

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT (the "Agreement") is entered into as of February 3, 2014 by and between (i) the Federal Housing Finance Agency ("FHFA" or "Plaintiff"), as Conservator of the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Federal National Mortgage Association ("Fannie Mae," and, together with Freddie Mac, "the GSEs"), Freddie Mac, and Fannie Mae, on the one hand, and (ii) Morgan Stanley, Morgan Stanley & Co., LLC, Morgan Stanley Mortgage Capital Holdings LLC, Morgan Stanley ABS Capital I, Inc., Morgan Stanley Capital I, Inc., Saxon Capital, Inc., Saxon Funding Management LLC (f/k/a Saxon Funding Management Inc.), Saxon Asset Securities Company, Gail P. McDonnell, Howard Hubler, David R. Warren, and Steven S. Stern (collectively, the "Morgan Stanley Defendants"), on the other. The Morgan Stanley Defendants, together with FHFA and the GSEs, are referred to herein as the "Settling Parties," with each a "Settling Party."¹

WHEREAS, on September 6, 2008, the Director of FHFA placed Fannie Mae and Freddie Mac into conservatorships pursuant to the Housing and Economic Recovery Act of 2008 ("HERA");

WHEREAS, on or about September 2, 2011, FHFA, in its capacity as Conservator for Fannie Mae and Freddie Mac, commenced an action against the Morgan Stanley Defendants in the Supreme Court of the State of New York, New York County, captioned *Federal Housing Finance Agency v. Morgan Stanley, et al.*, No. 652440/2011, which was removed to the United States District Court for the Southern District of New York on or about September 26, 2011, captioned *Federal Housing Finance Agency v. Morgan Stanley, et al.*, No. 11 CIV. 6739 (the "Action");

WHEREAS, on or about June 13, 2012, FHFA served an Amended Complaint in the Action (the "*Morgan Stanley* Complaint");

WHEREAS, the Morgan Stanley Defendants have determined that they are prepared to pay \$1,250,000,000.00 in settlement of all claims asserted against the Morgan Stanley Defendants in the Action, and FHFA has determined it is prepared to accept such amounts in exchange for such settlement and the releases and limitations set forth in this Agreement;

WHEREAS, the Settling Parties have now reached an agreement to fully and finally compromise, resolve, dismiss, discharge, and settle each and every one of the Released Claims against each and every one of the Released Persons, to dismiss the Action in its entirety with prejudice and on the merits;

¹ All terms with initial capitalization not otherwise defined herein shall have the meanings ascribed to them in Paragraph 1 herein.

NOW, THEREFORE, for good and valid consideration, the receipt and sufficiency of which is hereby acknowledged by all Settling Parties hereto, the Settling Parties agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the following meanings:

(a) "Affiliate" means, with respect to any specified Person, any other Person that, at the time of determination, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such specified Person, where "control" means, as to any Person, the power to direct or cause the direction of the management, policies, or practices of such Person, whether through the ownership of voting securities, by contract or otherwise. The terms "controlled by" and "under common control with" have correlative meanings.

(b) "Contract Claim" means any claim under a contract (including, without limitation, any claim under any Pooling and Servicing Agreement, Assignment and Recognition Agreement, or Mortgage Loan Purchase Agreement) alleging any breach or violation of any representation or warranty as to loans originated, purchased, acquired, transferred, or securitized regarding, or collateralizing, the Covered Securities, and which could result in an economic benefit to any Releasing Plaintiff Person by virtue of such person's ownership of Covered Securities.

(c) "Covered Securities" means all securities that are listed in Exhibit A, which list is intended by the Settling Parties to include all securities for which FHFA has brought claims against the Morgan Stanley Defendants in the Action.

(d) "Effective Date" means the date upon which the Settlement Payment, as defined below, is made and received by both GSEs, as evidenced by confirmation of the wire transfer pursuant to the written instructions of Plaintiff.

(e) "Execution Date" means the date by which all Settling Parties have signed this Agreement.

