

EXHIBIT 13

DREW - CONFIDENTIAL
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CASE NO. 14-Civ. 3020

DEUTSCHE BANK NATIONAL TRUST COMPANY
as TRUSTEE for the MORGAN STANLEY
STRUCTURED TRUST I 2007-1 TRUST,
Plaintiff,

v.

MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS
LLC,

Defendant.

February 23, 2016
9:05 a.m. - 4:58 p.m.
2054 Vista Parkway
West Palm Beach, Florida

* * * * C O N F I D E N T I A L * * * *

VIDEOTAPE DEPOSITION OF LISA ANN DREW

Taken on behalf of the Plaintiff before
Michael J. D'Amato, RMR, Notary Public in and for the
State of Florida at Large, pursuant to Notice of Taking
Deposition in the above cause.

Job # 103062

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2 APPEARANCES

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22
23
24
25 PRESENT: Richard Johanessen, Videographer, TSG Reporting

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I N D E X

Witness Direct Cross

LISA A. DREW

 By Ms. Weinstein.....7

Certificate of Oath.....270

Certificate of Reporter.....271

Errata sheet (to be forwarded upon execution)....272

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 DREW - CONFIDENTIAL

2 E X H I B I T I N D E X

3	Description	Page
4	EXHIBIT 1 Morgan Stanley Kickout Summary Jan	
5	2006 New Century, Bates MSM MSSTI20071 0268247.....	113
6	EXHIBIT 2 Accredited spreadsheet, Bates MSM MSSTI	
7	2007 1 0268249.....	114
8	EXHIBIT 3 Email chain, Drew to Romano, Bates MSM	
9	MSSTI 20071 0295169.....	150
10	EXHIBIT 4 Presentation document "ABS Morgan	
11	Stanley Residential Mortgage Platform" Bates MSM	
12	MSSTI 20071 0267673.....	160
13	EXHIBIT 5 Email chain, Drew to Gomez, Bates MSM	
14	MSSTI 20071 0267431.....	181
15	EXHIBIT 6 Spreadsheet, Bates MSM MSSTI 20071	
16	0267432.....	183
17	EXHIBIT 7 Email chain, Drew to Rodrigues, Bates	
18	MSM MSSTI 200710268242.....	186
19	EXHIBIT 8 Spreadsheet of Loans, Bates MSM MSSTI	
20	20071 0268250.....	191
21	EXHIBIT 9 Email chain, Drew to Appolonia, Bates	
22	MSM MSSTI 20071 0224106.....	199
23	EXHIBIT 10 Email from Drew to Koprowski, Bates MSM	
24	MSSTI 0122662.....	209

25

DREW - CONFIDENTIAL

1

2 EXHIBIT 11 Spreadsheet of loans Bates MSM MSSTI

3 20071 0122663.....210

4 EXHIBIT 12 Email, Drew to Weiner, Bates MSM MSSTI

5 2007 10223768.....213

6 EXHIBIT 13 Email from Drew to Hubbard, Bates MSM

7 MSSTI 20071 0165777.....232

8 EXHIBIT 14 Spreadsheet of loans Bates MSM MSSTI

9 20071 01665778.....232

10 EXHIBIT 15 Email/calendar invite, Gilly to Telesca,

11 Bates number MSM MSSTI 20071 0396741.....246

12 EXHIBIT 16 Email chain, Drew to Pallotta, Bates

13 MSM MSSTI 20071 0337480.....256

14 EXHIBIT 17 Email chain, Drew to Kaplan, Bates MSM

15 MSSTI 20071 0307784.....259

16
17
18
19
20
21
22
23
24
25

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2 THE VIDEOGRAPHER: We are on the record. This
3 is the start of video media disc No. 1 of the video
4 deposition of Lisa Drew in the matter of the
5 Deutsche Bank National Trust Company as Trustee for
6 the Morgan Stanley Structured Trust I 2007-1 Trust
7 v. Morgan Stanley Mortgage Capital Holdings LLC, in
8 the United States District Court, Southern District
9 of New York, Case No. 14-CV-3020. This deposition
10 is being held at the Regus Conference Center, 2054
11 Vista Parkway, Suite 400, West Palm Beach, Florida,
12 33411.

13 Today is February 23, 2016 and the time is
14 approximately 9:06 a.m. My name is Richard
15 Johannesen. I am the legal video specialist from
16 TSG Reporting headquartered at 747 Third Avenue,
17 New York, New York. The court reporter is Michael
18 D'Amato, also in association with TSG Reporting.

19 Would counsel please introduce yourselves,
20 state whom you represent, starting with the
21 noticing attorney, then will the court reporter
22 please swear the witness in.

23 MS. WEINSTEIN: Lauren Weinstein from
24 MoloLamken for the plaintiff.

25 MR. KLEIN: Jeff Klein from MoloLamken for the

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2 plaintiff.

3 MR. WEINSTEIN: Brian Weinstein and Stefani
4 Johnson from Davis Polk for Morgan Stanley and the
5 witness.

6 THEREUPON:

7 LISA ANN DREW,
8 being by me first duly sworn or affirmed to tell the
9 truth, the whole truth, and nothing but the truth, as
10 hereinafter certified, responded and testified as
11 follows:

12 THE WITNESS: I do.

13 DIRECT EXAMINATION

14 BY MS. WEINSTEIN:

15 Q. Morning, Lisa. Thanks for being with us
16 today.

17 A. Good morning.

18 Q. Are you feeling okay today?

19 A. Yes. Thanks.

20 Q. Your mind is clear?

21 A. Yes.

22 Q. Great. Any reason why you would be unable to
23 answer questions today?

24 A. No. Except that it's a long time ago, time,
25 that's the only thing I can think of, but other than

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2 that I'm do my best.

3 Q. Other than the passage of time, no reason?

4 A. Yes.

5 Q. Have you been deposed before?

6 A. Yes.

7 Q. When?

8 A. Maybe a year ago, year and a half ago.

9 Q. Is that the only time?

10 A. No. I've been deposed three or four times.

11 Q. In what kinds of cases were those depositions?

12 A. All were public except for one case.

13 Q. Did the public depositions relate to your
14 employment at Morgan Stanley?

15 A. Yes.

16 Q. Do you remember what cases those were for?

17 A. I remember -- I remember FHFA, and then I
18 don't remember the other ones.

19 Q. FHFA is the Federal Housing Finance Agency?

20 A. Yes.

21 Q. Great. And you said there were three of those
22 depositions, is that right?

23 A. I don't remember exactly the number.

24 Q. Somewhere in that ballpark?

25 A. Yep. Uh-huh.

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2 Q. I am going to go over the rules of road with
3 you since it's been a little while since your last
4 deposition, a year or so. So I'll ask you the
5 questions. You'll answer them to the best of your
6 ability. Right?

7 A. Yes.

8 Q. As you see there's a court reporter here
9 taking down everything we say so he'll need clear
10 verbal answers.

11 A. Okay.

12 Q. So no nodding your head, okay?

13 A. Yep.

14 Q. And we will try not to talk over each other so
15 he can get down everything we say. Okay?

16 A. Sounds good.

17 Q. Great. My practice is generally to take a
18 break whenever you want it. I will break on the hour
19 if you want to break before then, that's fine. I just
20 ask that if there's a question pending you answer it
21 and then we'll break. Does that sound okay?

22 A. Okay.

23 Q. Great. And let's see. I'll try my best to
24 ask clear questions. If you don't understand anything
25 please let me know. Okay?

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2 A. Will do.

3 Q. I'll rephrase and we will figure it out.

4 A. Sounds good. Yes.

5 Q. All right. Also you can supplemental your
6 answers whenever you'd like, if at some point later in
7 the deposition you want to clarify an answer that you
8 gave that's totally fine. Just let me know.

9 A. Okay.

10 Q. Great. I want to just start with some
11 background on you. Your education, what's the highest
12 degree that you achieved?

13 A. MBA.

14 Q. Where did you get that degree?

15 A. Florida Atlantic University.

16 Q. When was that?

17 A. 19 -- maybe 1992, something like that.

18 Q. Where did you go to college?

19 A. I went to college there, I finished at FAU
20 also.

21 Q. With a degree in what?

22 A. Business.

23 Q. When was that that you graduated?

24 A. 1989.

25 Q. So did you work before getting your MBA?

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2 A. Yes.

3 Q. What did you do?

4 A. I worked, originally I worked in New York in
5 the garment industry. And when we moved down here, my
6 husband and I moved down here, my husband started his
7 own business, and I helped him get the business started
8 and managed the accounting and operation.

9 Q. What was your first job after your MBA?

10 A. Ocwen Financial.

11 Q. What did you do at Ocwen?

12 A. I managed the valuation for third party due
13 diligence. So I managed the valuation of loans that
14 our customers were looking to purchase.

15 Q. So this is a job in the mortgage finance
16 industry, is that right?

17 A. Yes. Ocwen is a mortgage servicer.

18 Q. What was your title there?

19 A. Manager, valuation manager, I believe.

20 Q. Is that the only title you had while you were
21 at Ocwen?

22 A. I was like associate before that in the same
23 group.

24 Q. You started around 1992 shortly after you
25 graduated from your MBA?

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2 A. I started at Ocwen in 2000, so maybe -- yeah.

3 Q. In the period between finishing your MBA and
4 starting at Ocwen --

5 A. I was still working with my husband in his
6 business.

7 Q. Got it. How did you come to work at Ocwen?

8 A. I had a friend who worked there and I was
9 looking to start something different, and so I applied
10 there, and it's close by.

11 Q. Sorry to speak over you.

12 A. That's okay.

13 Q. You said that you worked in valuation?

14 A. Yes.

15 Q. What does that mean in this context?

16 A. In the mortgage servicing valuation is looking
17 for products and utilizing, in this case, in-house
18 appraisers to value a loan, the underlying asset of the
19 loan, the property.

20 Q. So you said looking for products. What does
21 products means?

22 A. We utilized products to assist in coming up
23 with a value, and we utilized broker price opinions and
24 exterior appraisals and sometimes AVMs, automated
25 valuation models.

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2 Q. Let's talk about those three things. What are
3 broker price opinions?

4 A. A broker price opinion is an estimate of value
5 that's done by a real estate broker, real estate agent,
6 and they will fill out information on a form about the
7 property and they provide, I think, three comparable
8 sales and three listings, I believe. And then they
9 have a map, they have a picture of the property and a
10 picture of the street, typically.

11 Q. What information do they use to fill out that
12 form?

13 A. They use public record and then they utilize
14 sales information and MLS information.

15 Q. Were those persons employed by Ocwen as well
16 or are they third parties?

17 A. Those are third parties.

18 Q. You mentioned exterior appraisals. What are
19 those?

20 A. Exterior appraisal is similar but it is done
21 by a licensed appraiser and they fill out a form that's
22 a little bit more extensive and provide comparables to
23 the property and they make adjustments because they
24 have the skill set and the certification license to do
25 that and they will come up with a value utilizing

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2 comparable sales and comparable listings.

3 Q. You said they made adjustments. Adjustments
4 to what?

5 A. To the sales and the listing properties to
6 make the, for example, if a house is slightly different
7 than the house that they're coming up with a value for,
8 they'll might make an adjustment, maybe the roof is
9 much better quality roof on the comparable and the roof
10 on the house needs to be completely replaced, so
11 they'll make an adjustment on the form.

12 Q. So in that scenario they would adjust the
13 price down because the roof is not as good as the
14 comparable?

15 A. Correct.

16 Q. Understood. When you say value you mean value
17 of the mortgaged property, correct?

18 A. Correct.

19 Q. And then lastly you mentioned AVMs. What are
20 those?

21 A. Automated valuation models are, it's a
22 computer-generated program that utilizes information
23 gathered electronically that's available. I'm not sure
24 exactly where, probably public record, MLS, it pulls
25 from different sources. And it's a tool to potentially

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2 decide what next to do, you know, as far as
3 understanding what the value is on a property.

4 Q. And the brokers and the appraisers, or the
5 third-party appraisers, they visited the property in
6 filling out the forms they filled out about the
7 property?

8 A. Yes.

9 Q. Got it. You mentioned your customers at
10 Ocwen. Who are those?

11 A. Customers were other servicers looking to buy,
12 purchase, pools of loans, also investment banks like
13 Lehman Brothers, Morgan Stanley, Deutsche Bank.

14 Q. Did you have any direct involvement with those
15 banks in your position as a valuation manager or as an
16 associate?

17 A. Yes.

18 Q. What was your involvement with those banks?

19 A. I was their point of contact and coordinated
20 the information delivery to them.

21 Q. What information were you delivering?

22 A. The final results of the valuation of the
23 individual loans on the population of loans that they
24 requested information on.

25 Q. So you said they requested a population of

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2 loans?

3 A. They requested valuation on a population of
4 loans.

5 Q. Did they provide you with that population of
6 loans for which they were requesting a valuation?

7 A. Yes.

8 Q. The banks provided that to you directly?

9 A. Correct.

10 Q. Got it. Then what did you do with that
11 information?

12 A. Then I honestly don't remember the process;
13 but we ordered products based on what the client and
14 how the client wanted the values assessed.

15 Q. How did the client communicate how they wanted
16 the value assessed?

17 A. Either a phone call or in an email.

18 Q. Did they provide guidelines on how they wanted
19 the value assessed or is it more informal as you
20 described?

21 A. I think it was more informal but, you know,
22 once they communicated how they wanted the valuation to
23 be conducted then we kept that information and
24 continued to do it the way the client wanted.

25 Q. So they didn't provide any formal guidelines?

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2 A. I don't remember. Maybe, it's possible but I
3 don't remember. It's a long time ago.

4 Q. You don't remember seeing any formal
5 guidelines from them?

6 A. Right.

7 Q. Got it. Thank you. So how long were you
8 employed at Ocwen?

9 A. For three years, three and a half years.

10 Q. And the highest title was valuation manager,
11 is that right?

12 A. Correct.

13 Q. What did you do once you left Ocwen?

14 A. I took a little bit of time off and then went
15 to work for Morgan Stanley.

16 Q. If I can ask why did you leave Ocwen?

17 A. Because Ocwen, the work balance for me was not
18 good. It was a lot of work expected, long hours, which
19 you guys can relate to. But the pay wasn't there. And
20 my kids were young and I wanted to take the summer off
21 and I didn't necessarily -- I was just ready to make a
22 change and didn't enjoy working for Ocwen.

23 Q. Sure. In 2003 you left Ocwen, is that right?

24 A. 2003, I think March of 2003.

25 Q. When did you start at Morgan Stanley?

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2 A. October of 2003.

3 Q. How did you come to work at Morgan Stanley?

4 A. When I called my clients to tell them that I
5 was leaving I think Terry Smith asked me what my
6 background was because they were opening an office in
7 Boca, and then asked if I was interested in working for
8 them and so then I interviewed with Morgan Stanley.

9 Q. Who is Terry Smith?

10 A. Terry Smith was one of the original people
11 that I dealt with because I knew him at Ocwen and he
12 ended up, he oversaw at that time the due diligence
13 subprime acquisitions of loans.

14 Q. He was a Morgan Stanley employee?

15 A. Correct.

16 Q. What was his title at the time?

17 A. I believe it was executive director.

18 Q. Was that within a specific group of Morgan
19 Stanley?

20 A. It was in Fixed Income, the Securitized
21 Products Group.

22 Q. What does the Fixed Income Securitized
23 Products Group do or what did it do at that time,
24 rather?

25 A. Securitized Products Group purchased loans and

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2 securitized loans and also sold loans.

3 Q. We'll come back to that. You said Terry Smith
4 worked in due diligence for subprime acquisitions, is
5 that right?

6 A. I believe he oversaw due diligence at that
7 time.

8 Q. Do you know what that entailed at that time?

9 MR. WEINSTEIN: Objection. Go ahead.

10 A. He just oversaw the due diligence of the
11 mortgage acquisitions. And due diligence as far as I
12 understood from my perspective was valuation due
13 diligence and credit and compliance due diligence. And
14 then there were other pieces that I wasn't directly
15 involved in.

16 Q. What is valuation due diligence?

17 A. Valuation due diligence is similar to the
18 process that I described earlier that is understanding
19 and making sure the value of the properties was what,
20 is what was represented by the seller.

21 Q. Who is the seller in this scenario?

22 A. Subprime mortgage originators.

23 Q. Who are the subprime mortgage originators that
24 Morgan Stanley was working with at the time, if you
25 know?

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2 A. Morgan Stanley worked with New Century, WMC,
3 Accredited, Aames, Wilmington, Decision 1.

4 Q. When you came to work at Morgan Stanley did
5 you work with those originators as well?

6 A. Yes.

7 Q. Is it fair to use the term originator and
8 seller interchangeably in this context?

9 A. Yes.

10 Q. You don't understand there to be a difference
11 between the two?

12 A. Not when I'm speaking about them.

13 Q. I just want to make sure we're on the same
14 page.

15 What is credit and compliance due diligence?

16 A. Credit and compliance due diligence is the
17 review of the loans and how they were originated to
18 ensure that they were originated to the guidelines.

19 Q. So what is your understanding of how a loan
20 was originated?

21 MR. WEINSTEIN: Objection.

22 A. On a high level, because that's how I am aware
23 of it, they reviewed the mortgage documents and did
24 calculations and comparisons to make sure that the loan
25 was in compliance to the guidelines at the time it was

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2 originated.

3 Q. You mentioned guidelines. What guidelines are
4 those?

5 MR. WEINSTEIN: Objection.

6 A. I don't want to answer, I'm not really sure if
7 it was -- I don't want to speculate.

8 Q. You used the word guidelines?

9 A. Yes. But I wasn't in that group. But I know
10 that they originated to guidelines, but it's been 15
11 years, 10 years, so I don't really -- I don't want to
12 speculate.

13 Q. So you don't know what the guidelines are as
14 you just used them in the sentence?

15 MR. WEINSTEIN: Objection.

16 A. Right.

17 Q. Are these originator guidelines?

18 A. I don't remember.

19 Q. Are they Morgan Stanley's guidelines?

20 A. I don't remember. I'm sorry. You can ask a
21 credit and compliance person.

22 Q. Did valuation due diligence use any
23 guidelines?

24 A. Valuation due diligence had Morgan Stanley
25 guidelines.

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2 Q. What are the Morgan Stanley guidelines?

3 MR. WEINSTEIN: Objection.

4 A. I don't remember the specific guidelines. But
5 there were, there were guidelines that were followed in
6 the process to come up with a value to validate the
7 value or come up with a value.

8 Q. Did you use Morgan Stanley guidelines in your
9 position at Morgan Stanley?

10 A. Yes.

11 Q. Can you describe for me everything you
12 remember about the Morgan Stanley guidelines?

13 A. For valuation?

14 Q. Yeah, exactly. Thank you.

15 A. Valuation for subprime due diligence, Morgan
16 Stanley did a hundred percent on every loan, did some
17 sort of valuation product. And I believe a valuation
18 product for most cases was called a Hanson Pro, and
19 Hanson was a vendor that Morgan Stanley utilized to
20 review and they had certified licensed appraisers that
21 would open up every appraisal on every loan that were
22 in the purchase population.

23 And the appraisers graded the loans, the
24 appraisal on a scale, which I don't remember the scale,
25 but based on that scale another product may be ordered

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2 if it was considered an unknown what the value was or
3 there was a higher risk.

4 Another valuation product would be ordered and
5 I believe it was a broker price opinion, and then based
6 on the value of the broker price opinion Morgan Stanley
7 licensed appraisers that worked for Morgan Stanley
8 would review the BPOs and the original appraisal and
9 determine whether it was within or not within the
10 Morgan Stanley guidelines.

11 Q. Do you know who prepared the Morgan Stanley
12 guidelines for valuation due diligence?

13 A. I believe it was -- I don't know. I don't
14 know. I know Brad Davis ran the group and worked with
15 others, other groups, but I don't know who prepared the
16 guidelines.

17 Q. What group is that that Brad Davis ran?

18 A. Valuation.

19 Q. When describing valuation due diligence you
20 said Morgan Stanley did one hundred percent on every
21 loan. What did you mean by that?

