UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF MISSISSIPPI, IRON WORKERS LOCAL NO. 25 PENSION FUND, WYOMING STATE TREASURER, LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION, CONNECTICUT CARPENTERS PENSION FUND AND CONNECTICUT CARPENTERS ANNUITY FUND, Individually and On Behalf of All Others Similarly Situated,

Plaintiffs,

v.

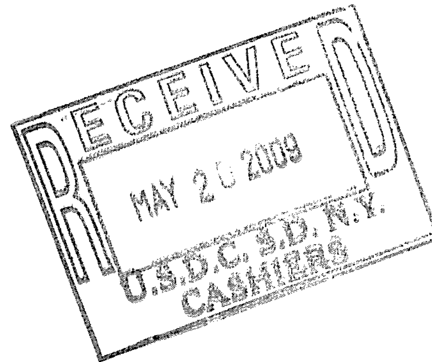
MERRILL LYNCH & CO. INC., MERRILL LYNCH MORTGAGE LENDING, INC., MERRILL LYNCH MORTGAGE INVESTORS, INC., MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, FIRST FRANKLIN FINANCIAL CORPORATION, CREDIT-BASED ASSET SERVICING AND SECURITIZATION LLC, J.P. MORGAN SECURITIES, INC., ABN AMRO INCORPORATED, MCGRAW-HILL COMPANIES, MOODY'S INVESTORS SERVICE, INC., MATTHEW WHALEN, PAUL PARK, BRIAN T. SULLIVAN, MICHAEL M. MCGOVERN, DONALD J. PUGLISI, DONALD C. HAN,

Defendants.

Civil Action No. 08 CIV. 10841 (JSR)
ECF Case

CONSOLIDATED CLASS ACTION COMPLAINT FOR VIOLATION OF §§ 11, 12(a)(2) AND 15 OF THE SECURITIES ACT OF 1933

DEMAND FOR JURY TRIAL



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Plaintiffs, as defined below in paragraph 1, allege the following upon personal knowledge as to themselves and their own acts and upon information and belief as to all other matters. Plaintiffs' information and belief are based on the investigation of their undersigned counsel, which investigation continues. Many of the facts related to Plaintiffs' allegations are known only by the Defendants named herein, or are exclusively within their custody or control. Plaintiffs believe that substantial additional evidentiary support for the allegations set forth below will be developed after a reasonable opportunity for discovery.

I. SUMMARY OF THE ACTION

1. Lead Plaintiff the Public Employees' Retirement System of Mississippi ("MissPERS"), along with Iron Workers Local No. 25 Pension Fund ("Iron Workers"), the Wyoming State Treasurer ("Wyoming"), the Los Angeles County Employees Retirement Association ("LACERA"), and the Connecticut Carpenters Pension Fund and Connecticut Carpenters Annuity Fund ("Connecticut Carpenters") (collectively, "Plaintiffs") bring this securities class action on behalf of themselves and all persons or entities who purchased or otherwise acquired mortgage pass-through certificates ("Certificates") pursuant or traceable to Merrill Lynch Mortgage Investors, Inc.'s February 2, 2007 Registration Statement (as amended), December 21, 2005 Registration Statement (as amended), or August 5, 2005 Registration Statement (as amended) and the accompanying prospectuses and prospectus supplements.[1]

2. By this action, Plaintiffs seek redress pursuant to the Securities Act of 1933 (the "Securities Act") against Defendants Merrill Lynch & Co., Inc. ("Merrill Lynch"), Merrill Lynch Mortgage Investors, Inc. (the "Merrill Depositor"), Merrill Lynch Mortgage Lending, Inc. (the "Merrill Sponsor"), Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill

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[1] The August Registration Statement, the December Registration Statement and the March Registration Statement are collectively referred to herein as the "Registration Statements." The Registration Statements, Prospectuses and each of the respective Prospectus Supplements are collectively referred to herein as the "Offering Documents."

Lynch PFS"), First Franklin Financial Corporation ("First Franklin"), McGraw-Hill Companies, Moody's Investors Service, Inc. ("Moody's"), and Matthew Whalen, Paul Park, Brian T. Sullivan, Michael M. McGovern, Donald J. Puglisi and Donald C. Han (the "Individual Defendants").

3. Plaintiffs assert claims for violations of Sections 11, 12(a)(2) and 15 of the Securities Act, 15 U.S.C. §§ 77k, 77l(a)(2) and 77o. Accordingly, this action involves solely strict liability and negligence claims brought pursuant to the Securities Act. Plaintiffs specifically disclaim any allegations of fraud on the part of any Defendant. The claims and allegations are not based on any knowing or reckless misconduct on the part of any Defendant.

4. This action arises from Defendants' sale of asset-backed pass-through certificates (or, as commonly referred, mortgage pass-through certificates). Asset-backed pass-through certificates are securities entitling the holder to income payments from pools of loans and/or asset-backed or mortgage-backed securities ("ABS" or "MBS," respectively). Fundamentally, the value for pass-through certificates depends on the ability of borrowers to repay the principal and interest on the underlying loans and the adequacy of the collateral in the event of default. In this regard, rating agencies played an important role in the sale of such securities to investors. Credit rating agencies were supposed to evaluate and rate the Certificates to reflect the risk associated with investment alternatives. Based on the rating agencies' purported analysis of the loan pools and the investments, the certificates received high ratings, including "triple-A," categorizing them as investment-grade securities. As alleged below, however, the Offering Documents contained untrue statements and omissions concerning the quality of loans within the loan pools.

5. The Certificates were supported by pools of mortgage loans that the Merrill Depositor acquired from the Merrill Sponsor, First Franklin and Credit-Based Asset Servicing and Securitization LLC ("C-BASS"). The Merrill Sponsor, First Franklin and C-BASS originated and/or purchased the mortgage loans from various mortgage originators, including,

among others, Countrywide Home Loans, Inc. ("Countrywide"), American Home Mortgage Corp. ("American Home Mortgage"), and Ownit Mortgage Solutions, Inc. ("Ownit").

6. Defendants Moody's, a division of Moody's Corp., and McGraw-Hill Companies, through its division, Standard & Poor's ("S&P"), rated the investment quality of the Certificates. These ratings, which were expressly included in each of the Prospectus Supplements, determined, in part, the price at which these Certificates were offered to Plaintiffs and the Class. Moody's highest investment rating is "Aaa." S&P's highest rating is "AAA." These ratings signify the highest investment-grade, and are considered to be of the "best quality," and carry the smallest degree of investment risk. Ratings of "AA," "A," and "BBB" represent high credit quality, upper-medium credit quality and medium credit quality, respectively. These ratings are considered "investment-grade ratings." Any instrument rated lower than BBB is considered below investment-grade. Moody's and S&P originally assigned investment-grade ratings on most tranches of the Certificates.

7. The Offering Documents contained untrue statements of material fact, or omitted to state material facts necessary to make the statements therein not misleading, regarding: (1) the underwriting standards purportedly used in connection with the origination of the underlying mortgages; (2) the maximum loan-to-value ratios used to qualify borrowers; (3) the appraisals of the properties underlying the mortgages; (4) the debt-to-income ratios permitted on the loans; and (5) the ratings of the Certificates.

8. The true facts which were omitted from the Offering Documents were:

- The loan originators, including First Franklin, Countrywide, Ownit and American Home Mortgage, had not followed their stated underwriting standards when issuing loans to borrowers;

- The Merrill Sponsor and First Franklin failed to follow their loan purchasing guidelines when acquiring many of the underlying mortgage loans;

- The underlying mortgages were based on collateral appraisals that overstated the value of the underlying properties; and

- The ratings stated in the Prospectus Supplements were based on outdated assumptions, relaxed ratings criteria, and inaccurate loan information.

9. As a result of these untrue statements and omissions in the Offering Documents, Plaintiffs and the Class purchased Certificates that were far riskier than represented and that were not of the "best quality," or even "medium credit quality" and were not equivalent to other investments with the same credit ratings. Contrary to representations in the Offering Documents, the Certificates exposed purchasers to increased risk with respect to absolute cash flow and the timing of payments. The credit rating agencies have now downgraded nearly all of the Certificates. Many of the Certificates represented to be investment-grade instruments in the Offering Documents have been downgraded to below investment-grade instruments. The Certificates, therefore, are no longer marketable near the prices paid by Plaintiffs and the Class.

II. JURISDICTION AND VENUE

10. The claims asserted herein arise under and pursuant to Sections 11, 12(a)(2), and 15 of the Securities Act, 15 U.S.C. §§ 77k, 77l(a)(2) and 77o. This Court has jurisdiction over the subject matter of this action pursuant to Section 22 of the Securities Act, 15 U.S.C. § 77v and 28 U.S.C. § 1331.

11. Venue is proper in this District pursuant to Section 22 of the Securities Act and 28 U.S.C. § 1391(b) and (c). Many of the acts and conduct complained of herein occurred in substantial part in this District, including the dissemination of the materially false and misleading statements complained of herein. In addition, Defendants conduct business in this District.

12. In connection with the acts and conduct alleged herein, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including the mails and telephonic communications.

III. THE PARTIES

A. Lead Plaintiff

13. Lead Plaintiff the Public Employees' Retirement System of Mississippi ("MissPERS") is a governmental defined benefit pension plan qualified under Section 401(a) of the Internal Revenue Code, and is the retirement system for nearly all non-federal public

employees in the State of Mississippi. Established by the Mississippi Legislature in 1952, MissPERS provides benefits to over 75,000 retirees, and future benefits to more than 250,000 current and former public employees. MissPERS acquired Certificates pursuant and/or traceable to the Offering Documents. MissPERS purchased Series 2007-A Mortgage Pass-Through Certificates issued by the Merrill Lynch First Franklin Mortgage Loan Trust, Series MLCC 2006-2, and 2006-A1 Mortgage Pass-Through Certificates issued by the Merrill Lynch Mortgage Investors Trust, as well as Series 2007-F1 Mortgage Pass-Through Certificates issued by the Merrill Lynch Alternative Note Asset Trust, as reflected in the attached certification. On April 23, 2009, the Court appointed MissPERS as Lead Plaintiff.

B. Additional Named Plaintiffs

14. Plaintiff Iron Workers Local No. 25 Pension Fund ("Iron Workers") is a Taft-Hartley pension fund. Iron Workers has approximately 4,000 participants and $622 million in assets. Iron Workers acquired Certificates pursuant and/or traceable to the Offering Documents. Iron Workers purchased Mortgage Pass-Through Certificates issued by the C-BASS 2007-CB4 Trust, as reflected in the attached certification.

15. Plaintiff Wyoming State Treasurer ("Wyoming") manages and invests all funds of the State of Wyoming (with the exception of the State Retirement Fund). Wyoming currently manages over $10 billion in non-pension funds. Wyoming acquired Certificates pursuant and/or traceable to the Offering Documents. Wyoming purchased Series 2006-WMC1, 2006-A1, 2006-WMC2, 2006-AHL1, 2006-MLN1, 2006-RM3, 2006-FM1, and 2006-RM5 Certificates issued by Merrill Lynch Mortgage Investors Trust, as well as Series 2007-2, 2007-3, and 2007-4 Certificates issued by Merrill Lynch First Franklin Mortgage Loan Trust, as reflected in the attached certification.

16. Plaintiff Los Angeles County Employees Retirement Association ("LACERA") administers defined retirement plan benefits for the employees of Los Angeles County and participating agencies. As of June 30, 2008, LACERA had 158,000 members, including more than 52,000 benefit recipients and maintained over $38 billion in net assets. LACERA acquired

Certificates pursuant and/or traceable to the Offering Documents. LACERA purchased Series 2006-WMC2, 2006A-1, and 2006-FF1 Certificates issued by Merrill Lynch Mortgage Investors Trust, as well as Series 2007-A3 and 2007-AF1 Certificates issued by Merrill Lynch Alternative Note Asset Trust, as reflected in the attached certification.

17. Plaintiffs Connecticut Carpenters Pension Fund and Connecticut Carpenters Annuity Fund ("Connecticut Carpenters") are Taft-Hartley pension fund systems. Connecticut Carpenters acquired Certificates pursuant and/or traceable to the Offering Documents. Connecticut Carpenters purchased Series 2006-2 Certificates issued by Ownit Mortgage Loan Trust, as reflected in the attached certification.

C. Defendants

18. Defendant Merrill Lynch & Co., Inc. ("Merrill Lynch") is a Delaware Corporation with its principal executive office located at 250 Vesey Street, 4 World Financial Center, New York, New York. As an investment bank, Merrill Lynch is a global trader and underwriter of securities and derivatives across a broad range of asset classes and serves as a strategic advisor to corporations, governments, institutions and individuals worldwide. Merrill Lynch created and controls the Merrill Depositor, a limited purpose, wholly-owned subsidiary designed to facilitate the issuance and sale of the Certificates. Merrill Lynch acted as an "Underwriter" of the Certificates within the meaning of the Securities Act, 15 U.S.C. § 77b(a)(11). As an underwriter, Merrill Lynch participated in the drafting and dissemination of the Prospectus Supplements pursuant to which the Certificates were sold to Plaintiffs and other Class members.

19. Defendant Merrill Lynch Mortgage Lending, Inc. (the "Merrill Sponsor") is a Delaware corporation with its principal place of business located at 250 Vesey Street, 4 World Financial Center, New York, New York. The Merrill Sponsor is an indirect, wholly-owned subsidiary of Merrill Lynch. The Merrill Sponsor is also an affiliate of the Merrill Depositor, First Franklin, and Merrill Lynch PFS. The Merrill Sponsor purchases first and second lien residential mortgage loans for securitization or resale, or for its own investment. The Merrill

Sponsor served as the "Sponsor" and/or "Seller" in the securitization of certain of the Issuing Trusts; and, in coordination with Merrill Lynch PFS, worked with loan sellers and servicers in structuring the securitization transactions related to the Certificates.

20. Defendant Merrill Lynch Mortgage Investors, Inc. (the "Merrill Depositor") is a Delaware corporation and a limited purpose, indirect wholly-owned subsidiary of Merrill Lynch, with its principal place of business located at 250 Vesey Street, 4 World Financial Center, New York, New York. The Merrill Depositor is an affiliate of the Merrill Sponsor, First Franklin and Merrill Lynch PFS. The Merrill Depositor served in the role as "Depositor" in the securitization of the Issuing Trusts, and was an "Issuer" of the Certificates within the meaning of Section 2(a)(4) of the Securities Act, 15 U.S.C. § 77b(a)(4).

21. Defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch PFS") is a Delaware corporation with its principal place of business located at 250 Vesey Street, 4 World Financial Center, New York, New York. Merrill Lynch PFS is an affiliate of the Merrill Sponsor, First Franklin and the Merrill Depositor. Merrill Lynch PFS acted as an "Underwriter" of the Certificates within the meaning of the Securities Act, 15 U.S.C. § 77b(a)(11). As an underwriter, Merrill Lynch PFS participated in the drafting and dissemination of the Prospectus Supplements pursuant to which the Certificates were sold to Plaintiffs and other Class members. Merrill Lynch PFS acted as an underwriter for each of the offerings at issue in this action.

22. Defendant First Franklin Financial Corporation ("First Franklin") is an operating subsidiary of a Merrill Lynch entity, Merrill Lynch Bank & Trust Co., FSB, with its principal place of business located at 2150 North First Street, San Jose, California. First Franklin is also an affiliate of the Merrill Sponsor, the Merrill Depositor, and Merrill Lynch PFS. First Franklin originated mortgage loans that were sold directly, or indirectly through the Merrill Sponsor, to the Merrill Depositor, and served as the "Sponsor" in the securitization of certain of the Issuing Trusts; and, in coordination with Merrill Lynch PFS, worked with loan sellers and servicers in structuring the securitization transactions related to the Certificates.

23. Defendant Credit-Based Asset Servicing and Securitization LLC ("C-BASS") was incorporated in the State of Delaware in July 1996. C-BASS's principal business is the purchasing of residential mortgage loans, primarily subprime in nature, from multiple parties including banks and other financial institutions, and mortgage-related securities for investment and securitization. The principal executive offices of C-BASS are located at 335 Madison Avenue, 19th Floor, New York, New York 10017. C-BASS served as the "Sponsor" in the securitization of certain of the Issuing Trusts; and, in coordination with Merrill Lynch PFS, worked with loan sellers and servicers in structuring the securitization transactions related to the Certificates.

24. Defendant J.P. Morgan Securities, Inc. ("J.P. Morgan") was one of the underwriters of the Certificates. JP Morgan helped draft and disseminate the Offering Documents and acted as an "Underwriter" of the Certificates within the meaning of the Securities Act, 15 U.S.C. § 77b(a)(11). J.P. Morgan acted as an underwriter for the offering of Certificates by the 2006-CB4 and 2007-CB4 Trusts.

25. Defendant ABN AMRO Incorporated ("ABN AMRO") was one of the underwriters of the Certificates. ABN AMRO helped draft and disseminate the Offering Documents and acted as an "Underwriter" of the Certificates within the meaning of the Securities Act, 15 U.S.C. § 77b(a)(11). ABN AMRO acted as an underwriter for the offering of Certificates by the 2006-CB8 and 2007-CB4 Trusts.

26. Defendant McGraw-Hill Companies is a New York corporation with its principal place of business located at 1221 Avenue of the Americas, New York, New York 10020. Standard & Poor's, a division of McGraw-Hill Companies, provides credit ratings, risk evaluation, investment research and data to investors. S&P acted as an "Underwriter" of the Certificates within the meaning of the Securities Act, 15 U.S.C. § 77b(a)(11). S&P participated in the drafting and dissemination the Prospectus Supplements pursuant to which the Certificates were sold to Plaintiffs and other Class members. In addition, S&P provided pre-determined credit ratings for the Certificates, as set forth in the Prospectus Supplements.