(f) "Person" means an individual, corporate entity, partnership, association, joint stock company, limited liability company, estate, trust, government entity (or any political subdivision or agency thereof) and any other type of business or legal entity; provided, however, that nothing in this definition or its use in this Agreement shall be construed to bind any governmental agency/entity other than FHFA in its capacity as Conservator for Fannie Mae and Freddie Mac, and the GSEs.

(g) "Protective Order" means the First Amended Protective Order filed on January 11, 2013 in the Action.

(h) "Released Claims" means, collectively, the Released Plaintiff Claims and the Released Defendant Claims.

(i) “Released Defendant Claims” means any and all claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, interests, debts, expenses, charges, penalties, sanctions, fees, attorneys’ fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues and controversies of any kind, nature and description whatsoever that relate to the Covered Securities, (i) whether disclosed or undisclosed, known or unknown, accrued or unaccrued, matured or not matured, perfected or not perfected, choate or inchoate, liquidated or not liquidated, fixed or contingent, ripened or unripened; (ii) whether at law or equity, whether based on or arising under state, local, foreign, federal, statutory, regulatory, common, or other law or rule and upon any legal theory (including, but not limited to, claims arising under federal or state securities laws), no matter how asserted; (iii) that previously existed, currently exist, or exist as of the Effective Date; and (iv) that were, could have been, or may be asserted by any or all of the Releasing Defendant Persons against any or all of the Released Plaintiff Persons in any federal or state court, or in any other court, tribunal, arbitration, proceeding, administrative agency, or other forum in the United States or elsewhere; provided, however, that the Released Defendant Claims shall not include: (i) any claims against any Person other than the Released Plaintiff Persons, (ii) any Contract Claims or (iii) any claims to enforce this Agreement.

(j) “Released Defendant Persons” means (i) each of the Morgan Stanley Defendants, (ii) Credit Suisse Securities (USA) LLC (f/k/a Credit Suisse First Boston LLC) and RBS Securities, Inc. (d/b/a Greenwich Capital and f/k/a Greenwich Capital Markets, Inc.) along with, in the case of each of (i) and (ii), each of such Person’s past and/or present principals, Affiliates, subsidiaries, parents, general partners, limited partners, and any Person in which any of such Persons listed in (i) or (ii) has a controlling interest, and each such Person’s past and/or present principals, administrators, predecessors, successors, assigns, members, parents, subsidiaries, employees, officers, managers, directors, partners, limited partners, investment bankers, representatives, estates, divisions, financial advisors, estate managers, assigns, insurers and reinsurers.

(k) “Released Persons” means, collectively, the Released Plaintiff Persons and the Released Defendant Persons.

(l) “Released Plaintiff Claims” means any and all claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, interests, debts, expenses, charges, penalties, sanctions, fees, attorneys’ fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues, and controversies of any kind, nature, and description whatsoever that relate to the Covered Securities, (i) whether disclosed or undisclosed, known or unknown, accrued or unaccrued, matured or not matured, perfected or not perfected, choate or inchoate, liquidated or not liquidated, fixed or contingent, ripened or unripened; (ii) whether at law or equity, whether based on or arising under state, local, foreign, federal, statutory, regulatory, common, or other law or rule and upon any legal theory (including, but not limited to, claims arising under federal or state securities laws), no matter how asserted; (iii) that previously existed, currently exist, or exist as of the Effective Date; and (iv) that were, could have been, or may be asserted by any or all of the Releasing Plaintiff Persons against any or all of the Released Defendant Persons in any federal or state court, or in any other court, tribunal, arbitration, proceeding, administrative agency, or other forum in the United States or elsewhere; provided, however, that the Released Plaintiff Claims shall not include (i) any claims against any

Person other than the Released Defendant Persons; (ii) any Contract Claims; or (iii) any claims to enforce this Agreement.

