

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

In the matter of the application of

U.S. BANK NATIONAL ASSOCIATION, THE BANK OF NEW YORK MELLON, THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., WILMINGTON TRUST, NATIONAL ASSOCIATION, LAW DEBENTURE TRUST COMPANY OF NEW YORK, WELLS FARGO BANK, NATIONAL ASSOCIATION, HSBC BANK USA, N.A., and DEUTSCHE BANK NATIONAL TRUST COMPANY (as Trustees under various Pooling and Servicing Agreements and Indenture Trustees under various Indentures), AEGON USA Investment Management, LLC (intervenor), Bayerische Landesbank (intervenor), BlackRock Financial Management, Inc. (intervenor), Cascade Investment, LLC (intervenor), the Federal Home Loan Bank of Atlanta (intervenor), the Federal Home Loan Mortgage Corporation (Freddie Mac) (intervenor), the Federal National Mortgage Association (Fannie Mae) (intervenor), Goldman Sachs Asset Management, L.P. (intervenor), Voya Investment Management LLC (f/k/a ING Investment LLC) (intervenor), Invesco Advisers, Inc. (intervenor), Kore Advisors, L.P. (intervenor), Landesbank Baden-Wuerttemberg (intervenor), Metropolitan Life Insurance Company (intervenor), Pacific Investment Management Company LLC (intervenor), Sealink Funding Limited (intervenor), Teachers Insurance and Annuity Association of America (intervenor), The Prudential Insurance Company of America (intervenor), The TCW Group, Inc. (intervenor), Thrivent Financial for Lutherans (intervenor), and Western Asset Management Company (intervenor),

Petitioners,

– against –

TRIAXX PRIME CDO 2006-1, LTD., TRIAXX PRIME CDO 2006-2, LTD., TRIAXX PRIME CDO 2007-1, LTD. (intervenor), QVT FUND V LP, QVT FUND IV LP, QUINTESSENCE FUND L.P., QVT FINANCIAL LP (intervenor), and AMBAC ASSURANCE CORPORATION, AND THE SEGREGATED ACCOUNT OF AMBAC ASSURANCE CORPORATION (intervenor), and W&L INVESTMENTS, LLC (intervenor),

Respondents,

for an order, pursuant to CPLR § 7701, seeking judicial instruction.

Index No.
652382/2014

**AFFIDAVIT OF THOMAS MUSARRA OF LAW DEBENTURE
IN SUPPORT OF THE TRUSTEES' FIRST AMENDED PETITION**

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

THOMAS MUSARRA, being duly sworn, deposes and says:

1. I am Senior Vice-President of Corporate Trust at Law Debenture Trust Company of New York (“Law Debenture” or the “Separate Trustee”). I submit this affidavit in support of the First Amended Petition (“Petition”) filed by Petitioners Law Debenture, U.S. Bank National Association (“U.S. Bank”), The Bank of New York Mellon (“BNYM”), The Bank of New York Mellon Trust Company, N.A. (“BNYMTC”), Wilmington Trust, National Association (“Wilmington Trust”), Wells Fargo Bank, National Association (“Wells Fargo”), Deutsche Bank National Trust Company (“Deutsche Bank”), and HSBC Bank USA, National Association (“HSBC”), solely in their respective capacities as trustees, indenture trustees, successor trustees, and/or separate trustees (collectively, “Trustees”) for the residential mortgage-backed securitization (“RMBS”) trusts and/or loan groups listed in Exhibit A (“Accepting Trusts”) of the Petition, in the special proceeding pursuant to CPLR 409(b), entitled *In re U.S. Bank National Association*, Index No. 652382/2014 (N.Y. Sup. Ct., N.Y. Cnty.).¹

2. I have personal knowledge of the facts set forth herein, except as to certain matters that I believe to be true based on (a) information provided by the Trustees’ experts, (b) information about positions of parties in this Article 77 proceeding contained in pleadings that I reviewed, and (c) my review of business records of Law Debenture.