27. Defendant Moody's Investors Service, Inc. ("Moody's") is a division of Moody's Corp., a Delaware corporation with its principal place of business located at 250 Greenwich Street, New York, New York 10007. Moody's provides credit ratings, research and risk analysis to investors. Moody's acted as an "Underwriter" of the Certificates within the meaning of the Securities Act, 15 U.S.C. § 77b(a)(11). Moody's participated in the drafting and dissemination of the Prospectus Supplements pursuant to which the Certificates were sold to Plaintiffs and other Class members. Moody's provided pre-determined credit ratings for the Certificates, as set forth in the Prospectus Supplements.

28. Defendant McGraw-Hill Companies, inclusive of S&P, and defendant Moody's are collectively referred to herein as the "Rating Agency Defendants."

29. Defendants Merrill Lynch PFS, JP Morgan, and ABN AMRO are collectively referred to herein as the "Underwriter Defendants."

30. Defendant Matthew Whalen ("Whalen") was, at relevant times, President and Chairman of the Board of Directors of the Merrill Depositor. Defendant Whalen signed the December and August Registration Statements.

31. Defendant Paul Park ("Park") was, at relevant times, the President and Chairman of the Board of Directors of the Merrill Depositor. While serving as President and Chairman of Depositor, defendant Park was concurrently a managing partner of defendant Merrill Lynch. Defendant Park signed the March Registration Statement.

32. Defendant Brian T. Sullivan ("Sullivan") was, at relevant times, the Vice President, Treasurer (Principal Financial Officer) and Controller of the Merrill Depositor. Defendant Sullivan signed the Registration Statements.

33. Defendant Michael M. McGovern ("McGovern") was, at relevant times, a Director of the Merrill Depositor. Defendant McGovern signed the Registration Statements. While serving as a Director of Merrill Depositor, defendant McGovern was concurrently a Director and Senior Counsel of defendant Merrill Lynch.

34. Defendant Donald J. Puglisi ("Puglisi") was, at relevant times, a Director of the Merrill Depositor. Defendant Puglisi signed the Registration Statements.

35. Defendant Donald C. Han ("Han") was, at relevant times, the Treasurer of the Merrill Depositor. Defendant Han signed the August Registration Statement.

36. Defendants Whalen, Park, Sullivan, McGovern, Puglisi, and Han are collectively referred to herein as the "Individual Defendants."

IV. FACTUAL BACKGROUND

A. The Mechanics Of Structuring Asset-Backed Pass-Through Certificates

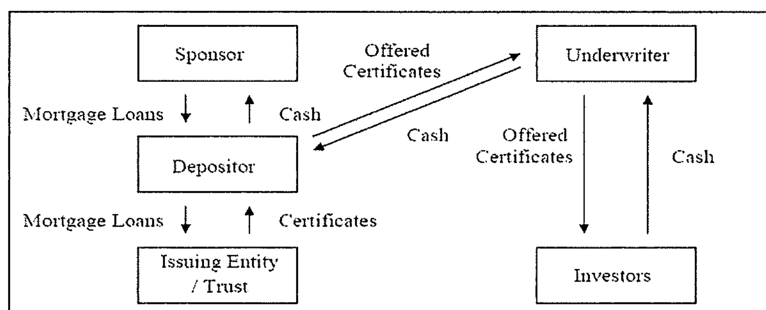
37. Asset-backed pass-through certificates (or mortgage pass-through certificates, as they are more commonly referred) are securities in which the holder's interest represents an equity interest in the "issuing trust." The pass-through certificates entitle the holder to income payments from pools of mortgage loans and/or MBS. Although the structure and underlying collateral of the mortgages and MBS vary, the basic principle is the same.

38. First, a "depositor" acquires an inventory of loans from a "sponsor"/"seller," who either originated the loans or acquired the loans from other loan originators, in exchange for cash. The type of loans in the inventory may vary, including conventional, fixed or adjustable rate mortgage loans (or mortgage participations), secured by first liens, junior liens, or a combination of first and junior liens, with various lifetimes to maturity. The depositor then transfers, or deposits, the acquired pool of loans to the issuing trust.

39. The depositor then securitizes the pool of loans so that the rights to the cash-flows from the inventory can be sold to investors. The securitization transactions are structured such that the risk of loss is divided among different levels of investment, or "tranches." Tranches are related MBS offered as part of the same pass-through certificate offering, each with a different level of risk and reward. Any losses to the underlying loans, due to default, delinquency or otherwise, are applied in reverse order of seniority. As such, the most senior tranches of pass-through certificates are often rated as the best quality, or "AAA." Junior

tranches, which usually obtain lower ratings, ranging from "AA" to "BBB-," are less insulated from risk, but offer greater potential returns.

40. By working together, the underwriters, the depositor, and the rating agencies are able to ensure that each particular mortgage pass-through certificate tranche will receive a pre-determined credit rating at the time of offering. Once the tranches are established, the issuing trust passes the certificates back to the depositor, who then passes the certificates to one or more underwriters. The underwriters offer the various certificates to investors, in exchange for cash that will be passed back to the depositor, minus any fees owed to the underwriters.



41. Each purchased or acquired certificate represents an equity interest in the issuing trust and the right to future payments of principal and interest on the underlying loans. Those payments are collected by the loan servicer and distributed, through the issuing trust, to investors at regular distribution intervals throughout the life of the loans. Mortgage pass-through certificates must be offered to the public pursuant to a registration statement and prospectus in accordance with the provisions of the Securities Act.

42. With respect to the March Registration Statement, the following chart identifies the following: (1) each Issuing Trust; (2) the Prospectus Supplement dates pursuant to which the Certificates were issued and sold; (3) the stated value of the Certificates issued; and (4) the Sponsor.

Issuing Trust	Approximate Amount ($$$)	SEC Filing Date of Prospectus Supplement
First Franklin Mortgage Loan Trust, Series 2007-FFC	744,694,100	5/29/2007

Issuing Trust	Approximate Amount ($$$)	SEC Filing Date of Prospectus Supplement
Merrill Lynch Alternative Note Asset Trust, Series 2007-A2	873,387,100	4/2/2007
Merrill Lynch Alternative Note Asset Trust, Series 2007-A3	483,874,100	4/30/2007
Merrill Lynch Alternative Note Asset Trust, Series 2007-AF1	680,620,637	6/1/2007
Merrill Lynch Alternative Note Asset Trust, Series 2007-OAR2	607,592,100	4/2/2007
Merrill Lynch Alternative Note Asset Trust, Series 2007-OAR3	388,234,100	7/2/2007
Merrill Lynch Alternative Note Asset Trust, Series 2007-OAR4	346,530,100	8/10/2007
Merrill Lynch Alternative Note Asset Trust, Series 2007-OAR5	547,540,000	11/2/2007
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-1	2,185,364,100	3/27/2007
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-2	1,937,062,100	4/27/2007
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-3	1,835,617,100	5/30/2007
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-4	1,547,200,100	6/26/2007
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-5	653,458,100	10/10/2007
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-A	219,636,100	9/7/2007
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-H1	830,878,100	10/11/2007
Merrill Lynch Mortgage Backed Securities Trust, Series 2007-2	619,161,000	6/28/2007
Merrill Lynch Mortgage Backed Securities Trust, Series 2007-3	302,096,000	7/31/2007
Merrill Lynch Mortgage Investors Trust, Series 2007-HE2	1,161,681,100	4/2/2007
Merrill Lynch Mortgage Investors Trust, Series 2007-HE3	630,134,100	6/8/2007
Merrill Lynch Mortgage Investors Trust, Series 2007-MLN1	1,298,608,100	4/27/2007
Merrill Lynch Mortgage Investors Trust, Series 2007-SD1	329,226,100	6/11/2007
Merrill Lynch Mortgage Investors Trust, Series 2007-SL1	243,202,100	5/15/2007
Merrill Lynch Mortgage Investors Trust, Series Mlcc 2007-2	412,174,000	5/31/2007
Merrill Lynch Mortgage Investors Trust, Series Mlcc 2007-3	291,834,000	8/28/2007

Issuing Trust	Approximate Amount ($$$)	SEC Filing Date of Prospectus Supplement
Specialty Underwriting And Residential Finance Trust, Series 2007-BC2	370,500,100	4/24/2007

43. With respect to the December Registration Statement, the following chart identifies the following: (1) each Issuing Trust; (2) the Prospectus Supplement dates pursuant to which the Certificates were issued and sold; (3) the stated value of the Certificates issued; and (4) the Sponsor.

Issuing Trust	Approximate Amount ($$$)	SEC Filing Date of Prospectus Supplement
2006-CB8 Trust	517,954,000	11/1/2006
2006-CB4 Trust	483,150,000	6/15/2006
2007-CB4 Trust	476,443,000	4/26/2007
First Franklin Mortgage Loan Trust, Series 2006-FF18	2,346,241,100	12/26/2006
First Franklin Mortgage Loan Trust, Series 2007-FF1	1,987,127,100	1/25/2007
First Franklin Mortgage Loan Trust, Series 2007-FF2	2,535,000,100	2/28/2007
First Franklin Mortgage Loan Trust, Series 2007-FFA	457,685,100	2/9/2007
Merrill Lynch Alternative Note Asset Trust Series 2007-A1	804,235,100	2/12/2007
Merrill Lynch Alternative Note Asset Trust, Series 2007-F1	439,565,336	3/28/2007
Merrill Lynch Alternative Note Asset Trust, Series 2007-OAR1	424,684,100	3/13/2007
Merrill Lynch Mortgage Investors Trust, Series 2006-A2	339,079,100	4/28/2006
Merrill Lynch Mortgage Backed Securities Trust, Series 2007-1	449,369,000	3/30/2007
Merrill Lynch Mortgage Investors Trust, Series 2006-SD1	154,623,100	9/12/2006
Merrill Lynch Mortgage Investors Trust Series 2006-A3	551,584,100	5/31/2006
Merrill Lynch Mortgage Investors Trust Series 2006-A4	378,867,000	7/28/2006
Merrill Lynch Mortgage Investors Trust Series 2006-AF1	657,884,823	10/2/2006

Issuing Trust	Approximate Amount ($$$)	SEC Filing Date of Prospectus Supplement
Merrill Lynch Mortgage Investors Trust, Series 2006-HE5	1,318,503,100	9/28/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-MLN1	787,216,100	9/28/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-OPT1	882,500,100	9/26/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-RM4	547,934,100	9/28/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-SD1	154,623,100	9/12/2006
Merrill Lynch Mortgage Investors Trust Series MLCC 2006-3	532,808,000	10/26/2006
Merrill Lynch Mortgage Investors Trust Series MLCC 2007-1	457,830,000	1/29/2007
Merrill Lynch Mortgage Investors Trust, Series 2006-FM1	424,683,100	6/29/2006
Merrill Lynch Mortgage Investors Trust Series 2006-AF2	666,063,328	10/31/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-F1	225,276,307	4/27/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-FF1	2,280,872,100	12/22/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-HE6	906,616,100	12/27/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-RM2	954,066,100	5/31/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-RM5	520,625,100	10/27/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-SL2	233,231,100	8/7/2006
Merrill Lynch Mortgage Investors Trust, Series 2007-HE1	1,130,135,100	3/8/2007
Merrill Lynch Mortgage Investors Trust Series MLCC 2006-2	628,422,100	4/27/2006
Ownit Mortgage Loan Trust, Series 2006-4	770,864,100	6/26/2006
Ownit Mortgage Loan Trust, Series 2006-5	452,071,100	7/26/2006
Specialty Underwriting And Residential Finance Trust, Series 2006-AB2	380,200,100	5/31/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-AHL1	413,329,100	6/29/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-AR1	661,166,100	4/26/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-HE2	549,172,100	4/10/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-HE3	532,215,100	6/20/2006

Issuing Trust	Approximate Amount ($$$)	SEC Filing Date of Prospectus Supplement
Merrill Lynch Mortgage Investors Trust, Series 2006-HE4	481,972,100	7/26/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-RM3	740,607,100	6/27/2006
Ownit Mortgage Loan Trust, Series 2006-7	656,549,100	11/2/2006
Ownit Mortgage Loan Trust, Series 2006-3	526,398,100	4/13/2006
Ownit Mortgage Loan Trust, Series 2006-6	407,900,100	9/22/2006
Specialty Underwriting And Residential Finance Trust, Series 2006-AB3	412,248,100	9/25/2006
Specialty Underwriting And Residential Finance Trust, Series 2006-BC4	1,059,300,100	9/26/2006
Specialty Underwriting And Residential Finance Trust, Series 2006-BC3	818,550,100	6/23/2006
Specialty Underwriting And Residential Finance Trust, Series 2006-BC5	829,099,100	11/24/2006
Specialty Underwriting And Residential Finance Trust, Series 2007-AB1	343,700,100	3/26/2007
Specialty Underwriting And Residential Finance Trust, Series 2007-BC1	789,110,100	1/24/2007

44. With respect to the August Registration Statement, the following chart identifies the following: (1) each Issuing Trust; (2) the Prospectus Supplement dates pursuant to which the Certificates were issued and sold; (3) the stated value of the Certificates issued; and (4) the Sponsor.

Issuing Trust	Approximate Amount ($$$)	SEC Filing Date of Prospectus Supplement
Merrill Lynch Mortgage Investors Trust, Series 2006-WMC1	1,204,884,100	2/14/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-WMC2	1,205,046,100	3/28/2006
Merrill Lynch Mortgage Investors Trust, Series 2006-A1	656,531,100	3/29/2006
Merrill Lynch Mortgage Investors Trust Series MLCC 2006-1	472,749,000	2/28/2006
Ownit Mortgage Loan Trust, Series 2006-1	674,966,000	1/30/2006
Ownit Mortgage Loan Trust, Series 2006-2	533,541,100	3/9/2006
Specialty Underwriting And Residential Finance Trust, Series 2006-AB1	466,211,100	2/28/2006

Specialty Underwriting And Residential Finance Trust, Series 2006-BC1	1,423,500,100	2/17/2006
Specialty Underwriting And Residential Finance Trust, Series 2006-BC2	759,980,100	3/29/2006

B. Assessing The Quality Of A Mortgage Pass-Through Certificate Investment

45. The fundamental basis upon which certificates are valued is the ability of the borrowers to repay the principal and interest on the underlying loans and the adequacy of the collateral. Thus, proper loan underwriting is critical to assessing the borrowers' ability to repay the loans, and a necessary consideration when purchasing and pooling loans. If the loans pooled in the MBS suffer defaults and delinquencies in excess of the assumptions built into the certificate payment structure, certificate owners suffer more than expected losses because the cash flow from the certificates would necessarily diminish.

46. Likewise, independent and accurate appraisals of the collateralized real estate are essential to ensure that the mortgage or home equity loan can be satisfied in the event of a default and foreclosure on a particular property. An accurate appraisal is necessary to determine the likely price at which the foreclosed property can be sold and, thus, the amount of money available to pass through to certificate holders.

47. An accurate appraisal is also critical to calculating the loan-to-value ("LTV") ratio, which is a financial metric commonly used to evaluate the price and risk of MBS and mortgage pass-through certificates. The LTV ratio expresses the amount of mortgage or loan as a percentage of the appraised value of the collateral property. For example, if a borrower seeks to borrow $90,000 to purchase a home worth $100,000, the LTV ratio is equal to $90,000 divided by $100,000, or 90%. If, however, the appraised value of the house has been artificially inflated to $100,000 from $90,000, the real LTV ratio would be 100% ($90,000 divided by $90,000).

48. From an investor's perspective, a high LTV ratio represents a greater risk of default on the loan. First, borrowers with a small equity position in the underlying property have "less to lose" in the event of a default. Second, even a slight drop in housing prices might

cause a loan with a high LTV ratio to exceed the value of the underlying collateral, which might cause the borrower to default and would prevent the issuing trust from recouping its expected return in the case of foreclosure and subsequent sale of the property.

49. Consequently, the LTV ratios of the loans underlying mortgage pass-through certificates are important to investors' assessment of the value of such certificates. Indeed, prospectuses typically provide information regarding the LTV ratios, and even guarantee certain LTV ratio limits for the loans that will support the certificates.

50. The underwriting standards and appraisals of the pooled loans are critically important considerations when setting assumptions and parameters for each certificate tranche. The assumed amount of expected payments of principal and interest will necessarily affect the total available funds and potential yield to investors. In addition, the assumed amount of expected payments will affect the offered credit enhancement, such as overcollateralization, excess interest, shifting of interests, and subordination.

51. Overcollateralization is the amount by which the aggregate stated principal balance of the mortgage loans exceeds the aggregate class principal balance for the certificate tranches. In other words, overcollateralization serves as a cushion, so that in the case of default on certain loans, the remaining payments would be adequate to cover the yield on all certificates without any tranche taking a loss.

52. A similar cushion is provided by the interest generated by the loans in excess of what is needed to pay the interest on the certificates and related expenses of the trust. Often, the tranches are structured so that the weighted average interest rate of the mortgage loans is higher than the aggregate of the weighted average pass-through rate on the certificates, plus servicing fee rates on the mortgage loans. If the assumed underwriting standards and appraisals are inaccurate, the stated credit enhancement parameters will be inaccurate, and investors will not receive the level of protection set forth in the respective registration statement and prospectus(es).

53. Traditionally, rating agencies published ratings to reflect an unbiased assessment of risk associated with a particular investment instrument. The rating of any particular MBS was critical to its issuance because of regulations requiring many institutional investors, such as banks, mutual funds and public pension funds, to hold only "investment-grade" bonds and securitized interests. Indeed, many MBS – including mortgage pass-through certificates – were promoted to institutional investors.