(m) “Released Plaintiff Persons” means each of (i) FHFA, solely in its capacity as Conservator of the GSEs; and (ii) the GSEs, along with each of the GSEs’ respective past and/or present principals, Affiliates, subsidiaries, parents, general partners, limited partners, and any Person in which the GSEs have a controlling interest, and each such Person’s past and/or present administrators, predecessors, successors, assigns, members, parents, subsidiaries, employees, principals, officers, managers, directors, partners, limited partners, investment bankers, representatives, estates, divisions, financial advisors, assigns, insurers, and reinsurers. “Released Plaintiff Person” does not include any governmental entity or agency besides FHFA, solely in its capacity as conservator of the GSEs.

(n) “Releasing Defendant Persons” means each of the Morgan Stanley Defendants and each and all of their respective successors in interest, predecessors, representatives, trustees, executors, administrators, agents, heirs, estates, assigns or transferees, immediate and remote, and any other Person who has the right, ability, standing, or capacity to assert, prosecute, or maintain on their behalf any of the Released Defendant Claims, whether in whole or in part; provided, however, that “Releasing Defendant Persons” shall not include any of the Morgan Stanley Defendants’ outside counsel.

(o) “Releasing Persons” means, collectively, the Releasing Plaintiff Persons and the Releasing Defendant Persons.

(p) “Releasing Plaintiff Persons” means (i) FHFA, solely in its capacity as Conservator of the GSEs; (ii) the GSEs; and (iii) each and all of FHFA and the GSEs’ respective successors in interest, predecessors, representatives, trustees, executors, administrators, agents, heirs, estates, assigns or transferees, immediate and remote, and any other Person who has the right, ability, standing, or capacity to assert, prosecute, or maintain on their behalf any of the Released Plaintiff Claims, whether in whole or in part; provided, however, that nothing in this definition or its use in this Agreement shall be construed to bind or constitute a release by any governmental agency/entity other than FHFA solely in its capacity as Conservator of Fannie Mae and Freddie Mac. “Releasing Plaintiff Persons” shall not include any of FHFA’s or the GSEs’ outside counsel.

2. Settlement Payment.

(a) In consideration for the Plaintiff’s execution and performance of this Agreement, Morgan Stanley & Co. LLC shall make or cause to be made, for the benefit of FHFA and the GSEs, a one-time, lump sum payment of one billion two hundred fifty million dollars (\$1,250,000,000.00) (the “Settlement Payment”), payable to Freddie Mac and Fannie Mae, in accordance with FHFA’s written instructions. Morgan Stanley & Co. LLC shall make the Settlement Payment, or cause it to be made, within five (5) business days of the Execution Date.

(b) Payment of the Settlement Payment shall constitute a full and valid discharge of the Morgan Stanley Defendants’ payment obligation pursuant to this Agreement and in connection with the settlement of the Action.

3. Full Consideration. The Settling Parties agree that, apart from the Settlement Payment and the releases provided in Paragraphs 6 and 8 below, Plaintiff and the Releasing Plaintiff Persons are not entitled to any other payments or consideration from any of the Released Defendant Persons in respect of the Released Claims.

4. No Admission. This Agreement does not constitute an admission by any of the Morgan Stanley Defendants of any liability or wrongdoing whatsoever, including, but not limited to, any liability or wrongdoing with respect to any of the allegations that were or could have been raised in the Action. The Parties agree that this Agreement is the result of a compromise within the provisions of the Federal Rules of Evidence, and any similar statutes or rules, and shall not be used or admitted in any proceeding for any purpose including, but not limited to, as evidence of liability or wrongdoing by any Morgan Stanley Defendant, nor shall it be used for impeachment purposes, to refresh recollection, or any other evidentiary purpose; provided, however, that this paragraph shall not apply to any claims to enforce this Agreement.

5. Additional Conditions:

(a) No later than one (1) business day after the Execution Date, the Settling Parties shall jointly file a motion to stay all proceedings in the Action.

(b) No later than one (1) business day after the Effective Date, the Settling Parties shall jointly file a stipulation of voluntary dismissal with prejudice of the Action pursuant to Fed. R. Civ. P. 41(a)(1)(A)(ii), in the form attached hereto as Exhibit B.