¹ Law Debenture was appointed on various dates as Separate Trustee for thirty of the RMBS trusts for which Wells Fargo serves as trustee (the “30 Trusts”). *See* Appendix A attached hereto.

3. In my capacity as Senior Vice-President of Corporate Trust, my responsibilities include, among other things, managing and overseeing matters relating to Law Debenture's role as Separate Trustee to various RMBS trusts, on behalf of which Law Debenture pursues repurchase claims resulting from alleged breaches of representations and warranties made by sellers and other transaction parties related to mortgage loans within the portfolios of the trusts.

4. Law Debenture serves as Separate Trustee for the 30 Trusts that were sponsored by an indirect subsidiary of JPMorgan Chase & Co. (with its direct and indirect subsidiaries, "JPM"). The 30 Trusts are listed on Appendix A hereto, which notes the dates on which Law Debenture became Separate Trustee for each trust.

I. TERMS OF THE SETTLEMENT OFFER

5. By letter dated November 15, 2013, counsel (Gibbs & Bruns) for a group of institutional investors,² holding more than 30% of the unpaid principal balance of securities from 330 RMBS trusts sponsored by JPM (the "Trusts"), informed the Trustees, in their capacities as trustees of the Trusts, of a settlement offer made by JPM (the "Settlement Offer") and urged the Trustees to accept the Settlement Offer. *See* T 2, at 1-2.³

² The institutional investors are: Aegon USA Investment Management, LLC; Bayerische Landesbank; BlackRock Financial Management, Inc.; Cascade Investment, LLC; the Federal Home Loan Bank of Atlanta; the Federal Home Loan Mortgage Corporation (Freddie Mac); the Federal National Mortgage Association; Goldman Sachs Asset Management L.P.; Voya Investment Management LLC (f/k/a ING Investment Management LLC); Invesco Advisers, Inc.; Kore Advisors, L.P.; Landesbank Baden-Wuerttemberg; Metropolitan Life Insurance Company; Pacific Investment Management Company LLC; Sealink Funding Limited; Teachers Insurance and Annuity Association of America; The Prudential Insurance Company of America; the TCW Group, Inc.; Thrivent Financial for Lutherans; Western Asset Management Company. These investors are referenced in this affidavit as the "Institutional Investors."

³ For the Court's convenience and to avoid duplicative submissions, I have cited to the Trustees' Exhibit list submitted in this proceeding. Exhibits are cited as "T 1" etc.

6. The Settlement Offer contemplated that JPM would make a cash payment to the Trustees on behalf of Investors⁴ in the Trusts to settle repurchase and servicing claims against JPM relating to the underwriting of loans and the servicing of them, as well as make servicing improvements. The Settlement Offer was memorialized in a proposed settlement agreement (the “Settlement Agreement”).

7. Under the terms of the Settlement Agreement, the Settlement Offer was presented to the Trustees for their review, evaluation, and acceptance. *See* T 3 (Settlement Agreement), ¶ 2.02(a). If the Trustees accepted the Settlement Offer as to all 330 Trusts, JPM’s cash payment would equal \$4.5 billion. Certain of the Trusts contain multiple “Loan Groups,” and the terms of the Settlement Agreement permitted the Trustees to accept or reject the Settlement Offer on a Loan Group by Loan Group basis. *See* Settlement Agreement, ¶ 2.07.

8. The Settlement Agreement permitted the Trustees to extend the Acceptance Date with JPM’s consent. Settlement Agreement, ¶ 2.03(b). The Trustees’ last date to accept the Settlement Offer (the “Acceptance Date”) was set as August 1, 2014, but was extended for a few Trusts and Loan Groups to October 1, 2014.