V. THE MERRILL LYNCH CERTIFICATE OFFERINGS

54. On August 5, 2005, Defendants filed with the Securities and Exchange Commission ("SEC") on Form S-3 a Registration Statement under the Securities Act of 1933, as amended on August 17, 2005 (the "August Registration Statement"), with which Defendants indicated their intention to sell 15 billion mortgage pass-through certificates. On December 21, 2005, Defendants filed with the SEC on Form S-3 a Registration Statement under the Securities Act of 1933, as amended on February 24, 2006, March 21, 2006 and March 28, 2006 (the "December Registration Statement"), with which Defendants indicated their intention to sell 35 billion mortgage pass-through certificates. On February 2, 2007, Defendants filed with the SEC on Form S-3 a Registration Statement under the Securities Act of 1933, as amended (the "March Registration Statement"), with which Defendants indicated their intention to sell 85 billion mortgage pass-through certificates. The Certificates would be issued pursuant to the Registration Statements and accompanying prospectuses, also filed with the SEC (the "Prospectuses"), generally explaining the structure of the Issuing Trusts and providing an overview of the Certificates. The Registration Statements were prepared by the Merrill Depositor and the Underwriter Defendants, and signed by the Individual Defendants.

55. Subsequently, the Prospectus Supplements were filed with the SEC containing a detailed description of the mortgage pools underlying the Certificates and containing representations about the loan origination process and the quality of the loans. The respective Prospectus Supplements provided the specific terms of the particular Certificate series offering. Each Prospectus Supplement included tables with data concerning the loans underlying the

Certificates, including (but not limited to) the type of loans, the number of loans, the mortgage rate and net mortgage rate, the aggregate scheduled principal balance of the loans, the weighted average original combined LTV ratio, and the geographic concentration of the mortgaged properties.

56. The Merrill Depositor, the Underwriter Defendants, and the Rating Agency Defendants prepared the Prospectus Supplements. As a condition of the issuance of the Certificates, the Rating Agency Defendants provided pre-determined investment-grade ratings, as represented in the Prospectus Supplements. The Underwriter Defendants sold the Certificates pursuant to the Prospectus Supplements. The Registration Statements incorporated by reference the subsequently filed Prospectus Supplements.

VI. THE OFFERING DOCUMENTS CONTAINED MATERIAL MISSTATEMENTS AND OMISSIONS REGARDING UNDERWRITING STANDARDS

57. The Offering Documents contained material statements regarding, *inter alia*, (i) the underwriting process and standards by which the loans held in the respective Issuing Trusts were originated, including the type of loan and documentation level; (ii) the standards and guidelines used by First Franklin and/or the Merrill Sponsor when evaluating and acquiring the loans; (iii) representations concerning the value of the underlying real-estate securing the loans pooled in the respective Issuing Trusts, in terms of LTV averages and the appraisal standards by which such real estate values were measured; (iv) the level of credit enhancement, such as overcollateralization and excess interest, calculated to afford a certain pre-determined level of protection to investors; and (v) the credit rating of the Certificates.

58. The Offering Documents emphasized the underwriting standards used to originate the underlying mortgage loans. Indeed, each Prospectus Supplement set forth the underwriting standards for the originators who originated 10% or more of the underlying laws in that Issuing Trust. Contrary to these representations, many of these originators of the underlying mortgages did not originate loans in accordance with their stated underwriting standards. Rather, as set forth below, these originators extended loans that did not comply with

their underwriting standards in order to increase loan volume regardless of the borrower's ability to meet its obligations. The Merrill Depositor acquired these mortgage loans, deposited them into the Issuing Trusts and sold the securitized Certificates to Plaintiffs and the Class.

59. Although the percentages vary among the Issuing Trusts, the Prospectus Supplements stated that First Franklin originated, or the Merrill Sponsor acquired, most of the mortgage loans underlying the Certificates. For example, the MLFFML Trust, Series 2007-A, Prospectus Supplement stated that "All of the Mortgage Loans were originated by the Sponsor [First Franklin]. Certain of the Mortgage Loans were subsequently purchased by [the Merrill Sponsor] from the Sponsor in bulk acquisition. All of the Mortgage Loans will be transferred and assigned by either [First Franklin or the Merrill Sponsor] to [the Merrill Depositor] on the Closing Date."

60. The Prospectus Supplements represented that the mortgage loans underlying the Certificates "were originated generally in accordance with the underwriting guidelines described in 'Underwriting Guidelines'" in this Prospectus Supplement. As represented in the Prospectus Supplements, the Sponsor's underwriting and acquisition underwriting standards were primarily intended to assess the ability and willingness of the borrower to repay the debt and to evaluate the adequacy of the mortgaged property as collateral for the mortgaged loan.

61. Regarding acquired loans, the Prospectus Supplements represented that the Merrill Sponsor's standards required that the underwriting of the mortgages was conducted with a view toward the resale of the loans in the secondary mortgage market. The Merrill Sponsor's stated guidelines required third-party originators to consider, among other things, the mortgagor's credit history, repayment ability, and debt-to-income ratio, as well as the type and use of the mortgaged property. In addition, the Prospectus Supplements represented that each of the loan originators must have met First Franklin's and/or the Merrill Sponsor's minimum standards based on certain acquisition guidelines, in order to submit loan packages, and that those loans must have been in compliance with the terms of a signed mortgage loan purchase agreement.

62. Furthermore, the Prospectus Supplements represented that third-party originators of loans acquired by First Franklin (or indirectly by the Merrill Sponsor, through First Franklin) were originated in accordance with the underwriting program called the Direct Access Program, which relied upon a borrower's credit score to determine a borrower's likely future credit performance. First Franklin's acquisition guidelines required that the third-party originator approve the mortgage loan using the Direct Access Program risk-based pricing matrix.

63. The Registration Statements and the Prospectuses stated the "Underwriting Guidelines" concerning the loans underlying each of the Certificates offered pursuant to the Registration Statements. Specifically, the Prospectus Supplements state that "All of the Mortgage Loans were required to meet the underwriting criteria substantially similar to that described in this prospectus supplement." Each of the Prospectus Supplements identified loan originators in the mortgage pools underlying the Certificates for that particular Issuing Trust and provided representations regarding the underwriting standards utilized by the originators of 10% or more of the underlying loans. The Prospectus Supplements did not disclose originators that originated less than 10% of the underlying loans.

64. The representations regarding the underwriting standards utilized by the identified loan originators were untrue and omitted material facts. Indeed, as detailed below, many of the identified loan originators systematically disregarded their stated underwriting guidelines. Plaintiffs do not allege that any of the Defendants named herein knew of, or recklessly disregarded, the failure of the originators to comply with their underwriting guidelines. Plaintiffs specifically disclaim any allegations of fraud by Defendants. Rather, Plaintiffs allege that the Defendants named herein are strictly and negligently liable for the untrue statements in the Offering Documents.

A. Countrywide Home Loans, Inc.'s Underwriting Practices

65. The Prospectus Supplements misrepresented and omitted material facts regarding the underwriting practices of Countrywide, which was an originator of mortgage loans identified for the following Issuing Trusts:

Merrill Lynch Alternative Note Asset Trust, Series 2007-OAR2
Merrill Lynch Alternative Note Asset Trust, Series 2007-OAR5
Merrill Lynch Alternative Note Asset Trust, Series 2007-AF1
Merrill Lynch Mortgage Investors Trust, Series 2006-A1
Merrill Lynch Mortgage Backed Securities Trust, Series 2007-3
Merrill Lynch Mortgage Investors Trust, Series 2006-A2
Merrill Lynch Mortgage Investors Trust, Series 2006-A3

66. The Prospectus Supplements for each of the above Issuing Trusts stated that:

> As part of its evaluation of potential borrowers, Countrywide Home Loans generally requires a description of income. If required by its underwriting guidelines, Countrywide Home Loans obtained employment verification providing current and historical income information and/or telephonic employment confirmation. . . .
>
> Countrywide Home Loans' underwriting standards are applied by or on behalf of Countrywide Home Loans to evaluate the prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral. Under those standards, a prospective borrower must generally demonstrate that the ratio of the borrower's monthly housing expenses (including principal and interest on the proposed mortgage loan and, as applicable, the related monthly portion of property taxes, hazard insurance and mortgage insurance) to the borrower's monthly gross income and the ratio of total monthly debt to the monthly gross income (the "debt-to-income") ratios are within acceptable limits. . . .
>
> Countrywide Home Loans may provide secondary financing to a borrower contemporaneously with the origination of a mortgage loan, subject to the following limitations: The Loan-to-Value Ratio of the senior (i.e. first) lien may not exceed 80% and the combined Loan-to-Value Ratio may not exceed 100%.
>
> * * *
>
> In addition to Countrywide Home Loans' standard underwriting guidelines (the "Standard Underwriting Guidelines"), which are consistent in many respects with the guidelines applied to mortgage loans purchased by Fannie Mae and Freddie Mac, Countrywide Home Loans uses underwriting guidelines featuring expanded criteria (the "Expanded Underwriting Guidelines"). . . .
>
> Countrywide Home Loans' Standard Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 95%

> for purchase money or rate and term refinance mortgage loans with original principal balances of up to $400,000, up to 90% for mortgage loans with original principal balances up to $650,000, up to 75% for mortgage loans with original principal balances up to $1,000,000, up to 65% for mortgage loans with original principal balances of up to $1,500,000, and up to 60% for mortgage loans with original principal balances of up to $2,000,000....
>
> Mortgage loans which are underwritten pursuant to the Expanded Underwriting Guidelines may have higher Loan-to-Value Ratios, higher loan amounts and different documentation requirements than those associated with the Standard Underwriting Guidelines. The Expanded Underwriting Guidelines also permit higher debt-to-income ratios than mortgage loans underwritten pursuant to the Standard Underwriting Guidelines.
>
> Countrywide Home Loans' Expanded Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 95% for purchase money or rate and term refinance mortgage loans with original principal balances of up to $400,000, up to 90% for mortgage loans with original principal balances up to $650,000, up to 80% for mortgage loans with original principal balances up to $1,000,000, up to 75% for mortgage loans with original principal balances of up to $1,500,000, and up to 70% for mortgage loans with original principal balances of up to $3,000,000. Under certain circumstances, however, Countrywide Home Loans' Expanded Underwriting Guidelines allow for Loan-to-Value Ratios of up to 100% for purchase money mortgage loans with original principal balances of up to $375,000.

67. While the Offering Documents represented that Countrywide's underwriting of mortgages was designed to ensure a prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral, the Offering Documents contained untrue statements of material fact and material omissions. Countrywide's underwriting standards were designed to originate as many mortgage loans as possible without regard to the ability of the borrower to repay such mortgages. Indeed, it has now been revealed that Countrywide's loan originators systematically disregarded and/or manipulated the income, assets, and employment status of borrowers seeking mortgage loans.

68. Attorneys General from various states have now initiated investigations into Countrywide's lending practices and also have alleged that Countrywide systematically departed from the underwriting standards it professed using for originating residential loans. For example, the Illinois Attorney General began an investigation into Countrywide's loan practices and, on June 25, 2008, filed an action in the Chancery Division of the Circuit Court of Cook County, Illinois, entitled *The People of the State of Illinois v. Countrywide Financial Corporation, et al.*, No. 08CH22994 (the "Illinois AG Complaint").

69. According to the Illinois AG Complaint, Countrywide employees who the Illinois AG interviewed stated that Countrywide originated loans that did not meet its underwriting criteria because Countrywide employees were incentivized to increase the number of loan originations without concern for whether the borrower was able to repay the loan. With respect to stated income loans, Countrywide employees explained to the Illinois AG that, while the company had a "reasonableness standard" in order to check fraudulent stated income, employees were only required to use their judgment in deciding whether or not a stated income loan seemed reasonable. To supplement an employee's judgment as to whether or not a potential borrower's income was "reasonable," beginning in 2005, Countrywide required its employees to utilize a website, www.salary.com, to determine the reasonableness of a potential borrower's stated income. Even if the stated salary was outside of the range provided by the website, Countrywide employees could still approve the loan. The Illinois AG contends that the foregoing "reasonableness" test contravened proper underwriting practices.

70. The Illinois AG Complaint also alleges that Countrywide employees did not properly ascertain whether a potential borrower could afford the offered loan, and many of Countrywide's stated income loans were based on inflated estimates of borrowers' income. For example, according to the Illinois AG Complaint: (1) a Countrywide employee estimated that approximately 90% of all reduced documentation loans sold out of a Chicago office had inflated incomes; and (2) one of Countrywide's mortgage brokers, One Source Mortgage Inc., routinely doubled the amount of the potential borrower's income on stated income mortgage applications.

71. The California Attorney General also commenced an investigation into Countrywide's lending activities and filed a complaint in the Northwest District of the Superior Court for Los Angeles County, entitled *The People of the State of California v. Countrywide Financial Corporation, et al.*, No. LC081846 (the "California AG Complaint"). Similar to the Illinois AG Complaint, the California AG Complaint also alleged that Countrywide departed from its stated underwriting standards. For example, the Complaint alleged that employees were pressured to issue loans to unqualified borrowers by permitting exceptions to underwriting standards, incentivizing employees to extend more loans without regard to the underwriting standards for such loans, and failing to verify documentation and information provided by borrowers that allowed them to qualify for loans. The absence of readily obtainable asset verifications was also reported in an April 6, 2008 article in *The New York Times*. The article noted that even though Countrywide had the right to verify stated income on an application through the IRS (and this check took less than one day to complete), income was verified with the IRS on only 3%-5% of all loans funded by Countrywide in 2006.

72. According to the California AG Complaint, Countrywide used a system called CLUES or Countrywide Loan Underwriting Expert System, to provide a loan analysis report that indicated whether the loan was within Countrywide's underwriting guidelines. CLUES reports indicating a loan was not within Countrywide's underwriting guidelines often were ignored in order to effectuate the loan.

73. Moreover, like the Illinois AG Complaint, the California AG Complaint contained statements from Countrywide employees that they utilized www.salary.com purportedly to confirm a borrower's stated income. According to the California AG Complaint, California employees would know ahead of time the range of salaries that www.salary.com would provide for a particular job and, therefore, knew by how much they could overstate a borrower's income. A former California loan officer for Countrywide further explained that its loan officers typically explained to potential borrowers that "with your credit score of X, for this

house, and to make X payment, X is the income that you need to make" after which the borrower would state that he or she made X amount of income.

74. Likewise, the Connecticut Attorney General (the "Connecticut AG") filed a complaint in Superior Court, Judicial District of Hartford, entitled *State of Connecticut v. Countrywide Financial Corporation, et al.*, No. CV08-40390945, alleging that Countrywide's employees inflated borrowers' incomes in order to qualify them for loans they otherwise would not have received.

75. Many of the allegations in the Illinois, California and Connecticut complaints were confirmed by investigations in other states such as Washington, West Virginia, Indiana and Florida. Significantly, on October 6, 2008, Countrywide announced that it had settled the claims brought by 11 states, including California and Illinois, for an estimated $8.4 billion.

76. Countrywide's underwriting standards are also the subject of an investigation by the Federal Bureau of Investigation ("FBI"), which *The Wall Street Journal* first reported on March 8, 2008, in an article entitled "FBI Investigates Countrywide – U.S. Scrutinizes Filings on Financial Strength, Loan Quality for Fraud." According to the article, the FBI investigation is focused on "whether company officials made misrepresentations about the company's financial position and the quality of its mortgage loans in securities filings."

77. On March 11, 2008, *The Wall Street Journal* published another article further detailing the FBI's investigation of Countrywide's lending practices. According to the sources interviewed by *The Wall Street Journal*, federal investigators were finding that "Countrywide's loan documents often were marked by dubious or erroneous information about its mortgage clients, according to people involved in the matter. The company . . . packaged many of those mortgages into securities and sold them to investors, raising the additional question of whether Countrywide understated the risks such investments carried."

78. Press reports and articles highlight the excess lending and failure to follow stated underwriting standards that existed throughout Countrywide during the time the Merrill Depositor was issuing Certificates with underlying Countrywide loans. For example, on

August 26, 2007, in an article entitled "Inside the Countrywide Lending Spree," the *New York Times* described how Countrywide's focus on underwriting was not the ability of a borrower to repay a loan, but the amount of fees Countrywide could generate. Thus, Countrywide steered borrowers to loans with higher interest rates and the most fees, resulting in greater delinquencies.

79. Indeed, in a May 7, 2007 letter to the Office of Thrift Supervision, Countrywide Home Loans stated that in the fourth quarter of 2006 alone "almost 60% of the borrowers who obtained subprime hybrid ARMs would not have qualified at the fully indexed rate" and that "25% of the borrowers would not have qualified for any other [Countrywide] product." The fully indexed rate ("FIR") is the amount of interest that is payable on an ARM once the teaser rate is removed. The "teaser rate," typically 1%-1.25%, is only applied to the loan for the first month. Once the teaser rate is removed, the interest on the mortgage begins accruing according to the FIR.

80. The FIR can change over time and is dependent on fluctuations in the current value of the chosen rate index, such as the 11th District Cost of Funds Index ("COFI"), the 12 Month Treasury Average Index or the London Interbank Offer Rate. The FIR is calculated by taking the current value of the rate index (which fluctuates monthly) and adding the margin agreed to by the borrower. The margin remains static for the life of the loan. The margin on Countrywide loans could be as high as 4%. Thus, if the Countrywide ARM identifies the rate index as COFI (which was at 2.8% in July 2008) and the margin as 4%, then once the cap or "teaser rate" has expired, the borrower will be subject to an interest rate equal to the FIR or 6.8% for that month.

81. Because the borrower has the option of making monthly payments as though the interest rate had not changed, most of those who had Countrywide ARMs paid only the "minimum" payment – a payment that is based on the teaser rate of 1% to 1.25% as opposed to the FIR of 6.8%, meaning that borrowers were making payments that were less than the amount of interest accruing on the loan after the teaser rate expired. The unpaid interest that accrued

while the borrower was making payments based on the teaser rate was tacked onto the principal. Once the principal was 115% of the original loan, then the borrower's monthly payment immediately was raised to a level that would pay off the new balance (original principal plus the unpaid interest) of the loan. This was called "payment shock."