6. Release by the Releasing Plaintiff Persons. In exchange for the Settlement Payment and the release provided by the Releasing Defendant Persons, each and every one of the Releasing Plaintiff Persons shall upon the Effective Date: (a) have and be deemed by operation of law to have completely, fully, finally, and forever dismissed, released, relinquished and discharged with prejudice each and every one of the Released Defendant Persons from any and all of the Released Plaintiff Claims; (b) forever be barred and enjoined from filing, commencing, intervening in, instituting, maintaining, prosecuting, or seeking relief (including, but not limited to, filing an application or motion for preliminary or permanent injunctive relief) in any other lawsuit, arbitration, or other proceeding in any jurisdiction that asserts any of the Released Plaintiff Claims against any or all of the Released Defendant Persons; and (c) have and be deemed to have covenanted not to sue any of the Released Defendant Persons with respect to any of the Released Plaintiff Claims.

7. Covenants by the Plaintiff. Effective upon execution of this Agreement, FHFA and the GSEs, on behalf of themselves and all of the Releasing Plaintiff Persons, hereby covenant and agree that:

(a) No Releasing Plaintiff Person shall commence, assert, file, or initiate any Released Plaintiff Claim, including (but not limited to) by way of third-party claim, cross-claim, or counterclaim, or by right of representation or subrogation, against any of the Released Defendant Persons.

(b) No Releasing Plaintiff Person shall participate in bringing or pursuing any Released Plaintiff Claim against any Released Defendant Person; provided, however, that subject

to the terms of the Protective Order, a Releasing Plaintiff Person shall not be precluded from assisting other government agencies in investigating or pursuing any claim against any Released Defendant Person.

(c) Nothing in this Agreement shall prevent FHFA from seeking third-party discovery from any Released Defendant Person in any action or proceeding not related to a Released Plaintiff Claim.

8. Release by the Releasing Defendant Persons. In exchange for the release provided by the Releasing Plaintiff Persons and the dismissal with prejudice of the Action, each and every one of the Releasing Defendant Persons shall upon the Effective Date (a) have and be deemed by operation of law completely, fully, finally, and forever to have dismissed, relinquished, released, and discharged with prejudice each and every one of the Released Plaintiff Persons from any and all of the Released Defendant Claims; (b) forever be barred and enjoined from filing, commencing, intervening in, participating in, instituting, maintaining, prosecuting, or seeking relief (including, but not limited to, filing an application or motion for preliminary or permanent injunctive relief) in any other lawsuit, arbitration, or other proceeding in any jurisdiction that asserts any of the Released Defendant Claims against any or all of the Released Plaintiff Persons; and (c) have and be deemed to have covenanted not to sue any of the Released Plaintiff Persons with respect to any of the Released Defendant Claims.

9. Acknowledgment Regarding Release of Claims. Each of the Settling Parties acknowledges that it has been advised by its attorneys concerning, and is familiar with, California Civil Code Section 1542 and expressly waives any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to the provisions of the California Civil Code Section 1542, including that provision itself, which reads as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

The Parties acknowledge that inclusion of the provisions of this Section to this Agreement was a material and separately bargained for element of this Agreement.

10. Covenants by the Morgan Stanley Defendants. Effective upon execution of this Agreement, the Morgan Stanley Defendants, on behalf of themselves and all of the Releasing Defendant Persons, hereby covenant and agree that:

(a) No Releasing Defendant Person shall commence, assert, file, or initiate any Released Defendant Claim, including (but not limited to) by way of third-party claim, cross-claim or counterclaim or by right of representation or subrogation, against any of the Released Plaintiff Persons.

(b) No Releasing Defendant Person shall participate in bringing or pursuing any Released Defendant Claim against any Released Plaintiff Person.

(c) Nothing in this Agreement shall prevent any Released Defendant Person from seeking third-party discovery from any Released Plaintiff Person in any action or proceeding not related to a Released Defendant Claim.

11. Protective Order. The obligations and benefits conferred in the Protective Order, governing confidentiality of information and documents entered in the Action, shall remain in effect after the Execution Date, subject to the provisions of this Agreement.