II. THE SEPARATE TRUSTEE’S EVALUATION OF THE SETTLEMENT OFFER

9. Wells Fargo Bank, N.A. is trustee for each of the 30 Trusts. In its capacity as Separate Trustee, Law Debenture has authority to enforce and compromise repurchase claims against JPM, but not servicing claims, which is Wells Fargo’s responsibility.

10. To the best of my knowledge, I am not aware of an Event of Default under the applicable agreements for any of the 30 Trusts. Nor have I been advised by Wells Fargo that

⁴ For ease of reference, I use the term “certificate” to refer to certificates and notes issued under agreements governing the Trusts and the term “Investor” to refer to Certificateholders, Noteholders, beneficial owners, and investment managers acting on behalf of beneficial owners of certificates or notes of the Trusts.

there had been an Event of Default as to any of the 30 Trusts. *See* T 345, Instrument of Appointment and Acceptance dated February 10, 2012, § 1.5 (“Additionally, the Trustee [Wells Fargo] shall notify the Separate Trustee if an event of default or termination event occurs under any PSA covered by this Agreement”).

11. In connection with its appointment as Separate Trustee of the 30 Trusts, the Separate Trustee retained the law firm Seward & Kissel LLP to represent it as outside counsel in connection with the Settlement Offer.

12. In connection with my management and oversight role relating to Law Debenture’s activities as a Separate Trustee for the 30 Trusts, I was primarily responsible for the Separate Trustee’s review of the Settlement Offer regarding repurchase claims. I participated in regularly-scheduled calls with the other Trustees and their counsel, as well as regular calls with Law Debenture’s outside counsel concerning the Settlement Offer. I also communicated with Investors who made inquiries regarding the Settlement Offer.

III. THE SEPARATE TRUSTEE’S EVALUATION AND SELECTION OF EXPERTS

13. After receiving the Settlement Offer in November 2013, the Trustees’ counsel consulted with each other and began the process of identifying potential experts to assist the Trustees in their evaluation of the Settlement Offer. I participated in presentations made by some of the potential experts.

14. The Trustees considered various areas of possible expert advice and guidance. Ultimately the Trustees decided to obtain advice from: (i) valuation experts; (ii) legal experts; and (iii) an expert who could evaluate the reasonableness and adequacy of the proposed settlement based on a number of factors, including the results of the analyses conducted by the Trustees’ other experts, and provide a recommendation to either accept or reject the Settlement Offer as to each Trust and Loan Group.

15. The expertise to be rendered by the valuation experts included analysis of the following: losses associated with breaches of representations and warranties and servicing for the Trusts that are subject to the Settlement Offer, the losses for each of the Loan Groups, and the net recovery for each of the Loan Groups in each of the Trusts subject to the Settlement Offer.

16. The Trustees selected Faten Sabry of NERA Economic Consulting to apply the “allocation Formula” specified in paragraph 3.05 of the Settlement Agreement and calculate the adjusted loss for each Trust, the percent of the Total Adjusted Losses incurred by each Trust and the share of the Gross Settlement Amount, as those terms are defined in the Settlement Agreement, to be allocated to each Trust.

17. The Trustees retained Jeremy E. Reifsnnyder of Boston Portfolio Advisors, Inc. (“BPA”) to evaluate the servicing aspects of the Settlement Offer. As servicing is not within the rights of Law Debenture as Separate Trustee, servicing aspects were considered by Wells Fargo with respect to the 30 Trusts.

18. The expertise to be rendered by the legal experts involved a number of issues including: (a) the statutes of limitations applicable to the claims to be released pursuant to the Settlement Offer; (b) conditions precedent, if any, to a trustee bringing suit to enforce claims against JPM; and (c) the meaning of “materially and adversely” affects the interests of Investors and whether a Trustee would need to demonstrate in litigation that breaches caused losses to a Trust.

19. Following interviews and evaluation of, among other things, the potential legal experts’ credentials and expertise, the Trustees selected Professor Alan Schwartz and Hon. Anthony J. Carpinello (Ret.) to serve as their legal experts.

