownership of or holding of any interest in any Certificates. Morgan Stanley is entitled to all rights of setoff for payments or value that FGIC receives in connection with the Certificates.

THIRTIETH DEFENSE

Plaintiff's claims are barred, in whole or in part, because certain of the alleged misstatements or omissions are not actionable statements of opinion that plaintiff has not alleged and cannot prove were not genuinely held when made.

THIRTY-FIRST DEFENSE

Plaintiff's claims are barred, in whole or in part, because Morgan Stanley is not liable for third-party statements accurately relayed in the Offering Documents, and had no duty to verify, opine upon, audit, review or correct information disclosed by third parties.

THIRTY-SECOND DEFENSE

Plaintiff's claims are barred, in whole or in part, because FGIC failed to plead allegations with particularity.

THIRTY-THIRD DEFENSE

Plaintiff's claims are barred, in whole or in part, because any allegedly misleading forward-looking statements were disclosed in the context of sufficient cautionary language and, as such, are not actionable.

THIRTY-FOURTH DEFENSE

The purported claims against Morgan Stanley and the allegations upon which they are based are improperly vague, ambiguous, and confusing. Morgan Stanley reserves the right to request a more definite statement.

THIRTY-FIFTH DEFENSE

Plaintiff's claims are barred, in whole or in part, because plaintiff did not suffer any loss caused by Morgan Stanley's alleged deception.

THIRTY-SIXTH DEFENSE

Plaintiff's claims fail, in whole or in part, based on the disclosures in the offering documents, information publicly available or widely known to the market and to the investment community, and/or information otherwise known to plaintiff.

THIRTY-SEVENTH DEFENSE

Plaintiff's claims for damages are barred, in whole or in part, because plaintiff did not suffer any legally cognizable injury or damages as a result of Morgan Stanley's conduct, and because plaintiff has received, and continues to receive, payment of principal and interest on some or all of the certificates identified in the Amended Complaint.

THIRTY-EIGHTH DEFENSE

Plaintiff's claims are barred, in whole or in part, because any allegedly misleading statements were disclosed in the context of sufficient cautionary language and, as such, are not actionable under the "bespeaks caution" doctrine.

THIRTY-NINTH DEFENSE

Plaintiff's claims are barred, in whole or in part, by the "economic loss" doctrine.

FORTIETH DEFENSE

Plaintiff's claims are barred, in whole or in part, because Morgan Stanley did not make a misrepresentation or commit a mistake with the requisite state of mind.

FORTY-FIRST DEFENSE

Any damages awarded to plaintiff must be offset by any amounts paid to the Trust through the SEC Settlement or to certificateholders in the Trust.

FORTY-SECOND DEFENSE

Plaintiff's claims are barred, in whole or in part, because Morgan Stanley did not have an obligation to notify Plaintiff of the alleged breaches of representations and warranties.

PRAYER FOR RELIEF

WHEREFORE, Morgan Stanley respectfully demands a judgment:

1. dismissing the Amended Complaint and each and every cause of action set forth therein with prejudice;
2. awarding Defendants their costs of suit and attorneys' fees; and
3. awarding Defendants such other and further relief as the Court deems just and proper.

Dated: New York, New York
January 29, 2020

DAVIS POLK & WARDWELL LLP

By: /s/ Brian S. Weinstein

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