12. No Effect On Interest in the Covered Securities. Other than as specifically set forth in this Agreement or as otherwise provided by law, nothing herein prohibits, restricts, or limits FHFA or the GSEs from receiving any benefits deriving from, or exercising any rights appurtenant to, the GSE's ownership of interests in the Covered Securities in the ordinary course, including, without limitation, the right to receive or assign payments from its investments in the Covered Securities or to sell or otherwise dispose of its interests in the Covered Securities.

13. Representations and Warranties. Each Settling Party represents and warrants that:

(a) it has the full legal authority, right, and capacity to enter into this Agreement on its behalf and to bind the Settling Party to perform its obligations hereunder, including any third-party authorization necessary to release the claims being released hereunder. This Agreement has been duly and validly executed and delivered by such Settling Party and, assuming due authorization, execution, and delivery by the other Settling Party, constitutes a legal, valid, and binding obligation of such Settling Party, enforceable against such Settling Party in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency, and the relief of debtors, and rules of law governing specific performance, injunctive relief, or other equitable remedies;

(b) the execution and delivery of this Agreement, the performance by such Settling Party of its obligations hereunder and the consummation of the transactions contemplated hereby, will not: (i) result in the violation by such Settling Party of any statute, law, rule, regulation, or ordinance or any judgment, decree, order, writ, permit, or license of any governmental or regulatory authority applicable to such Settling Party; or (ii) require such Settling Party to obtain any consent, approval, or action of, make any filing with, or give any notice to, any person, which action has not already been undertaken and accomplished by such Settling Party;

(c) it has not assigned, subrogated, pledged, loaned, hypothecated, conveyed, or otherwise transferred, voluntarily or involuntarily, to any other person or entity, the Released Claims, or any interest in or part or portion thereof, specifically including any rights arising out of the Released Claims; and

(d) it has read and understands this Agreement and it has had the opportunity to consult with its attorneys before signing it.

14. Authority. By signing this Agreement, each Settling Party, or its counsel as applicable, represents and warrants that it has full authority to enter into this Agreement and to bind itself, or its client, to this Agreement.

15. Entire Agreement. This Agreement constitutes the entire agreement among the Settling Parties and overrides and replaces all prior negotiations and terms proposed or discussed, whether in writing or orally, about the subject matter hereof. No modification of this Agreement shall be valid unless it is in writing, identified as an amendment to the Agreement, and signed by all Settling Parties hereto. No party to this Agreement may seek to revoke the Agreement, or otherwise avoid its obligations hereunder, based upon any decisions or orders by any court of competent jurisdiction in the Action issued after the Execution Date.

16. Jurisdiction. All parties hereto submit to the personal jurisdiction of the United States District Court for the Southern District of New York, or to the Supreme Court of New York for New York County in the event that federal jurisdiction is lacking, for purposes of implementing and enforcing the settlement embodied in this Agreement. The Settling Parties otherwise expressly reserve their jurisdictional rights to any action, suit, or proceeding commenced outside the terms of this Agreement.

17. Necessary Actions. Each of the Settling Parties hereto agrees to execute and deliver, or to cause to be executed and delivered, all such instruments, and to take all such action as the other Settling Parties may reasonably request, in order to effectuate the intent and purposes of, and to carry out the terms of, this Agreement.

18. Choice of Law. This Agreement is governed by, and shall be construed in accordance with, the laws of the State of New York without regard to conflicts of law principles.

19. Costs and Expenses. Each Settling Party shall bear its own costs and expenses, including any and all legal and expert fees, incurred in connection with this Agreement and the Action.