20. Based on the qualifications he presented, I believe Professor Schwartz is qualified to provide legal opinions on the topics addressed to him, and that they were within his field of expertise. *See* T 17 (Expert Report of Alan Schwartz, dated May 27, 2014 (the “Schwartz Report”)), ¶ 1. Professor Schwartz provided guidance to Professor Fischel and Compass Lexecon on contract interpretation under New York law, including causation (whether it is necessary to show that a breach caused the loss), and questions concerning servicers’ repurchase obligations, among others.

21. To provide guidance to Professor Fischel and Compass Lexecon, Justice Carpinello analyzed: the statutes of limitations applicable to the claims to be released pursuant to the Settlement Agreement; the effect of tolling agreements on claims potentially released by the Settlement Offer; and conditions precedent, if any, to a trustee bringing suit to enforce claims against JPM.

22. Based on his experience with New York contract issues from sitting on the New York State appellate court, I believe Justice Carpinello is qualified to provide those legal opinions, and the analyses with which he was charged are within his field of expertise. *See* T 15, 16 & 18 (Expert Reports of Hon. Anthony J. Carpinello (Ret.), dated May 5 and May 27, 2014 and June 20, 2014 (the “Carpinello Reports”)).

23. The Trustees selected Professor Daniel R. Fischel of Compass Lexecon (“Compass Lexecon”), a consulting firm specializing in the application of economics to legal and regulatory issues, to provide an opinion on the reasonableness and adequacy of the proposed settlement based on a number of factors, including the other experts’ analyses, and a recommendation whether to accept or reject the Settlement Offer on a Trust by Trust and Loan

Group by Loan Group basis. I attended the interview of Professor Fischel and Compass Lexecon and agreed to his retention for these purposes.

24. Based on their qualifications, I believe Professor Fischel and Compass Lexecon are qualified to provide the analyses and recommendation with which they were charged and that these analyses and recommendations were within their fields of expertise. *See* T 20 & 22 (Expert Report of Professor Dan Fischel, dated July 17, 2014 (the “Fischel Report”) and the Fischel Supplemental Report dated July 26, 2014 (the “Fischel Supplemental Report” and together with the Fischel Report, the “Fischel Reports”)).

25. The expertise provided by Professor Fischel included the following topics:
- a. the reasonableness and adequacy of the Settlement Offer settlement;
 - b. an estimate of payments pursuant to the Settlement Agreement for each Loan Group;
 - c. the impact on claims against JPM of statutes of limitations, utilizing analysis provided by Justice Carpinello;
 - d. an analysis of, and comparison of the Settlement Offer to, other RMBS-related settlements; and
 - e. an analysis of the market’s reaction to the Settlement Offer.

IV. THE EXPERTS’ EVALUATIONS OF THE SETTLEMENT OFFER

26. At the outset of their reviews and throughout the process, the experts requested documents and information from the Trustees to aid in their analyses. The Separate Trustee (or its counsel) provided to experts, among other documents, agreements governing the 30 Trusts, correspondence with JPM regarding notices of breaches of representations and warranties, summaries of certain provisions in those agreements requested by the experts, tolling agreements covering the Trusts, and other documents requested by the experts.

27. The experts also requested documents and information from JPM to aid in their analyses, including information concerning notices provided to JPM of any breaches of representations and warranties concerning loans held in the Trusts, and repurchases by JPM of any loans in the Trusts. Counsel for the Trustees contacted JPM to obtain those documents. I understand that, during a portion of the process, counsel for the Trustees and JPM attorneys and/or business persons had periodic calls to request additional documents and/or data from JPM and to check on the status of outstanding prior requests. I understand JPM provided over a million pages of documents and data in response to the experts' requests.

28. After they were retained, the experts considered the subject matters and questions posed by the Trustees, designed analyses they deemed appropriate, and began working. Legal experts researched and prepared analyses of questions posed by the Trustees. I understand that Compass Lexecon received inputs from the Trustees, NERA, BPA and the legal experts in connection with Professor Fischel's evaluation of the Settlement Offer. The specific analyses performed by each of the experts are set forth in their respective reports.