22 A. So every loan would have a valuation product
23 ordered on it, and in the case of the Hanson product
24 that meant that a Hanson licensed appraiser opened up
25 either on an image or a physical appraisal for every

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2 loan that was purchased in the population.

3 Q. What is an image in that context?

4 A. It would be a scanned image of the appraisal.

5 Q. When you say of the appraisal, is that an
6 appraisal document?

7 A. Uh-huh. Yes.

8 Q. Or is that something else?

9 A. Yes.

10 Q. Got it. So they would either have an
11 electronic copy of the appraisal?

12 A. Correct.

13 Q. Or they would have a hard copy?

14 A. Hard copy.

15 Q. Understood. And the Hanson appraisers, Hanson
16 is a third party vendor?

17 A. Yes.

18 Q. These are not Morgan Stanley employees?

19 A. Correct.

20 Q. And these loans, you said Morgan Stanley did a
21 hundred percent on every loan. Where did those loans
22 come in from, if you know?

23 A. The loans were the purchase population. So
24 there was an agreed purchase population of loans from
25 the seller.

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2 Q. The seller being an originator?

3 A. Correct.

4 Q. So Morgan Stanley would purchase loans from a
5 seller or an originator, correct?

6 A. Correct.

7 Q. Then those loans would go to valuation due
8 diligence?

9 A. Oh, incorrect.

10 Q. Okay. Great.

11 A. So Morgan Stanley would agree to purchase a
12 population of loans from a seller/originator, and
13 typically there was a month between the time the
14 population arrived in a spreadsheet, and during that
15 time the valuation due diligence would be conducted.

16 Q. Do you know what group in Morgan Stanley was
17 responsible for purchasing the loans from the sellers?

18 A. I believe it was with Steve Shapiro's group.
19 I don't remember, but he was over the subprime desk,
20 trading desk.

21 Q. That's a New York-based office?

22 A. Yes.

23 Q. You said there would be about a month elapsed
24 before getting the spreadsheet during which time the
25 valuation due diligence was conducted?

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2 MR. WEINSTEIN: Objection.

3 A. Morgan Stanley would receive the spreadsheet
4 of the purchase population and it was typically a month
5 after that that the purchase would happen, around a
6 month.

7 Q. Understood. So before Morgan Stanley actually
8 purchased the loans from the seller it conducted
9 valuation due diligence over this period of about a
10 month?

11 A. Correct.

12 Q. Thank you. What was the first step in
13 conducting that valuation due diligence?

14 A. It was ordering the valuation product. In
15 most cases the valuation product was the Hanson Pro.

16 Q. One hundred percent of loans went through
17 Hanson Pro?

18 A. Yes.

19 Q. But only certain loans received another
20 valuation product?

21 A. Correct.

22 Q. How were those loans selected?

23 A. Based on the risk score or grade that Hanson
24 gave each loan.

25 Q. What is a risk score?

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2 A. I don't remember what the definition was for
3 those.

4 Q. Did you use risk score in performing your
5 duties at Morgan Stanley?

6 A. Yes.

7 Q. How did you use it?

8 A. To determine whether an additional valuation
9 product needed to be ordered, or if it was elevated as
10 a high risk then they would be reviewed also internally
11 to see if it's just something that Morgan Stanley
12 wouldn't purchase, like a property that had a health
13 and safety issue. So some would be not reviewed and
14 moved out of, kicked out of the valuation before
15 anything else was ordered, if applicable.

16 Q. So kicked out means what in this context?

17 A. That valuation would recommend not to purchase
18 the loan.

19 Q. Certain loans were recommended against
20 purchasing after the Hanson --

21 A. Yes.

22 Q. Without an additional product?

23 A. Correct.

24 Q. And certain loans -- were any loans
25 recommended to be purchased after Hanson without an

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2 additional product?

3 A. Eventually, if they were low risk and fell
4 within the guidelines.

5 Q. And those are the due diligence guidelines for
6 Morgan Stanley?

7 A. The valuation guidelines.

8 Q. Sure, the valuation guidelines. Thank you.
9 You said low risk, high risk, risk score. What does
10 risk mean in this context?

11 A. So Hanson had licensed appraisers that
12 reviewed the appraisal and they utilized -- they
13 reviewed the appraisal, they utilized other data
14 sources and came up with a score that identified
15 whether we needed to look at this more in depth, that
16 there may be something that's causing the value to be
17 questioned.

18 Q. What do you mean by causing the value to be
19 questioned?

20 A. For example, maybe the comparables that were
21 used were aged or weren't similar so that they might
22 make the score higher and then that would trigger the
23 valuation team to order an additional product.

24 Q. So risk is something that the valuation team
25 at Morgan Stanley assessed as well, correct?

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2 A. Yes.

3 Q. And in your role as part of the valuation team
4 at Morgan Stanley what risk were you assessing?

5 A. We were determining whether -- we were
6 determining based on the guidelines when to order an
7 additional product, valuation product, to review and
8 understand the value of the loan.

9 Q. When you say risk, risk of what?

10 A. It could be risk that the value was inflated
11 by the original appraiser, risk that the property type
12 was not a property type that Morgan Stanley would
13 purchase.

14 Q. And you've mentioned properties that Morgan
15 Stanley wouldn't purchase. How do you know what
16 properties Morgan Stanley wouldn't purchase?

17 A. I do remember -- there was a defined
18 guideline. But I do remember that if there were bars
19 on the windows that didn't have safety releases, if
20 there was a door on the upstairs that didn't have a
21 balcony around it, things that could cause a health and
22 safety issue for the borrower, we did not -- those were
23 excluded from purchase. Usual types of properties like
24 log homes, I think, earth homes. What else? Probably
25 mobile homes.

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2 Q. Why would those categories of homes be
3 excluded?

4 A. I think -- I don't know. I don't know. There
5 was potentially, maybe there was other guidelines that
6 were handed down to the valuation group.

7 Q. So you worked with the valuation due diligence
8 guidelines, correct?

9 A. Yes.

10 Q. But you didn't prepare them?

11 A. Yeah.

12 Q. You received them from a different group at
13 Morgan Stanley?

14 A. It may have been Brad Davis and in conjunction
15 with his bosses. Yeah, I don't know.

16 Q. Did you receive them from Brad Davis' group?

17 A. Yeah.

18 Q. Back to this concept of risk. You mentioned
19 risk of inflated value. Why is that important to
20 monitor?

21 A. Because the value of each home is part of the
22 price, the pricing, and also is an important category
23 to review to ensure the -- to predict, I guess, the
24 success of the loan.

25 Q. What do you mean by success of a loan?

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2 A. Well, we had this crisis where all, many of
3 the home prices dropped in value in 2008, 2007 in this
4 country and it caused a real hardship for people. So
5 having the value line up to what the mortgage is is
6 important.

7 Q. By success of a loan do you mean the borrow's
8 ability to repay?

9 MR. WEINSTEIN: Objection.

10 A. No, that's not the borrower's ability to
11 repay. It is also the value of what -- it's one of the
12 ways to value that loan, the collateral of the loan
13 because it's the underlying asset, is the value of the
14 loan home.

15 Q. So when you used the phrase "success of a
16 loan" what do you mean?

17 A. It's one of the factors that can go into
18 understanding that a loan will be -- continue to pay.

19 Q. What are the other factors -- I'm sorry, did I
20 interrupt your answer?

21 A. That's okay.

22 Q. What are the other factors?

23 A. I don't, I don't know. That would be speaking
24 out of my group, my experience.

25 Q. But the home value was the factor that you

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2 concentrated on in your role at Morgan Stanley?

3 A. Yes.

4 Q. Understood. So Morgan Stanley valuation due
5 diligence group sometimes ordered additional products
6 to assess appraisals, is that correct, after the Hanson
7 Pro?

8 A. To assess the appraisal, the original
9 appraisal value.

10 Q. You mentioned broker price opinions is one of
11 those products?

12 A. Yes.

13 Q. And who made the decision to order a broker
14 price opinion after receiving the Hanson results?

15 A. That was just in the valuation group's
16 internal guidelines, when to order a broker price
17 opinion.

18 Q. Is that something you would do at Morgan
19 Stanley?

20 A. Yes.

21 Q. Did others in the group do the same?

22 A. Yes.

23 Q. What did the guidelines say about when you
24 should order a broker price opinion?

25 A. It had to do with the results of the Hanson

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2 Pro and how the Hanson Pro score came out, and I don't
3 remember the specifics.

4 Q. That's the risk score you are referring to?

5 A. Yes.

6 Q. Then I believe you testified that the Morgan
7 Stanley appraisers reviewed broker price opinions?

8 A. Yes. Morgan Stanley appraisers reviewed the
9 broker price opinion alongside the original appraiser,
10 appraisal. They compared the two.

11 Q. And these are employees of Morgan Stanley?

12 A. Yes.

13 Q. Were they within the valuation group?

14 A. Yes.

15 Q. What did they look for in the broker price
16 opinion?

17 A. It depended on what the issue was, but they
18 would look at the photo, they would look at the street
19 scene, did the appraiser take a street scene that was
20 different than the street scene, because the houses and
21 the impact of other commercial can impact the value.
22 And they would look at the map to see is it close, is
23 the property close to a railroad track, a highway, a
24 commercial building.

25 They would look at the comps that the broker

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2 utilized, the comparable sales, comparable listings,
3 were they similar to the property, were they more
4 recent than those that were used in the appraisal, was
5 the appraisal better.

6 In many cases they found that there was
7 something that the broker price opinion missed that the
8 appraisal, because a lot more time is spent on an
9 appraisal and it's done by a licensed appraiser,
10 sometimes they find that the appraisal has factors that
11 or show factors that made them agree with that original
12 value.

13 Q. You said the valuation process took about a
14 month to complete?

15 A. Yes.

16 Q. At what point in that month would you get the
17 results back from the Hanson Pro?

18 A. Fairly early on, maybe a week. But I don't
19 really remember.

20 Q. About a week. At what point in that process
21 would broker price opinions be ordered?

22 A. Immediately.

23 Q. Sorry. Let me rephrase the question. How
24 long -- at what point in that month, so week-wise, day-
25 wise, would the broker price opinion be ordered?

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2 A. As soon as the valuation results came back
3 from Hanson the broker price opinion would be ordered.

4 Q. Who ordered it?

5 A. Either myself or someone else in the group.

6 Q. How many loans for, in that month how many
7 loans are you dealing with on average?

8 A. From one seller?

9 Q. Yeah.

10 A. It depended, it depended on the seller, but it
11 could be 200 to a thousand loans.

12 Q. Did you deal with loans from multiple sellers
13 at any given period of time?

14 A. Yes.

15 Q. How many sellers on average -- yeah, how many
16 sellers on average were you reviewing their loans?

17 MR. WEINSTEIN: Objection.

18 A. I guess around maybe three, three or four.
19 Depending on the month. Sometimes it was less.
20 Sometimes it was more than three, sometimes less than
21 three.

22 Q. I want to make sure you understand the
23 question, I think it may have been a little unclear.
24 You received information on pools of loans from
25 different sellers, correct?

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2 A. Yes.

3 Q. And how many different pools of loans from
4 different sellers were you dealing with in any given
5 month on average?

6 A. Three.

7 Q. Okay. So you did understand the question.

8 A. Yeah.

9 Q. Great. And those pools contained somewhere
10 around 200 or 300 loans apiece?

11 A. Yes and some maybe more than that.

12 Q. So we're dealing with about between 600 to
13 900, maybe more loans in any given month?

14 A. Yep.

15 Q. And you received Hanson Pro results for each
16 of those 600 to 900-ish loans?

17 A. Yes.

18 Q. And as soon as you received those results you
19 you'd make a determination about whether to order an
20 additional product?

21 A. Yes.

22 Q. The first product that you'd order is the
23 broker price opinion?

24 A. Yes.

25 Q. About how many of those 600 to 900 loans would

1 DREW - CONFIDENTIAL

2 you order broker price opinions on?

3 MR. WEINSTEIN: Objection.

4 A. I don't remember.

5 Q. What percentage of those loans would you order
6 broker price opinions on?

7 MR. WEINSTEIN: Objection.

8 A. I can't answer, I don't remember. Brad may be
9 able to answer, Brad Davis. But I don't remember.

10 Q. But you ordered the broker price opinions?

11 A. Uh-huh.

12 Q. And you don't remember whether it was more
13 than half of the pool of loans?

14 A. No.

15 Q. You don't remember whether it was less than
16 half of the pool of loans?

17 A. I don't want to say, I really don't remember.

18 Q. So after making the determination about
19 whether to order a broker price opinion you received
20 results -- you received the broker price opinion,
21 correct?

22 A. Correct.

23 Q. Then you'd bring in the Morgan Stanley
24 appraisers?

25 A. Correct.

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2 Q. And they would compare the original appraisal
3 to the broker price opinion?

4 A. Correct.

5 Q. Who reviewed the results of that comparison?

6 A. I did, Brad Davis did.

7 Q. Is Brad Davis your supervisor at this time?

8 A. Yes.

9 Q. Your immediate supervisor?

10 A. Yes.

11 Q. What did you review that comparison for?

12 A. Reviewed comments that the appraisers made,
13 reviewed just QC'd, make sure there were no fat-
14 fingered entries into the spreadsheet, and identified
15 the population that were to be discussed with the
16 seller during a tie-out process.

17 Q. What is the tie-out process?

18 A. That's a process where Morgan Stanley and the
19 seller would get together, in I think almost all of the
20 cases physically in the same room, usually at the
21 seller's office and review the appraisals, the BPOs
22 together, and the seller would bring support,
23 additional information that wasn't provided originally
24 to try to show that the value that the original
25 appraisal stated is actual. So it was a back and forth

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2 of reviewing the support information provided by the
3 seller and discussions from the licensed appraisers
4 employed by Morgan Stanley.

5 Q. Going back for a moment to the comparison of
6 the BPO to the appraisal. You said you reviewed that
7 comparison that was performed by the Morgan Stanley
8 appraiser?

9 A. Yes.

10 Q. Were their results written down anywhere?

11 A. Yes.

12 Q. Where were they written down?

13 A. They were written in spreadsheets.

14 Q. Did those spreadsheets have any particular
15 file name?

16 A. Probably. Probably. I don't remember,
17 though.

18 Q. How did they provide the spreadsheets to you
19 for your review?

20 A. Email, in the email.

21 Q. How many Morgan Stanley appraisers were you
22 working with at the time?

23 A. I think there were about ten.

24 Q. There were ten in the valuation due diligence
25 group?

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2 A. Yeah.

3 Q. After you conducted that comparison was that
4 the last step before going to the tie-out meeting, or
5 was there another step?

6 A. I believe that was the last step.

7 Q. What was the goal of the tie-out meeting?

8 MR. WEINSTEIN: Objection.

9 A. The goal was to give the seller an opportunity
10 to provide additional support that may support the
11 original value.

12 Q. And if Morgan Stanley didn't think that the
13 value was supported they wouldn't agree to buy the
14 loan?

15 A. The valuation group would identify the loan as
16 out of the guidelines. I forget how they were
17 identified, but at the end of the tie-out there would
18 be loans that would be identified as out of tolerance
19 and loans that were within.

20 Q. Valuation would make a recommendation about
21 those loans?

22 A. Yes.

23 Q. And what would that recommendation be?

24 A. To kick out the loan if it was out of the
25 guidelines, out of tolerance.

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2 Q. And remind me, kick out means what in this
3 context?

4 A. Recommending not to purchase.

5 Q. Understood. Who attended the tie-out meeting?

6 A. Morgan Stanley licensed appraisers, I attended
7 many of them, also Brad Davis attended.

8 Q. Anyone else?

9 A. For valuation tie-out, no.

10 Q. Anyone from another Morgan Stanley office or
11 rather department?

12 A. Sometimes someone from -- sometimes someone
13 from a group in New York would come. But it wasn't on
14 a regular, wasn't on a normal regular process.

15 Q. Do you recall which group?

16 A. I know sometimes someone from collateral
17 analysis would come. In the beginning early on from my
18 time at Morgan Stanley Terry Smith would go on site. I
19 can't remember anybody else going. Maybe Adrienne
20 Dicker from contract finance.

21 Q. How long did these meetings last, on average?

22 A. A day, two days.

23 Q. And you said that the sellers were provided
24 additional information that hadn't been initially
25 provided?

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2 A. They sometimes -- yeah, sometimes they would
3 come to the table with additional information.

4 Q. What kind of additional information?

5 A. I don't remember.

6 Q. You don't remember any of the additional
7 information that they provided?

8 A. Maybe they would provide additional
9 comparables, show that the house had something that
10 caused it to have a higher value, like being that it
11 was on the water or there was something, something that
12 we may have missed. But I can't really think of the
13 supporting documents. Probably a good question for
14 Brad.

15 Q. Did they provide additional comparables at any
16 instance that you recall?

17 A. They?

18 Q. The sellers. Sorry. At the tie-out meetings
19 did the sellers provide any additional comparables?

20 A. They may, they may have.

21 Q. Do you recall whether they did or not?

22 A. Not really.

23 Q. Okay. Do you recall whether these, there were
24 minutes of these meetings?

25 A. No, there were not minutes.

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2 Q. Thank you. You mentioned two other groups at
3 Morgan Stanley, I just wanted to follow up on those.
4 Collateral analysis was one?

5 A. Yes.

6 Q. What is their role?

7 A. Their role was -- they were data analysts and
8 they would review, they would review -- they had many
9 roles, but they reviewed data of purchase populations,
10 of securitizing populations. They would collect the
11 tie-out results and utilize that to give to, I believe
12 to Steve Shapiro's group.

13 Q. What is Steve Shapiro's group?

14 A. I think he was over the subprime desk.

15 Q. Right, he was in New York, you mentioned.

16 A. Yes. And so is collateral analysis.

17 Q. You mentioned the collateral analysis
18 collected the tie-out results?

19 A. Yes.

20 Q. What are the tie-out results?

21 A. They collected the results of the end of the
22 tie-out meeting so the spreadsheet that identified the
23 loans that were recommended to kick out and the loans
24 that were recommended to purchase.

25 Q. And that was based on information provided in

1 DREW - CONFIDENTIAL

2 part from valuation due diligence?

3 A. Yes.

4 Q. And that was written down, the tie-out
5 results?

6 A. What do you mean written down?

7 Q. Sorry. You mentioned it was in a spreadsheet?

8 A. Yes.

9 Q. Do you recall the name of that spreadsheet?

10 A. It was probably labeled something like
11 "tie-out."

12 Q. The other group you mentioned is contract
13 finance?

14 A. Yes.

15 Q. What do they do?

16 A. They were also in New York and they were
17 attorneys and my experience with them was that they
18 assisted in providing guidelines about what's in the
19 contracts with the sellers. And I think, I believe
20 they worked on contracts with the sellers.

21 Q. You said they provided guidelines about the
22 contracts with the sellers?

23 A. Yep.

24 Q. What do you mean by guidelines?

25 A. Not in my role -- I don't remember in my role

1 DREW - CONFIDENTIAL

2 in valuation, but they assisted in some of the
3 operations of the role, my role in the repurchase
4 group.

5 Q. When you say they provided guidelines, were
6 those written down guidelines?

7 A. They gave us direction on what the contract
8 said as far as, you know, confirmed early paid default
9 terms or breach of rep and warrant terms for the
10 repurchase group.

11 Q. What kind of direction did they provide?

12 MR. WEINSTEIN: Objection.

13 A. Clarification.

14 Q. So you'd ask them a question, correct?

15 A. Yep, and -- yeah, I guess.

16 Q. And they would respond?

17 A. Yes.

18 Q. And that question-answer exchange was
19 conducted by email?

20 A. Or a call.

21 Q. Either way?

22 A. Uh-huh.

23 Q. Did you work with anybody in specific in
24 contract finance?

25 A. For the subprime we worked with Adrienne

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2 Dicker and Eric Kaplan.