82. Countrywide admitted to the Office of Thrift Supervision that, even though 60% of its potential borrowers would not have qualified for a Countrywide loan with an interest rate of 6.8%, these same borrowers nevertheless were approved for a loan whose interest rate reached 6.8% once the teaser rate of 1.25% expired.

83. Moreover, on February 23, 2008, *The Wall Street Journal* published an article entitled "Mortgage Chief Picked by BofA Sparks Worries – Countrywide Executive Spearheaded Pursuit of Subprime Business." The article reported that Countrywide's stated underwriting standards were not followed and warnings from Countrywide's risk-control managers were not heeded.

84. Indeed, according to Confidential Witness ("CW") 1, an underwriter for Countrywide in the Jacksonville, Florida, processing center between June 2006 and April 2007, as much as 80% of the loans originated involved significant variations from the underwriting standards that necessitated a signoff by management. According to CW1, Countrywide was very lax when it came to underwriting guidelines. Management pressured underwriters to approve loans and this came from "up top" because management was paid based, at least in part, on the volume of loans originated. CW1's manager told CW1 to approve as many loans as possible and push loans through. According to CW1, most loans declined by underwriters would "come back to life" when new information would "miraculously appear" – which indicated to CW1 that Countrywide was not enforcing its underwriting standards.

85. According to CW2, a Senior Underwriter in Roseville, California, from September 2002 to September 2006, Countrywide would regularly label loans as "prime" even if made to unqualified borrowers (including those who had recently gone through a bankruptcy and were still having credit problems). According to CW2, Countrywide's lending practices got

riskier in 2006 and Countrywide was more lax in enforcing its underwriting policies during that year.

86. According to CW3, an Underwriter from Long Island, New York, between March 2000 and January 2007, Countrywide extended loans to individuals with increasing debt-to-income ratios. Initially, Countrywide limited debt-to-income ratios to 38%, but this rose to 50%. According to CW3, Countrywide branch managers' compensation was tied to loan origination volume and not the quality of the loans. Thus, according to CW3, branch managers pushed originators to sell more loans despite the riskiness of these loans.

87. In addition, according to CW4, an Executive Vice President of Production Operations and later an Executive Vice President of Process Improvement, who worked at Countrywide for 17 years before leaving in October 2005, Countrywide created a computer system (or "rules engine") that routed highly risky loans out of the normal loan approval process to a central underwriting group for evaluation. The system was called the Exception Processing System. According to CW4, the Exception Processing System identified loans that violated Countrywide's underwriting requirements. However, according to CW4, loans identified by the Exception Processing System as violating underwriting standards were ***not*** rejected. Rather, according to CW4, Countrywide executives wanted the Company's Central Underwriting group to review such loans to evaluate whether these loans should require a higher price (up front points) or a higher interest rate in light of the violation at issue. Central Underwriting entered information into the Exception Processing System about its decisions to approve such loans and charge additional fees to the borrower.

88. Moreover, according to Mark Zachary, a former Regional Vice President of Countrywide's joint venture with KB Home, Countrywide Mortgage Ventures, LLC, Countrywide blatantly ignored its underwriting policies and procedures. Mr. Zachary stated that there was a problem with appraisals performed on KB Homes being purchased with Countrywide loans. According to Mr. Zachary, the appraiser was being strongly encouraged to inflate appraisal values by as much as 6% to allow the homeowner to "roll up" all closing costs.

According to Mr. Zachary, this inflated value put the buyer "upside down" on the home immediately after purchasing it, *i.e.*, the borrower owed more than the home's worth. Thus, the borrower was more susceptible to default. It also put the lender and secondary market investor at risk because they were unaware of the true value of their asset. According to Mr. Zachary, Countrywide performed an audit in January 2007 into these matters which corroborates his story.

89. On September 30, 2008, MBIA Insurance Corp. ("MBIA") filed a complaint against Countrywide in New York state court, entitled *MBIA Insurance Corp. v. Countrywide, et al.*, No. 08/602825. The MBIA complaint alleges that Countrywide fraudulently induced it to provide insurance for certain investment certificates. MBIA was able to obtain approximately 19,000 loan files for the Certificates it insured as a result of its contractual agreements with Countrywide. After reviewing the portfolios and re-underwriting each loan provided by Countrywide, MBIA discovered that there was "an extraordinarily high incidence of material deviations from the underwriting guidelines Countrywide represented it would follow." MBIA discovered that many of the loan applications "lack[ed] key documentation, such as a verification of borrower assets or income; include[d] an invalid or incomplete appraisal; demonstrate[d] fraud by the borrower on the face of the application; or reflect[ed] that any of borrower income, FICO score, or debt, or DTI [debt-to-income] or CLTV, fail[ed] to meet stated Countrywide guidelines (without any permissible exception)." Significantly, "MBIA's re-underwriting review . . . revealed that almost 90% of defaulted or delinquent loans in the Countrywide Securitizations show material discrepancies."

B. American Home Mortgage Corp.'s Underwriting Practices

90. The Prospectus Supplements misstated and omitted material facts regarding the underwriting practices of American Home Mortgage Corp. ("American Home"), which was an originator identified for the Merrill Lynch Alternative Note Asset Trust Series 2007-AF1.

91. For example, the Prospectus Supplement stated that:

> The ["conforming or "prime"] mortgage loans have been purchased or originated, underwritten and documented in accordance with the guidelines of Fannie Mae, Freddie Mac, the

> Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture Guaranteed Rural Housing Program (GRH), Ginne Mae, the underwriting guidelines of specific private investors, and the non-conforming or Alt-A underwriting guidelines of the Originator.
>
> The Originator's non-conforming underwriting guidelines are similar to those of the government sponsored enterprises Fannie Mae and Freddie Mac, but these loans are "non-conforming" in that the may not conform to the maximum loan amounts and in some cases underwriting guidelines of Fannie Mae and Freddie Mac. These non-conforming loans do not conform to and are not insurable by the Federal Housing Administration nor can they be guaranteed by the U.S. Department of Veterans Affairs.
>
> The Originator's underwriting philosophy is to weigh all risk factors inherent in the loan file, giving consideration to the individual transaction, borrower profile, the level of documentation provided and the property used to collateralize the debt.
>
> Every mortgage loan is secured by a property that has been appraised by a licensed appraiser in accordance with the Uniform Standards of Professional Appraisals Practice adopted by the Appraisal Standard Board of Appraisal Foundation. The appraisers perform on-site inspections of the property and report on the neighborhood and property condition in factual and specific terms. Each appraisal contains an opinion of value that represents the appraiser's professional conclusion based on market data of sales of comparable properties and a logical analysis with adjustments for differences between the comparable sales and the subject property and the appraiser's judgment. In addition, each appraisal is reviewed for accuracy and consistency by the Originator's vendor management company or an underwriter of the Originator or a mortgage insurance company contract underwriter.
>
> The appraiser's value conclusion is used to calculate the ration (loan-to-value) of the loan amount to the value of the property. For loans made to purchase a property, this ratio is based on the lower of the sales price of the property and the appraised value. The Originator sets various maximum loan-to-value ratios based on the loan amount, property type, loan purpose and occupancy of the subject property securing the loan.

92. American Home greatly reduced and/or eliminated its underwriting standards in order to approve as many mortgages as possible. For example, an internal American Home "Credit Update" presentation dated from October 2005 set forth revised credit factors which

made clear that American Home's underwriting guidelines were to be either relaxed substantially or essentially rendered meaningless, in order to allow American Home to make loans to high-risk borrowers. Specifically, the Credit Update sets forth the previous "interpretation" of the underwriting guidelines under a heading entitled "What we observed in [our] prior history" alongside the new "interpretation" under a heading entitled "Where We Are Now." These new "guideline interpretations" included:

- Not requiring verification of income sources on stated income loans;
- Reducing the time that need have passed since the borrower was in bankruptcy or credit counseling;
- Reducing the required documentation for self-employed borrowers; and
- Broadening the acceptable use of second and third loans to cover the full property value.

93. Indeed, an internal American Home e-mail sent on November 2, 2006, from Steve Somerman, an American Home Senior Vice President of Product and Sales Support in California and co-creator of the American Home's "Choice Point Loans" program, to loan officers nationwide, stated that American Home would make a loan to virtually any borrower, regardless of the borrower's ability to verify income, assets or even employment. That e-mail specifically encouraged loan officers to make a variety of loans that were inherently risky and extremely susceptible to delinquencies and default, including (1) stated income loans, where both the income and assets of the borrower were taken as stated on the credit application without verification; (2) "NINA" or No Income, No Asset loans, which allowed for loans to be made without any disclosure of the borrower's income or assets; and (3) "No Doc" loans, which allowed loans to be made to borrowers who did not disclose their income, assets or employment history.

94. According to CW5, a former Senior Underwriter at American Home from 2002 to 2007, underwriters' objections to loans were frequently vetoed. CW5 stated that underwriters would "say[] 'no way' on a lot of things, 'I would never give a borrower a loan like this,'" but the loans would be approved nonetheless. According to CW5, loans would be approved over the

underwriter's objection if he refused to put his name on a loan, "It happened more than it should have."

95. American Home also did not have appropriate controls in place to monitor and enforce compliance with underwriting guidelines. According to CW6, a staff member in American Home's repurchase area between November 2004 and August 2007, "The underwriters didn't do their jobs. They were lax, very lax."

96. Moreover, American Home permitted numerous "exceptions" to its underwriting standards. CW6, an Assistant Vice President for Direct Consumer Lending in American Home's loan origination business segment between July 2006 and August 2007, explained that exceptions were always being made to the underwriting guidelines. When CW6's staff raised concern with the sales department about loans that did not meet the underwriting guidelines, the sales department would contact the Melville, New York, headquarters to approve an exception to those guidelines so that the loan could be completed. Examples of such exceptions included reducing the required credit score or increasing the loan-to-value ratio. CW6 stated that, when the exception at issue involved accepting a reduced credit score, it was commonplace to overrule the objections of the underwriters in order to complete the loan.

97. According to CW7, whose job at American Home from July 2005 through April 2007 was to review the underwriting of loans before they were sold to secondary market investors, exceptions to underwriting guidelines were made "all the time." For example, borrowers who claimed to be self-employed were not required to prove that they had been in business for a specified period of time, as required by the underwriting guidelines.

98. On April 30, 2007, American Home filed for bankruptcy. In connection with its bankruptcy, American Home filed a List of Creditors Holding 30 Largest Unsecured Claims. The list included the Merrill Sponsor as a creditor with a $5,137,161 repurchaser claim.

C. Ownit Mortgage Solutions, Inc.'s Underwriting Practices

99. The Prospectus Supplements misstated and omitted material facts about the underwriting practices of Ownit Mortgage Solutions, Inc. ("Ownit"), which was an originator of mortgages identified for the following Issuing Trusts:

Merrill Lynch Mortgage Investors Trust, Series 2007-HE2
Merrill Lynch Mortgage Investors Trust, Series 2007-SL1
Merrill Lynch Mortgage Investors Trust, Series 2007-SD1
Merrill Lynch Mortgage Investors Trust, Series 2006-SD1
2006-CB4 Trust
Ownit Mortgage Loan Trust, Series 2006-1
Ownit Mortgage Loan Trust, Series 2006-2
Ownit Mortgage Loan Trust, Series 2006-3
Ownit Mortgage Loan Trust, Series 2006-4
Ownit Mortgage Loan Trust, Series 2006-5
Ownit Mortgage Loan Trust, Series 2006-6
Ownit Mortgage Loan Trust, Series 2006-7
Ownit Mortgage Loan Trust, Series 2006-8

100. For example, the Prospectus Supplements represented that:

> Ownit (headquartered in Agoura Hills, California) was a wholesaler consumer finance company that originated non-conforming mortgage loans.... Ownit is the originator of the "RightLoan", a proprietary loan product that focuses on purchase, owner occupied, full documentation loans.... Ownit risk-based priced each loan by combining the credit score and loan-to-value price to price the loan.
>
> The underwriting Guidelines and Credit Matrices of the RightLoan are designed to be used as a guide in determining the credit worthiness of the borrower and his/her ability to repay. The guidelines, a reasonable loan amount and the RightLoan itself offer a solution that also facilitates making logical exceptions to those guides. Exceptions to the guidelines were made if the Loan met the primary criteria of the RightLoan and offers supported compensating factors when a deviation occurred. In all cases, the exception(s) and compensating factor(s) were clearly documented in the file and required branch manager approval and a second signature from the corporate underwriter.
>
> Using the three components, capacity, credit and collateral, the underwriter analyzed the loan profile. Capacity, which is the borrower's ability to repay, was determined by cash flow. It was required to be clearly shown that the borrower had a proven, historical cash flow, which will support the requested loan amount. . . .

> Several aspects are considered in determining the borrower's capacity or ability to repay the loan. The key factors used by Ownit were employment documentation, history and amount of income used to derive debt to income ratios. . . .
>
> A satisfactory credit history is the most reliable criterion for determining a borrower's credit worthiness. . . .
>
> The collateral value and amount of equity in the subject property were important factors in assessing the risk of a particular loan.

101. While the Prospectus Supplements represented that Ownit utilized guidelines and credit-rating matrices in the underwriting of mortgages through its RightLoan product, Ownit did not comply with its underwriting standards and omitted to state that it lowered its underwriting standards in order to increase loan volume by extending higher-yield, riskier loans.

102. In 2005, Merrill Lynch purchased a 20% share in one of its primary loan originators, Ownit. Ownit originated $6 billion in loans from September 2005 to December 2006. In fact, Ownit's founder and CEO William Dallas ("Dallas") admitted that after Merrill Lynch's acquisition, Ownit lowered its underwriting standards to increase volume and originated higher-yield, riskier loans. According to Dallas, Ownit originated $6 billion in loans from September 2005 to December 2006.

103. According to CW8, a senior underwriter at the Atlanta, Georgia, branch of Ownit from May 2005 to December 2006, appraisals were "absolutely" higher than the actual value of properties. For example, CW8 described that appraisals were based on sales that were not true comparables to the subject properties and that "for a good year or two, everyone was riding on totally inflated values."

104. CW9, a senior underwriter at Ownit's Portland, Oregon, branch from February 2006 until December 2006, stated that at Ownit "if you had a pulse or you could breathe, you got a loan." CW9 stated that all appraisals were supposed to go through some type of review. According to CW9, the underwriters did a desk review, but they were not closely scrutinized.

CW9 further stated that none of the appraisals went further than a desk review and if an underwriter questioned the appraisal, management would just sign off on it.

105. Ownit filed for bankruptcy in December 2006 "amid reports that the subprime lender had been hit by huge loan buyback requests from an investor" according to Workout Wire, *BuyBacks Appear to Shutter Two Firms*, December 8, 2006. In connection with Ownit's bankruptcy, Merrill Lynch LP Holdings, Inc. filed an unsecured repurchase claim for $92,965,222.

106. Nevertheless, according to Janet Tavakoli, a derivatives expert and author of "Dear Mr. Buffett: What an Investor Learns 1,269 Miles From Wall Street" (John Wiley & Sons, 2009), the Merrill Depositor continued to issue mortgage pass-through certificates with underlying Ownit loans well into 2007, ***after*** Ownit had collapsed and filed for bankruptcy amid reports of huge loan buyback requests. For example, Ownit was an originator of 16.95% of the underlying loans in the Merrill Lynch Mortgage Investors Trust, Series 2007-SD1, prospectus supplement dated June 11, 2007.

D. IndyMac Bank F.S.B.'s Underwriting Practices

107. The Prospectus Supplements misrepresented and omitted material facts regarding the underwriting practices of IndyMac Bank F.S.B. ("IndyMac"), which was an originator of mortgages identified for the following Issuing Trusts:

Merrill Lynch Alternative Note Asset Trust Series 2007-OAR2
Merrill Lynch Alternative Note Asset Trust, Series 2007-OAR4
Merrill Lynch Mortgage Backed Securities Trust, Series 2007-3
Merrill Lynch Alternative Note Asset Trust, Series 2007-F1
Merrill Lynch Mortgage Backed Securities Trust, Series 2007-1
Merrill Lynch Mortgage Investors Trust, Series 2006-AF1
Merrill Lynch Mortgage Investors Trust, Series 2006-HE5

108. For example, the Prospectus Supplements stated that:

> Mortgage loans that are acquired by IndyMac Bank are underwritten by IndyMac Bank according to IndyMac Bank's underwriting guidelines, which also accept mortgage loans meeting Fannie Mae or Freddie Mac guidelines regardless of whether such mortgage loans would otherwise meet IndyMac Bank's guidelines,

> or pursuant to an exception to those guidelines based on IndyMac Bank's procedures for approving such exceptions. . . .
>
> IndyMac Bank's underwriting criteria for traditionally underwritten mortgage loans includes an analysis of the borrower's credit history, ability to repay the mortgage loan and the adequacy of the mortgaged property as collateral. Traditional underwriting decisions are made by individuals authorized to consider compensating factors that would allow mortgage loans not otherwise meeting IndyMac Bank's guidelines. . . .
>
> To determine the adequacy of the property to be used as collateral, an appraisal is generally made of the subject property in accordance with the Uniform Standards of Professional Appraisals Practice. The appraiser generally inspects the property, analyzes data including the sales price of comparable properties and issues an opinion of value using Fannie Mae/Freddie Mac appraisal report form, or other acceptable form.

109. The Prospectus Supplements represented that IndyMac's underwriting guidelines analyzed borrowers' credit histories, ability to repay mortgages, and the adequacy of mortgaged property as collateral. IndyMac, however, admittedly relaxed its underwriting guidelines in order to stay competitive.