29. Throughout the evaluation period, I participated in calls with the other Trustees, their counsel, and Law Debenture's outside counsel regarding the experts' progress (except Reifsnyder) and the information and documents provided to the experts.

30. To provide adequate time for the experts to complete their review and analysis, the Trustees sought from JPM extensions of time to respond to the Settlement Offer and informed Investors of these extensions. *See also* T 23, 24, 25 & 28 (Notices to Investors of Extension of the Acceptance Date). The Trustees also sought a further extension until October 1, 2014 regarding certain Trusts and Loan Groups to allow the Trustees time to solicit Investor

views regarding the Settlement Offer. JPM granted each of these extension requests. *See also* T 28 (Notice to Investors Regarding the Extended Acceptance Date Trusts).

V. THE TRUSTEES' COMMUNICATIONS WITH INVESTORS IN THE TRUSTS

31. The Trustees retained Garden City Group, LLC (“GCG”) to assist in their efforts to provide information to Investors in the Trusts. GCG established and maintains a publicly accessible website containing among other documents, investor notices, expert reports, the parties’ filing, and orders of this Court at www.rmbstrusteessettlement.com (the “Settlement Website”).

32. On December 11, 2013, the Trustees sent a notice to Investors informing them about the Settlement Offer. That notice provided the address of the Settlement Website, where Investors and others could view the Settlement Agreement. The notice also set forth certain basic terms of the Settlement Offer (including the proposed settlement payment and servicing remedies, the release being sought by JPM, and the Acceptance Date by which the Trustees were initially required to reach a decision to accept or reject the offer). The Trustees urged any potentially interested persons to review the Settlement Agreement carefully and referred Investors to the Settlement Website for a complete copy of its terms. The notice also informed Investors of a tolling and forbearance agreement, a copy of which was posted to the Settlement Website, in which JPM agreed that any statutes of limitations with respect to certain claims that could be brought against JPM would be tolled while the Trustees considered the Settlement Offer. The Trustees also informed Investors that they intended to retain one or more expert advisors to assist them in evaluating the Settlement Offer.

33. Throughout the evaluation period, the Trustees posted notices updating Investors concerning the Trustees’ ongoing evaluation of the Settlement Offer, including the

extensions of the Acceptance Date. The Trustees posted 12 separate notices concerning the Settlement Offer. *See* T 10-13, 23-30.

VI. COMMUNICATIONS WITH INVESTORS

34. Since 2012, Law Debenture, as Separate Trustee, has pursued repurchase claims at the direction of Investors in state and federal court actions, as well as in pre-litigation negotiations. These matters have included: (a) three actions in Delaware state court against a JPMorgan entity (EMC Mortgage LLC) involving trusts covered by the Settlement Offer (BSMF 2007-AR2, BSMF 2006-AR1, BSMF 2007-AR4), and (b) other repurchase actions including bankruptcy proceedings in the United States Bankruptcy Court for the Southern District of New York (ResCap and Lehman).

35. Law Debenture's experience with breach of representation and warranty claims is that such claims are very expensive to pursue, very time consuming, and very uncertain.

36. After the Settlement Offer was presented to the Trustees in November 2013 and through its acceptance in October 2014, I and our counsel had numerous oral and written communications with Investors about (a) the Tolling Agreement offered by JPM, (b) potential direction and indemnity letters from Investors who were considering directing the Separate Trustee not to accept the Settlement Offer, and (c) the status of the Trustees' evaluation of the Settlement Offer. While the correspondence is too voluminous to attach, a few examples are attached. *See, e.g.*, T 313, 339-41 (Och Ziff); T 314-17, 326-27 (Ambac); T 318-23 (Monarch); T 324 (Baupost); T 325, 342 (Volunteer); T 344 (Goldman Sachs); T 352 (DW Funds).