3 Q. What was their role in the tie-out meeting?

4 A. They weren't -- I don't believe that they were
5 involved in the tie-out meeting.

6 Q. Previously you said that contract finance reps
7 attended tie-out meetings?

8 A. They would attend and be on site and maybe be
9 on site when we were there, but I don't know that they
10 were actually in the tie-out meeting.

11 Q. By "be on site" what do you mean?

12 A. On site of the seller, the seller's office.

13 Q. So they would be in the office and you'd be in
14 the office, correct?

15 A. Correct.

16 Q. But you might be in a different room having
17 the meeting?

18 A. Correct.

19 Q. And the contract finance people wouldn't be in
20 that room?

21 A. Not necessarily.

22 Q. Did they ever attend tie-out meetings?

23 A. I don't remember if they did or not.

24 Q. So you don't remember whether they were in the
25 room during the tie-out meeting?

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2 A. Correct.

3 Q. You mentioned, I think you mentioned two
4 different roles that you had at Morgan Stanley, is that
5 right?

6 A. Yes.

7 Q. Let's back this up so you can walk me through.
8 When you started at Morgan Stanley what was your title?

9 A. Valuation director.

10 Q. And that was when, exactly?

11 A. October 2003 to I think March of 2006.

12 Q. What were your responsibilities as valuation
13 director?

14 A. I oversaw the ordering of valuation products
15 for due diligence, coordinated with -- attended pre-
16 purchase calls with Steve Shapiro's group, oversaw the
17 process of the Morgan Stanley appraisers reviewing and
18 managing that the time frame that they were reviewing
19 the BPOs against the original appraisals -- I think
20 that was it.

21 Q. Those are all your responsibilities that you
22 remember?

23 A. Yeah. I attended tie-outs. Not all, but I
24 attended tie-outs. I think, I think I probably
25 delivered tie-out results to collateral analysis.

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2 Q. Do you recall delivering tie-out results to
3 collateral analysis?

4 A. I believe so, yes.

5 Q. You did. Any other responsibilities?

6 A. As it relates to subprime, I don't think so.
7 Not that I can think of.

8 Q. Did you work in nonsubprime loans as well?

9 A. Yes.

10 Q. What were your responsibilities with regard to
11 those loans?

12 A. For acquisitions, bulk acquisitions like the
13 subprime bulk acquisitions the process was similar, so
14 similar responsibilities. And then I was involved a
15 little bit in the conduit, which were one-off purchases
16 of loans from smaller sellers or maybe little groups of
17 purchases through the conduit from smaller sellers.

18 Q. How many loans have you brought through the
19 conduit?

20 MR. WEINSTEIN: Objection.

21 A. I don't know. I don't remember.

22 Q. But they were smaller than the bulk purchases,
23 correct?

24 A. I believe so, yes.

25 Q. And the bulk purchases were somewhere you said

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2 between 200 to 300 loans?

3 A. I believe so.

4 Q. So the conduit purchases were smaller than 200
5 to 300 loans?

6 A. Yeah, they were one at a time. The seller
7 might sell one loan at a time through the conduit.

8 Q. What kind of loans were sold through the
9 conduit?

10 A. They were prime ALT-A loans.

11 Q. That's ALT-A, is that right?

12 A. Yes.

13 Q. So you mentioned a prepurchase call?

14 A. Uh-huh.

15 Q. Can you tell me what that is, please?

16 A. We would have a call with the seller and
17 coordinate timing, coordinate timing of, especially in
18 the beginning of my time there, most of the appraisals
19 were provided in paper format at the seller's office,
20 so we needed to coordinate the seller enough time to
21 pull all the appraisals and have them ready for Hanson
22 to come in and review those appraisals.

23 Or, if it was an image, needed to facilitate
24 timing and coordinate that availability for the Hanson
25 appraisers to review the appraisals remotely or on site

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2 there. And then we coordinated the tie-out times and
3 dates of the tie-out.

4 Q. How long did it ordinarily take sellers to get
5 all the paperwork together for Hanson to review?

6 A. Fairly quickly. They were used to what the
7 expectation, Morgan Stanley's expectation was, so it
8 was pretty quick. It was enough time to get through
9 all of the appraisals.

10 Q. And Morgan Stanley's expectation was that they
11 would put the documentation together fairly quickly?

12 A. Yes.

13 Q. Fairly quickly is a couple days?

14 A. Yeah, I mean I don't know the timing of the
15 call. It may be before -- there might have been a
16 little bit lead time before we actually started that
17 month period, so they might have had a week or two
18 weeks. I don't remember.

19 Q. Did anybody from Morgan Stanley review the
20 documentation that the sellers put together for
21 Hanson's review in that initial step?

22 A. Hanson received data points from the seller
23 tape, so they knew the loan number, they knew the
24 property address, the borrower's name, so they compared
25 to make sure that Morgan Stanley didn't go and review

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2 hundreds of appraisals to make sure they were the right
3 appraisals. But Hanson did that check by validating
4 the information and the tape matched the appraisal.

5 Q. How many Hanson appraisers typically worked on
6 reviewing the documentation?

7 MR. WEINSTEIN: Objection.

8 A. I don't know.

9 Q. Were there more Hanson appraisers working on a
10 given deal than Morgan Stanley appraisers?

11 A. I don't know.

12 Q. You don't remember?

13 A. I don't know how many Hanson appraisers were
14 working.

15 Q. Did you work directly with them?

16 A. I coordinated with the manager of the
17 appraisers, and I never observed them working. So
18 they -- I don't know. Brad may know how many
19 appraisers worked.

20 Q. But you don't know?

21 A. No, I don't know.

22 Q. What did you coordinate with the Hanson
23 managers?

24 A. Our expectation on timing, you know, when they
25 could go on site and look at the appraisals, and

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2 coordinating how much time they needed to get through
3 and review those appraisals.

4 Q. So you coordinated how much time they needed
5 to get through the appraisals but you don't know how
6 many appraisers were working on it?

7 A. Right.

8 Q. Okay. Thank you.

9 MR. WEINSTEIN: We have been going about an
10 hour.

11 MS. WEINSTEIN: We should take a break.

12 THE VIDEOGRAPHER: This will be the end of
13 videodisc No. 1 at approximately 10:09 a.m.

14 (Recess taken in the proceedings)

15 THE VIDEOGRAPHER: Back on the record. This
16 is the beginning of videodisc No. 2 at
17 approximately 10:22 a.m.

18 BY MS. WEINSTEIN:

19 Q. When we were last speaking you were describing
20 to me your responsibilities as a valuation director,
21 which is your first title at Morgan Stanley, right?

22 A. Yes.

23 Q. Who was your supervisor when you were the
24 valuation director?

25 A. Brad Davis.

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2 Q. Do you know who his supervisor was?

3 A. Pamela Barrow.

4 Q. What was her title?

5 A. Vice president.

6 Q. Vice president of something?

7 A. She oversaw credit and compliance due
8 diligence and valuation due diligence and the
9 repurchase group.

10 Q. What's the repurchase group?

11 A. The repurchase group facilitated the seller to
12 repurchase loans that they were contractually obligated
13 to buy back.

14 Q. To repurchase them from Morgan Stanley?

15 A. From Morgan Stanley.

16 Q. And the contract finance group provided
17 guidance on that process?

18 A. Yes.

19 Q. In your position as valuation director did you
20 have any involvement in that repurchase process?

21 A. No.

22 Q. So you reported to Brad Davis who reported to
23 Pamela Barrow, is that right?

24 A. Yes.

25 Q. Did you report to anybody else while you were

1 DREW - CONFIDENTIAL

2 a valuation director?

3 A. I actually started before Brad, so I reported
4 to Pamela before Brad. And then reported to Brad. And
5 then -- yeah, then just reported to Brad while I was
6 director of valuation.

7 Q. When did Brad start?

8 A. I think he started in December 2003.

9 Q. You started in October?

10 A. October.

11 Q. So a couple of months after you he came on?

12 A. Yes.

13 Q. But between October and December of 2003
14 Pamela Barrow was your direct supervisor?

15 A. Yes.

16 Q. Did she have a different title during that
17 period?

18 A. No.

19 Q. What was Brad's title, again?

20 A. At that time in December I think he was
21 director also.

22 Q. So you had the same title?

23 A. I think so.

24 Q. Did you have different responsibilities?

25 A. Yes.

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2 Q. How were your responsibilities different?

3 A. He was responsible for the valuation group and
4 all the processes, he oversaw the group.

5 Q. Did you supervisor anybody as valuation
6 director?

7 A. Yeah. I mean I oversaw also with, in
8 conjunction with him, I was kind of like the second in
9 command, so kind of oversaw the process and the group
10 but he ultimately was responsible for the operation of
11 the group.

12 Q. Who did you oversee in the group? You can
13 identify them by title rather than name if it's easier.

14 A. Okay. I just oversaw a couple of analysts in
15 the group, and I oversaw -- I can't remember. I
16 oversaw just like the process to ensure, so worked with
17 people in the group to ensure that timelines were met
18 and things were getting done that needed to get done to
19 ensure that all, everything got valued and reviewed
20 that needed to be.

21 Q. How many people were in the valuation group in
22 that period, October 2003 to March 2006?

23 A. It was a smaller team then. Brad really grew
24 the team of the appraisers, but I think there was Brad,
25 myself. There was Barry Bates at the time. He was an

1 DREW - CONFIDENTIAL

2 appraiser. I don't know if there were any other
3 appraisers that were off site at that time. Those are
4 the people that I can remember.

5 Q. You previously said there were about ten
6 Morgan Stanley appraisers. Was that at a different
7 period of time?

8 A. Yeah, Brad quickly grew the group. As soon as
9 he got there he hired appraisers, I don't know how many
10 and how quickly it happened. But he started hiring
11 appraisers that some of them were remote and
12 specialized in different areas of the country. And
13 then there are also some that were on site at the
14 office in Boca.

15 Q. How many -- by when were there ten appraisers
16 in the valuation due diligence group?

17 A. I don't remember. I don't remember, but it
18 didn't take that long to get, to have close to ten.
19 But you can ask Brad. I'm sure he'll remember when
20 they were hired.

21 Q. So would you say by October 2004 there were
22 ten appraisers?

23 A. I can't say, but there was -- I don't want to
24 say.

25 Q. You testified that you had responsibility for

1 DREW - CONFIDENTIAL

2 overseeing --

3 A. Uh-huh.

4 Q. The group. And when you joined the group you
5 had that responsibility for overseeing the group?

6 A. Yes.

7 Q. And when you joined the group it consisted of
8 how many people?

9 A. It consisted of myself and Barry Bates, and
10 then some of the work, the ordering products when I
11 joined the group, before I was there was conducted by a
12 couple of the folks in collateral analysis. So some,
13 when I joined in October 2006, before I was there
14 collateral analysis handled ordering the valuation
15 products.

16 Q. The products aside from the Hanson Pro
17 products?

18 A. They ordered the Hanson Pro product also.

19 Q. So they ordered the Hanson Pro products and
20 the additional products, if any?

21 A. Yes.

22 Q. At what point in time did you become
23 responsible for ordering additional products?

24 A. As soon as I started.

25 Q. Do you remember working with any other

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2 appraisers aside from Barry Bates?

3 A. When I first started?

4 Q. Sure, when you first started.

5 A. No, I don't.

6 Q. Later on during your time as valuation
7 director do you recall working with any other
8 appraisers?

9 A. Yes.

10 Q. Do you recall who you worked with?

11 A. Yes. We worked with Mary Jewel, Rich
12 Barefoot. There was another Rich with a C last name, I
13 think. A Mike in Texas. I forgot his last name. Mike
14 Romano.

15 Q. Is that the same Mike or different Mike?

16 A. Different Mike. One of the Riches his last
17 name is bare foot. Jack Whelehan, Brad Davis is also
18 an appraiser. Alex Perez. That's eight. Barry Bates.
19 That's all I can remember.

20 Q. Sure. Brad Davis you said had additional
21 managerial responsibilities?

22 A. Correct.

23 Q. Did any of these other appraisers have
24 managerial responsibilities?

25 A. Eventually, yes. Eventually, you know, as

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2 time went on one was responsible for conduit appraisal
3 review.

4 Q. Who's that?

5 A. That was Alex Perez. And Mike Romano, Mike
6 Romano also did valuation due diligence for the
7 subprime.

8 Q. Did you work with him doing valuation due
9 diligence?

10 A. Yes.

11 Q. Did you have the same responsibilities?

12 A. No.

13 Q. What's the difference in your
14 responsibilities?

15 A. He reviewed appraisals, BPOs, against the
16 appraisals, he had oversight responsibility over the
17 conduit process, valuation process. His focus was more
18 on what, what his expertise was that he brought to the
19 table, which was the being a licensed appraiser and
20 having experience reviewing valuation products.

21 Q. You are not a licensed appraiser?

22 A. No.

23 Q. You said you also reviewed broker price
24 opinions?

25 A. Occasionally. That wasn't my role, though.

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2 My role was to review and QC what they did.

3 Q. They being the appraisers?

4 A. The appraisers, uh-huh.

5 Q. Did Mike Romano have any QC responsibilities?

6 A. Probably. I don't remember, though.

7 Q. When we say QC you mean quality control?

8 A. Yes.

9 Q. What does quality control entail in valuation
10 due diligence?

11 A. I don't remember.

12 Q. But you were responsible for doing it?

13 A. Yes.

14 Q. But you don't remember what it was?

15 A. Yeah. Yeah, just reviewing the data, making
16 sure things match up. But I don't remember
17 specifically what that process was.

18 Q. Making sure things matched up how?

19 A. Just making sure things made sense, that
20 entries, number entries weren't like somebody didn't
21 add an extra zero, things that would stand out as a
22 discrepancy in data.

23 Q. Did anybody train you in how to identify
24 discrepancies in data?

25 A. I got, probably at Ocwen I got a lot of

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2 training on this process of QC and analyzing data.

3 Q. You said probably.

4 A. Yeah, that's -- I don't know that I got any,
5 had any training in that area at Morgan Stanley, so
6 it's a long time ago.

7 Q. So you eventually changed titles from
8 valuation director, correct? That was not the only
9 title that you held at Morgan Stanley?

10 A. Correct, after valuation, yes.

11 Q. What was the other title you came to hold?

12 A. I was director of the repurchase group.

13 Q. Of the repurchase group you are saying?

14 A. Repurchase. Brad ended up becoming a vice
15 president during the time that I was under him. So I
16 think I told you that he was a director but he did get
17 promoted to vice president.

18 Q. When was he promoted?

19 A. I don't know.

20 Q. Did anybody replace him as your supervisor
21 following his promotion?

22 A. I don't think so. I think I always reported
23 to him when I was in the valuation group other than
24 when he wasn't there in the beginning.

25 Q. Sure. So in that beginning period until

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2 December Pamela Barrow was your report, or rather you
3 reported directly to her. Then Brad Davis, you
4 reported directly to him, correct?

5 A. Yes.

6 Q. Sorry.

7 A. I was drinking.

8 Q. I know. Then eventually he became a vice
9 president and you still reported directly to him?

10 A. I think so. He did become a vice president.
11 I think I was still working for him when he became vice
12 president.

13 Q. When did you become director of repurchase?

14 A. In March, I think it was March of 2016.

15 Q. That can't be right. March of 2016?

16 A. Oh -- sorry. 2006. Ten years ago. I knew
17 there was a 6 there.

18 Q. There you go. Was that a promotion?

19 A. It was -- I guess, I guess it was a promotion
20 because I was overseeing a group instead of like kind
21 of being the second. But my title was the same when I
22 moved over to oversee that group.

23 Q. Because you were a director in the valuation
24 group and then you were a director in the repurchase
25 group, is that right?

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2 A. Yes. Yes.

3 Q. Did your salary change at all when you went to
4 repurchase?

5 A. I don't believe so. I don't believe so.

6 Q. Did you seek to move from the valuation group
7 to the repurchase group?

8 A. No.

9 Q. How did you come to move to the different
10 group?

11 A. Pamela asked me to help her with some projects
12 and move out of the valuation group. So there was a
13 transition period, maybe a month, and so helping her
14 with some special projects, and then she asked me to
15 take over the repurchase group.

16 Q. Who did you succeed as the director of the
17 repurchase group?

18 A. Sharon Leahy, L-E-A-H-Y?

19 Q. Did she leave Morgan Stanley or did she move
20 groups?

21 A. She stayed for a short time and then left
22 Morgan Stanley.

23 Q. And when you succeeded her as director of
24 repurchase where did she go within Morgan Stanley?

25 A. She left -- she stayed in the repurchase group

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2 when she was still there.

3 Q. So she began reporting to you?

4 A. Yes.

5 Q. How long did that go on?

6 A. A short time, a couple months, maybe. Not
7 long. A few months.

8 Q. You mentioned Pamela, that's Pamela Barrow?

9 A. Yes.

10 Q. What were the special projects that she asked
11 you to work with her on?

12 A. I don't remember. I do remember looking at
13 improving processes in the conduit, valuation, and the
14 repurchase, looking at the repurchase group and they
15 were in the process of building a system, a new system,
16 and participating in meetings about the development of
17 the system.

18 Q. So you mentioned improvements to valuation?

19 A. Uh-huh.

20 Q. What improvements?

21 A. Just improving looking at processes and
22 looking for areas to get better, and just kind of just
23 assessing the whole conduit valuation process and
24 timing of when the valuation happens and how that works
25 with the timing of the credit and compliance due

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2 diligence.

3 Q. The improvements were just for the conduit
4 process?

5 A. Yes.

6 Q. Not for subprime?

7 A. Yes. Yes.

8 Q. Right?

9 A. Yeah.

10 Q. And you mentioned creating a new system for
11 repurchase, is that right?

12 A. Yes.

13 Q. What new system was that?

14 A. It was called different things but the Cure
15 platform, the Cure system, the repurchase system.

16 Q. Those terms are interchangeable?

17 A. Yes.

18 Q. Cure platform, Cure system, repurchase system
19 mean the same thing?

20 A. Yes.

21 Q. What did that system do?

22 A. That system took, it got a feed from Morgan
23 Stanley's system of books and records which is called
24 LASER. Morgan Stanley's system received data tapes
25 from servicers and the data tapes had payment histories

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2 in them, and that information was loaded into LASER and
3 that feed fed into the repurchase system and triggered
4 and identified loans that were early pay defaults,
5 potential early pay defaults that needed to be noticed
6 or that needed to be reviewed to be noticed to the
7 sellers.

8 Q. You mentioned the data tape from servicers,
9 right?

10 A. Yes.

11 Q. Is that data about loans that Morgan Stanley
12 had already purchased from a seller?

13 A. Yes.

14 Q. Was it just loans that Morgan Stanley had
15 purchased from the seller?

16 A. From LASER it was -- yeah, it would just be
17 loans that Morgan Stanley purchased from a seller.

18 Q. So it was not loans that Morgan Stanley was
19 considering purchasing?

20 A. Correct.

21 Q. Did LASER exist when you joined Morgan Stanley
22 in October of 2003?

23 A. Yes.

24 Q. Did you work with LASER while you were in
25 valuation due diligence?

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2 A. No, but I saw data tapes that came out of
3 LASER from collateral analysis worked with LASER, I
4 believe. But I did not work with LASER.

5 Q. So you mentioned that the system for
6 repurchase was one of the special projects that you
7 worked on or that Pamela Barrow asked you to work on,
8 right?

9 A. Yes.

10 Q. What did she ask you to do with that system
11 for repurchase?

12 A. It was in the process of being built when I
13 started working under Pamela on special projects. So I
14 sat in meetings and listened to the business analysts,
15 the IT people that were understanding what needed to be
16 done and mapping out, looking at the map of how things
17 got fed and how triggers would trigger an analyst to
18 review a potential EPD and just help, you know, listen
19 and maybe provide feedback and thoughts and ideas as it
20 was being developed.

21 Q. So you've mentioned early pay defaults and
22 EPDs are early pay defaults, right?

23 A. Yes.

24 Q. Can you explain what that concept is, early
25 pay default?

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2 A. An early pay default is a default, a borrower
3 misses a payment in an early stage of the loan, and it
4 is defined in a contract with the seller, Morgan
5 Stanley.