20. Notices. Notices required by this Agreement shall be communicated by email and any form of overnight mail or in person to:

Marc E. Kasowitz (mkasowitz@kasowitz.com)
Hector Torres (htorres@kasowitz.com)
Christopher P. Johnson (cjohnson@kasowitz.com)
Michael Hanin (mhanin@kasowitz.com)
Kanchana Wangkeo Leung (kleung@kasowitz.com)
Kasowitz, Benson, Torres & Friedman LLP
1633 Broadway
New York, New York 10019

*Attorneys for Plaintiff Federal Housing Finance Agency,
Fannie Mae, and Freddie Mac*

Donald S. Bernstein (donald.bernstein@davispolk.com)
James P. Rouhandeh (rouhandeh@davispolk.com)
Brian S. Weinstein (brian.weinstein@davispolk.com)
Daniel J. Schwartz (daniel.schwartz@davispolk.com)
Nicholas N. George (nicholas.george@davispolk.com)
Hilary Dengel (hilary.dengel@davispolk.com)

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017

Attorneys for the Morgan Stanley Defendants

21. Arm's Length Negotiation. This Agreement is the result of arm's-length negotiation between the Settling Parties and all Settling Parties have contributed substantially and materially to the preparation of this Agreement. No provision of this Agreement shall be interpreted or construed against any Settling Party because that Settling Party or its legal representative drafted that particular provision. Any captions and headings contained in this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

22. Binding on Successors. Upon execution by the Settling Parties, this Agreement is binding upon, and shall inure to the benefit of, the Settling Parties, their successors, assigns, heirs, executors, legal representatives and administrators.

23. Third-Party Beneficiaries. Except to the extent otherwise provided herein with respect to the Released Persons as defined herein, nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever.

24. Non-Waiver.

(a) Any failure by any Settling Party to insist upon the strict performance by any other Settling Party of any of the provisions of this Agreement shall not be deemed a waiver of any of the provisions hereof, and such Settling Party, notwithstanding such failure, shall have the right thereafter to insist upon the strict performance of any and all of the provisions of this Agreement to be performed by such other Settling Party.

(b) No waiver, express or implied, by any Settling Party of any breach or default in the performance by the other Settling Party of its obligations under this Agreement shall be deemed or construed to be a waiver of any other breach, whether prior, subsequent or contemporaneous, under this Agreement.

25. Counterparts. This Agreement may be executed in multiple counterparts, which shall be deemed an original but all of which together shall constitute one and the same instrument. Signatures exchanged by facsimile or .pdf shall be valid and effective as original signatures.

26. Exhibits. All of the exhibits attached to this Agreement are material and integral parts hereof and are hereby incorporated by reference as if fully set forth herein.

27. Consummation. The Settling Parties and their respective counsel agree to cooperate fully with one another in order to effect the consummation of the settlement of the Action.

IN WITNESS WHEREOF, the Settling Parties execute this Agreement as of the date first above referenced with the intent to be bound by its terms and conditions.

**FEDERAL HOUSING FINANCE
AGENCY, AS CONSERVATOR FOR
THE FEDERAL NATIONAL
MORTGAGE ASSOCIATION AND
THE FEDERAL HOME LOAN
MORTGAGE CORPORATION**

By: Alfred M. Pollard
Name: ALFRED M. POLLARD
Title: GENERAL COUNSEL

Dated: 2-7-2014

**MORGAN STANLEY
MORGAN STANLEY & CO., LLC
MORGAN STANLEY MORTGAGE
CAPITAL HOLDINGS LLC
MORGAN STANLEY ABS CAPITAL
I, INC.
MORGAN STANLEY CAPITAL I,
INC.
SAXON CAPITAL, INC.
SAXON FUNDING MANAGEMENT
LLC
SAXON ASSET SECURITIES
COMPANY**

**FEDERAL HOME LOAN
MORTGAGE CORPORATION**

By: William H. McDavid
Name: William H. McDavid
Title: Executive Vice President, General
Counsel & Corporate Secretary

Dated: 2/7/14

By: _____
Name: Eric Grossman
Title: Chief Legal Officer

Dated: _____

**FEDERAL NATIONAL MORTGAGE
ASSOCIATION**

By: Judith C. Sun
Name: JUDITH C. SUN
Title: SENIOR VICE PRESIDENT & PRINCIPAL
DEPUTY GENERAL COUNSEL
Dated: February 7, 2014

IN WITNESS WHEREOF, the Settling Parties execute this Agreement as of the date first above referenced with the intent to be bound by its terms and conditions.