37. Some Investors – separate from the Institutional Investors – favored settlement, while others expressed reservations. I had oral or written communications with

representatives of Investors (or their asset managers or counsel) and a certificate insurer (Ambac), including among others:

- (a) Och Ziff Capital Management Group LLC (“Och Ziff”)
- (b) Monarch Alternative Capital LP (“Monarch”)
- (c) The Baupost Group (“Baupost”)
- (d) Ambac Assurance Corporation (“Ambac”)
- (e) Tilden Park Capital Management LP (“Tilden Park”)
- (f) National Credit Union Administration Board (“NCUA”)
- (g) DW Partners, LP (“DW Funds”)
- (h) Volunteer, Ltd (“Volunteer”)
- (i) Varde Partners, Inc. (“Varde”)
- (j) Federal Home Loan Bank of Boston (“FHLBB”)

38. I referred Investors to the Settlement Website for additional information regarding the Settlement Offer, had our counsel provide those Investors who were interested with a form of a direction and indemnity letter, and offered to have Investors meet with one another, provided they were prepared to have their names disclosed.

39. No Investor or group of Investors ever executed a direction and indemnity letter to Law Debenture to reject the Settlement Offer.

40. Initially, several Investors indicated that they were not in favor of the Settlement Offer, but later specifically advised Law Debenture in writing to accept the Settlement Offer. Those Investors included:

- (a) Och-Ziff
- (b) Monarch

- (c) Baupost
- (d) Volunteer

See, e.g., T 340 (Och Ziff); T 318-323 (Monarch); T 324 (Baupost); T 342 (Volunteer).

VII. EXPERT REPORTS

41. In May 2014, Professor Schwartz and Justice Carpinello provided the Trustees with their expert reports. *See* T 17 (Professor Schwartz Report); T 15, 16, 18 (Judge Carpinello Reports). On July 10, 2014, Professor Fischel met with the Trustees and their counsel to discuss his analysis and recommendations and to answer any questions the Trustees had. In July 2014, Professor Fischel provided the Fischel Reports which recommended acceptance or rejection of the Settlement Offer for each of the Loan Groups for the 330 Trusts at issue in the Settlement Offer, including the 30 Trusts. *See* T 20, 22 (Professor Fischel Reports).

42. In his Reports, Professor Fischel explained his criteria for determining whether he would recommend acceptance or rejection of the Settlement Offer as to a Loan Group. His Report stated that he would recommend rejecting the Settlement Offer only if: (a) Investors of a substantial proportion (15%) of the trust's certificates (not just a Loan Group) expressed opposition and exceeded those Investors supporting the Settlement Offer; (b) there was an indication that the Expected Recovery would be greater than the Settlement Consideration (as he defined those terms); and (c) the trust claims, other than servicing, were not likely to be barred, or that there was an indication that the trust's recovery on servicing claims would exceed the Settlement Consideration. T 20, Fischel Report, ¶ 29. Professor Fischel noted: "In particular, before a Trustee rejects the Proposed Settlement for any Trust, the Trustee needs to be confident there is a Group that is willing and able to direct and indemnify the Trustee to complete the investigation and litigation that would likely be necessary to pursue claims against JPM." T 20, Fischel Report, ¶ 31.

43. Applying these criteria, Professor Fischel recommended that the Separate Trustee accept the Settlement Offer on behalf of all Loan Groups of the 30 Trusts, except for Loan Group II of BSMF 2007-AR1 (discussed below). *See* T 20, Fischel Report at Exs. B & C, and T 22, Fischel Supplemental Report, at Ex. F.

VIII. THE CONSENT SOLICITATION FOR BSMF 2007-AR1, LOAN GROUP II

44. The Fischel Supplemental Report recommended rejecting the Settlement Offer for BSMF 2007-AR1, Loan Group II. Law Debenture then prepared and sent a solicitation to Investors to determine Investors' views. *See* T 328 (consent solicitation notice), T 331 (posting of consent solicitation notice), T 334 (extension of consent solicitation).