6 Q. A default is a missed payment by a borrower?

7 A. Yes.

8 Q. And the early stage of the loan is, it's
9 contractually defined, right?

10 A. Correct.

11 Q. How is it contractually defined?

12 MR. WEINSTEIN: Objection.

13 A. It is defined in the contract between the
14 seller and Morgan Stanley.

15 Q. What is the period that's considered early?

16 MR. WEINSTEIN: Objection.

17 A. It depends on the contract. For subprime it
18 was mostly first payment, first payment default, FPD.

19 Q. First payment is the first payment that the
20 borrower owes on the loan?

21 A. The first payment that the borrower -- I
22 believe it is the first payment that the borrower, that
23 Morgan Stanley is looking for that first payment. But
24 I -- you know what, I don't know. But it's the first
25 payment, as far as I understand, the first payment when

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2 Morgan Stanley gets the first servicer tape from when
3 the loan moves over. You know, it is the first payment
4 on the loan.

5 Q. So you said that LASER provided information
6 about early pay defaults?

7 A. Yes.

8 Q. Did it provide information about first pay
9 defaults as well?

10 A. Yes.

11 Q. And you mentioned whether they needed to be
12 noticed or whether they had been noticed or needed to
13 be reviewed, is that right?

14 A. It provides information that triggers the Cure
15 repurchase group to review, that the data says that the
16 payment was missed and then the next step would be for
17 the analyst to review.

18 Q. You mentioned this concept of triggers. What
19 does that mean in this context?

20 A. When the LASER data fed into the Cure platform
21 a loan would be flagged in the Cure platform to be
22 reviewed by an analyst and would be queued up, the
23 system would make it easy for the analyst to go in and
24 see the population of loans that need to be reviewed
25 and start their work flow.

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2 Q. And analysts are within the repurchase group?

3 A. Yes.

4 Q. And you were responsible for overseeing the
5 analysts?

6 A. Yes.

7 Q. How many analysts were there when you were
8 director of repurchase?

9 A. It probably started in March of 2006 with
10 four, four, I think, four or five, and then it grew up
11 to I think 12 or 15 people.

12 Q. By when did it grow to 12 or 15?

13 A. By mid-2007 or maybe the second quarter or
14 first quarter of 2007.

15 Q. Did you hire those additional analysts?

16 A. Yes.

17 Q. How did a loan go from the LASER system to the
18 Cure platform?

19 A. A loan -- LASER had logic built into it to
20 identify the missed payment and those loans would be
21 fed on I believe at least a daily basis and it would
22 flag in the repurchase system for an analyst to review.

23 Q. So this is all software?

24 A. Yeah. Yeah.

25 Q. Is LASER an acronym?

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2 A. It may be but I don't know what it's for. It
3 probably is.

4 Q. Okay. Fair enough. So Morgan Stanley would
5 get information from servicers about payments on loans,
6 right?

7 A. Yes.

8 Q. That information would be provided by the
9 servicer electronically into the LASER system, is that
10 right?

11 A. The servicer tapes would be delivered
12 electronically to the operations team in New York and
13 the operations team loaded the servicer tapes into
14 LASER.

15 Q. What kind of information did servicer tape
16 contain?

17 A. Payment history.

18 Q. So loan number, payment history?

19 A. Uh-huh.

20 Q. Other information?

21 A. Yes. I don't know all the information that's
22 loaded.

23 Q. But at least those two pieces of information?

24 A. Yes.

25 Q. And then that information using some kind of

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2 algorithm, LASER would use some kind of algorithm and
3 apply that and if there was a missed payment it would
4 go to the Cure platform?

5 A. Yes.

6 Q. You mentioned something about likely early pay
7 defaults?

8 A. Yes.

9 Q. Do you remember that?

10 A. Yes.

11 Q. Were likely early pay defaults also triggered
12 and moved to the Cure platform?

13 A. Yes.

14 Q. So a borrower didn't necessarily have to have
15 missed a payment for the loan to move from LASER to the
16 Cure platform?

17 MR. WEINSTEIN: Objection.

18 A. Oh, according to the tape from the servicer
19 the borrower missed the payment.

20 Q. Okay.

21 A. And then it would get triggered in LASER and
22 it would feed into the Cure platform and then it would
23 be reviewed.

24 Q. So what is a likely early pay default?

25 A. So the data says that the borrower missed the

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2 payment but there may have been something that happened
3 that the borrower actually didn't miss the payment, and
4 so the analyst would request the actual pay history
5 just for that loan, review it, and see if they can
6 figure out what happened.

7 If the borrower sent the check to the original
8 servicer before the loan was sold and it didn't get
9 sent over to the Morgan Stanley servicer, sometimes
10 that would happen, and those were servicer transfer
11 issues, that would cause, and the borrower didn't
12 really miss the payment.

13 Q. Whose the Morgan Stanley servicer?

14 A. Morgan Stanley used more than one servicer.

15 Q. Which ones did it use?

16 A. I remember Wells Fargo, GMAC, eventually
17 Morgan Stanley bought a servicer, Saxon.

18 Q. In addition to buying that servicer it used
19 it?

20 A. Yes.

21 Q. When was that that it acquired Saxon?

22 A. I don't remember.

23 Q. Did you work with the servicers at all in your
24 capacity as director of repurchase?

25 A. A little bit. A little bit. The team worked

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2 with the servicers to collect payment histories for the
3 loans that they identified as early pay defaults. They
4 would send the backup pay history with the notice to
5 the seller. So they would request it and review it.

6 Q. What is the backup pay history?

7 A. They would just provide the support, the
8 printout of the pay history on the loan so that when
9 the seller received the notice to repurchase they could
10 flip over and look and see the payment history, the
11 nonpayment or the missed payment.

12 Q. So the LASER system along with the Cure
13 platform in part monitored early pay defaults?

14 A. Correct.

15 Q. And first payment defaults?

16 A. Which are also early pay defaults.

17 Q. Sure. By definition, right?

18 A. Yes.

19 Q. Why was it important to monitor those?

20 A. Morgan Stanley wanted to ensure that when, if
21 they purchased a loan that fell out of the contractual
22 obligation of the seller that the seller repurchased it
23 and fulfilled their agreement, contractual agreement.

24 Q. Sellers made other contractual representations
25 about the loans as well other than early pay and first

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2 pay defaults, right?

3 A. Yes.

4 Q. Were those -- what were those that you recall?

5 MR. WEINSTEIN: Objection.

6 A. You know, I don't remember how they're defined
7 in the contracts and the contracts are all different.

8 Q. Sure. Let's try it this way. Was anything
9 that was contractually represented by the seller other
10 than early pay and first pay defaults monitored in the
11 LASER system?

12 A. No.

13 Q. Why were early pay and first pay defaults
14 specifically monitored in the LASER system?

15 A. It could be monitored.

16 Q. Sorry, what could be monitored?

17 A. Early pay defaults is something that can be
18 monitored through data, through servicing pay
19 histories. A breach of rep and warrant isn't something
20 that can be monitored with a servicer pay history.

21 Q. Got it. Backtracking one step. Did you have
22 any other titles at Morgan Stanley after director of
23 repurchase?

24 A. Yes, I got promoted to vice president.

25 Q. Were you a vice president of something

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2 specific?

3 A. Of repurchase.

4 Q. How did your responsibilities change when you
5 were promoted?

6 A. They didn't.

7 Q. Did you get an increase in pay?

8 A. I'm pretty sure my base stayed the same.
9 Maybe I got a little bit more in a bonus.

10 Q. Did you receive bonuses when you were a
11 valuation director?

12 A. Yes.

13 Q. And when you were director of repurchase?

14 A. Yes.

15 Q. And when you're a VP of repurchase?

16 A. Yes.

17 Q. Do you know how your, along what metrics your
18 bonus was given to you when you were a valuation
19 director?

20 A. There weren't specific metrics as far as I
21 knew. It was based on performance, but I don't know
22 the specific metrics.

23 Q. Do you know for when you were a director of
24 repurchase?

25 A. It was about growing the team, documenting

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2 processes and noticing on time, getting, facilitating
3 repurchase timely repurchase from the sellers.

4 Q. Is it the same metrics for when you were VP of
5 repurchase?

6 A. Yes.

7 Q. Who made the decision whether you got a bonus
8 or not in each of those three positions?

9 A. Brad probably made the decision, Brad and
10 Pamela. Probably Brad and Pamela together.

11 Q. Who told you whether you were getting a bonus
12 or not?

13 A. In valuation?

14 Q. Uh-huh.

15 A. I don't remember.

16 Q. Do you remember who told you in repurchase?

17 A. When Pamela was still there it was Pamela.
18 And then Scott Clark.

19 Q. When did Pamela leave?

20 A. I think she left in maybe the beginning of
21 2007, first quarter of 2007.

22 Q. She left Morgan Stanley altogether?

23 A. Yes.

24 Q. When did you become VP of repurchase?

25 A. Maybe the end of 2007.

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2 Q. After Pamela left -- who was your supervisor
3 actually when you were a VP of repurchase?

4 A. Scott Clark.

5 Q. It wasn't Pamela at any point?

6 A. Yes, it was Pamela and then when she left it
7 was Scott Clark.

8 Q. Did he assume the same title that Pamela had?

9 A. I think he might have been executive director.

10 Q. Did Pamela report to him at any point?

11 A. No, I don't believe so. She, maybe when he
12 got there, I don't know. I'm not sure.

13 Q. Okay. Did they overlap?

14 A. What do you mean?

15 Q. Their time at Morgan Stanley.

16 A. Yes.

17 Q. So when you were VP of repurchase how many
18 people were on your team?

19 A. I think about between 10 and 15.

20 Q. And those were all analysts?

21 A. There were some managers, a couple of managers
22 and underwriters.

23 Q. You had managers and underwriters as well as
24 analysts on the team when you were director of
25 repurchase?

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2 A. I had managers and underwriters, yep.

3 Q. And analysts?

4 A. Yes.

5 Q. And what were the primary responsibilities of
6 the analysts?

7 A. Reviewing pay histories for the loans that
8 were flagged in the system as EPD, and noticing the
9 sellers.

10 Q. The system is the Cure platform?

11 A. The Cure platform.

12 Q. And noticing the sellers of what?

13 A. That they are obligated to buy back the loan
14 or a group of loans.

15 Q. Did the analysts need approval from you before
16 providing notice to the sellers?

17 A. I don't remember. I don't remember.

18 Q. And the loans that the analysts were
19 monitoring, were those loans that had been sold into
20 securitizations?

21 A. At a point, yes, we started -- the LASER feed
22 comes from the servicers for loans that Morgan Stanley,
23 was in Morgan Stanley's position. And there was a
24 point when servicer oversight started obtaining the
25 servicer data from the loans that are in the

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2 securitizations.

3 And then once we had that information and the
4 servicer agreed to start sending it to us on a regular
5 basis, we started feeding from -- the servicing
6 oversight team fed into the Cure platform and started
7 monitoring payment history and the securitizations.

8 Q. You said in Morgan Stanley's positions, does
9 that mean on Morgan Stanley's books?

10 A. Yes.

11 Q. And you said there came a point that LASER
12 acquired information about loans that it had sold in
13 securitizations?

14 A. There came a point when the servicing
15 oversight team started getting servicer data from the
16 securitizations, and that group fed, so we had two ways
17 that EPDs could get into the system, through LASER and
18 through the servicing oversight feed of the servicer
19 tape from the securitizations.

20 Q. What was that point that servicer oversight
21 started to get that information?

22 A. I don't remember when that was.

23 Q. Were you in the repurchase group already when
24 that shift happened?

25 A. Yes.

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2 Q. Were you a VP of repurchase when that shift
3 happened?

4 A. It was prior to that.

5 Q. So it was somewhere in the period while you
6 were director of repurchase?

7 A. Yes.

8 Q. Do you know why a servicer oversight started
9 getting that information?

10 A. I believe that they were directed by the
11 subprime desk to look into seeing if they could start
12 getting the tapes from the servicers that were
13 servicing loans for the securitizations.

14 Q. The subprime desk is Steve Shapiro's desk?

15 A. Yes.

16 Q. Did we cover the responsibilities of the
17 analysts, right? Is there anything else that they did?

18 A. Yes, they did. They also followed up on
19 repurchase claims with sellers. So for the subprime we
20 had a manager or two managers that followed up and had
21 a group of sellers that they were responsible for to
22 follow up and facilitate repurchase with them. And the
23 analysts had a group of conduit sellers, the smaller
24 sellers, that they followed up with.

25 Q. Followed up, you mean followed up on loans

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2 that had been noticed for repurchase?

3 A. Correct.

4 Q. And the managers who you also supervised were
5 responsible for a certain number of sellers?

6 A. Yes.

7 Q. So you mentioned that Accredited was one of
8 the sellers, right?

9 A. Yes.

10 Q. Would a manager be assigned Accredited and
11 going forward monitor all Accredited loans or would
12 that shift?

13 A. No. That manager would be responsible for
14 Accredited.

15 Q. And who made the decision which seller was
16 assigned to which manager?

17 A. I did.

18 Q. What did you base that decision on?

19 A. Experience and record and work ethic and
20 quality of work in other areas working at Morgan
21 Stanley. I guess that's it.

22 Q. So were decisions about which manager to
23 assign which seller based on the volume of the loans
24 provided by that seller?

25 A. It was more about the ability to manage data

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2 and manage populations, because when working with the
3 subprime sellers it wouldn't just be talking about one
4 or two loans, it was talking about a population of
5 loans. And having the ability to manage the data, get
6 the information needed to have discussions, hold
7 meetings, regular meetings with the seller to
8 facilitate the purchase. So technically having some
9 technical skills, ability to speak to the counterparty
10 and hold and meetings and facilitate repurchase.

11 Q. Did different sellers need different levels of
12 oversight?

13 A. No, they were regularly -- we wanted the
14 manager to have a regular conversation and a regular
15 repurchase schedule so that there was consistency and
16 repurchase happening on a monthly basis.

17 Q. So would you say that the relationship between
18 the manager and the seller was more or less the same
19 between each manager and each seller?

20 MR. WEINSTEIN: Objection.

21 A. Yes.

22 Q. There weren't different procedures for
23 different sellers?

24 A. No, there shouldn't have been. Not that I can
25 think of.

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2 Q. Why do you say there shouldn't have been?

3 A. Because the procedure was to facilitate
4 repurchase and have meetings and take on, take any
5 supporting information from the seller and identify a
6 population for repurchase.

7 Q. So the managers made sure that that whole
8 process was on track, right?

9 A. Yes.

10 Q. The follow-up between seller and Morgan
11 Stanley was handled by the analyst primarily?

12 A. Not for subprime. The analyst did not contact
13 the -- the analyst would notice, prepare the repurchase
14 notice, but the manager dealt with the seller to
15 discuss and provide information for discussion.

16 Q. Okay. So what is in the repurchase notice?

17 A. I don't remember, but it did include the loan
18 numbers, the payment information, the missed payment.
19 It probably included some loan information like the
20 loan balance and maybe borrower name, some identifier
21 to identify the loan.

22 Q. Would loans be noticed for repurchase by
23 Morgan Stanley for reasons other than early payment
24 default or first payment default?

25 A. In subprime there were times where

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2 occasionally a servicer may send notification to Morgan
3 Stanley saying that there's a potential issue with the
4 loan. Maybe -- I can't think of it but some sort of
5 mis-rep, they would alert Morgan Stanley, we would
6 review and look into it and we would notice the seller
7 are the mis-rep.

8 Q. Would you be alerted at the servicer through
9 the Cure platform or through some other means?

10 A. Typically it came through servicer oversight
11 because servicer oversight was the team that monitored
12 the servicers and they were the liaison between the
13 servicer and Morgan Stanley. So they would get the
14 notification and they would send it over to the Cure
15 platform.

16 Q. So you said that managers handled the
17 follow-up between Morgan Stanley and sellers about
18 notice loans?

19 A. Yes.

20 Q. In the subprime business?

21 A. Right.

22 Q. Did you ever become involved in that process?

23 A. Yes, occasionally. If the manager wasn't able
24 to -- when the market started changing, if the servicer
25 wasn't calling back or responding to emails then I

1 DREW - CONFIDENTIAL

2 might get involved and try to get the servicer on the
3 phone and try to get them to start working with the
4 manager.

5 Q. You'd get the servicer on the phone or the
6 seller?

7 A. I mean the seller. Sorry.

8 Q. You said when the market started changing?

9 A. Yes.

10 Q. What do you mean by that?

11 A. The market started to change and sellers were
12 not responding and not repurchasing as much as they had
13 been because of the beginning of the housing crisis.
14 That was like the very beginning, probably in the
15 beginning of 2007.

16 Q. So did your procedures for dealing with
17 sellers change with the change in the market?

18 A. Our procedures were directed to us. We had
19 regular calls with the subprime desk so we provided
20 information about the number of repurchase requests for
21 every -- by seller, and we got direction from Steve
22 Shapiro.

23 Q. Those repurchase requests you just mentioned,
24 were those by Morgan Stanley exclusively or were they
25 by other parties?

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2 A. The repurchase requests to the sellers for
3 loans that Morgan Stanley purchased from the seller.

4 Q. So those were Morgan Stanley-issued repurchase
5 requests?

6 A. Yes.

7 Q. You said the subprime desk provided you your
8 procedures on how to address changes in seller behavior
9 based on changes in the market?

10 A. Yes.

11 Q. Did they direct you to make any changes when
12 the market started to change?

13 A. You know, I can't be specific with the seller.
14 But there were times where we were directed to
15 facilitate repurchase with the loans that were
16 defaulted, that were still defaulted. There were many
17 times where loans missed that first payment but then
18 the borrower was making payments ongoing after that
19 point.

20 So in order to -- when the market started to
21 change and the money to repurchase wasn't as available
22 or from our perception we were seeing a decrease, the
23 subprime desk wanted to facilitate the repurchase of
24 the loans that were defaulted, that were not current,
25 and/or some that had like sporadic pay histories that

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2 they brought it current, they wanted those. But they
3 did make the decision at times to hold off and
4 facilitate the repurchase on the defaulted loans.

5 Q. So they made the decision to hold off and seek
6 repurchase of certain loans but not others?

7 A. Seeking repurchase on the defaulted loans
8 first and facilitating that, and holding off on
9 enforcing the repurchase of the loans that had become
10 current.

11 Q. So missed first payment and then the borrower
12 resumes paying the loan --

13 A. Uh-huh.

14 Q. During that time you would have received
15 guidance to not prioritize the repurchase of that loan?

16 A. Correct.

17 Q. Are you doing okay or do you want to take a
18 break?

19 A. I'm okay. How long has it been?

20 Q. It's been a little under an hour.

21 A. We can go a little bit more.

22 Q. Did you have any other title other than VP of
23 repurchase at Morgan Stanley?

24 A. No.

25 Q. So when did you leave Morgan Stanley?

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2 A. June of 2008.

3 Q. What were the circumstances under which you
4 left?

5 A. Morgan Stanley made the decision to close the
6 Boca office and consolidate operations in Texas at the
7 servicer that they purchased.

8 Q. That's Saxon?

9 A. Saxon. And the repurchase group was asked to
10 move to Texas and I decided not to move for personal
11 reasons.

12 Q. Sure. When Terry Smith spoke to you about
13 working at, leaving Ocwen to work at Morgan Stanley he
14 was just building up the Boca office, right?

15 A. Yes.

16 Q. Do you know, what did he tell you about
17 building up that Boca office?

18 MR. WEINSTEIN: Objection.

19 A. From what I remember him telling me the Boca
20 office was built for, to facilitate the conduit and
21 grow the conduit business, and that the support for
22 valuation, support of the due diligence of acquisitions
23 for subprime and the bulk acquisitions for subprime and
24 ALT-A were also going to be seated in the Boca office
25 for valuation and credit and compliance. But the main

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2 purpose of the Boca office was to facilitate the
3 conduit and grow the conduit business.