**FEDERAL HOUSING FINANCE
AGENCY, AS CONSERVATOR FOR
THE FEDERAL NATIONAL
MORTGAGE ASSOCIATION AND
THE FEDERAL HOME LOAN
MORTGAGE CORPORATION**

By: _____
Name: _____
Title: _____
Dated: _____

**MORGAN STANLEY
MORGAN STANLEY & CO., LLC
MORGAN STANLEY MORTGAGE
CAPITAL HOLDINGS LLC
MORGAN STANLEY ABS CAPITAL
I, INC.
MORGAN STANLEY CAPITAL I,
INC.
SAXON CAPITAL, INC.
SAXON FUNDING MANAGEMENT
LLC
SAXON ASSET SECURITIES
COMPANY**

**FEDERAL HOME LOAN
MORTGAGE CORPORATION**

By: _____
Name: _____
Title: _____
Dated: _____

By:  _____
Name: Eric Grossman
Title: Chief Legal Officer

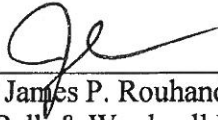
Dated: 2/3/14

**FEDERAL NATIONAL MORTGAGE
ASSOCIATION**

By: _____
Name: _____
Title: _____
Dated: _____

**GAIL P. MCDONNELL
HOWARD HUBLER
DAVID R. WARREN
STEVEN S. STERN**

By: _____



Name: James P. Rouhandeh
Davis Polk & Wardwell LLP

Dated: _____

2/7/14

COVERED SECURITIES

Security Name	CUSIP	Action
AMIT 2005-4	00252FDF5	<i>Morgan Stanley</i>
MSAC 2005-HE5	61744CUN4	<i>Morgan Stanley</i>
MSAC 2005-HE6	61744CVT0	<i>Morgan Stanley</i>
MSAC 2006-HE2	617451ER6	<i>Morgan Stanley</i>
MSAC 2006-HE3	61749HAA8	<i>Morgan Stanley</i>
MSAC 2006-HE5	61749NAA5	<i>Morgan Stanley</i>
MSAC 2006-HE6	61750FAA8	<i>Morgan Stanley</i>
MSAC 2006-HE8	61750SAA0	<i>Morgan Stanley</i>
MSAC 2006-NC2	617451EB1	<i>Morgan Stanley</i>
MSAC 2006-NC3	61744CYZ3	<i>Morgan Stanley</i>
MSAC 2006-NC4	61748LAA0	<i>Morgan Stanley</i>
MSAC 2006-WMC2	61749KAA1	<i>Morgan Stanley</i>
MSAC 2007-HE1	617526AA6	<i>Morgan Stanley</i>
MSAC 2007-HE5	61753KAA4	<i>Morgan Stanley</i>
MSAC 2007-HE7	61756YAA1	<i>Morgan Stanley</i>
MSAC 2007-NC1	617505AA0	<i>Morgan Stanley</i>
MSHEL 2005-4	61744CVE3	<i>Morgan Stanley</i>
MSM 2005-10	61748HSG7	<i>Morgan Stanley</i>
MSM 2005-7	61748HPE5	<i>Morgan Stanley</i>
MSM 2006-16AX	617487AA1	<i>Morgan Stanley</i>
MSM 2006-2	61748HVY4	<i>Morgan Stanley</i>
MSM 2006-2	61748HVZ1	<i>Morgan Stanley</i>
MSM 2007-2AX	61751TAA7	<i>Morgan Stanley</i>
MSM 2007-5AX	61751GAA5	<i>Morgan Stanley</i>
MSM 2007-7AX	61754HAA0	<i>Morgan Stanley</i>
NCHET 2005-B	64352VNE7	<i>Morgan Stanley</i>
NCHET 2005-C	64352VNU1	<i>Morgan Stanley</i>
NCHET 2005-D	64352VPK1	<i>Morgan Stanley</i>
SAST 2005-3	805564SM4	<i>Morgan Stanley</i>
SAST 2006-1	80556UAA1	<i>Morgan Stanley</i>
SAST 2006-2	80556XAA5	<i>Morgan Stanley</i>
SAST 2006-2	80556XAB3	<i>Morgan Stanley</i>
SAST 2007-1	80556BAA3	<i>Morgan Stanley</i>
SAST 2007-2	80556YAA3	<i>Morgan Stanley</i>
SAST 2007-3	80557BAA2	<i>Morgan Stanley</i>
SAST 2007-3	80557BAF1	<i>Morgan Stanley</i>
SAST 2007-3	80557BAH7	<i>Morgan Stanley</i>
SAST 2007-3	80557BAK0	<i>Morgan Stanley</i>
SAST 2007-3	80557BAM6	<i>Morgan Stanley</i>
SAST 2007-3	80557BAP9	<i>Morgan Stanley</i>
SAST 2007-3	80557BAR5	<i>Morgan Stanley</i>