45. Law Debenture received responses from the Investors indicating that they voted 39% to 13% to accept the Settlement Offer. *See* T 329-30, 332-33, 335-38. (Investor responses to the solicitation). Based on the results of the solicitation and other factors noted in paragraph 46, Law Debenture decided to accept the Settlement Offer for BSMF 2007-AR1, Loan Group II. The results of the solicitation were posted on the Settlement Website. *See, e.g.*, T 344 (advising Goldman Sachs to check Settlement Website). *See also*, T 343 (results of Wells Fargo consent solicitation for BSMF 2007-AR1, Loan Group II regarding servicing claims).

IX. THE SEPARATE TRUSTEE'S DECISION TO ACCEPT THE SETTLEMENT OFFER

46. I reviewed the Fischel Reports and their conclusions. After (a) considering Professor Fischel's recommendation that the Separate Trustee accept the Settlement Offer on behalf of each of the 30 Trusts, except for Loan Group II of BSMF 2007-AR1, (b) the consent solicitation vote of 39% to 13% to accept the Settlement Offer for BSMF 2007-AR1, Loan Group II, (c) my experience regarding the cost, time and risks associated with repurchase claims in other RMBS litigation, pre-litigation negotiations, and bankruptcy

proceedings in which I have been involved, (d) the letters from some Investors who were in litigation in which they asked Law Debenture to accept the Settlement Offer (Monarch, Baupost), and (e) the absence of any Investor or group of Investors who were prepared to provide a direction and indemnity letter to Law Debenture to reject the Settlement Offer, I, on behalf of Law Debenture, reached the decision to accept the Settlement Offer on behalf of the 30 Trusts. Kevin O'Brien, President of Law Debenture, with whom I reviewed the matter, concurred in the decision to accept the Settlement Offer.

47. On August 1, 2014, I executed the Settlement Agreement, as modified July 29, 2014, on behalf of Law Debenture in its capacity as Separate Trustee of each of the 30 Trusts, except for BSMF 2007-AR1, Loan Group II, which, after receiving the results of the solicitation, was accepted on October 1, 2014.

X. NOTICE TO INVESTORS OF ACCEPTANCE OF THE SETTLEMENT OFFER

48. On August 1, 2014, upon acceptance of the Settlement Offer, the Trustees issued a notice informing Investors of their determinations, and posted a copy of that notice on the Settlement Website. T 12 (Notice of Acceptance of Settlement Offer for most trusts and loan groups). Similarly, on October 1, 2014, the Trustees issued a notice informing Investors of their determinations regarding the Trusts or Loan Groups for which there had been a further extension to accept or reject the Settlement Offer, including BSMF 2007-AR1, Loan Group II. T 30 (Notice of Acceptance of Settlement Offer of Extended Acceptance Date Trusts).

XI. THE AMENDED PETITION

49. On August 3, 2014, the Trustees, through their counsel, filed a petition with this Court seeking an order, pursuant to CPLR 7701, regarding the Trustees' evaluation and acceptance of the Settlement Offer (the "Article 77 Proceeding"). On October 2, 2015, the Trustees filed a First Amended Petition (the "Petition", *see* T 1, ECF No. 57).

50. I have read the Petition, as well as the original petition. Their contents regarding Law Debenture are true to my own knowledge, except as to those matters therein stated to be alleged upon information and belief, and as to those matters I believe them to be true.

51. The Court entered an Order to Show Cause on August 18, 2014 (T 6, ECF No. 40) setting forth a comprehensive program to provide notice to Investors of the Article 77 Proceeding and the Trustees' acceptance of the Settlement Offer (the "Notice Program").

52. The Institutional Investors have intervened in support of the Petition, while other Investors have intervened and filed objections to the relief sought (the "Objectors").