4 Q. How much of your time did you spend working on
5 the conduit business?

6 A. Not much.

7 Q. Did you work more on the subprime business?

8 A. Yes.

9 Q. How many other people were in the Boca office?

10 A. I think about 200 people, something like that.

11 Q. Did that change over time?

12 A. Yeah, from the beginning when it opened it
13 grew.

14 Q. How many people were there when it opened?

15 A. I don't remember.

16 Q. Less than 200?

17 A. Yes.

18 Q. Half that or --

19 A. Probably, yeah, probably half.

20 Q. So it about doubled in size between the time
21 that it opened and the time that it closed?

22 A. If I'm remembering correctly. I don't really
23 remember how many people started.

24 Q. That's okay. What did they tell you about why
25 it was closing in 2008?

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2 A. We were told that Morgan Stanley was getting
3 out of the business of purchasing loans. At least
4 that's what I remember, so getting out of that
5 business.

6 Q. Did they tell you why that was?

7 A. Why?

8 Q. Uh-huh.

9 A. I think because all of our counterparties
10 disappeared, they went under, so the business had
11 changed dramatically. So there was a business decision
12 that I was not involved in and so I don't really know
13 the details.

14 Q. Who were those counterparties?

15 A. New Century, Accredited -- well, Accredited
16 may still be opened. Aames, WMC.

17 Q. Originators?

18 A. Mortgage originators.

19 Q. So what did you do when you moved on from
20 Morgan Stanley?

21 A. I took some time off and then I worked for, I
22 did some work for Wells Fargo for a year and a half or
23 so, did some consulting work, worked for a company
24 called Risk Span, and then now have been with Lyons
25 McCloskey for a couple of years working remotely.

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2 Q. Can you spell the name of your employer?

3 A. L-Y-O-N-S, M-C-C-L-O-S-K-E-Y.

4 Q. And what does that company do?

5 A. We do quality control for mortgage servicers,
6 we audit foreclosure attorneys over the country for a
7 large bank, we do due diligence for a couple of
8 counterparties on purchases of FHA loans, we do
9 servicer audits, all sorts of quality assurance and
10 vendor management in the mortgage servicing business.

11 Q. What's your title there?

12 A. Manager, operations manager.

13 Q. How long have you worked there?

14 A. Over two years.

15 Q. What are your primary responsibilities?

16 A. I oversee the whole business. It's not a big
17 company. It's a small company.

18 Q. Okay. And you've been there you said two
19 years?

20 A. Yeah, I think two, three years, something like
21 that.

22 Q. How long were you at Wells Fargo?

23 A. I think about a year and a half.

24 Q. And Risk Span?

25 A. About a year and a half.

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2 Q. And those, your responsibilities at those
3 positions also related to the mortgage industry?

4 A. Yes.

5 Q. So you've been in the mortgage industry a long
6 time?

7 A. Yeah.

8 Q. When you were employed at Morgan Stanley were
9 you employed by any specific division of Morgan Stanley
10 or just Morgan Stanley the company generally?

11 A. When I first started at Morgan Stanley it was
12 Morgan Stanley set up like a separate company that we
13 actually got our benefits and pay from. And I don't
14 remember the name of that. And then when they acquired
15 Saxon I believe it was Morgan Stanley Home Loans was
16 the division that we were a part of.

17 Q. That was around 2006?

18 A. I think so. Yeah. I can't really remember
19 when they bought it but I think around 2006.

20 Q. But sometime after the Saxon acquisition?

21 A. Yes.

22 Q. And were you employed by Morgan Stanley home
23 loans until you left Morgan Stanley?

24 A. Yes.

25 Q. And that's what it said on your paycheck?

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2 A. I believe so.

3 Q. But you don't remember the division that it
4 said before Morgan Stanley home loans?

5 A. No.

6 Q. That's okay. How did you communicate with the
7 other Morgan Stanley employees?

8 MR. WEINSTEIN: Objection.

9 A. When I was in the repurchase group?

10 Q. Let's start at the beginning when you were in
11 valuation.

12 MR. WEINSTEIN: Same objection.

13 A. The subprime desk held a regular call, I can't
14 remember whether it was weekly or biweekly. But they
15 held a regular call that we attended, that valuation
16 group attended or at least Brad and I. We communicated
17 via email.

18 We would set up meetings for conference calls.
19 I would occasionally go to New York and meet with
20 people, people from the New York office would come down
21 and have meetings with us.

22 Q. The regular call that you initially mentioned,
23 who was on it?

24 A. Steve Shapiro, Frank Telesca. Valuation Brad
25 Davis, myself; Tony Peterson over credit and

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2 compliance, before him Cindy Golser. Pamela Barrow,
3 Kris Gilly, collateral analysis team would be on the
4 call, maybe, occasionally maybe the sales, one of the
5 subprime salespeople.

6 Q. Is that somebody from Steve Shapiro's desk or
7 is that separate?

8 A. No, the sales was separate but I'm not sure.

9 Q. Some of these names we have heard before.
10 Some are new. So we can walk through those.

11 A. Okay.

12 Q. What was Frank Telesca's role?

13 A. He worked for Steve Shapiro. He was on the
14 desk with him.

15 Q. Do you know what he did for Steve Shapiro on
16 that desk?

17 A. No.

18 Q. Brad Davis we have spoken about. How about
19 Tony Peterson?

20 A. Tony Peterson was a credit and compliance due
21 diligence manager and then he ended up overseeing all
22 of credit compliance, Brad's counterparty for credit
23 and compliance.

24 Q. When did he become Brad's counter party for
25 credit and compliance?

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2 A. Maybe the end of 2006. I don't really
3 remember, though.

4 Q. Remind me, what did credit and compliance due
5 diligence do? How does it differ -- sorry, let me put
6 it differ. How does credit compliance differ from
7 valuation due diligence?

8 A. Credit compliance due diligence is the review
9 of all of the loan documents to ensure that they met
10 whatever guidelines were in place.

11 Q. Whereas valuation due diligence focuses on the
12 property and appraisals of the property?

13 A. Correct.

14 Q. And the valuation due diligence guidelines
15 concerned only valuation, as far as you know?

16 A. What do you mean?

17 Q. I've been asking you about the credit and
18 compliance guidelines and you said you didn't know, you
19 didn't use them.

20 A. Yeah.

21 Q. But you did use valuation guidelines?

22 A. Yes.

23 Q. That's basically the question.

24 A. Okay.

25 Q. Palm Barrow we have been through. You

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2 mentioned Cindy?

3 A. Cindy Golser.

4 Q. Did she overlap with Tony Peterson at all?

5 A. I don't -- well, I think they were overlapped,
6 but Tony took her position.

7 Q. So she left and he replaced her?

8 A. Yeah.

9 Q. And Kris Gilly, what was her position?

10 A. She was over collateral analysis, with Vinny
11 Bilms.

12 Q. Who's that?

13 A. Vincent Bilms. B-I-L-M-S, I think. I think
14 they co-headed the group but I'm not sure.

15 Q. Did you work with Kris Gilly at all?

16 A. Yes.

17 Q. How did you work with her?

18 A. Kris Gilly utilized information from, her team
19 utilized information from the valuation process. They
20 had a system, they loaded the results of the products,
21 the Hanson Pro, the BPO, the results of the review from
22 the appraisal and BPO review that our internal
23 appraisers would do. So they kind of were the
24 repository for all that information, and then took the
25 final results of the tie-outs and utilized that to put

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2 together for the purchase.

3 Q. You said that at the end of the tie-out
4 process valuation would have made a recommendation to
5 proceed with the purchase of a loan or to kick out a
6 loan, is that right?

7 A. Yes.

8 Q. Who did that recommendation go to?

9 A. It went in the spreadsheet up to collateral
10 analysis.

11 Q. What did collateral analysis do with it?

12 A. I don't know.

13 Q. Is that Kris Gilly?

14 A. Yes.

15 Q. And her co-head, Vinny Bilms, right?

16 A. Uh-huh.

17 Q. So they received the spreadsheet but you don't
18 know what they did with it from that point?

19 A. Right.

20 Q. Would they talk to you about the contents of
21 that spreadsheet after they received it?

22 A. I don't remember. I don't remember. I mean,
23 maybe if there was a discrepancy in data or question
24 there may be a back and forth with an analyst that
25 worked for her. But I don't really remember having a

1 DREW - CONFIDENTIAL

2 discussion about the tie-out results.

3 Q. Once valuations recommendation was made and
4 put into that spreadsheet would you have any further
5 involvement with the loans that were on the
6 spreadsheet?

7 A. I don't believe so.

8 Q. Do you know what the mitigation process is?

9 A. That is that process that the Morgan Stanley
10 appraiser would review those exceptions. And they'd
11 review the BPO value, they would review the BPO against
12 the original appraisal and make a determination was the
13 exception a false positive. And if it was they could
14 remove that false positive from the population going to
15 tie-out in order to make the population for discussion
16 the real questions, the real questions about value.

17 Q. When you say exception what do you mean?

18 A. So whatever the guideline was for, which I
19 don't remember, which was in tolerance, out of
20 tolerance. And the appraisal review was, with the BPO
21 was a kind of quick review. And the appraiser would
22 look and say, is it obvious why there's a difference,
23 why there's a discrepancy either way, is it obvious
24 that the appraisal is off and I don't understand why it
25 is off and they would just include that in the tie-out.

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2 If they couldn't figure it out in a short
3 period of time why there was a discrepancy in value
4 then they want to discuss it. But if they can see this
5 BPO totally missed it, this appraiser used, there was
6 more square footage in the house than was on the public
7 record because the broker doesn't go inside the
8 property or some external factor that makes that
9 property worth more, because the BPOs are done by a
10 broker, they are done quickly, they don't make a ton of
11 money on them and they are going around and taking
12 pictures and pulling comps and sending that information
13 off in a report.

14 So if they didn't figure out why there's a
15 discrepancy they go on tie-out. If they see the BPO
16 missed it this value is fine, they get removed from
17 tie-out. That was the mitigation to be able to discuss
18 just the ones that were issues.

19 Q. Other than valuation personnel who was
20 involved in the mitigation process?

21 MR. WEINSTEIN: Objection, asked and answered.

22 A. Just the appraisers and then we would create
23 the spreadsheet for tie-out.

24 Q. So mitigation involved just valuation
25 personnel?

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2 A. Yes.

3 Q. So I want to make sure I understand this
4 process. So Morgan Stanley or a seller approaches
5 Morgan Stanley about buying a pool of loans, right?

6 A. Yes.

7 Q. The seller provides certain information about
8 those loans and collects certain documentation about
9 those loans, right?

10 A. Yes.

11 Q. Then Hanson Pro comes in. Hanson Pro is
12 contracted by Morgan Stanley, right?

13 A. Yes.

14 Q. Hanson Pro comes in and evaluates that
15 documentation provided by the sellers?

16 A. Yes.

17 Q. For one hundred percent of the loans?

18 A. In most cases, yes.

19 Q. When wouldn't they evaluate a hundred percent
20 of the loans?

21 A. I believe for one of the sellers we had a
22 different process. We utilized a different valuation
23 product, but still a hundred percent of the loans
24 received a valuation product and the BPO process would
25 happen and the mitigation process would happen and the

1 DREW - CONFIDENTIAL

2 tie-out process would happen.

3 Q. Which seller did you have a different process
4 for?

5 A. WMC.

6 Q. Why did you have a different process for WMC?

7 A. I don't remember.

8 Q. Was that in place before you started?

9 A. I don't think so. I don't think they were
10 purchasing from WMC before I started.

11 Q. Was the process always different for WMC?

12 A. Yes. I think so. I don't know. I don't
13 know.

14 Q. Who provided you direction on the process to
15 follow for each seller?

16 A. It probably was Brad.

17 Q. Before him?

18 A. Davis. Before him it was Pamela.

19 Q. Do you recall how you came to know that there
20 was a different process for WMC?

21 A. I think that, I think that when, I think that
22 the process was defined when we started purchasing
23 loans from them.

24 Q. Defined in a written policy or procedure?

25 A. No, I don't think so. I don't know that there

1 DREW - CONFIDENTIAL

2 was a written policy and procedure back then.

3 Q. Was there ever a written policy or procedure?

4 A. Probably, probably, because all the groups
5 were required to document their policies and procedures
6 at some point.

7 Q. What point was that?

8 A. By, at least by beginning of 2008, I believe.

9 Q. You were already in repurchase at that time?

10 A. Yes.

11 Q. And you left Morgan Stanley in June 2008, is
12 that right?

13 A. Yes.

14 Q. Who announced --

15 MS. WEINSTEIN: Brian, I see you looking your
16 watch.

17 MR. WEINSTEIN: We have been going about an
18 hour and quarter. Is this a good breaking point?

19 Q. How are you doing, Lisa? We have a half an
20 hour until lunch and if we can keep going that would be
21 fine.

22 A. I think I'll go to the ladies' room and make
23 it a quick break.

24 Q. Sure. Take your time.

25 THE VIDEOGRAPHER: Going off the record at

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approximately 11:36 a.m.

(Recess taken in the proceedings)

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2 A F T E R N O O N S E S S I O N

3 L I S A A N N D R E W, resumed.

4 (12:24 p.m.)

5 THE VIDEOGRAPHER: I'm back on the record.

6 This is the beginning of videodisc No. 3 at

7 approximately 12:24 p.m.

8 BY MS. WEINSTEIN:

9 Q. Welcome back, Lisa.

10 A. Thank you.

11 Q. Before we broke you said that by 2008 Morgan
12 Stanley required the various departments to document
13 the policy and procedures?

14 A. If the departments didn't have something or
15 just a revamp, because the transition to Saxon, just to
16 ensure that procedures that were happening would be
17 consistent once the move happened.

18 Q. So valuation due diligence was transferred
19 over to Saxon?

20 A. Yes. Well, I'm not sure if they've
21 transferred and worked for Saxon but they worked out of
22 the office in Dallas, I think Irvine, so I'm not sure
23 if it was, if they were Saxon employees or if they were
24 still Morgan Stanley Home Loans employees.

25 Q. Do you know who made that announcement that if

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2 you didn't have your policies and procedures written
3 down you were required to write them down in 2008?

4 A. I believe it came from Scott Clark.

5 Q. Remind me what his position was?

6 A. He oversaw the Boca office.

7 Q. You said he was an executive director, is that
8 right?

9 A. Yes, I believe so.

10 Q. In 2008 did valuation due diligence write down
11 policies and procedures in response to that request?

12 A. I don't know.

13 Q. Before we were speaking of, that we were
14 talking about the tie-out process. Do you remember?

15 A. Yes.

16 Q. So I think you were walking me through this
17 and we had gotten to the point where there was some
18 kind of valuation product applied to a hundred percent
19 of the loans?

20 A. Yes.

21 Q. For everything but WMC loans that was a Hanson
22 Pro valuation?

23 A. There may have been another seller where it
24 was a slightly different process, but I don't remember,
25 so I don't want to say it was only WMC. But it was

1 DREW - CONFIDENTIAL

2 only slightly different in that first step and then the
3 BPO product was, from the point of ordering the BPO
4 product to the mitigation, to the tie-out that all
5 stayed the same.

6 Q. So the first valuation product that was
7 applied could have been different between different
8 sellers?

9 A. It was mostly the Hanson product.

10 Q. What's the other product that would have been
11 applied instead of Hanson?

12 A. An automated valuation model.

13 Q. And with Hanson it is an actual appraiser
14 going through and reviewing the file, correct?

15 A. Correct.

16 Q. With automated valuation it's automated
17 instead of a person?

18 A. Right.

19 Q. Okay. So WMC used an AVM model at the first
20 step instead of Hanson?

21 A. Yes.

22 Q. Potentially another originator did as well, or
23 Morgan Stanley's review of another originator's loans?

24 A. Potentially.

25 Q. But you don't remember?

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2 A. I don't remember.

3 Q. Do you remember whether Hanson was applied to
4 Accredited loans?

5 A. Yes, it was applied to Accredited.

6 Q. That was the first step for Accredited?

7 A. Yes.

8 Q. Do you remember for First NLC loans?

9 A. I believe so, but I don't remember.

10 Q. OK. So after that first valuation product was
11 applied then it would go to the BPO?

12 A. Yes.

13 Q. For certain loans only, though?

14 A. Yes.

15 Q. And who would make that decision of which loan
16 would go to the BPO and which loan would be fine after
17 the first step?

18 A. There were guidelines about which loans would
19 go to the BPO.

20 Q. Those were Morgan Stanley guidelines?

21 A. Yes.

22 Q. What criteria did Morgan Stanley provide about
23 which loans would go to BPO?

24 A. It was a criteria around a risk score -- I
25 don't know, it was around the risk score and there may

1 DREW - CONFIDENTIAL

2 have been other factors as well.

3 Q. But you were involved in that process of
4 selecting loans for BPO review?

5 A. Yes.

6 Q. Then after BPO reviews certain loans would be
7 selected for review by a Morgan Stanley appraiser?

8 A. Yes.

9 Q. And those Morgan Stanley appraisers were under
10 your supervision?

11 A. They were under Brad's supervision but the
12 process was under my supervision as well.

13 Q. And have you been referring to this process of
14 additional valuation products as mitigation?

15 MR. WEINSTEIN: Objection.

16 A. The -- no.

17 Q. Can you tell me what you mean by mitigation?

18 MR. WEINSTEIN: Objection, asked and answered.

19 A. Yes.

20 MR. WEINSTEIN: Go ahead.

21 A. The mitigation process is once the BPO is
22 ordered and received and the value of the BPO is
23 received compared to the appraisal there was a
24 guideline, the valuation, Morgan Stanley had a
25 guideline about the variance -- and I don't remember

1 DREW - CONFIDENTIAL

2 what that variance was -- and an acceptable variance or
3 not off the appraised value.

4 So any loans that were outside of that
5 tolerance, that the variance was too great outside of
6 the guidelines were reviewed by the BPO and the
7 appraisal, were reviewed by the Morgan Stanley
8 appraiser.

9 Q. So that process of the Morgan Stanley
10 appraiser reviewing the BPO and the original appraisal
11 is what you have been referring to as mitigation?

12 A. Yes.

13 Q. Once a loan passed through that mitigation
14 process it would go to tie-out?

15 A. Yes. So the loan would either, the appraiser
16 would either remove it from the tie-out population,
17 based on the review, or that loan would be kept in the
18 tie-out population.

19 Q. And the loan that was removed you'd say that
20 it was kicked out?

21 A. The loan that was -- no. So the mitigation
22 process is, it is a review of all the loans that are
23 out of tolerance, based on the BPO value, and then the
24 appraiser reviews the BPO and the appraisal, and if the
25 appraisal value based on the review appears to be

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2 reasonable, then, and the BPO was not reasonable, then
3 that loan would be removed from the tie-out population
4 and it would be recommended to purchase.

5 Q. I see. And the loans that remained in the
6 tie-out population would be the subject of your tie-out
7 meeting at the seller?

8 A. Yes.

9 Q. With regard to the mitigation process did
10 anyone ever tell you to mitigate a certain loan?

11 A. No. To mitigate a -- to review a certain
12 loan, that's what, kind of what mitigation means. No.
13 I think that the mitigation process was, I think that
14 it came up by, maybe, Pamela and Brad to reduce the
15 number of false positives for discussion on site with
16 the seller.

17 Q. So to reduce the number of loans that would be
18 discussed in that tie-out meeting?

19 A. Yes.

20 Q. Reduce them how?

21 A. The Morgan Stanley appraiser would review the
22 BPO against the original appraisal and if it was clear
23 that the value, that the appraisal, that the appraisal
24 was reasonable and that the BPO missed whatever it was,
25 missed whatever it was that made the value what the

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2 original appraisal indicated and the appraiser saw that
3 they would remove that because it wasn't, they
4 understood just from that information that that
5 appraisal was reasonable. So it didn't need to be
6 discussed in tie-out.

7 Q. They would remove it and recommend that it be
8 purchased?

9 A. Correct.

10 Q. You prepared tie-out reports that were sent to
11 collateral analysis, right?

12 A. Yes.

13 Q. Were those sent in draft form or only final
14 form?

15 A. They were just, at the end of the tie-out
16 yeah, they were I think they were in final form unless
17 there were questions about the data or something. But
18 yeah, they were final results of the tie-out.