110. Indeed, despite the stated guidelines for loans originated by IndyMac, an IndyMac spokesperson represented in an interview with *The Orange County Register* that IndyMac, "given strong competition in a declining overall mortgage market . . . in order to compete and grow, loosened its lending standards along with everyone else, though in a more responsible way . . ."

111. On July 11, 2008, IndyMac collapsed as a regulated thrift institution and went into receivership of the Federal Deposit Insurance Corporation due to under-capitalization. It was forced to retain $10.7 billion worth of loans that it could not sell in the secondary market. A July 12, 2008 article published in the *Pasadena Star-News* entitled "IndyMac Cashes Out" quoted Michael W. Perry, IndyMac's former Chairman and CEO, stating, "Speculators often lied about homes being owner-occupied and lenders got caught up in the housing frenzy. We got too carried away and loosened our guidelines too far."

E. First Franklin's Underwriting Practices

112. The Offering Documents misrepresented and omitted material facts about the underwriting practices of First Franklin, which was the loan originator of all loans in the following Trusts:

Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-A
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-1
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-2
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-3
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-4
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-5
First Franklin Mortgage Loan Trust, Series 2006-FF18
First Franklin Mortgage Loan Trust, Series 2007-FFC
First Franklin Mortgage Loan Trust, Series 2007-FF1
First Franklin Mortgage Loan Trust, Series 2007-FF2
First Franklin Mortgage Loan Trust, Series 2007-FFA
Merrill Lynch Mortgage Investors Trust, Series 2006-FF1
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-H1

113. In regard to First Franklin's underwriting standards, these Prospectus Supplements stated that:

> First Franklin Financial's underwriting standards are primarily intended to assess the ability and willingness of the borrower to repay the debt and to evaluate the adequacy of the mortgaged property as collateral for the mortgage loan. The standards established by First Franklin Financial require that mortgage loans of a type similar to the Mortgage Loans be underwritten by First Franklin Financial with a view toward the resale of the mortgage loans in the secondary mortgage market. In accordance with First Franklin Financial's underwriting guidelines, First Franklin Financial considers, among other things, a mortgagor's credit history, repayment ability and debt service to income ratio ("Debt Ratio"), as well as the value, type and use of the mortgaged property.
>
> * * *
>
> ***Wholesale Origination***. A significant majority of the Mortgage Loans were originated by First Franklin Financial based on loan application packages submitted to First Franklin Financial by mortgage brokers that do not fund the mortgage loans themselves. These mortgage brokers must meet minimum standards set by First Franklin Financial and, once approved, the mortgage brokers are eligible to submit loan application packages in compliance with the terms of their mortgage broker agreements. . . .

Retail Origination. First Franklin Financial originates loans in its retail channel based on loan applications submitted directly by borrowers in its operation located in Lake Forest, California. The retail operation acquires customers primarily through online lead generators, but also relies to a small extent on direct mail and phone contact to solicit borrowers.

CORE Program. All of the Mortgage Loans were originated by First Franklin Financial under an underwriting program called the CORE Program (the "CORE Program"). Within the CORE Program, there are four documentation programs.... While each underwriting program is intended to assess the risk of default, the CORE Program makes use of credit bureau risk scores (the "Credit Bureau Risk Score"). The Credit Bureau Risk Score is a statistical ranking of likely future credit performance developed by Fair, Isaac & Company ("Fair Isaac") and the three national credit repositories Equifax, Trans Union and Experian. . . .

In accordance with First Franklin Financial's guidelines, under the CORE Program, First Franklin Financial requires that the Credit Bureau Risk Score be used to determine program eligibility.... The Credit Bureau Risk Score, along with the loan-to-value ratio, is an important tool in assessing the creditworthiness of a borrower in the CORE Program. However, these two factors are not the only considerations in underwriting a CORE Program mortgage loan. First Franklin Financial requires a review of each CORE Program mortgage loan to determine whether First Franklin Financial's guidelines for income, assets, employment and collateral are met.

In accordance with First Franklin Financial's Guidelines, all of the Mortgage Loans were required to be written by underwriters having the appropriate signature authority. Each underwriter is granted a level of authority commensurate with his or her proven judgment, maturity and credit skills. On a case by case basis, an underwriter may determine that, based upon compensating factors, a prospective mortgagor not strictly qualifying under the underwriting risk category guidelines described below warrants an underwriting exception. Compensating factors may include, but are not limited to, low loan-to-value ratio, low Debt Ratio, substantial liquid assets, good credit history, stable employment and time in residence at the applicant's current address. It is expected that a limited portion of the Mortgage Loans may represent such underwriting exceptions.

114. In regards to First Franklin's acquisition underwriting standards, the Prospectus Supplements stated:

> First Franklin Financial's acquisition underwriting standards are primarily intended to assess the ability and willingness of the borrower to repay the debt and to evaluate the adequacy of the mortgage property as collateral for the mortgage loan. The standards established by First Franklin Financial require that the mortgage loans of a type similar to the Mortgage Loans were underwritten by the third party originators with a view toward the resale of the mortgage loans in the secondary mortgage market. In accordance with First Franklin Financial's guidelines for acquisition, the third party originators must consider, among other things, a mortgagor's credit history, repayment ability and debt service to income ratio. ("Debt Ratio"), as well as the value, type and use of the mortgaged property.
>
> * * *
>
> The third party originators are required to conduct a number of quality control procedures, including a post funding compliance audit as well as a full re-underwriting of a random selection of loans to assure asset quality. Under the asset quality audit, all loans are required to be reviewed to verify credit grading, documentation compliance and data accuracy. Under the asset quality procedure, a random selection of each month's originations must be reviewed by each third party originator.
>
> The loan review is required to confirm the existence and accuracy of credit documentation, appraisal analysis and underwriting decision. A report detailing audit findings and level of error is sent monthly to each branch for response. The audit findings must then be reviewed by the third party originator's senior management. Adverse findings are to be tracked monthly and over a rolling six month period. This review procedure allows the third party originator to assess the programs for potential guideline changes, program enhancements, appraisal policies, areas of risk to be reduced or eliminated and the need for additional staffing.
>
> Under the mortgage loan programs, various risk categories are used to grade the likelihood that the applicant will satisfy the repayment conditions of the loan.

115. In regards to First Franklin's underwriting and appraisal quality control procedures, the Prospectus Supplements stated:

> In accordance with First Franklin Financial's guidelines, the underwriters are required to verify the income of each applicant under various documentation programs. . . .
>
> First Franklin Financial is required to comply with applicable federal and state laws and regulations and generally requires an appraisal of the mortgaged property which conforms to Freddie Mac and/or Fannie Mae standards; and if appropriate, a review appraisal. Generally, appraisals are provided by appraisers approved by First Franklin Financial, but all review appraisals may only be provided by First Franklin Financial. . . .
>
> First Franklin Financial conducts a number of quality control procedures, including a post funding compliance audit as well as a full re-underwriting of a random selection of mortgage loans to assure asset quality. Under the asset quality audit, all mortgage loans are required to be reviewed to verify credit grading, documentation compliance and data accuracy. Under the asset quality procedures, First Franklin Financial reviews a random selection of each month's originations. . . .
>
> Under the CORE Program, various risk categories are used to assess the likelihood that the applicant will satisfy the repayment conditions of the loan. These risk categories establish the maximum permitted loan-to-value ratio and loan amount, given the occupancy status of the mortgaged property and the applicant's credit history and Debt Ratio.

116. The Prospectus Supplements represented that First Franklin's underwriting of mortgages considered mortgagor's credit history, repayment ability and debt service to income ratio. However, First Franklin lacked such underwriting standards and approved loans from wholesale originators without proper documentation and verification of mortgagor information which resulted in loan defaults and repurchases.

117. CW10, a Corporate Underwriter at First Franklin from 2006 until June 2007 who audited appraisals, estimated that one in four appraisals reviewed at First Franklin was overinflated. CW10 stated that most lenders maintained blacklists for appraisers who submitted appraisals with overinflated values or unsupported comparables, however, First Franklin had no such lists. Many times CW10 would reject loans with overinflated appraisals, only to have them approved by managers.

118. On December 30, 2006, Merrill Lynch purchased First Franklin from National City Corporation ("National City") for $1.3 billion. On April 13, 2007, National City received a dispute notice from Merrill Lynch asserting that the closing date net asset values and related purchase price were overstated by $67 million. Merrill Lynch's dispute notice alleged that National City had breached certain representations or warranties concerning First Franklin's alleged losses associated with its claimed repurchase of loans. On May 5, 2008, Merrill Lynch announced that it would stop funding loans at First Franklin and explore selling the company. Thereafter, on June 30, 2008, National City was notified that the Chicago Regional Office of the SEC was conducting an informal investigation of National City and requested that it provide the SEC with certain documents concerning its loan underwriting experience, dividends, bank regulatory matters and the sale of First Franklin. First Franklin's loans suffered from the same problems as the rest of the mortgage industry, as explained below, and were negatively impacted by lax underwriting, fraudulent home appraisals, and borrowers who exaggerated their incomes.

F. Additional Originators' Underwriting Practices

119. The Prospectus Supplements further identified the following mortgage originators as key originators of underlying mortgage loans:

Originators	
ABN AMRO Mortgage Group, Inc.	GreenPoint Mortgage Funding Inc.
Accredited Home Lenders, Inc.	Impac Funding Corporation
Acoustic Home Loans LLC	Lenders Direct Capital Corporation
Aegis Mortgage Corporation	LIME Financial Services, Ltd.
Alliance Bancorp	Mandalay Mortgage, LLC
Ameriquest Mortgage Company	Merrill Lynch Credit Corporation
Argent Mortgage Company, L.L.C.	MILA, Inc.
BayRock Mortgage Corporation	Mortgage Access Corp.
Citibank (West) FSB	Mortgage Lenders Network USA, Inc.
Citibank FSB	National City Mortgage Co.
Citibank Texas NA	New Century Mortgage Corporation
Citibank, N.A.	NovaStar Mortgage, Inc.
Decision One Mortgage Company LLC	Option One Mortgage Corporation
Equifirst Corporation	Paul Financial, LLC
Fieldstone Mortgage Company	People's Choice Home Loan, Inc.
Financial Services, LLC	Quicken Loans Inc.
First Horizon Home Loans Corporation	Residential Funding Company, LLC
First National Bank of Nevada	ResMAE Mortgage Corporation
First NLC	Silver State Financial Services Inc.
First NLC Financial Services, LLC	Specialty Underwriting and Residential Finance
First Republic Bank	Wells Fargo Bank, N.A.
Flagstar Bancorp, Inc.	Wilmington Finance, Inc.
FMF Capital LLC	Wilmington National Finance, Inc.

Originators	
Fremont Investment & Loan	WMC Mortgage Corp.

120. The Prospectus Supplements set forth the underwriting standards for each of the above-listed originators. These purported statements were untrue and omitted material facts because many originators industrywide systematically failed to follow their stated underwriting guidelines.

121. By way of background to the industry-wide failures, the traditional mortgage model (before 1994) involved a bank originating a loan to the borrower/homeowner and retaining the credit (default) risk. As such, under the traditional model, the loan originator had a financial incentive to ensure that (1) the borrower had the financial wherewithal and ability to repay the promissory note, and (2) the underlying property had sufficient value to enable the originator to recover its principal and interest in the event that the borrower defaulted on the promissory note.

122. With the advent of securitization, the traditional model gave way to the "originate to distribute" model, in which banks essentially sell the mortgages and transfer credit risk to investors through mortgage-backed securities. Securitization meant that those originating mortgages were no longer required to hold them to maturity. By selling the mortgages to investors, the originators obtained funds, enabling them to issue more loans and generate transaction fees. This increased the originators' focus on processing mortgage transactions rather than ensuring their credit quality.

123. Loan fees and sales revenue became the originator's primary profit mechanism, making the sheer quantity of loans issued more important than the quality of any particular loan. To facilitate more loans, lenders began to offer more aggressive loan products such as subprime mortgages, hybrid loans and negative amortization "option ARM" loans, with little or no documentation. As loan origination quantities increased, loan originators failed to follow their stated underwriting and appraisal standards, and other methods of risk assessment.

124. Wall Street banks, including Merrill Lynch, entered into the complex, high-margin business of packaging mortgages and selling them to investors as MBS, including mortgage pass-through certificates. By buying and packaging mortgages, Wall Street enabled the lenders to extend credit even as lending practices deteriorated and the dangers grew in the housing market. At the center of the escalation was Wall Street's partnership with subprime lenders. This relationship was a driving force behind the once-soaring home prices and the spread of exotic loans that are now defaulting and foreclosing in record numbers.

125. As is now evident, far too much of the lending during that time was neither responsible nor prudent. According to Ben S. Bernanke, Chairman of the Federal Reserve Board, in a March 14, 2008 speech at the National Community Reinvestment Coalition Annual Meeting, "[t]he deterioration in underwriting standards that appears to have begun in late 2005 is another important factor underlying the current crisis. A large share of subprime loans that were originated during this time feature high combined loan-to-value ratios and, in some cases, layers of additional risk factors, such as a lack of full documentation or the acceptance of very high debt-to-income ratios." In its March 2008 Policy Statement on Financial Market Developments, the President's Working Group on Financial Markets concluded that "[t]he turmoil in financial markets clearly was triggered by a *dramatic weakening of underwriting standards for U.S. subprime mortgages, beginning* in late 2004 and extending into early 2007." (Emphasis in original). As U.S. housing prices subsequently declined, the delinquency rate for such mortgages soared.

126. For example, New Century Financial Corporation ("New Century"), one of the originators of loans in a trust in this case, operated as one of the nation's largest mortgage finance companies until it collapsed and filed for bankruptcy. On February 29, 2008, Michael J. Missal, Bankruptcy Court Examiner for New Century, issued a detailed report of the various deficiencies at New Century, including lax mortgage origination standards. The Examiner's report detailed "serious loan quality issues at [New Century] beginning as early as 2004"; numerous "red flags" relating to loan quality; and the failure of New Century's senior

management and board of directors to devote sufficient attention to improving loan quality until it "was too late to prevent the consequences of longstanding loan quality problems in an adversely changing market."

127. Numerous confidential witnesses corroborate the Examiner's findings. According to CW11, a former New Century fraud investigator and senior loan underwriter employed from January 1999 until April 2007 and who examined numerous New Century mortgage loans, New Century's problems began when it "started to abandon prudent underwriting guidelines" at the end of 2003 in order to "push more loans through" the system. According to CW11, New Century, in effect, "stopped underwriting" and adopted an approach that the Company would be "okay if [it] could out run [its] delinquency rate."

128. According to CW12, a former New Century Senior Vice President employed from July 2005 until April 2006 in Irvine, California, New Century could only meet its increasing year-over-year sales projections by reducing the underwriting standards. According to CW12, the former Senior Vice President of New Century would approve just about any loan under New Century's "weak" underwriting standards.

129. According to CW13, a former New Century underwriting unit manager employed from 1998 through October 2006, underwriting standards were loosened in order to increase sales volume. According to CW13, exceptions to New Century's underwriting standards were "the norm" and employees were told to make loans "work." At one meeting in the late spring of 2006, CW13 and other underwriters were told by their operations manager that the underwriters had to do what was necessary to increase volume.

130. Accredited Home Lenders Holding Co. ("Accredited") is another originator of underlying loans in a trust in this case. Former employees of Accredited Home confirm the lack of underwriting and appraisal standards. According to CW14, a Corporate Underwriter at Accredited between June 2004 and March 2005, underwriting decisions were frequently overridden by managers on the sales side of the business. CW14 noted such loans were tracked internally, and it was well-known they performed poorly. Moreover, according to CW14, by no

later than the early part of 2005, Accredited approved risky loans that did not comply with its own underwriting guidelines in an effort to reach monthly production targets.

131. According to CW15, a Corporate Underwriter at Accredited between August 2003 and February 2006 in Tampa, Florida, decisions to reject loan applications were constantly overridden by Operations Managers and Senior Operations Managers. According to CW15, "The problem with the whole system was the overrides. The overrides were rampant. If the borrower breathed, he got the loan."

132. According to CW16, a Corporate Underwriter at Accredited in San Diego between May 2002 and November 2006, by 2005 Accredited's underwriters who reviewed and approved or denied loans were being overridden, frequently resulting in loans that did not comply with underwriting guidelines. According to CW16, the number of overrides grew so large that Accredited was forced to institute a system to track such overrides. The system included a box on the loan file that needed to be checked off by an underwriter if the loan was approved "as a business decision" by a higher-level manager over the recommendation of the underwriter to reject the application.

133. According to CW17, a Corporate Underwriter at Accredited between June 2000 and March 2007 in both the San Diego, California, and Austin, Texas, offices, "At the end of the month, we were handed loan files and told to just sign them with no audit."

134. According to CW18, the Chief Appraiser at Accredited for five years between 2002 and June 2007, Accredited allowed both corporate underwriters and sales managers to override the decisions of licensed property appraisers. In many cases, an appraisal reviewer working for Accredited would reject a loan application after concluding that the appraisal submitted with the application was inflated. According to CW18, the account executive who submitted the loan application would become annoyed by the rejection and appeal the decision to a sales manager who then would overturn the appraisal reviewer's decision without any valid justification. According to CW18, overrides of appraisers' decisions were rampant: "As of June 2006, between 12% and 15% of our business was being done through management overrides."

135. On May 1, 2009, Accredited filed for bankruptcy. Accredited faced huge demands from banks to repurchase loans. In bankruptcy filings, Accredited stated that it faces more than $200 million in repurchase claims. The banks assert that certain loans they purchased are defective and violate the purchase agreements they made with Accredited because they contain serious mistakes or borrowers defaulted too quickly.