(f/k/a Saxon Funding Management Inc.), Saxon Asset Securities Company, Gail P. McDonnell, Howard Huber, David R. Warren, and Steven S. Stern have reached a settlement agreement disposing of all claims asserted in the above-captioned action (the “Action”);

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by and between the parties, through their undersigned counsel, that, pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(ii), this Action shall be, and hereby is, dismissed with prejudice, with each party to bear its own costs.

Dated: February __, 2014
New York, New York

By: _____

Marc E. Kasowitz
(mkasowitz@kasowitz.com)
Hector Torres
(htorres@kasowitz.com)

Christopher P. Johnson
(cjohnson@kasowitz.com)
Charles M. Miller
(cmiller@kasowitz.com)
Michael A. Hanin
(mhanin@kasowitz.com)
Kanchana Wangkeo Leung
(kleung@kasowitz.com)
KASOWITZ BENSON TORRES &
FRIEDMAN LLP
1633 Broadway
New York, NY 10019
Tel. (212) 506-1700
Fax (212) 506-1800

*Attorneys for Plaintiff
Federal Housing Finance Agency*

By: _____

Richard W. Clary
(rclary@cravath.com)
Michael T. Reynolds
(mreynolds@cravath.com)
CRAVATH, SWAINE & MOORE LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019
Tel. (212) 474-1000
Fax (212) 474-3700

*Attorneys for Defendant Credit Suisse Securities
(USA) LLC*

By: _____

James P. Rouhandeh
(rouhandeh@davispolk.com)
Brian S. Weinstein
(brian.weinstein@davispolk.com)
Daniel J. Schwartz
(daniel.schwartz@davispolk.com)
Nicholas N. George
(nicholas.george@davispolk.com)
Jane M. Morril
(jane.morril@davispolk.com)
DAVIS POLK & WARDWELL LLP
450 Lexington Avenue
New York, New York 10017
Tel. (212) 450-4835
Fax (212) 701-5835

*Attorneys for Defendants Morgan Stanley,
Morgan Stanley & Co. Incorporated (n/k/a
Morgan Stanley & Co. LLC), Morgan Stanley
Mortgage Capital Holdings LLC (successor-in-
interest to Morgan Stanley Mortgage Capital
Inc.), Morgan Stanley ABS Capital I Inc.,
Morgan Stanley Capital I Inc., Saxon Capital,
Inc., Saxon Funding Management LLC, Saxon
Asset Securities Company, Gail P. McDonnell,
Howard Hubler, David R. Warren, and Steven
S. Stern*

By: _____

Thomas C. Rice
(trice@stblaw.com)
David J. Woll
(dwoll@stblaw.com)
Alan Turner
(aturner@stblaw.com)
SIMPSON THACHER & BARTLETT LLP
425 Lexington Avenue
New York, New York 10017
Tel. (212) 455-2000
Fax (212) 455-2502

Attorneys for Defendant RBS Securities Inc.