19 Q. Would you go back and make changes to that
20 report after speaking to collateral analysis?

21 A. Not typically.

22 Q. Do you remember any situation where you did?

23 A. No.

24 Q. Is the tie-out report the same as a kick-out
25 report?

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2 A. I don't believe so.

3 Q. What's the difference?

4 A. I'm not sure what the kick-out report is.

5 Q. Okay.

6 (Exhibit 1 marked for identification)

7 Q. You've just been handed what's been marked as
8 Exhibit 1 for your deposition. It was previously Bates
9 stamped MSM MSSTI20071 0268247. You don't see the
10 number on that page because this document was produced
11 by Morgan Stanley in native format.

12 A. Okay.

13 Q. Do you know what this document is?

14 A. No.

15 Q. So it says Kick-out Summary on it, right?

16 A. Yes.

17 Q. You don't know what Kick-out Summary means?

18 A. No.

19 Q. Have you ever seen any spreadsheets or reports
20 like this?

21 A. I don't believe so.

22 Q. What you are looking at appears to be a
23 spreadsheet that says Morgan Stanley on the top and it
24 says Kick-out Summary, correct?

25 A. Yes.

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2 Q. And it appears to be about New Century loans?

3 A. Yes.

4 Q. But you don't recall having reviewed any
5 spreadsheet like this in your capacity as a valuation
6 employee?

7 A. No.

8 Q. Okay. Fair enough. Did you work with New
9 Century?

10 A. Yes.

11 Q. How did you work with them?

12 A. In the same manner as I described for
13 valuation due diligence.

14 Q. Do you recall whether New Century had special
15 procedures aside from the norm you described going
16 through Hanson and then other valuation products?

17 A. They did not. They had the Hanson procedure.

18 Q. Were you aware of any particular issues with
19 New Century loans?

20 MR. WEINSTEIN: Objection.

21 A. No.

22 Q. You can put that away.

23 (Exhibit 2 marked for identification)

24 Q. Lisa, you have just been handed what is marked
25 as Exhibit 2 for your deposition, Bates stamped MSM

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2 MSSTI 2007 1 0268249, again produced in native format
3 by Morgan Stanley so you don't see that number on this
4 document.

5 Q. Do you recognize this document?

6 A. No.

7 Q. Never seen a spreadsheet that looks like this?

8 A. No, I don't believe so.

9 Q. Do you see in -- so this appears to be a
10 spreadsheet, it says Accredited at the top, right?

11 A. Yes.

12 Q. And then it contains certain data?

13 A. Yes.

14 Q. Do you see row 6 where it says UPB?

15 A. Yes.

16 Q. Total UPB taken to tie-out?

17 A. Yes.

18 Q. Do you know what UPB means in that context?

19 A. Unpaid principal balance.

20 Q. And tie-out is the process that you were
21 describing for me, right?

22 A. Yes.

23 Q. But you don't recall having used this
24 spreadsheet in the tie-out process or a similar
25 spreadsheet?

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2 A. No.

3 Q. We also have been talking about how you
4 communicated with Morgan Stanley employees. You
5 mentioned that you used email from time to time, right?

6 Do you recall whether anybody used a
7 non-Morgan Stanley email account to conduct their
8 Morgan Stanley business?

9 A. No.

10 Q. No, you don't recall?

11 A. I don't, I don't recall anybody using a
12 non-Morgan Stanley email.

13 Q. We talked a little bit about bonuses that you
14 received as a Morgan Stanley employee. And you said it
15 was tied to performance. You weren't exactly sure what
16 the criteria were, right?

17 A. Yes.

18 MR. WEINSTEIN: Objection.

19 Q. Did you receive performance reviews while you
20 were employed at Morgan Stanley?

21 A. Yes.

22 Q. Were they formal performance reviews?

23 A. Yes.

24 Q. How frequently did you receive performance
25 reviews?

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2 A. Maybe twice a year.

3 Q. Who did you receive it from?

4 A. Brad Davis, Scott Clark, probably Pamela
5 Barrow.

6 Q. What kind of topics did you discuss during
7 your performance review?

8 A. I don't remember.

9 Q. Do you remember anything that was discussed in
10 any of your performance reviews?

11 A. Probably metrics and whatever was applicable
12 to the job function at the time.

13 Q. What do you mean by metrics?

14 A. So for the repurchase position, noticing on
15 time was a metric that was looked at; the repurchase
16 velocity or volume was looked at and things like that.

17 Q. You said noticing on time. What timeline were
18 you on?

19 A. I don't remember but it was defined in the
20 contract with the seller.

21 Q. So there was a certain period of time by which
22 Morgan Stanley had to issue repurchase requests?

23 A. Yes, for EPD, yes.

24 Q. And so if you would perform well if you
25 noticed loans within that time frame, correct?

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2 A. Yes.

3 Q. And you would perform less well if you noticed
4 loans outside that time frame?

5 A. Correct.

6 Q. And you also mentioned repurchase volume.
7 What does that mean?

8 A. Yes. Just getting sellers to buy back the
9 loans on a timely basis, the aging of the repurchase
10 claim was tracked, and just getting them on a regular
11 basis to buy back their loans.

12 Q. So your success in getting originators to buy
13 back loans was part of what was evaluated during the
14 performance reviews?

15 A. In the repurchase group.

16 Q. But you received performance reviews when you
17 were in valuation as well, right?

18 A. Yes.

19 Q. What metrics were evaluated during the
20 performance reviews while you were in valuation?

21 A. I don't. I don't remember if it was specific
22 metrics.

23 Q. What was discussed during your performance
24 reviews while you were in valuation?

25 A. I don't remember.

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2 Q. You don't remember any of it?

3 A. No.

4 Q. Okay. Do you recall ever being told you
5 needed to improve on something?

6 A. No, I was not.

7 Q. You don't recall --

8 A. I was not told that I needed room for
9 improvement.

10 Q. Do you recall ever being told that you did a
11 good job on something?

12 A. Yes, I did recall that, do recall that.

13 Q. What were you told that you did a good job on?

14 A. I was told I did a good job at growing the
15 team, the repurchase group, putting processes,
16 formalizing processes, putting them in place, noticing
17 on time, providing accurate notices to the sellers,
18 resolving, facilitating repurchases with sellers.

19 Q. You mentioned formalizing processes. What
20 processes were informal that you formalized?

21 A. Formalizing the process of the review of the
22 potential EPD data to ensure that Morgan Stanley wasn't
23 sending out false positives so that we weren't wasting
24 the seller's time by reviewing potential EPDs that
25 weren't really EPDs, so that the seller knew when they

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2 picked up our notices, Morgan Stanley's notices, that
3 these were, were worth spending time and going through
4 and talking and discussing and getting the loans,
5 facilitating repurchase.

6 Q. So were there more false positives before you
7 instituted those processes?

8 A. I don't know because I wasn't involved in the
9 group.

10 Q. To be clear, what group are you referring to
11 now?

12 A. The repurchase group.

13 Q. Okay. But there was an informal process?

14 A. Yes, I believe so. Yeah. But, you know, I
15 just tightened up processes like that one.

16 Q. What did you do to tighten it up?

17 A. Just to -- well part of it, the system, the
18 development of the new system made it much more easier
19 for an analyst to have their work queue right in front
20 of them and be able to order, put notes and comments in
21 the system. So that was a big help in making,
22 improving the process or formalizing the process.

23 Q. Are there any other processes that you
24 formalized?

25 A. I don't know. Not off the top of my head.

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2 Q. Not that you recall?

3 A. Yeah.

4 Q. You said another area where you were told that
5 you did a good job was in providing accurate notices?

6 A. Yes.

7 Q. Was that a change from how notices were
8 provided before you began as the director of the
9 repurchase group?

10 A. I don't know. But the whole process of
11 reviewing was -- I think the system helped that and
12 getting the -- and I don't know what was happening, I
13 don't really know what was happening before.

14 I think it was happening but I just know that
15 other, the sellers would, communicated to me that they
16 were, they could look at Morgan Stanley's repurchase
17 requests and know that this was something worth working
18 on, where others, other counterparties, their
19 repurchase requests may have a lot of work to do on
20 them because there were a lot of false positives.

21 Q. So you said you took over the repurchase group
22 for a woman with the last name Leahy, is that right?

23 A. Yes.

24 Q. Is her first name Sharon?

25 A. Yes.

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2 Q. Did she or someone else brief you on any areas
3 for improvement in the repurchase group when you took
4 over?

5 A. No, no. Probably Pamela communicated, you
6 know, where Morgan Stanley wanted to put more resources
7 on and allow the group to grow. I think Sharon, I
8 don't remember her communicating any weaknesses to me.

9 Q. Do you remember her communicating anything to
10 you about the group when you took over as director?

11 A. She communicated processes that the group was
12 doing and walked me through what the group did.

13 Q. How much time did you spend with her learning
14 about the repurchase group when you took over as
15 director?

16 A. I spent time with her while she was there.
17 But I also spent time with contract finance to make
18 sure that our repurchase notices were compliant and had
19 strength as far as the contract, they were worded
20 correctly, they were reviewed by legal.

21 I worked with other groups too I can't
22 remember. But it was a combination of working with
23 Sharon Leahy and other groups to understand the best
24 way to grow and finish up the build of the system.

25 Q. How much time did you spend with Sharon Leahy

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2 specifically?

3 A. Only the time that she was there. I don't
4 remember how long she was there. Maybe only a few
5 months. But when she was there I spent time with her.

6 Q. Did you have meetings with her specifically
7 about her experience running the repurchase group?

8 A. Yes.

9 Q. How many meetings did you have?

10 A. I don't remember. We had informal
11 discussions, emails, meetings.

12 Q. But you don't remember -- do you remember any
13 formal meetings with her?

14 A. Yes.

15 Q. How many of those do you remember?

16 A. I don't remember the specific number.

17 Q. But it was more than one?

18 A. Yes.

19 Q. Was it more than five, you don't know?

20 A. I don't know.

21 Q. That's fine if you don't know.

22 How long did that one meeting that you
23 remember last?

24 A. It was a long meeting. But I don't remember.

25 Q. The whole day?

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2 A. No. Probably a couple of hours.

3 Q. And you said you met with other groups
4 including contract finance to determine the best way to
5 grow, correct?

6 A. To determine that all our documents, our
7 notices were, just for them to review again, send it to
8 legal, make sure that the documents were good to go.
9 It was an opportunity to just refresh and improve
10 processes.

11 Q. Were those formal meetings?

12 A. Yeah. Yes.

13 Q. How many meetings did you have with contract
14 finance about processes?

15 A. I know that, I think I was working with
16 Adrienne Dicker on that, she was in contract finance
17 and she came down to Boca quite a bit and met with me
18 and worked with me in the beginning stages of me taking
19 over the group.

20 Q. What's "quite a bit"?

21 A. At least a few months.

22 Q. So she'd come down a couple of times every few
23 months?

24 A. And we would talk at least once a week and go
25 through the aging of the repurchase claims that were

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2 already out there and the noticing process.

3 Q. Would those discussions be about specific
4 notices?

5 A. Sometimes. They were about specific sellers,
6 the notices to the sellers, the communication that we
7 were having with the sellers.

8 Q. And you said Pam Barrow provided you some
9 direction when you took over?

10 A. Yes.

11 Q. What direction did she provide you?

12 A. She provided direction as far as indicating
13 that we needed, it would be very good for the group to
14 have some underwriters working in the group. She got
15 approval to hire so that the group could grow and hire
16 more staff.

17 Q. Anything else?

18 A. I can't think of anything else.

19 Q. You eventually did hire underwriters in the
20 group, right?

21 A. Yes.

22 Q. How many did you hire?

23 A. Two.

24 Q. And what were their roles in the repurchase
25 group?

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2 A. Their roles were to review repurchase claims
3 that came against Morgan Stanley for whole loans that
4 we sold, so they would review those and determine
5 whether they were actual breaches and either agreed to
6 buy them back or to dispute the claim.

7 They also would review and discuss with the
8 counterparties, the sellers, underwriting staff on a
9 repurchase claim that Morgan Stanley sent out, that the
10 repurchase team sent out that was a breach of rep and
11 warrant and would discuss the circumstances, provide
12 documentation to support the claim and facilitate the
13 repurchase, try to facilitate the repurchase with the
14 seller.

15 Q. So you said the underwriters worked on whole
16 loans that we sold, that means loans that were sold
17 into a securitization?

18 A. That were sold, no, to, like, Fannie Mae or --
19 I think we sold loans to Ever Bank, Citi.

20 Q. And they also -- were they working on both
21 loans that were on Morgan Stanley's books and loans
22 that were sold out? Just to make sure I understand.

23 A. They would only work on the loans that were
24 sold out if that purchaser noticed Morgan Stanley that
25 there was a breach.

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2 Q. And did your group work on loans that had been
3 sold into securitizations that were noticed for
4 breaches?

5 A. Yes.

6 Q. Did the underwriters work on those at all?

7 A. Yes.

8 Q. Was that a change from any point in time or
9 was it always handled in that group?

10 A. It was a change. It used to be handled, for
11 subprime it would be handled in the credit and
12 compliance group, which also is an okay place for that
13 to be because those are also underwriters and they are
14 very familiar with the requirements and the loan
15 documentation.

16 But it made more sense to have it in the
17 repurchase group because the repurchase group is also
18 trying to facilitate that repurchase so there's no
19 delay. You are talking -- they were talking to the
20 right people and facilitating repurchase at the same
21 time.

22 Q. But you didn't work at the credit and
23 compliance underwriters, right?

24 A. Sometimes we did, I think. But these
25 underwriters were credit and compliance underwriters --

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2 well one of them was a credit and compliance
3 underwriter for Morgan Stanley and just moved into our
4 group, our repurchase group.

5 Q. You weren't in the credit and compliance group
6 though?

7 A. No.

8 Q. When did the this shift happen between credit
9 and compliance to repurchase?

10 A. The first credit and compliance person I hired
11 was within a month of me starting in the group. So
12 like maybe April or May of 2006.

13 Q. Did somebody higher up at Morgan Stanley
14 decide that the review of repurchase demands from
15 securitizations should shift from credit and compliance
16 to repurchase?

17 A. Yes, somebody agreed that that made sense,
18 that it should move into the repurchase group.

19 Q. Did you make the recommendation that that
20 change should happen?

21 A. I don't remember. I could have.

22 Q. But you don't --

23 A. I don't remember. But the decision would have
24 been someone higher up.

25 Q. Who would have made the decision?

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2 A. At that time it might have been someone on the
3 trade desk, or maybe Steve Rudner, at that time.

4 Q. Do you remember who made the decision?

5 A. No.

6 Q. Did you ever know?

7 A. No.

8 Q. You don't recall whether you recommended
9 that that shift happen, right?

10 A. No.

11 Q. But you agreed with the shift over into the
12 repurchase group?

13 A. Yes.

14 Q. So who worked on those loans that were noticed
15 for repurchase from a securitization?

16 A. Loans that were noticed for repurchase from a
17 securitization were, if it was a sub prime loan, then
18 it would be that manager or managers that were assigned
19 to the subprime seller.

20 Q. And in addition to the manager or managers
21 assigned to the subprime seller, who else?

22 A. If there was a breach of rep and warrant then
23 the underwriter would also work with the seller to
24 facilitate the repurchase.

25 Q. Were underwriters assigned to or dedicated to

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2 certain sellers in the way that managers were dedicated
3 to certain sellers?

4 A. No.

5 Q. So underwriters could work on loans from any
6 seller?

7 A. Yes.

8 Q. Right?

9 A. Yes.

10 Q. But managers worked only on loans from the
11 sellers that you decided they worked on?

12 A. Yes.

13 Q. And the reason for that being that you wanted
14 to establish an institutional relationship between the
15 manager and the seller?

16 A. The reason for assigning a manager the seller,
17 a particular group of sellers is to facilitate, to yes
18 establish a relationship to facilitate repurchase, so
19 that that person, the contact at the counterparty are
20 used to the regular calls, they have set meetings, they
21 discuss the loans, that they discussed somebody maybe
22 from the last time they spoke and facilitate that
23 repurchase.

24 Q. Were there policies and procedures for
25 reviewing loans that were noticed from securitizations?

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2 A. The review of loans from the securitizations
3 for EPD was the same process as the review for EPD that
4 were in Morgan Stanley's position. And there was a
5 procedure that the analyst would get the flag in the
6 system, order the pay histories, review the pay
7 histories, determine if it was a true EPD, and then if
8 it was they would notice the seller.

9 Q. Was that process that you just described
10 written down?

11 A. Yes. Yes.

12 Q. Prior to 2008?

13 A. I believe so. You know, internally with the
14 group.

15 Q. Do you know who wrote it?

16 A. No.

17 Q. Do you know when it would have been written
18 down?

19 A. I don't know. But -- I don't know.

20 Q. Did you instruct anybody to write down that
21 process when you were the director of the repurchase
22 group?

23 A. I don't remember.

24 Q. Do you recall if that process was written down
25 when you started the repurchase group?

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2 A. I don't think so. I don't think it was
3 written down.

4 Q. In addition to the manager and the underwriter
5 did anybody else work on loans that were noticed for
6 repurchase from a securitization?

7 A. The analyst would work on loans that were just
8 put in their queue to review and notice.

9 Q. Did you work on loans that were noticed from
10 securitizations?

11 A. Not really. I don't -- I did not notice, do
12 the pay history review or -- no, I don't believe I
13 really worked on loans.

14 Q. You mentioned the process for loans that were
15 noticed for repurchase from securitizations because of
16 EPD, right?

17 A. Yes.

18 Q. Is there any difference in the process for
19 loans that were noticed from securitizations because of
20 breach of reps and warrants aside from EPD?

21 MR. WEINSTEIN: Objection.

22 A. I'm not sure. I believe that the process was
23 that the servicer would notice Morgan Stanley that
24 there was an issue with the loan and those kind of
25 things were very, they weren't common. Very few of

1 DREW - CONFIDENTIAL

2 those. But that's how we would find out that there was
3 a potential breach of rep and warrant on a loan and it
4 was the servicer that noticed Morgan Stanley.

5 Q. From around April, May 2006 until you left
6 Morgan Stanley, the repurchase group was responsible
7 for handling repurchase requests for securitizations
8 regardless of whether that was for breach of rep and
9 warrant or EPD, correct?

10 A. Yes.

11 Q. Do you recall receiving repurchase requests
12 from entities other than servicers?

13 A. You mean notice that there was something
14 wrong -- I don't understand what you mean.

15 Q. I'll rephrase. Do you recall receiving
16 notices of breaches of reps and warrants and demands
17 for repurchase from entities other than servicers?

18 A. Demand for repurchase we would get from, like
19 I said, from whole loan purchasers that bought loans
20 from Morgan Stanley, we would get demands for
21 repurchase from them that our group managed and
22 rebutted or bought loans back if we agreed with the
23 finding.

24 Q. So could -- was there any other group at
25 Morgan Stanley responsible for repurchase demands from

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2 securitizations during the period April/May 2006 until
3 the time you left Morgan Stanley?

4 A. The only group that sent out repurchase
5 demands was the repurchase group.

6 Q. Were you the only group that received
7 repurchase demands?

8 A. Yes, I believe so.

9 Q. But you don't recall receiving repurchase
10 demands from any entity other than a servicer when
11 those repurchase demands were limited to breaches of
12 reps and warrants?

13 A. Those weren't repurchase demands that came
14 from the servicer. That was a notification that there
15 may be a potential issue with the loan. And then our
16 group would review the information provided with the
17 servicer, would determine if that was a breach of rep
18 and warrant, and then if it was, then our group would
19 notice, send out the notice to the seller to purchase,
20 repurchase the loan.

21 Q. What process did you follow for determining
22 whether the alleged problem with the loan would require
23 you to send out a repurchase demand?