136. Likewise, another identified originator of mortgage loans in trusts in this case, Wells Fargo Bank, N.A. ("Wells Fargo"), acknowledged its lack of underwriting practices in its 2007 Annual Report issued on February 25, 2008. In a section entitled "Credit Quality: What We Did Wrong" Wells Fargo stated:

> We made some mistakes . . . . Too many of our home equity loans had "loan-to-value" ratios that were too high . . . . Sometimes we did not require full documentation for these home equity loans we purchased from brokers because these were prime borrowers who had high credit scores with lower expected risk of default . . . . We should not have offered such lenient loan terms . . . , and we made the mistake of taking on too much risk. We should have known better.

137. Additionally, according to a December 7, 2008, article in the *Miami Herald*, employees of Argent Mortgage Company, L.L.C. ("Argent"), one of the identified originators listed above, including a vice president named Orson Benn, actively assisted mortgage brokers in falsifying borrowers' financial information by "tutoring . . . mortgage brokers in the art of fraud." Employees "taught [brokers] how to doctor credit reports, coached them to inflate [borrower] income on loan applications, and helped them invent phantom jobs for borrowers" so that loans could be approved. According to Mr. Benn himself, "the accuracy of loan applications was not a priority." The *Miami Herald* examined the applications for 129 loans funded by Argent and "found at least 103 that contained false and misleading information" and "red flags: non-existent employers, grossly inflated salaries and sudden, drastic increases in the borrower's net worth." As noted by the article, "The simplest way for a bank to confirm someone's income is to call the employer. But in at least two dozen cases, the applications show bogus telephone numbers for work references . . . ." Argent's lack of verification was so

poor that a "borrower [who] claimed to work a job that didn't exist . . . got enough money to buy four houses." Another borrower "claimed to work for a company that didn't exist – and got a $170,000 loan."

138. Moreover, according to a May 11, 2008 *Cleveland Plain Dealer* article, Jacqulyn Fishwick, who worked for more than two years at an Argent loan processing center near Chicago as an underwriter and account manager, noted that "some Argent employees played fast and loose with the rules" and stated "I personally saw some stuff I didn't agree with." Ms. Fishwick "saw [Argent] account managers remove documents from files and create documents by cutting and pasting them."

VII. THE OFFERING DOCUMENTS MISSTATED THE TRUE LTV RATIOS ASSOCIATED WITH THE UNDERLYING MORTGAGES

139. The Prospectus Supplements represented that the underlying mortgaged properties would provide adequate security for the mortgage loans, based in part on the appraised value of the properties securing the securitized mortgage loans. The adequacy of the mortgaged properties as security for repayment of the loans will have generally been determined by appraisals, conducted in accordance with pre-established guidelines.

140. Each securing property was to be appraised by a qualified, independent appraiser, and each appraisal was required to satisfy applicable government regulations and be on forms acceptable to Fannie Mae and Freddie Mac. As required by Fannie Mae and Freddie Mac, and as represented by the underwriting standards set forth in certain of the Prospectus Supplements, the appraisals were to be in conformity with the Uniform Standards of Professional Appraisal Practice ("USPAP"), as adopted by the Appraisal Standards Board of the Appraisal Foundation.

141. With respect to real estate appraisals, USPAP requires, *inter alia*:

> An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.
>
> In appraisal practice, an appraiser must not perform as an advocate for any party or issue.

An appraiser must not accept an assignment that includes the reporting of predetermined opinions and conclusions.

* * *

It is unethical for an appraiser to accept an assignment, or to have a compensation arrangement for an assignment, that is contingent on any of the following:

1. the reporting of a predetermined result (*e.g.*, opinion of value);
2. a direction in assignment results that favor the cause of the client;
3. the amount of a value opinion;
4. the attainment of a stipulated result; or
5. the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

142. In addition, the Prospectus Supplements represented that the appraisal procedure guidelines used by the loan originators, including First Franklin and C-BASS, required an appraisal report that included market data analysis based on recent sales of comparable homes in the area. If appropriate, the guidelines required a review appraisal, consisting of an enhanced desk, field review or automated valuation report confirming or supporting the original appraisal value of the mortgaged property.

143. As represented in the Registration Statements and the Prospectuses, the "Loan-to-Value Ratio" or "LTV Ratio" of a mortgage loan at any given time is the ratio (expressed as a percentage) of the then outstanding principal balance of the mortgage loan plus the principal balance of any senior mortgage loan to the "value" of the related mortgage property. Only if specified in a particular Prospectus Supplement may the LTV Ratio of certain mortgage loans exceed 100%. The "value" of the mortgaged property, other than with respect to refinance loans, is generally the lesser of: (a) the appraised value determined in an appraisal by the loan originator at the time of the origination, or (b) the sale price for such property.

144. The Prospectus Supplements also provided information regarding the weighted average combined original LTV Ratio of the loans underlying the Certificates. The Combined LTV Ratio is provided in each Prospectus Supplement, in association with various loan groupings, including by loan type and documentation level, property type and geographical

location. Moreover, each Prospectus Supplement made representations regarding the Combined LTV Ratio. For example, the MLFFML Trust Series 2007-A Prospectus Supplement stated that "[t]he weighted average Combined Loan-to-Value Ratio of the Mortgage Loans as of the Cut-off date was 99.54%."

145. In retail or in-house mortgage loan originations, many lenders allowed the sales personnel or account executives to order and control the appraisals. These sales personnel were typically on a commission-only pay structure and were therefore motivated to close as many loans as possible. These sales personnel and account executives would pressure appraisers to appraise properties at artificially high levels or they would not be hired again, resulting in appraisals being done on a "drive-by" basis where appraisers issued their appraisals without reasonable bases for doing so.

146. This lack of independence was noted by Alan Hummel, Chair of the Appraisal Institute, in his testimony before the Senate Committee on Banking. Hummel noted this dynamic created a "terrible conflict of interest" where appraisers "experience systemic problems of coercion" and were "ordered to doctor their reports" or else they would never "see work from these parties again" and were "placed on exclusionary or 'do-not-use' lists." Too often, this pressure succeeded in generating artificially high appraisals and appraisals being done on a "drive-by" basis where appraisers issued their appraisal without reasonable bases for doing so.

147. A 2007 survey of 1,200 appraisers conducted by October Research Corp. – a firm in Richfield, Ohio, who publishes Valuation Review – found that 90% of appraisers reported that mortgage brokers and others pressured them to raise property valuations to enable deals to go through. This figure was nearly double the findings of a similar study conducted just three years earlier. The 2007 study also "found that 75% of appraisers reported 'negative ramifications' if they did not cooperate, alter their appraisal, and provide a higher valuation." Adding to these problems was the fact that lenders, for originations completed by mortgage brokers, generally lacked knowledge of the accuracy of the appraisals since they were typically located far from the actual property and knew very little about the general area where the

property was located. As a result of this conduct, loans were frequently based on inflated appraisals.

148. As detailed above, CWs confirm the over-inflation of appraisals. For example, CW8, a senior underwriter at the Atlanta, Georgia, branch of Ownit from May 2005 to December 2006, stated that appraisals were "absolutely" higher than the actual value of properties. Likewise, CW9, a senior underwriter at the Portland, Oregon, branch of Ownit from February 2006 until December 2006, stated that at Ownit none of the appraisals went further than a desk review and if an underwriter questioned the appraisal, management would just sign off on it.

149. As detailed above, CW10, a Corporate Underwriter at First Franklin from 2006 until June 2007, estimated that one in four appraisals reviewed at First Franklin was overinflated. CW10 further stated that managers would approve loans that CW10 had rejected due to overinflated appraisals.

150. The Registration Statements and Prospectuses stated that only "[i]f specified in the related Prospectus Supplement, the Loan-to-Value Ratio of certain Mortgage Loans may exceed 100%." Accordingly, each Prospectus Supplement included tabular data reflecting the "Range of Combined Loan-to-Value Ratios" indicating the number of loans per each range of Loan-to-Value Ratios, and the weighted average Combined Loan-to-Value Ratio for the mortgage loans. For example, the MLFFML Trust Series 2007-A Prospectus Supplement indicated that 4,714 loans (out of 5,004 total loans) were within the Loan-to-Value Ratio range of 95.01% to 100%. The weighted average Loan-to-Value ratio was represented as 99.54%. No loan was represented to have a Loan-to-Value Ratio of greater than 100%.

151. The above statements, including the tabular statistics in each Prospectus Supplement regarding the purported Loan-to-Value Ratios of the underlying mortgages, were untrue and omitted material facts because they failed to disclose that the Loan-to-Value Ratios would have been higher if the underlying properties were appraised according to pre-established, independent appraisal procedures and in accordance with USPAP, as stated in the

Prospectus Supplements. Due to the inflated appraisals, the LTV ratios listed in the Offering Documents were artificially low, making it appear that the loans underlying the trusts were safer and less risky than they really were.

VIII. THE OFFERING DOCUMENTS MISREPRESENTED THE OVERCOLLATERALIZATION OF THE ISSUING TRUSTS

152. Defendants, in structuring the Certificate tranche parameters, provided for certain "Credit Enhancement," as set forth in the Prospectus Supplements. Credit enhancement is intended to provide protection to the holders of the Certificates against shortfalls in payments received on the mortgage loans, and helps increase the likelihood of the receipt of all payments under the agreements pursuant to which the Certificates are issued. The Certificate securitization and offering transactions provide various forms of credit enhancement, including subordination, shifting interests, overcollateralization and excess interest. Each form of credit enhancement is necessarily dependent on the application and effectiveness of the originator's underwriting standards, as well as an accurate appraisal of the mortgaged real estate and the corresponding LTV ratio.

153. Each of the Prospectus Supplements represented a pre-determined amount of overcollateralization. In addition, the Certificate securitization and offering transactions were structured such that the loans were expected to generate more interest than was needed to pay interest on the Certificates (and related expenses of the Issuing Trust). Specifically, the weighted average interest rate of the mortgage loan was expected to be higher than the aggregate of the weighted average pass-through rate on the Certificates, plus the servicing fee rate on the mortgage loans.

154. The credit enhancements represented in the Prospectus Supplements directly impact and correlate with the representations regarding the ratings assigned to each Certificate tranche in a series offering. As stated in the Prospectus Supplements, the ratings assigned to mortgage pass-through certificates "address the likelihood of the receipt by certifcateholders of payments required under the operative agreements." The ratings "take into consideration the

credit quality of the mortgage pool including any credit support providers, structural and legal aspects associated with the [C]ertificates, and the extent to which the payment stream of the mortgage pool is adequate to make payments under the [C]ertificates." MLFFML Trust Series 2007-A Prospectus Supplement.[2] As a condition to the issuance of the Certificates, each tranche in the series received respective ratings from the Rating Agency Defendants as set forth in the Prospectus Supplements.

155. The Prospectuses represented that the securitization structure of each of the Certificate offerings was structured to include credit enhancement in the form of overcollateralization. Each Prospectus Supplement stated a particular amount by which the aggregate stated principal balance of the mortgage loans was greater than the aggregate class principal of the Certificates at the time of the offering. For example, the MLFFML Trust Series 2007-A Prospectus Supplement stated:

> The overcollateralization amount is the excess of the aggregate outstanding principal balance of the mortgage loans over the aggregate principal balance of the offered [C]ertificates and class B-4 certificates. On the closing date, the overcollateralization amount will equal approximately 19.65% of the aggregate outstanding principal balance of the mortgage loans as of the cut-off date.

156. The Prospectuses and Prospectus Supplements stated, "Generally, because more interest is required to be paid by the mortgagors than is necessary to pay the interest accrued on the [C]ertificates and the expenses of the issuing entity, there is expected to be excess interest each month. On each distribution date, subject to limited exceptions described herein, the issuing entity will apply some or all of the excess interest as a principal payment on the most senior classes of [C]ertificates then outstanding until the overcollateralization target is reached...."

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[2] As is generally the case, the Prospectus Supplements for each Issuing Trust uniformly used the same or substantially similar language.

157. The above statements were untrue and misleading because, as detailed above, they failed to disclose that many of the loan originators did not follow their underwriting and property appraisal standards. Such failures increased the risk that many borrowers would not be able to repay their loans; foreclosure sales would not recoup the full value of the loans; and the aggregate expected principal payments would not, nor could they be expected to, exceed the aggregate class principal of the Certificates. As such, the Certificates were not protected with the level of credit enhancement and overcollateralization represented to investors in the Prospectus Supplements.

IX. THE RATINGS SET FORTH IN THE OFFERING DOCUMENTS MISSTATED THE QUALITY OF THE CERTIFICATES

158. The Registration Statements and Prospectuses stated that it was "a condition of the issuance of the Offered Certificates that they be assigned" certain pre-determined ratings from the Rating Agency Defendants, as set forth in the Prospectus Supplements. As stated:

> Moody's ratings on mortgage pass-through certificates address the likelihood of the receipt by certificate holders of all distributions to which such certificateholders are entitled. Moody's ratings opinions address the structural and legal issues associated with the Offered Certificates, including the nature of the underlying Mortgage Loans.
>
> S&P ratings on mortgage pass-through certificates address the likelihood of receipt by certificateholders of payments required under the operative agreements. S&P's ratings take into consideration the credit quality of the mortgage pool including credit support providers, structural and legal aspects associated with the certificates, and the extent to which the payment stream of the mortgage pool is adequate to make payments required under the certificates.

159. Each Prospectus Supplement listed the initial Ratings of the Certificates being offered by the Issuing Trust. In each, certain Certificates were rated as investment-grade, in accordance with the pre-established rating systems utilized by the Rating Agency Defendants. For example, the MLFFML Trust, Series 2007-A, Prospectus Supplement included the following chart identifying each Series 2007-A Certificate rating:

Ratings

It is a condition of the issuance of the Offered Certificates that they be assigned the ratings designated below by each of Moody's and S&P.

Class of Certificates	Moody's	S&P
A-1	Aaa	AAA
A-2	Aaa	AAA
A-3	Aaa	AAA
M-1	Aa1	AA+
M-2	Aa2	AA
M-3	Aa3	AA-
M-4	A1	A−

Class of Certificates	Moody's	S&P
M-5	A2	A
M-6	A3	A-
B-1	Baa1	BBB+
B-2	Baa2	BBB
B-3	Baa3	BBB-
R	NR	AAA

160. As detailed above, the Rating Agency Defendants provided pre-determined ratings for the Certificates as a condition to the issuing of the Certificates to the public. These pre-determined credit ratings were, for virtually all tranches of the offered Certificates, investment-grade. Moody's and S&P maintained investment-grade ratings on the Certificates until, at the earliest, April 24, 2008.

A. The Ratings Were Unjustifiably High

161. The ratings provided by the Rating Agency Defendants were unjustifiably high and did not represent the true risk of the Certificates, as they were based on insufficient information and faulty assumptions concerning how many underlying mortgages were likely to default. As a result, the Certificates were secured by assets that had a much greater risk profile than represented. Accordingly, Defendants were able to obtain superior ratings for the Certificates, when in fact they were not equivalent to other investments with the same credit ratings.

162. The President's Working Group on Financial Markets, Policy Statement Financial Market Developments (March 2008), confirms that there were flaws in credit rating agencies' assessments of subprime MBS and other complex structured financial products, such as asset-backed pass-through certificates. For instance, the President's policy statement noted

that "[a]lthough market participants had economic incentives to conduct due diligence . . . the steps they took were insufficient."

163. Consequently, on June 11, 2008, the SEC proposed new rules that would, *inter alia*, prohibit rating agencies from issuing ratings on a structured product, including mortgage pass-through certificates, unless information on the assets underlying the product was made available; prohibit credit rating agencies from structuring the same products they rate; and require the public disclosure of the information used by credit rating agencies in determining a rating on a structured product, including information on the underlying assets.

164. In addition, on July 8, 2008, the SEC issued a Summary Report of Issues Identified in the Commission Staff's Examinations of Select Credit Rating Agencies ("Summary Report"). The SEC's Summary Report found flaws in the rating agencies' procedures with respect to rating MBS products, including:

- Relevant ratings criteria were not disclosed;
- None of the rating agencies examined had specific written procedures for rating RMBS and CDOs;
- The rating agencies did not always document significant steps in the rating process – including the rationale for deviations from their models and for rating committee actions and decisions – and they did not always document significant participants in the ratings process;
- Rating agencies do not appear to have specific policies and procedures to identify or address errors in their models or methodologies;
- The rationale for deviations from the model or out of model adjustments was not always documented in deal records. As a result, in its review of rating files, the Staff could not always reconstruct the process used to arrive at the rating and identify the factors that led to the ultimate rating; and
- There was a lack of documentation of rating agency committee actions and decisions.

165. Furthermore, with respect to the rating agencies' lack of established procedures, including documentation for particular ratings, the SEC's Summary Report stated that the rating agencies' actions "make it difficult for the rating agencies' internal compliance staff or internal

audit staff to assess compliance with the firms' policies and procedures when conducting reviews of rating agency activities."

166. The Rating Agency Defendants have admitted that the methodology used to rate mortgage-backed securities between 2005 and 2007 was based on outdated and unreliable modeling of borrowers' default risks. On October 22, 2008, in testimony before the United States House of Representatives, Committee on Oversight and Government Reform, Deven Sharma, the President of S&P, stated that "many of the forecasts we used in our ratings analysis of certain structured finance securities have not been borne out."

167. Frank Raiter, the former Managing Director and Head of Residential Mortgage Backed Securities Ratings at S&P, stated that credit rating modeling was not updated on a timely basis, despite the fact that by early 2004, S&P had developed, but never implemented, a ratings model that considered nearly 10 million loans and "covered the full spectrum of new mortgage products, particularly in the Alt-A and fixed/floating payment type categories." According to Mr. Raiter, a "consequence of continuing to use out-dated versions of the rating model was the failure to capture changes in performance of the new non-prime products. As a result, expected loss estimates no longer provided the equity necessary to support the AAA bonds. This, in turn, generated the unprecedented number of AAA downgrades and subsequent collapse of prices in the RMBS market."