XII. THE OBJECTORS

53. Several Objectors who intervened in the Article 77 Proceeding subsequently withdrew from the Proceeding: (a) Construction Laborers Pension Trust (ECF 298); (b) FHLBB (ECF 352); (c) DW Funds (ECF 546); (d) NCUA (ECF 547); and (e) Triaxx⁵ (ECF 557, stipulation of withdrawal).

54. The remaining Objectors are Ambac, QVT and W&L.⁶

55. QVT and W&L do not own certificates in any of the 30 Trusts, and as far as I am aware, do not have an objection regarding the acceptance of the Settlement Offer by Law Debenture.


56. Ambac insured certificates of Investors in 5 of the 30 Trusts. Ambac has objections with respect to these 5: BSMF 2006-AR2, BSMF 2006-AR4, GPMF 2005-AR5, GPMF 2006-AR2, and GPMF 2006-AR3. There are no Objections regarding 25 of the 30 Trusts.

⁵ Triaxx means Triaxx Prime CDO 2006-1, Ltd., Triaxx Prime CDO 2006-2, Ltd., Triaxx Prime CDO 2007-1 Ltd.

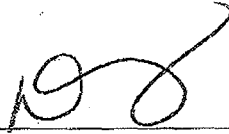
⁶ QVT means QVT Fund V LP, QVT Fund IV LP, Quintessence Fund L.P., QVT Financial LP; and W&L means W&L Investments, LLC.

CONCLUSION

57. For the reasons noted, Law Debenture believes that Law Debenture acted reasonably and in good faith in evaluating the Settlement Offer and agreeing to the Settlement Agreement for each of the 30 Trusts, and believes that the Settlement Agreement is in the best interests of the Investors in each of the 30 Trusts. Accordingly, Law Debenture requests the Court to enter judgment for the Trustees (Petitioners) as set forth in the Proposed Order and Judgment filed with the Court.


Thomas Musarra

Sworn to before me
January 14, 2016



Notary Public

DIANA ARIAS
NOTARY PUBLIC-STATE OF NEW YORK
No. 01AR5198201
Qualified in Bronx County
My Commission Expires February 15, 2017

Law Debenture – Separate Trustee Appointment Dates

	Deal Name	Date of Appointment
1.	BSABS 2005-1	11/21/13
2.	BSABS 2007-AC2	11/21/13
3.	BSABS 2007-AC3	9/6/13
4.	BSABS 2007-AC4	9/6/13
5.	BSABS 2007-AC5	9/6/13
6.	BSABS 2007-AC6	9/6/13
7.	BSMFT 2006-AR1	5/17/12
8.	BSMFT 2006-AR2	5/17/12
9.	BSMFT 2006-AR3	5/17/12
10.	BSMFT 2006-AR4	5/17/12
11.	BSMFT 2006-AR5	5/17/12
12.	BSMFT 2007-AR1	11/7/13
13.	BSMFT 2007-AR2	5/4/12
14.	BSMFT 2007-AR3	5/17/12
15.	BSMFT 2007-AR4	5/17/12
16.	BSMFT 2007-AR5	11/7/13
17.	GreenPoint 2005-AR2	8/31/12
18.	GreenPoint 2005-AR3	8/31/12
19.	GreenPoint 2005-AR4	8/31/12
20.	GreenPoint 2005-AR5	8/31/12
21.	GreenPoint 2006-AR1	8/31/12
22.	GreenPoint 2006-AR2	8/31/12
23.	GreenPoint 2006-AR3	8/31/12
24.	SACO 2005-1	11/21/13
25.	SACO 2005-2	11/21/13
26.	SACO 2005-3	7/26/13
27.	SACO 2007-VA1	12/3/13
28.	BSARM 2007-3	11/7/13
29.	BSARM 2007-5	11/7/13
30.	SAMI II 2007-AR4	10/3/13