24 A. If it was a potential breach of rep and
25 warrant then one of our underwriters would review the

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2 loan and review all the information and determine if
3 there was an issue at origination. And if there was,
4 then if they agreed with what the servicer sent up to
5 Morgan Stanley, then the group would send out a notice
6 for repurchase on that loan.

7 Q. What if they disagreed with the servicer?

8 A. I don't know that -- those instances when the
9 servicer would send something back was pretty big and I
10 think most of the time --

11 Q. Was pretty big you said?

12 A. Yeah. Maybe we'd get like three or four a
13 year. It wasn't a lot that the servicer would come up
14 with. But for the servicer to notice something, we
15 would look at it and say, yeah, that needs to be
16 noticed back to the seller. I don't know that we --
17 but the underwriter always looked at it just to make
18 sure that it was a breach.

19 Q. Did you train the underwriters on how they
20 ought to determine whether something is a breach or
21 not?

22 MR. WEINSTEIN: You meaning Lisa?

23 Q. Yeah, you meaning Lisa.

24 A. No. The underwriters were familiar, they had
25 the guidelines, they worked with the credit and

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2 compliance group. And Marshall Georges on my team was
3 an attorney and he was responsible before I got there
4 on a breaches of rep and warrant that came from the
5 servicers and he kind of managed, he managed that
6 process and worked with them also.

7 Q. Was he within the repurchase group?

8 A. Yes.

9 Q. So Marshall Georges is an attorney in the
10 repurchase group?

11 A. Yes.

12 Q. There were also managers in the repurchase
13 group?

14 A. Yes.

15 Q. There were analysts in the repurchase group?

16 A. Yes.

17 Q. There were underwriters in the repurchase
18 group?

19 A. Yes.

20 Q. And you were the director of the repurchase
21 group?

22 A. Yes.

23 Q. Was there anybody else who worked in the
24 repurchase group?

25 A. I don't think so. I think you got it.

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2 Q. That's everyone?

3 A. Yeah.

4 Q. Got it. Okay. Marshall Georges'
5 responsibilities, what were Marshall Georges'
6 responsibilities?

7 A. He was responsible for initially reviewing
8 repurchase requests against Morgan Stanley that came
9 from other purchasers where Morgan Stanley sold loans
10 to, and he was responsible for managing that
11 population, having it reviewed, and going back and
12 forth with the purchaser on those repurchase claims.

13 He also worked with servicer oversight.
14 Servicer oversight would be the ones that would get the
15 notification from the servicer that a loan had
16 potential issues, and then he would facilitate that
17 review through the underwriters; or before we had an
18 underwriter in the group he did that through the credit
19 and compliance team, and the loan would be reviewed.

20 All the support documentation would be
21 attached to a notice and we would notice the seller.

22 Q. Did anyone else work on repurchase demands
23 against Morgan Stanley aside from Marshall Georges?

24 A. Yes, Anna Klein did.

25 Q. K-L-E-I-N?

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2 A. Sorry. She was Teytel back then.

3 T-E-Y-T-E-L.

4 Q. Who else?

5 A. And then think AnnMarie Dion, she was one of
6 the underwriters. I think she did also. But I think
7 Marshall and Anna managed the process of facilitating
8 the repurchase with the purchaser.

9 Q. Did anybody else work on repurchase demands
10 against Morgan Stanley?

11 A. I don't think so.

12 Q. So Marshall Georges, Anna Teytel, AnnMarie
13 Dion, that was the team that managed repurchase
14 requests against Morgan Stanley?

15 A. Yes.

16 Q. Were those three people in the repurchase
17 group?

18 A. Yes.

19 Q. So you were the director of the repurchase
20 group and they worked in that group?

21 A. Yes.

22 Q. Did you oversee their work?

23 A. Yes.

24 Q. So is it fair to say that you were involved in
25 repurchase requests against Morgan Stanley because you

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2 oversaw the people handling those requests?

3 A. Yes.

4 Q. What was your involvement with repurchase
5 requests made against Morgan Stanley?

6 A. I viewed -- reviewed reports, looked at aging,
7 ensured that everything got reviewed timely, that if
8 anybody needed additional support to review or had
9 questions that we could get the answers and have it
10 work towards getting it either noticed or it getting
11 repurchased, or getting either rescinded from the
12 purchasers, that we provided enough support that the
13 purchaser will rescind their claim, or we'd facilitate
14 the repurchase. But I really was focused on making
15 sure that we reviewed timely and we provided additional
16 information timely back, back and forth.

17 Q. I want to just walk through your
18 responsibilities in this regard and then we'll take a
19 break. Is that okay?

20 A. Sure.

21 Q. First you said you viewed reports. What
22 reports did you view?

23 A. I would review, for example, I would look at
24 the purchasers, each one of their outstanding
25 repurchase claims against Morgan Stanley, when did, how

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2 old are they, when did we receive the notice, what are
3 the comments in our system about the communication back
4 and forth, what review, when was the review done, when
5 was it complete, kind of looking at the time frame and
6 making sure that we, our group was being responsive in
7 resolving the claim.

8 Q. Why is the time frame important?

9 A. Because it's just a good best practice to
10 follow up quickly, to review -- so that the information
11 that we're looking at and discussing with the purchaser
12 is current and they're still familiar with it. And
13 it's just, you know, good to just get through the
14 pipeline rather than having them sit and something
15 getting lost through the cracks.

16 So I managed to ensure that things were worked
17 on timely and that our review was done, that we
18 provided information to either get the purchaser to
19 rescind the claim against Morgan Stanley or we would
20 repurchase the loan back if we agreed that there was an
21 issue with it.

22 Q. So what did you think the best practice
23 timeline was from the time you received a repurchase
24 request against Morgan Stanley to the time you either
25 got the purchaser to rescind or you made a decision to

1 DREW - CONFIDENTIAL

2 repurchase?

3 MR. WEINSTEIN: Objection.

4 A. I don't remember what the timeline was.

5 Q. You mentioned timeliness?

6 A. Timeliness.

7 Q. Right?

8 A. Yeah. So I think not reviewing the loan for
9 two months, not reviewing the loan for a month is not
10 timely. I wanted to see that the loans were reviewed
11 as soon as we got them and that they started the
12 process to review and gathering the documentation and
13 provide, be able to discuss and provide information to
14 the counterparty.

15 Q. How long did the process of reviewing the loan
16 to making a decision typically take?

17 MR. WEINSTEIN: Objection.

18 A. I don't remember.

19 Q. Did you make the final decision about whether
20 Morgan Stanley would repurchase loans when the
21 repurchase claims were made against Morgan Stanley?

22 A. I would review them. I would review them. I
23 don't remember if I made the decision to repurchase or
24 somebody else had to sign off on it too, I don't know.

25 Q. So you don't recall whether somebody else had

1 DREW - CONFIDENTIAL

2 to sign off on a repurchase decision?

3 A. I don't remember. There weren't as many.
4 That wasn't a big part of the group's operations so
5 there wasn't as many repurchase claims against Morgan
6 Stanley.

7 Q. When you left Morgan Stanley, at the time that
8 you left, the repurchase group was still handling
9 repurchase claims made against Morgan Stanley, right?

10 A. Yes.

11 Q. I promised you I'd walk you through this list
12 so I'm going to continue to do that.

13 A. Okay.

14 Q. So you mentioned aging of the request. Is
15 that the same as timely processing?

16 A. Yeah.

17 Q. You mentioned reviewed timely. I assume
18 that's the same, correct?

19 A. Yes.

20 Q. You mentioned providing additional support.
21 What do you mean, what is additional support?

22 A. If the underwriter needed, had questions,
23 needed help with understanding whether this was a
24 contractual breach, then I would help them get that
25 help, either through contract finance or legal, to

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2 determine whether it was really a breach of rep and
3 warrant.

4 Q. So if there was a question about the meaning
5 of certain reps and warrants in the contract, contract
6 finance would answer that question?

7 A. Yes, or they would get us the help that we
8 needed.

9 Q. Who else could answer that question?

10 A. Internal counsel.

11 Q. And are they just in a separate department
12 from the departments we have discussed today?

13 A. Yes.

14 Q. You mentioned Marshall Georges was a lawyer,
15 but he wasn't part of that separate counsel?

16 A. Correct.

17 Q. And then you mentioned providing purchasers
18 the information that they need to rescind the claim.
19 That's a paraphrase. Correct me if I misrepresented
20 what you said.

21 What kind of documentation would be provided
22 to purchasers when they rescinded claims or in the
23 process of them rescinding claims?

24 A. I don't remember. But, you know, if the claim
25 was something about one of the documents in the loan

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2 package that they were saying was misrepresented, then
3 if the underwriter on the team was able to find support
4 that said no, this borrower had X income or X assets in
5 the bank, or whatever the claim was, they might be able
6 to provide and find additional information that says
7 no, your claim isn't accurate about the breach.

8 Q. Did the underwriter communicate that
9 information directly to the purchaser making the demand
10 against Morgan Stanley?

11 A. Yes.

12 Q. It wasn't somebody else in the group?

13 A. Correct.

14 Q. It was the underwriter?

15 A. Yeah, it was typically the underwriter or it
16 was a combination of the underwriter with with Anna.
17 Maybe they would be on the phone together.

18 Q. What's Anna's position?

19 A. Anna was the manager.

20 Q. And was AnnMarie a manager?

21 A. Yeah, I believe she was.

22 Q. You don't remember?

23 A. I don't remember but I believe she was.

24 Q. Do you want to take a break?

25 A. Sure.

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2 THE VIDEOGRAPHER: This is the end of
3 videodisc No. 3 at approximately 1:18 p.m.

4 (Recess taken in the proceedings)

5 THE VIDEOGRAPHER: I'm back on the record.
6 This is the beginning of videodisc No. 4 at
7 approximately 1:28 p.m.

8 BY MS. WEINSTEIN:

9 Q. Before the break we spoke a little bit about
10 performance reviews?

11 A. Yes.

12 Q. Did you provide any performance reviews?

13 A. Yes.

14 Q. Were they called performance reviews?

15 A. I don't remember.

16 Q. Who did you provide performance reviews for?

17 A. To the people on my staff, on the repurchase
18 group that reported to me.

19 Q. Didn't everybody in the repurchase staff
20 report to you?

21 A. Yes.

22 Q. So you provided performance reviews for
23 everybody on the repurchase staff while you were the
24 director?

25 A. Yes.

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2 Q. Did you provide any performance reviews while
3 you were in valuations?

4 A. I don't remember.

5 Q. How frequently did you provide performance
6 reviews when you were director of repurchase?

7 A. It may have been twice a year.

8 Q. Did you ever tell anybody that there was room
9 for improvement somewhere?

10 A. Yes.

11 Q. Who?

12 A. I had an employee named Barrett Lundy who I
13 told that he needed to improve. Alexandra Terranova --
14 I can't pronounce her last name -- I had discussions
15 with her when she first started on areas that she could
16 improve.

17 Q. Anyone else?

18 A. Not that I can remember.

19 Q. What was Mr. Lundy's position in the
20 repurchase group?

21 A. He was an analyst.

22 Q. What did you tell him he could improve on?

23 A. I think that he -- I can't remember what his
24 issues were, but I think it might have been just been
25 being more detailed and paying attention to the work

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2 that he was doing.

3 Q. Do you recall what made you say that he needed
4 to be more detailed and pay more attention to the work
5 that he was doing?

6 A. I think that he was working with Marshall and
7 Marshall was QC-ing his work.

8 He was helping Marshall put together
9 repurchase requests and Marshall was finding that he
10 wasn't being as detailed as he needed to be and was
11 trying to work with him to improve.

12 Q. Do you know what additional detail he needed
13 to provide?

14 A. I don't remember.

15 Q. What about Alexandra Terranova, let's go with
16 that pronunciation for the time being. What was her
17 position?

18 A. She was an analyst.

19 Q. Do you remember what she needed to improve on?

20 A. I think it was attendance and calling in sick
21 and things like that.

22 Q. Did you write down any of your evaluations for
23 these individuals?

24 A. I did for Barrett Lundy.

25 Q. Was that in a form that had any specific name?

1 DREW - CONFIDENTIAL

2 A. It did, but I don't remember what it was. But
3 it was a formal writeup.

4 Q. Was that a form provided by HR?

5 A. Probably.

6 Q. You don't remember?

7 A. I don't remember.

8 Q. Do you know where that form would have gone
9 after you filled it out?

10 A. I don't remember. Maybe HR or maybe Scott
11 Clark.

12 Q. You don't remember sending it to anyone?

13 A. I don't remember sending it, yeah. But I
14 remember filling it out.

15 Q. Do you remember sending any performance
16 reviews to anyone?

17 A. Other than the employee?

18 Q. Uh-huh.

19 A. Yes, but I don't remember who they went to.

20 Q. Was it someone up the chain from you?

21 A. Yes, I think so.

22 Q. But you don't remember who up the chain?

23 A. No, I don't.

24 Q. But you when you provided performance reviews
25 to employees would you provide them both verbally and

1 DREW - CONFIDENTIAL

2 in written form?

3 A. Yes.

4 Q. When somebody needed to improve aside from
5 telling that employee would you tell anyone else?

6 A. Well, in this case, in Barrett's case I gave
7 him a -- well, it went to someone else because it was,
8 I wanted to have it documented. I wanted him to
9 improve and do well. But at the same time I also
10 wanted to document where he was at and what goals I had
11 for him.

12 Q. So yes, you would tell someone else?

13 A. I did tell somebody else, yes.

14 Q. For other employees aside from Barrett Lundy
15 do you recall whether you told anybody when someone
16 needed to improve?

17 A. No.

18 Q. No, you don't recall?

19 A. No -- I mean, I did have another employee,
20 Matt Appolonia, who was habitually calling in sick on
21 Mondays and Fridays. And then --

22 Q. That's a little transparent.

23 A. Yeah. So I think that went to somebody else
24 too, just to try to get that to stop.

25 Q. Do you recall who it went to?

1 DREW - CONFIDENTIAL

2 A. No.

3 Q. You said that was Matt Appolonia?

4 A. Yes, he was also an analyst.

5 Q. Do you recall whether any of these three
6 employees improved?

7 A. Matt did and, you know I think I have her name
8 wrong. I think her name is Teodora Alexandra
9 Sandrovia. She improved, and Barrett did not, so I let
10 Barrett go.

11 Q. When did you let him go?

12 A. Maybe 2007.

13 Q. About a year into your tenure as director?

14 A. I think it was less than a year.

15 (Exhibit 3 marked for identification)

16 Q. You've just been handed what is been marked as
17 Exhibit 3 for your deposition. It begins with Bates
18 MSM MSSTI 20071 0295169. I see you are already doing
19 it but I'll suggest it anyway. Start at the last page
20 ends in Bates 76 and work your way forward if you want
21 to review because it is an email and the first email in
22 time is on the last page of this document. Feel free
23 to take a look and let me know when you're ready.

24 A. Okay. Sorry, this brings back --

25 Q. No worries.

1 DREW - CONFIDENTIAL

2 A. Okay.

3 Q. You laughed a few moments ago. Can I ask why?

4 A. I was laughing at the "Sharon HUGGY LayHee"
5 comment.

6 Q. So this is an email exchange between you and
7 Michael Romano, right?

8 A. Yes.

9 Q. Do you remember this email exchange?

10 A. Not at all.

11 Q. Having read this document do you remember it?

12 A. No.

13 Q. But this is your name on the emails?

14 A. Yes.

15 Q. Do you have any reason to believe you didn't
16 write these emails?

17 A. No.

18 Q. What was Michael -- sorry. These emails are
19 dated November 8, 2006?

20 A. Uh-huh.

21 Q. Right?

22 A. Yes.

23 Q. November 8, 2006 you were director of
24 repurchase?

25 A. Yes.

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2 Q. What was Michael Romano's position in November
3 8, 2006, do you recall?

4 A. I think he was a manager in the valuation
5 group.

6 Q. Did you work with him a lot?

7 A. Not a lot. I worked with him when I was in
8 the valuation group a lot.

9 Q. So I want to look at, I want you to look at
10 page ending in Bates No. 71, so if you start at the
11 beginning -- sorry. If you start at the front page of
12 the document I handed you and you flip, it's that page.
13 You see it ends in 71?

14 A. Yeah.

15 Q. So if we start at the bottom there is an email
16 that you sent where you say, "I told Pamela that you
17 always provided great detailed, well researched
18 analysis ... unlike some people," is that right?

19 A. Yes.

20 Q. Who were you referring to when you said
21 "unlike some people"?

22 A. I don't remember. I don't remember.

23 Q. Do you recall anybody who did not provide
24 great detailed well researched analysis?

25 A. Everyone on that team provided great -- I

1 DREW - CONFIDENTIAL

2 mean, you can see what he wrote. I mean he was very
3 detailed. Maybe there was a guy, Mike that was on the
4 valuation team in Texas, that I don't know why I would
5 be referring to him because I wouldn't -- but maybe
6 just from old memories of working with him. I didn't
7 think he was as good. That might be who I was thinking
8 of.

9 Q. Do you know Mike's last name?

10 A. No.

11 Q. But he was in valuations in Texas?

12 A. Yeah.

13 Q. So Michael Romano -- or actually, before I ask
14 you that, it says FID next to your name?

15 A. Yes.

16 Q. What does that mean?

17 A. Fixed income.

18 Q. And that's the division of Morgan Stanley that
19 you were in?

20 A. Yes.

21 Q. And Michael Romano was in the same division?

22 A. Yes.

23 Q. You were just in different groups?

24 A. Yes.

25 Q. So Michael responds to your email where you

1 DREW - CONFIDENTIAL

2 say "unlike some people," and he says "Like who, Sharon
3 HUGGY LayHee"?

4 A. Yes.

5 Q. That's Sharon Leahy who we discussed a few
6 hours ago?

7 A. Yes.

8 Q. And she had your position before you became
9 director of repurchase?

10 A. Correct. He's not talking about -- he's just
11 making it -- it is a an inside joke.

12 Q. Does that have to do with the "huggy"?

13 A. Yes.

14 Q. What does that mean?

15 A. All right. Sharon, a different Sharon was
16 traveling with another person from valuation, and he
17 tried to hug her on the flight or something like that.
18 And so when I was telling the story to Mike Romano he
19 thought I meant Sharon Leahy. And so it was kind of a
20 joke because -- I don't know. She wasn't like a
21 huggable person, I guess, so it was kind of a joke
22 because of the confusion with the names.

23 Q. What do you mean she wasn't a huggable person?

24 A. She was, she was just -- I don't know.

25 Q. Does that have any reflection, not on her

1 DREW - CONFIDENTIAL

2 personally, does that have any reflection on her
3 professional work?

4 A. No.

5 Q. That's just a personal remark?

6 A. Yes.

7 Q. Did you have any opinion of her professional
8 work?

9 A. Not really, no. I didn't really get to know
10 her that well. But Michael Romano was just a very
11 funny person. He had a naturally funny, kind of always
12 joked around.

13 Q. So you took over Sharon Leahy's position as
14 director of repurchase?

15 A. Yes.

16 Q. You had a series of meetings with her during
17 that transition period?

18 A. Yes.

19 Q. And you have no opinion of her professional
20 work?

21 A. From what I saw she managed the group. But
22 what I saw was that she really wasn't open to growing
23 and improving and she was just kind of stuck in what
24 she did. And she was managing the group adequately,
25 but wasn't open to new ideas and ways to improve,

1 DREW - CONFIDENTIAL

2 because there's always room for improvement in any
3 business and she was just more -- so that's my opinion.
4 But I don't know performance-wise.

5 Q. Is it fair to say that she did what was
6 required but didn't seek to build upon that?

7 A. That's how I felt. That's what I perceived.

8 Q. So if we go back to this document that we are
9 looking at Michael says, Like who? He makes the
10 "Sharon HUGGY LayHee" inside joke and you respond "BD."
11 What does that refer to?

12 A. Oh, I don't know. Oh, maybe it's Brad Davis.
13 Could be Brad Davis.

14 Q. So you say "you always provide great detailed
15 well researched analysis, unlike some people." He asks
16 "Like who" and you say Brad Davis. Why did you say
17 Brad Davis?