168. Mr. Raiter stated that "had these models been implemented we would have had an earlier warning about the performance of many of the new products that subsequently lead to such substantial losses. That, in turn, should have caused the loss estimates mentioned above to increase and could have thus caused some of these products to be withdrawn from the market . . . ." Before the same Congressional Committee in October 2008, Jerome Fons, a former Managing Director of Credit Policy at Moody's, stated that the rating agencies "did not update their models or their thinking" during the period of deterioration in credit standards.

B. The Rating Agencies' Compensation Was Not Disclosed

169. The Registration Statements stated that it was a "condition to the issuance of any class of Offered Securities that they shall have been rated not lower than investment grade, that is, in one of the four highest rating categories, by a Rating Agency." However, Defendants failed to disclose that the compensation to the Rating Agency Defendants was based on the issuance of investment-grade ratings for the Certificates, rather than objective and independent standards.

170. As reported on April 11, 2008, in *The Wall Street Journal*, a former Moody's analyst stated that while there was no explicit directive to subordinate ratings objectivity to earn business from investment banks, there was "a palpable erosion of institutional support for rating analysis that threatened market share."

171. Likewise, on April 24, 2008, an investment banker experienced with rating agency procedures stated to the Senate Banking, Housing and Urban Affairs Committee that "[t]here is a far more serious conflict of interest than is commonly believed at the root of the current rating agency business model. . . . One could make the case that whenever a rating analyst is supervised by a manager whose compensation is determined by market share or revenue growth (rather than ratings accuracy) the objectivity of ratings is compromised."

172. Furthermore, the SEC's Summary Report noted that "[t]he conflict of interest inherent in this model is that rating agencies have an interest in generating business from the firms that seek the rating, which could conflict with providing ratings of integrity." The SEC's Summary Report also found that "while each rating agency has policies and procedures restricting analysts from participating in fee discussions with issuers, these policies still allowed key participants in the ratings process to participate in fee discussions."

X. THE PERFORMANCE AND VALUE OF THE CERTIFICATES

173. The ratings on virtually all of the Certificates within each of the Issuing Trusts have been downgraded.

174. Further, the delinquency, foreclosure and bank ownership rates on the underlying mortgages have soared since issuance. For example, in one of the Issuing Trusts, more than 67% of the underlying mortgages are either 60 days or more delinquent, in foreclosure, or the collateral was retaken by the lender. In addition, in the Merrill Lynch Mortgage Investors Trust, Series 2006-RM3, more than 37% of the underlying mortgage loans are in foreclosure. Likewise, in the Merrill Lynch Mortgage Investors Trust, Series 2006–FM1, more than 36% of the underlying mortgages are in foreclosure.

175. As reflected in the chart below, which reflects the Trusts in which the Plaintiffs purchased interests, more than 40% of the underlying loans in 10 of the 19 Trusts are either 60 days or more delinquent, in foreclosure, or bank owned. In all but four of the Issuing Trusts, the foreclosure and delinquency rates are in excess of 27%. All but four of the Issuing Trusts have experienced double digit foreclosure rates.

As of April, 2009

	Delinq 60 days	Delinq 90 days	Foreclosure	REO	Total
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-A	5.53%	11.92%	0.00%	0.00%	17.45%
Merrill Lynch Mortgage Investors Trust Series MLCC 2006-2	0.22%	0.82%	0.00%	0.00%	1.04%
Merrill Lynch Alternative Note Asset Trust, Series 2007-F1	2.64%	2.78%	7.07%	2.36%	14.85%
2007-CB4 Trust	5.50%	7.72%	18.04%	7.89%	39.15%
Merrill Lynch Mortgage Investors Trust, Series 2006-WMC1	3.62%	14.20%	23.13%	8.44%	49.39%
Merrill Lynch Mortgage Investors Trust, Series 2006-AHL1	3.83%	13.07%	22.62%	9.73%	49.25%
Merrill Lynch Mortgage Investors Trust, Series 2006-MLN1	3.86%	17.74%	25.35%	9.16%	56.11%
Merrill Lynch Mortgage Investors Trust, Series 2006-RM3	2.78%	11.66%	37.90%	14.53%	66.87%
Merrill Lynch Mortgage Investors Trust, Series 2006-FM1	3.22%	18.19%	36.03%	7.54%	64.98%
Merrill Lynch Mortgage Investors Trust, Series 2006-RM5	3.87%	20.17%	29.48%	13.97%	67.49%
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-2	3.97%	8.96%	19.93%	8.22%	41.08%
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-3	3.62%	7.97%	19.24%	8.01%	38.84%
Merrill Lynch First Franklin Mortgage Loan Trust, Series 2007-4	4.15%	8.22%	20.19%	9.05%	41.61%
Merrill Lynch Mortgage Investors Trust, Series 2006-WMC2	2.71%	19.11%	27.07%	9.12%	58.01%
Merrill Lynch Mortgage Investors Trust, Series 2006-A1	4.05%	9.65%	13.76%	5.21%	32.67%
Merrill Lynch Mortgage Investors Trust, Series 2006-FF1	1.86%	5.03%	7.03%	4.49%	18.41%
Merrill Lynch Alternative Note Asset Trust, Series 2007-A3	3.05%	6.41%	19.12%	8.68%	37.26%
Merrill Lynch Alternative Note Asset Trust, Series 2007-AF1	3.00%	8.91%	10.99%	4.27%	27.17%
Ownit Mortgage Loan Trust, Series 2006-2	5.98%	6.22%	14.69%	10.70%	37.59%

XI. CLASS ACTION ALLEGATIONS

176. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3), individually and on behalf of themselves and all persons or entities who purchased or otherwise acquired beneficial interests in the Certificates issued pursuant and/or traceable to Merrill Lynch Mortgage Investors, Inc.'s August 5, 2005 Registration

Statement, December 2005 Registration Statement and/or February 2, 2007 Registration Statement and accompanying Prospectuses and Prospectus Supplements (the "Class").

177. This action is properly maintainable as a class action for the following reasons:

a) The Class is so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through discovery, Plaintiffs believe that there are thousands of members of the proposed Class, who may be identified from records maintained by the Issuing Defendants and/or may be notified of this action using the form of notice customarily used in securities class actions.

b) Plaintiffs are committed to prosecuting this action and have retained competent counsel experienced in litigation of this nature. Plaintiffs' claims are typical of the claims of the other members of the Class and Plaintiffs have the same interests as the other members of the Class. Accordingly, Plaintiffs are adequately representative of the Class and will fairly and adequately protect the interests of the Class.

c) The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for Defendants, or adjudications with respect to individual members of the Class which would, as a practical matter, be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

d) A class action is superior to all other methods for a fair and efficient adjudication of this controversy. There will be no difficulty in the management of this action as a class action. Furthermore, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them.

178. There are questions of law and fact which are common to the Class and which predominate over questions affecting any individual class member. The common questions include, *inter alia*, the following:

a) Whether Defendants violated the Securities Act;

b) Whether statements made by Defendants to the investing public in the Registration Statements, Prospectuses and Prospectus Supplements both omitted and misrepresented material facts about the mortgages underlying the Issuing Trusts; and

c) The extent and proper measure of the damages sustained by the members of the Class.

XII. PLAINTIFFS HAVE STANDING TO PURSUE THE CLAIMS ALLEGED

179. Plaintiffs have constitutional standing to advance the claims alleged herein. As set forth in the attached certifications, Plaintiffs purchased Certificates, allege to have been damaged by Defendants, and there is at least one named plaintiff who can assert a claim directly against each defendant. Accordingly, Plaintiffs have alleged concrete and particularized invasions of legally protected interests for all of the claims alleged under the Securities Act.

FIRST CAUSE OF ACTION

For Violation Of Section 11 Of The Securities Act
(Against All Defendants)

180. Plaintiffs repeat and reallege each and every allegation above as if set forth in full herein. For purposes of this Cause of Action, Plaintiffs expressly exclude and disclaim any allegation that could be construed as alleging fraud or intentional misconduct. This Count is based solely on claims of strict liability and/or negligence under the 1933 Act.

181. This Cause of Action is brought pursuant to Section 11 of the Securities Act, on behalf of Plaintiffs and the Class, against all Defendants. This Cause of Action is predicated upon Defendants' strict liability for making untrue statements and omissions in the Offering Documents.

182. The Registration Statements for the Certificate offerings were materially misleading, contained untrue statements of material fact, omitted to state other facts necessary to make the statements not misleading, and omitted to state material facts required to be stated therein.

183. Defendant the Merrill Depositor, as the Issuer, is strictly liable to Plaintiffs and the Class for making the misstatements and omissions in issuing the Certificates.

184. The Individual Defendants each signed the Registration Statements.

185. The Underwriter Defendants and Rating Agency Defendants each acted as an underwriter in the sale of Certificates issued by the Issuing Trusts, directly and indirectly participated in the distribution of the Certificates, and directly and indirectly participated in drafting and disseminating the Offering Documents for the Certificates. The Underwriter Defendants were underwriters for the respective Issuing Trusts.

186. The Merrill Depositor, the Merrill Sponsor, First Franklin, and C-BASS directly and indirectly participated in the distribution of the Certificates, and directly and indirectly participated in drafting and disseminating the Offering Documents for the Certificates.

187. Defendants owed to the Plaintiffs and other Class members the duty to make a reasonable and diligent investigation of the statements contained in the Offering Documents at the time they became effective to ensure that such statements were true and correct and that there was no omission of material facts required to be stated in order to make the statements contained therein not misleading.

188. Defendants failed to possess a reasonable basis for believing, and failed to make a reasonable investigation to ensure, that statements contained in the Offering Documents were true and/or that there was no omission of material facts necessary to make the statements contained therein not misleading.

189. Defendants issued and disseminated, caused to be issued or disseminated, and participated in the issuance and dissemination of material statements to the investing public

which were contained in the Offering Documents, which made false and misleading statements and/or misrepresented or failed to disclose material facts, as set forth above.

190. By reason of the conduct alleged herein, each of the Defendants violated Section 11 of the Securities Act, and are liable to Plaintiffs and the Class.

191. Plaintiffs and other Class members acquired Certificates pursuant and/or traceable to the Registration Statements. At the time Plaintiffs and Class members obtained their Certificates, they did so without knowledge of the facts concerning the misstatements and omissions alleged herein.

192. Plaintiffs and other Class members have sustained damages as a result of the wrongful conduct alleged and the violations of the Defendants.

193. By virtue of the foregoing, Plaintiffs and other Class members are entitled to damages, jointly and severally from each of the Defendants, as set forth in Section 11 of the Securities Act.

194. This action was brought within one year after the discovery of the untrue statements and omissions contained in the Offering Documents and within three years of the Certificates being offered to the public. Despite the exercise of reasonable diligence, Plaintiffs could not have reasonably discovered the untrue statements and omissions in the Offering Documents at an earlier time.

SECOND CAUSE OF ACTION

For Violation Of Section 12(a)(2) Of The Securities Act
(Against The Underwriter Defendants)

195. Plaintiffs repeat and reallege each and every allegation above as if set forth in full herein. For purposes of this Cause of Action, Plaintiffs expressly exclude and disclaim any allegation that could be construed as alleging fraud or intentional misconduct. This Count is based solely on claims of strict liability and/or negligence under the 1933 Act.

196. This Cause of Action is brought pursuant to Section 12(a)(2) of the Securities Act, on behalf of Plaintiffs and the Class, against the Underwriter Defendants.

197. The Underwriter Defendants sold Certificates pursuant to the defective Prospectus Supplements for their own financial gain. The Prospectus Supplements contained untrue statements of material fact, omitted to state facts necessary to make statements not misleading, and concealed and failed to disclose material facts.

198. The Underwriter Defendants owed to Plaintiffs and the other Class members who purchased Certificates pursuant to the Prospectus Supplements a duty to make a reasonable and diligent investigation of the statements contained in the Prospectus Supplements, to ensure that such statements were true and that there was no omission of material fact necessary to make the statements contained therein not misleading. The Underwriter Defendants, in the exercise of reasonable care, should have known of the misstatements and omissions contained in the Prospectus Supplements, as set forth herein.

199. Plaintiffs and other Class members purchased or otherwise acquired Certificates pursuant and/or traceable to the defective Prospectus Supplements. Plaintiffs did not know, and in the exercise of reasonable diligence could not have known, of the misrepresentations and omissions contained in the Prospectus Supplements.

200. By reason of the conduct alleged herein, the Underwriter Defendants violated Section 12(a)(2) of the Securities Act, and are liable to Plaintiffs and other Class members who purchased Certificates pursuant and/or traceable to the Prospectus Supplements.

201. Plaintiffs and other Class members were damaged by the Underwriter Defendants' wrongful conduct. Those Class members who have retained their Certificates have the right to rescind and recover the consideration paid for their Certificates, as set forth in Section 12(a)(2) of the Securities Act. Those Class members who have sold their Certificates are entitled to rescissory damages, as set forth in Section 12(a)(2) of the Securities Act. These Plaintiffs hereby tender their Certificates, or proceeds from the sale thereof, to Defendants named in this Cause of Action in exchange for the value of the consideration paid for such Certificates, plus interest. In the alternative, these Plaintiffs seek recovery of damages in an amount to be proven at trial.

202. This action was brought within one year after the discovery of the untrue statements and omissions contained in the Prospectus Supplements and within three years of the Certificates were sold to the public. Despite the exercise of reasonable diligence, Plaintiffs could not have reasonably discovered the untrue statements and omissions in the Prospectus Supplements at an earlier time.

THIRD CAUSE OF ACTION

For Violation Of Section 15 Of The Securities Act
(Against Merrill Lynch, The Merrill Sponsor, First Franklin, C-BASS, Merrill Lynch PFS And The Individual Defendants)

203. Plaintiffs repeat and reallege each and every allegation above as if set forth in full herein. For purposes of this Cause of Action, Plaintiffs expressly exclude and disclaim any allegation that could be construed as alleging fraud or intentional misconduct. This Count is based solely on claims of strict liability and/or negligence under the 1933 Act.

204. This Cause of Action is brought against Defendants Merrill Lynch, the Merrill Sponsor, First Franklin, C-BASS, Merrill Lynch PFS and the Individual Defendants as controlling persons, pursuant to Section 15 of the Securities Act. Each of Merrill Lynch, the Merrill Sponsor, First Franklin, C-BASS, Merrill Lynch PFS and the Individual Defendants, by virtue of their control, ownership, offices, directorship, and specific acts, was at the time of the wrongs alleged herein a controlling person of the Merrill Depositor within the meaning of Section 15 of the Securities Act. Each of Merrill Lynch, the Merrill Sponsor, First Franklin, C-BASS, Merrill Lynch PFS and the Individual Defendants had the power and influence, and exercised that power and influence, to cause the Merrill Depositor to engage in violations of the Securities Act, as described herein.

205. By virtue of the wrongful conduct alleged herein, Merrill Lynch, the Merrill Sponsor, First Franklin, C-BASS, Merrill Lynch PFS and the Individual Defendants are liable to Plaintiffs and other Class members for their sustained damages.

RELIEF REQUESTED

WHEREFORE, Plaintiffs pray for relief and judgment, as follows:

(a) Declaring this action properly maintainable as a class action and certifying Plaintiffs as Class representatives;

(b) Awarding compensatory and/or rescissionary damages in favor of Plaintiffs and other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

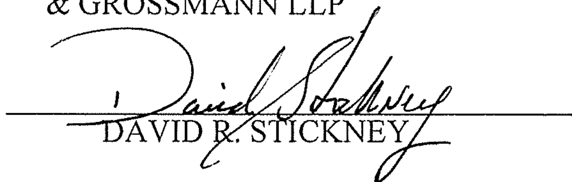
(d) Such other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiffs demand a trial by jury on all claims so triable.

Dated: May 20, 2009

BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP



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Counsel for Plaintiffs Connecticut Carpenters Pension Fund and Connecticut Carpenters Annuity Fund

ATTACHMENT 1

CERTIFICATION PURSUANT TO
THE FEDERAL SECURITIES LAWS

I, George W. Neville, Esq., on behalf of the Public Employees' Retirement System of Mississippi ("Mississippi PERS"), hereby certify, as to the claims asserted under the federal securities laws, that:

1. I am a Special Assistant Attorney General in the Office of the Attorney General of the State of Mississippi. I have reviewed the complaint and authorized its filing by Bernstein Litowitz Berger & Grossmann LLP.

2. Mississippi PERS did not purchase the securities that are the subject of this action at the direction of counsel or in order to participate in any action arising under the federal securities laws.

3. Mississippi PERS is willing to serve as a representative party on behalf of the Class, including providing testimony at deposition and trial, if necessary.

4. Mississippi PERS' transactions in the Merrill Lynch pass-through securities that are the subject of this action are set forth in the chart attached hereto.

5. Mississippi PERS has sought to serve and was appointed as a lead plaintiff and representative party on behalf of a class in the following actions under the federal securities laws filed during the three-year period preceding the date of this Certification:

In re Sears Holdings Corporation Securities Litigation, Case No. 06-cv-4053 (S.D.N.Y.)
In re Semtech Corp. Securities Litigation, Case No. 07-cv-7114 (C.D. Cal.)
In re Ambac Financial Group, Inc. Securities Litigation, Case No. 08-cv-411 (S.D.N.Y)
In re Schering-Plough Corporation/Enhance Securities Litigation, Case No. 08-cv-397 (D.N.J.)
In re Maxim Integrated Products Inc. Securities Litigation, Case No. 08-cv-832 (N.D. Cal.)
Public Employees' Retirement System of Mississippi v. Goldman Sachs Group, Inc., et al., Case No. 09-cv-1110 (S.D.N.Y.)
Iron Workers Local No. 25 Pension Fund v. Credit-Based Asset Servicing and Securitization, LLC, et al., Case No. 08-cv-10841 (S.D.N.Y.)
In re Royal Bank of Scotland Group plc Securities Litigation, Case No. 09-cv-300 (S.D.N.Y.)
In re Satyam Computer Services, Ltd., Securities Litigation, Case No. 09-md-2027 (S.D.N.Y.)

6. Mississippi PERS is currently seeking to serve as a lead plaintiff and representative party on behalf of a class in the following action filed under the federal securities laws during the three years preceding the date of this Certification:

Plumbers' & Pipefitters' Local #562 Supplemental Plan & Trust and Plumbers'; et al. v. J.P. Morgan Acceptance Corporation I, et al., Case No. 08-cv-1713 (E.D.N.Y.)

7. Mississippi PERS has sought to serve as a representative party on behalf of a class in the following action under the federal securities laws filed during the three-year period preceding the date of this Certification:

Public Employees' Retirement System of Mississippi v. Morgan Stanley, et al.,
Case No. 09-cv-2137 (S.D.N.Y.)

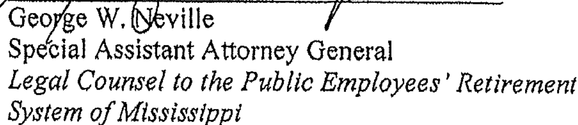
8. Mississippi PERS is serving as a lead plaintiff and representative party on behalf of a class in *In re Merck & Co. Inc. Securities, Derivative & "ERISA" Litigation*, MDL No. 1658 (SRC); 05-cv-01151 (D.N.J.); 05-cv-2367 (D.N.J.). Mississippi PERS intervened in the action and was appointed to serve as a lead plaintiff and representative party in the action in 2007.

9. Mississippi PERS has sought to serve as a lead plaintiff and representative party on behalf of a class in the following actions under the federal securities laws filed during the three-year period preceding the date of this Certification, but either withdrew its motion for lead plaintiff or was not appointed lead plaintiff:

In re Par Pharmaceutical Companies, Inc. Securities Litigation, Case No. 06-cv-3226 (D.N.J.)
In re Dell, Inc. Securities Litigation, Case No. 06-cv-726 (W.D. Tex.)
*Freudenberg v. E*Trade Financial Corporation, et al.*, Case No. 07-cv-8538 (S.D.N.Y.)
In re Wachovia Equity Securities Litigation, Case No. 08-cv-6171 (S.D.N.Y.)
New Orleans Employees' Retirement System, et al v. UBS AG, et al., Case No. 09-cv-893 (S.D.N.Y.) [1]

10. Mississippi PERS will not accept any payment for serving as a representative party on behalf of the Class beyond Mississippi PERS' pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the Class, as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 19th day of May, 2009.



George W. Neville
Special Assistant Attorney General
Legal Counsel to the Public Employees' Retirement System of Mississippi

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[1] The New Orleans action was consolidated with a previously-filed action captioned *In re UBS AG Securities Litigation*, Case No. 07-cv-11225 (S.D.N.Y.), which effectively terminated the motions seeking lead plaintiff appointment before they had been fully briefed.

Public Employees' Retirement System of Mississippi
Transactions in Merrill Lynch Mortgage-Backed Securities

Merrill Lynch Mortgage Investors Trust Series MLCC 2006-2
Cusip # 590219AG6

Transaction	Trade Date	Face Amount	Par Value
Purchase	9/6/2006	13,000,000.00	92.6539
Sale	7/30/2008	(13,000,000.00)	65.5998

Merrill Lynch Alternative Note Asset Trust Series 2007-F1
Cusip # 59023YAB0

Transaction	Trade Date	Face Amount	Par Value
Purchase	3/29/2007	4,000,000.00	100.3430
Sale	9/29/2008	(4,000,000.00)	68.3750

Merrill Lynch First Franklin Mortgage Loan Trust Series 2007-A
Cusip # 59025QAA7

Transaction	Trade Date	Face Amount	Par Value
Purchase	8/30/2007	775,000.00	99.8820

Merrill Lynch Mortgage Investors Trust Series 2006-A1
Cusip # 59020U5U5

Transaction	Trade Date	Face Amount	Par Value
Purchase	3/9/2006	4,905,000.00	100.3940
Purchase	6/15/2006	4,145,000.00	94.8414
Purchase	10/18/2006	625,000.00	87.7767
Sale	11/27/2006	(4,770,000.00)	86.7782
Sale	2/12/2007	(4,905,000.00)	81.1405

ATTACHMENT 2

CERTIFICATION OF NAMED PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS

IRON WORKERS LOCAL NO. 25 PENSION FUND ("Plaintiff") declares:

1. Plaintiff has reviewed a complaint and authorized its filing.

2. Plaintiff did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. Plaintiff has made the following transaction(s) during the Class Period in the securities that are the subject of this action:

Security	Transaction	Date	Price Per Share

See attached Schedule A.

5. (a) Plaintiff has been appointed to serve as a representative party for a class in the following actions filed under the federal securities laws during the three years prior to the date of this Certification:

Belodoff v. Netlist, Inc., et al., No. SACV-07-00677-DOC(MLGx) (C.D. Cal.)
In re Radian Sec. Litig., No. 2:07-cv-03375-MAM (E.D. Pa.)
Eastriver Partners, Inc. v. Focus Media Holding Limited, et al., No. 1:07-cv-10617-LTS (S.D.N.Y.)
In re Orion Sec. Litig., No. 1:08-cv-01328-RJS (S.D.N.Y.)

(b) Plaintiff is seeking to serve as a representative party for a class in the following actions filed under the federal securities laws:

None

(c) Plaintiff initially sought to serve as a representative party for a class in the following actions filed under the federal securities laws during the three years prior to the date of this Certification:

Hutton v. Hansen Natural Corporation, et al., No. CV-06-07599-JFW(PLAx) (C.D. Cal.)
A1 Credit Company v. RAIT Financial Trust, et al., No. 07-3148 (E.D. Pa.)
Greenberg v. American Home Mortgage Invest Corp., et al., No. 2:07-cv-3152-TCP-ETB (E.D.N.Y.)
Esses v. SiRF Technology Holdings, Inc., et al., No. CV-08-00856-MMC (N.D. Cal.)
Iron Workers Local No. 25 Pension Fund v. Oshkosh Corp., et al., No. 2:08-cv-00797-WEC (E.D. Wis.)

6. The Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 20th day of May, 2009.

IRON WORKERS LOCAL NO. 25
PENSION FUND

By:

Its: ADMINISTRATOR

C-DASS

SCHEDULE A

SECURITIES TRANSACTIONS

Acquisitions

Date Acquired	Type of Debt	Face Amount	Price
04/23/2007	C-BASS Mortgage Loan Asset Backed Certificates, Series 2007-CB4 A2D	$105,000	$100.00

ATTACHMENT 3

CERTIFICATION PURSUANT TO THE FEDERAL SECURITIES LAWS

I, Joseph B. Meyer, on behalf of the Wyoming State Treasurer, hereby certify that the following is true and correct to the best of my knowledge, information and belief:

1. I am the Treasurer of the State of Wyoming and receive and invest all funds of the State, except for the State Retirement funds, through the funds of the State of Wyoming ("the Funds"). I have reviewed the Consolidated Class Action Complaint (the "Complaint") and authorized its filing.

2. The Funds did not purchase the securities that are the subject of this action at the direction of counsel or in order to participate in any private action arising under the Securities Act of 1933 or any other federal securities law.

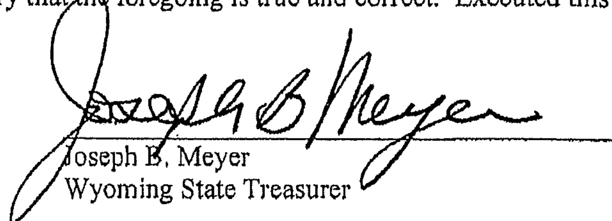
3. The Funds are willing to serve as a representative party on behalf of the class in this action, including providing testimony at deposition and trial, if necessary.

4. The Funds' transactions in the securities that are the subject of this Complaint are set forth in the chart attached hereto as Exhibit A.

5. Other than in this matter, the Funds have not sought to serve or served as a representative or lead plaintiff for a class filed under the federal securities laws within the three years prior to the date of this Certification.

6. The Funds will not accept any payment for serving as a representative party on behalf of the class beyond their pro rata share of any possible recovery, except as ordered or approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 19th day of May 2009.



Joseph B. Meyer
Wyoming State Treasurer

Exhibit A
Transactions in Merrill Lynch Mortgage-Backed Certificates

Security Name	CUSIP Number	Transaction	Date	Number of Units	Actual Price per Unit
Merrill Lynch Mortgage Investors Trust Series 2006-WMC1 Class A-2A	59020U3V5	Buy	4/2/2007	459,156.48	$100.00
Merrill Lynch Mortgage Investors Trust Series 2006-WMC1 Class A-2A	59020U3V5	Redemption	11/26/07	51,642.10	$100.00
Merrill Lynch Mortgage Investors Trust Series 2006-A1 Series 1-A1	59020U5U5	Buy	4/29/2008	2,542,579.31	$72.50
Merrill Lynch Mortgage Investors Trust Series 2006-WMC2 Class A2C	59020U6L4	Buy	6/24/2008	5,000,000.00	$43.03
Merrill Lynch Mortgage Investors Trust Series 2006-AHL1 Class A-2A	590210AB6	Buy	6/16/2006	1,000,000.00	$100.00
Merrill Lynch Mortgage Investors Trust Series 2006-RM3 Class A-2A	590217AC9	Buy	11/6/2006	616,556.96	$99.99
Merrill Lynch Mortgage Investors Trust Series 2006-FM 1 Class A-2A	59021AAA6	Buy	6/23/2006	1,500,000.00	$100.00
Merrill Lynch Mortgage Investors Trust Series 2006-MLN1 Class A-2A	59023AAB2	Buy	10/15/2007	685,758.65	$99.03
Merrill Lynch Mortgage Investors Trust Series 2006-RM5 Class A-2A	59023FAA3	Buy	10/19/2006	600,000.00	$100.00
Merrill Lynch Mortgage Investors Trust Series 2006-RM5 Class A-2A	59023FAA3	Sell	12/6/2007	415,046.19	$95.50
Merrill Lynch First Franklin Mortgage Loan Trust Series 2007-2 Class A-2A	59024QAB6	Buy	4/16/2007	3,400,000.00	$100.00
Merrill Lynch First Franklin Mortgage Loan Trust Series 2007-3 Class A-2B	59024VAF6	Buy	5/23/2007	3,500,000.00	$100.00
Merrill Lynch First Franklin Mortgage Loan Trust Series 2007-3 Class A-2B	59024VAF6	Sale	11/5/2008	3,500,000.00	$45.00
Merrill Lynch First Franklin Mortgage Loan Trust Series 2007-4 Class 2-A1	59025CAB6	Buy	6/18/2007	1,000,000.00	$100.00

ATTACHMENT 4

CERTIFICATION PURSUANT TO
THE FEDERAL SECURITIES LAWS

I, David L. Muir, on behalf of the Los Angeles County Employees' Retirement Association ("LACERA"), hereby certify, as to the claims asserted under the federal securities laws, that:

1. I am the Chief Counsel of LACERA. I have reviewed the Consolidated Class Action Complaint and authorized its filing by Bernstein Litowitz Berger & Grossmann LLP.

2. LACERA did not purchase the securities that are the subject of this action at the direction of counsel or in order to participate in any action arising under the federal securities laws.

3. LACERA is willing, provided the Board of Investments ratifies my decision when it meets for its May 27, 2009 board meeting, to serve as a representative party on behalf of the Class, including providing testimony at deposition and trial, if necessary.

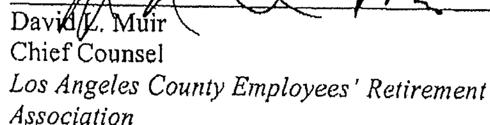
4. LACERA's transactions in Merrill Lynch Mortgage-Backed Securities that are the subject of this action are set forth in the chart attached hereto.

5. LACERA has sought to serve and was appointed as a lead plaintiff and representative party on behalf of a class in the following action under the federal securities laws filed during the three-year period preceding the date of this Certification that have been fully settled:

   In re Brooks Automation, Inc. Securities Litigation, Case No. 06-cv-11068 (D. Mass.)

6. LACERA will not accept any payment for serving as a representative party on behalf of the Class beyond LACERA's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the Class, as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 20th day of May, 2009.



David L. Muir
Chief Counsel
Los Angeles County Employees' Retirement Association

Los Angeles County Employees' Retirement Association
Transactions in Merrill Lynch Mortgage-Backed Securities

Merrill Lynch Mortgage Investors Trust Series 2006-FF1
Cusip # 59023WAD0

Transaction	Trade Date	Face Amount	Par Value
Purchase	12/14/2006	1,400,000.00	100.0000

Merrill Lynch Alternative Note Asset Trust Series 2007-A3
Cusip # 59024HAC4

Transaction	Trade Date	Face Amount	Par Value
Purchase	4/20/2007	1,800,000.00	99.9730

Merrill Lynch Alternative Note Asset Trust Series 2007-AF1
Cusip # 59024KAX1

Transaction	Trade Date	Face Amount	Par Value
Purchase	10/11/2007	3,840,736.00	98.8790

Merrill Lynch Mortgage Investors Trust Series 2006-WMC2
Cusip # 59020U6M2

Transaction	Trade Date	Face Amount	Par Value
Purchase	3/23/2006	4,000,000.00	99.9950

Merrill Lynch Mortgage Investors Trust Series 2006-A1
Cusip # 59020U5U5

Transaction	Trade Date	Face Amount	Par Value
Purchase	6/8/2007	5,104,502.66	100.0430

ATTACHMENT 5

CERTIFICATION OF NAMED PLAINTIFF

The Connecticut Carpenters Pension Fund and the Connecticut Carpenters Annuity Fund (collectively referred to herein as the "Connecticut Carpenters Benefit Funds" or "Plaintiff") declare, as to the claims asserted under the federal securities laws, that:

1. The Connecticut Carpenters Benefit Funds did not purchase the security that is the subject of this action at the direction of Plaintiff's counsel or in order to participate in any private action.

2. The Connecticut Carpenters Benefit Funds are willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

3. Attached in Schedule A are Plaintiff's Class Period transactions in the Merrill Lynch Mortgage Trust Certificates that are the subject of this action.

4. The Connecticut Carpenters Benefit Funds have full power and authority to bring suit to recover for investment losses suffered as a result of its investments.

5. The Connecticut Carpenters Benefit Funds have fully reviewed the facts and allegations of the complaint filed by Barroway Topaz Kessler Meltzer & Check, LLP in this action and have authorized its filing.

6. We, George E. Meadows, Union Trustee, and John B. Farnham, Co-Chair of the Association Trustees, are authorized to make legal decisions on behalf of the Connecticut Carpenters Benefit Funds with regard to this matter.

7. The Connecticut Carpenters Benefit Funds intend to actively monitor and vigorously pursue this action for the benefit of the class, and they have retained the law firm of Barroway Topaz Kessler Meltzer & Check, LLP which has extensive experience in securities litigation and in the representation of institutional investors, to represent Plaintiff in this action.

8. The Connecticut Carpenters Benefit Funds will endeavor to provide fair and adequate representation and work directly with the efforts of Class counsel to ensure that the largest recovery for the Class consistent with good faith and meritorious judgment is obtained.

9. The Connecticut Carpenters Benefit Funds have sought to serve (but were not appointed) as a representative party for a class action filed under the federal securities laws during the three years prior to the date of this Certification in *In re Arthrocare Corporation Securities Litigation*, No. 08-574 (W.D. Tex.).

10. The Connecticut Carpenters Benefit Funds have not served as a representative party for a class action filed under the federal securities laws during the three years prior to the date of this Certification.

11. The Connecticut Carpenters Benefit Funds will not accept any payment for serving as a representative party on behalf of the class beyond Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses directly relating to the representation of the class as ordered or approved by the Court.

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

Executed this 19th day of May, 2009.

Connecuticut Carpenters Pension Fund
Connecuticut Carpenters Annuity Fund

By:

George E. Meadows
Union Trustee

John B. Farnham
Co-Chair of the Association Trustees

10. The Connecticut Carpenters Benefit Funds have not served as a representative party for a class action filed under the federal securities laws during the three years prior to the date of this Certification.

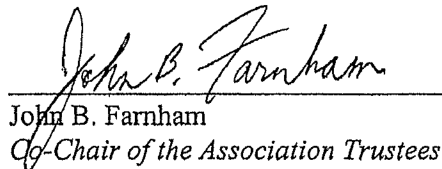
11. The Connecticut Carpenters Benefit Funds will not accept any payment for serving as a representative party on behalf of the class beyond Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses directly relating to the representation of the class as ordered or approved by the Court.

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

Executed this 19th day of May, 2009.

Connecticut Carpenters Pension Fund
Connecticut Carpenters Annuity Fund

By: ______________________________



John B. Farnham
Co-Chair of the Association Trustees

SCHEDULE A

Connecticut Carpenters Pension Fund

Transactions in Ownit Mortgage Loan Trust Series 2006-2

CUSIP	Transaction	Date	Face Amount	Price
69121PDE0	Buy	3/1/2006	145,000	$100.00
69121PDE0	Sell	6/13/2008	145,000	$91.50

Connecticut Carpenters Annuity Fund

Transactions in Ownit Mortgage Loan Trust Series 2006-2

CUSIP	Transaction	Date	Face Amount	Price
69121PDE0	Buy	3/1/2006	215,000	$100.00
69121PDE0	Sell	6/13/2008	215,000	$91.50