18 A. Because Brad would typically either -- Brad
19 would typically just give it to Mike to do so Mike
20 would just do it. Which is fine. And Mike did a
21 really, really good job. But it was more like kind of,
22 we kind of joked because he would always give stuff to
23 others to do.

24 Q. And Brad was still in his position at
25 valuations at this time, November 8, 2006?

1 DREW - CONFIDENTIAL

2 A. Yes.

3 Q. But you no longer worded for Brad because he
4 switched to repurchase?

5 A. Yes.

6 Q. Previously Brad had been your supervisor?

7 A. Yes.

8 Q. What's your opinion of Brad Davis's
9 professional work?

10 A. Honestly I think Brad Davis's professional
11 work is excellent. I think he did a good job. He
12 knows valuation. If and when you talk to him he really
13 knows valuation due diligence, is the type of person
14 that seeks to do more, learn more, gets information
15 from the industry. He continues, he keeps up his
16 license. He gets information from the industry.

17 Q. License as appraisal?

18 A. Yes. He gets information, is proactive about
19 being on top of what areas in valuation need to be
20 looked at, are there high risk ZIP codes, are there
21 high risk areas within the ZIP codes that we could do
22 that Morgan Stanley can do better. He really is good.
23 I was just joking around with Mike in this email.

24 Q. You said he sought, Brad Davis sought to do
25 more but he also had a habit of making other people do

1 DREW - CONFIDENTIAL

2 work for him?

3 A. Yes.

4 Q. Yes?

5 A. Yes.

6 Q. Skip over a couple of these emails. Just go
7 to the first page of the document if you will, the one
8 that ends in Bates No. 69.

9 A. Okay.

10 Q. So this is at the very bottom an email from
11 you. It says "Her buddy, KG is here." KG is Kris
12 Gilly?

13 A. Yes.

14 Q. And the "her" you are referring to is probably
15 on page 70, is that is that Pamela Barrow?

16 A. Oh, yes, probably Pamela.

17 Q. So you are referring to Kris Gilly as Pamela
18 Barrow's buddy?

19 A. Yes.

20 Q. Why would you refer to Kris Gilly as Pamela
21 Barrow's buddy?

22 A. They were friends.

23 Q. Did you see them socialize outside the office
24 or is that based on your observations in the office?

25 A. No, I didn't spend time with them outside the

1 DREW - CONFIDENTIAL

2 office.

3 Q. This is based on your observations inside the
4 office?

5 A. Yes.

6 Q. And you say SR did have a manager meeting. SR
7 is Steven Rudner?

8 A. Yes.

9 Q. You say "But I haven't heard anything." Then
10 Michael responds "Have you heard anything more about
11 bonus? I haven't heard squat." You respond, "I heard
12 she was going to make sure you, me, RB, JW, RC were
13 taken care of this year. I might be missing someone.
14 Not sure. Hopefully it happens. I didn't get any
15 raise last year." Is that right?

16 A. Yes.

17 Q. So you didn't get a raise in 2005?

18 A. That's what it says. I don't remember.

19 Q. You don't remember?

20 A. No.

21 Q. Do you recall any reason why you wouldn't have
22 gotten a raise in 2005?

23 A. I don't believe I got a raise in my -- I don't
24 believe I got a raise in salary but I think I got a
25 raise in bonus, but I'm not sure. Maybe I didn't. I

1 DREW - CONFIDENTIAL

2 don't remember. Maybe I didn't and that's why I said
3 that.

4 Q. So Michael responds, "Let's cross our fingers.
5 You and me are in the same sinking boat," right?

6 A. Uh-huh.

7 Q. And you replied yep, right?

8 A. Uh-huh.

9 Q. What did you understand him to be referring to
10 when he said the same sinking boat?

11 A. I don't know what he meant.

12 Q. When did you mean when you replied "Yup"?

13 A. Let's cross our fingers; I think but I don't
14 know. I can't say.

15 I really don't remember the email.

16 Q. Fair enough. You can put this away.

17 A. But it did make me laugh.

18 (Exhibit 4 marked for identification)

19 Q. You've just been handed what's been marked as
20 Exhibit 4 for your deposition. It begins at Bates MSM
21 MSSTI 20071 0267673. This is a fairly voluminous
22 document, about 40 pages. If you want to leaf through
23 it feel free. Just let me know when you're ready.

24 MR. WEINSTEIN: Any particular part you want
25 her to focus on?

1 DREW - CONFIDENTIAL

2 MS. WEINSTEIN: I do. I just want to make
3 sure she is ready to talk about the document.

4 A. That's okay. You can direct me.

5 Q. All right. Do you know what this document is?

6 A. It looks like a presentation document for the
7 Boca office. Yep.

8 Q. And it's dated August 2005, correct?

9 A. Yes.

10 Q. And at that time you were still in valuations?

11 A. Yes.

12 Q. You were a director?

13 A. Yes.

14 Q. Would you have been involved in preparing this
15 document?

16 A. Maybe, but I don't know.

17 Q. Did you prepare any similar documents?

18 A. When I was in the valuation group I would have
19 helped Brad prepare it unless he wasn't available. But
20 I think he would have prepared this information.

21 Q. Do you know who this document was -- do you
22 know who this document would have been prepared for?

23 A. No.

24 Q. Do you know if this is the kind of document
25 that Morgan Stanley would have presented to investors?

1 DREW - CONFIDENTIAL

2 A. Potentially something similar with an overview
3 of what the Boca office does.

4 Q. Is the Boca office referred to by any
5 particular name aside from Boca office?

6 A. No, I don't think so.

7 Q. If you turn to page Bates stamped 80 it also
8 says 8 on the bottom, looks to be a slide that says
9 "Where we are going"?

10 A. Okay.

11 Q. Are you on the page?

12 A. Uh-huh.

13 Q. The second bullet has a little hyphenated
14 phrase underneath it. It refers to "feedback received
15 from the correspondents"?

16 A. Uh-huh.

17 Q. Who are the correspondents?

18 A. Those would be the conduit sellers, I believe.
19 They were typically referred to as correspondents.

20 Q. So that's for the conduit business, not for
21 the subprime business?

22 A. I would have to read the whole thing.

23 Q. Sure you can do that if you want.

24 A. Yes, that sentence has to do with the conduit.

25 Q. If you drop down to the next bullet it refers

1 DREW - CONFIDENTIAL

2 to a correspondent warehousing platform?

3 A. That has to do with the conduit.

4 Q. And then beneath that there's a reference to
5 super aggregators. What -- who are super aggregators?

6 A. I don't know, but that also has to do with the
7 conduit.

8 Q. How do you know it has to do with the conduit?

9 A. Because it says "build an automated
10 underwriting system to enable the conduit to compete
11 with super aggregators."

12 Q. That's a good reason.

13 Then it refers to vendors at the very bottom
14 of the last bullet. Do you know who those are?

15 A. To me this slide has to do with conduit. But
16 I don't know. I don't know.

17 Q. The bullet second to last one says "Develop an
18 acquisition platform for subprime and second lien
19 products through conduit." Do you know what that
20 sentence means?

21 A. No.

22 Q. Do you know what relationship if any there was
23 between the conduit business and the subprime and
24 second lien products?

25 MR. WEINSTEIN: Objection.

1 DREW - CONFIDENTIAL

2 A. I don't believe that subprime loans ever went
3 through the conduit. I'm not sure if second liens were
4 purchased through the conduit or not.

5 Q. Do you know if this acquisition platform was
6 ever developed?

7 A. I don't believe so.

8 Q. You don't believe that it was developed?

9 A. I don't believe it was developed.

10 Q. So let's just turn the page and go to the one
11 ending in 81, Bates 81. It also has 9 in the corner.
12 The bullet all the way on the side says, "We are
13 constantly reevaluating our relationships to determine
14 we are using the best vendors available," right?

15 A. Yes.

16 Q. Do you know what vendors this refers to?

17 A. This is referring to Clayton and Hansen.

18 Q. What is Clayton?

19 A. Clayton is the credit and compliance
20 underwriting group that supports the credit and
21 compliance due diligence process.

22 Q. So did you work directly with Clayton at any
23 point during your employment at Morgan Stanley?

24 A. Yes.

25 Q. When?

1 DREW - CONFIDENTIAL

2 A. When I was in the repurchase group.

3 Q. How did you work with Clayton when you were in
4 the repurchase group?

5 A. We had -- Clayton at some point helped us
6 review the EPDs to see if they were true EPDs, the same
7 process that our analysts did, where they would
8 request, they would get the pay history for the loan
9 and review that pay history to determine if it was a
10 real EPD, and then they would send that information to
11 us, back to us. I'm not sure how long we used them
12 for.

13 Q. When did you begin using Clayton?

14 A. I don't remember.

15 Q. Did you make the decision to bring in Clayton
16 to assist with reviewing EPDs, potential EPDs?

17 A. I don't remember. It may have been Pamela but
18 I don't remember.

19 Q. But it would have been you or someone above
20 you who made that decision?

21 A. Yes.

22 Q. You say you don't recall how long you used
23 Clayton?

24 A. No.

25 Q. Do you know why Clayton was brought in?

1 DREW - CONFIDENTIAL

2 A. I think -- I don't think that I used them very
3 long. I think that we tried them, but I don't
4 remember, because I don't really remember using them
5 ongoing, like towards the end of my time there. But I
6 don't remember.

7 Q. You said they did the same, followed the same
8 process as analysts?

9 A. Yes. The process of reviewing the pay history
10 to determine if it was an EPD.

11 Q. And previously you testified that that process
12 was written down?

13 A. Yes.

14 Q. Was that provided to Clayton?

15 A. Direction was provided to Clayton, probably.
16 I don't remember, though, specifically sending that
17 over.

18 Q. Do you recall training the Clayton employees
19 or directing anyone to train the Clayton employees that
20 were brought in?

21 A. Yes.

22 Q. Which?

23 A. Yes. I recall directing training.

24 Q. Who did you direct to train the Clayton
25 employees?

1 DREW - CONFIDENTIAL

2 A. Shelly McGuire.

3 Q. What was her position?

4 A. She was an analyst.

5 Q. What did you direct her to do?

6 A. To train the Clayton employees to review the
7 pay histories, the way that the staff and the
8 repurchase group does to identify the early pay
9 defaults.

10 Q. Once Clayton did that who reviewed their work?

11 A. She did. She QC'ed their work.

12 Q. She was --

13 A. Shelly.

14 Q. You said she was a manager or an analyst?

15 A. I think she was an analyst.

16 Q. So she would have reported to a manager?

17 A. Yeah. She might have reported right to me.

18 Q. So there's two Claytons on this spreadsheet or
19 page, rather. In the first hyphenated line it says the
20 "Clayton Group" and if you drop down two it says "Due
21 diligence Clayton." Are those the same thing or are
22 they two different groups?

23 A. It's the same. But because it's with Hansen,
24 because it is with Hansen it looks like it is around
25 the due diligence that I described earlier.

1 DREW - CONFIDENTIAL

2 Q. What's MDMC?

3 A. I think that's another vendor that does credit
4 and compliance underwriting review and I think they may
5 have been used for the prime ALT-A purchases.

6 Q. This says, "We are constantly reevaluating our
7 relationship to determine we are using the best vendors
8 available." Who constantly reevaluated the
9 relationships with vendors?

10 A. The head of like the credit and compliance due
11 diligence, Brad Davis, Pamela; somebody in the conduit
12 probably was doing that as well. I just wasn't that
13 involved in the conduit.

14 Q. So the head of credit and compliance due
15 diligence, is that Tony Peterson?

16 A. Yes.

17 Q. Do you know how they reevaluated relationships
18 with vendors?

19 A. No.

20 Q. You were not involved in that process?

21 A. No.

22 Q. The slide under the second hyphenated bullet
23 says Fraud Data, MARI." Do you know what that is?

24 A. No.

25 Q. I think we can go over to page Bates stamped

1 DREW - CONFIDENTIAL

2 90. It says 18 in the bottom corner. Are you on that
3 page?

4 A. Yes.

5 Q. The title of this slide is "Due diligence
6 overview, appraisal review process, subprime loans,"
7 right?

8 A. Yes.

9 Q. And you worked in reviewing appraisals for
10 subprime loans when you were in valuation?

11 A. Yes. Well, I didn't review appraisals
12 typically but I worked in overseeing that process.

13 Q. Sure. So other people reviewed the appraisals
14 directly and you were a step above them overseeing
15 their work?

16 A. Yes.

17 Q. So if you look at the bullet all the way on
18 the side it says, "After analyzing the Hansen Pro
19 scores, Morgan Stanley orders BPOs in approximately 25
20 percent of the portfolio." So that's the process that
21 you spent the morning describing for me pretty much,
22 right?

23 A. Uh-huh, yes.

24 Q. So the first step is a Hansen evaluation. The
25 Pro score, is that the risk level that you were

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2 referring to earlier this morning?

3 A. Yes.

4 Q. And then about 25 percent of the portfolio had
5 BPOs on them. Is that consistent with your
6 recollection?

7 A. I don't remember, and this is -- yeah, I don't
8 remember. I'm sure it's accurate at this time, but I
9 don't remember if the population of BPOs increased at
10 some point or not. But I recollect a percentage, I
11 just don't know what that is. And I do see it here.

12 Q. The slide says "100 percent of the high risk
13 appraisals." Is that high risk according to Hansen's
14 score?

15 A. Yes.

16 Q. And then Hansen had a different score for
17 moderate risk?

18 A. Yes. And I think even after this I remember
19 doing a random sample of the low risk too, just taking
20 like a percentage randomly from the low risk just to
21 see, just to kind of monitor those as well.

22 Q. Did someone instruct you to do that or is that
23 something you did on your own initiative?

24 A. I think Brad decided or somebody instructed
25 Brad to do that. Or maybe he directed, recommended

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2 that.

3 Q. Did you select the sample that you reviewed?

4 A. Yes.

5 Q. How did you select it?

6 A. I did and then somebody also did too at
7 different times. Just as described, you know, based on
8 whatever the guidelines were, a hundred percent of BPOs
9 on the high risk and a percentage of the moderate risk.
10 And I do remember doing a selection of the low risk
11 also.

12 Q. So for the --

13 A. And it may have been based on ZIP code,
14 something like that. So, I don't know.

15 Q. You said previously that it was a random
16 sample?

17 A. Random. I may be just confused with two
18 different processes. So I think I'll stick with the
19 random three to four, the low risk loans.

20 Q. So you recall doing a random sample of low
21 risk loans?

22 A. Yes.

23 Q. The low risk loans were tagged as such by
24 Hansen?

25 A. Yes.

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2 Q. Do you recall how you selected your random
3 sample?

4 A. Yes.

5 Q. How did you do it?

6 A. In Excel I assigned a random number to the
7 population that I was picking and then sorted it and
8 picked out the percentage.

9 Q. Why did you decide to run that random sample
10 on the low risk loans?

11 A. I don't remember but I think that Brad Davis
12 probably directed me to do that.

13 Q. What would the random sample on the low risk
14 loans have told you about that population of loans?

15 MR. WEINSTEIN: Objection.

16 A. I don't know why he decided to do that.

17 Q. The question is what would the random sample
18 on the low risk loans have told you about that
19 population of loans?

20 MR. WEINSTEIN: Objection.

21 A. I don't know. I don't know. I think it was
22 just a best practice that he thought we should be
23 implementing.

24 Q. In your own opinion, based on your experience
25 working with loans and doing QC on loans over the last

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2 many years that you have worked in this industry, what
3 would a random sample of low risk loans tell you about
4 those loans?

5 MR. WEINSTEIN: Objection.

6 A. It's just being careful to just grab some and
7 just take a look for no other reason than just to
8 validate Hansen's scoring process.

9 Q. Validate, what do you mean by "validate
10 Hansen's scoring process"?

11 A. Just to make sure that there wasn't anything
12 missed and that -- just being extra cautious about
13 valuing the pool.

14 Q. So fair to say look at your sample to make
15 sure Hansen didn't miss anything?

16 MR. WEINSTEIN: Objection.

17 A. I don't know that that was the reason. But to
18 just kind of be even more conservative about putting
19 the resources into ensuring that the value of the pool
20 is what the seller is representing it to be.

21 Q. Okay. The very last bullet here says "Morgan
22 Stanley does not use a standard variance number."
23 What's that?

24 A. I believe the variance is the variance between
25 the BPO and the appraised value, but I'm not sure if

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2 that's the variance there.

3 Q. The BPO --

4 A. Value, original appraised value.

5 Q. The BPO being the value that was assigned by
6 the BPO compared to the value that was assigned by the
7 appraisal?

8 A. Yes.

9 Q. Let's go to 95. That's the Bates number
10 ending in 95. It says 23 at the bottom corner. You
11 are on that page?

12 A. Yes.

13 Q. The bullet all the way on the side says
14 "Morgan Stanley actively monitors the third-party
15 servicing of shelf transactions and continuously seeks
16 feedback to further improve the due diligence process."

17 Do you know who was continuously seeking
18 feedback?

19 A. It was not our group, I don't believe. I
20 don't know.

21 Q. When you say "our group" you mean valuation?

22 A. Valuation. This could be a servicer oversight
23 slide.

24 Q. It says "Due Diligence Overview" on top of the
25 "Surveillance," correct?

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2 A. Yes.

3 Q. So what suggests to you that it is about
4 servicer oversight?

5 A. Because they are saying that they actively
6 monitor third-party servicing. So to me that's a
7 servicing oversight function.

8 Q. What is the relationship between servicing
9 oversight and due diligence at Morgan Stanley?

10 A. Servicing oversight is, as I understand it, is
11 monitoring, overseeing the servicers to ensure that
12 they are servicing the loans per contractual agreement,
13 and this process happens after the loans are purchased.
14 So due diligence is something that happens before and
15 servicing oversight is something that happens once the
16 loans are purchased.

17 Q. So if you see the second hyphenated line says,
18 "Full time default manager on staff."

19 A. Yes.

20 Q. Do you know who that refers to?

21 A. That may be John Monahan.

22 Q. What department was he in?

23 A. Servicing oversight.

24 Q. Was his title default manager?

25 A. I don't know.

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2 Q. Do you know if anybody had that title?

3 A. I don't know.

4 Q. Do you know what 90+ delinquencies are?

5 A. That would be a loan that is 90 days late.

6 Q. The payment?

7 A. The payment, plus.

8 Q. Sure. So that includes the category of loans
9 that are early payment defaults?

10 A. It could, yes. Yeah.

11 Q. But an early payment default --

12 A. It would, yeah. But, you know, an early
13 payment default I think you were going to say could
14 come back and be current again and then it wouldn't
15 fall in that category.

16 Q. It wouldn't fall in the category of 90+?

17 A. 90+.

18 Q. But 90+ by definition would be an early
19 payment default?

20 A. Yes.

21 Q. Did you want to add something?

22 A. No, no.

23 Q. So if you just drop down three lines from
24 there, it says "Determine if seller breached a
25 representation or warranty," and then below that "gauge

1 DREW - CONFIDENTIAL

2 ability to put loan back to seller"?

3 A. Uh-huh.

4 Q. Do you see that?

5 A. Yes.

6 Q. Who determines if the seller breached a
7 representation or warranty?

8 A. This slide is before I got into the repurchase
9 group and it looks like part of that function was
10 handled by servicer oversight, which isn't necessarily
11 a bad thing, servicer oversight. It's the group that
12 would get the notice if something is wrong and they --
13 also, their job is to monitor the portfolio and how the
14 servicer is doing their job.

15 Q. And it says "put loan back to seller." That
16 means notice the seller of a repurchase and require
17 that they repurchase it?

18 A. Yes.

19 Q. If you go to the page ending in Bates 0028 at
20 the bottom, it says "Compliance Stipulations" at the
21 top and then contains or says, rather, "Seller will
22 provide a fraud representation and warranty in the
23 exact form as follows." Do you see that?

24 A. Yes.

25 Q. As far as you recall Morgan Stanley required

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2 that this representation and warranty was in its
3 contracts with sellers?

4 MR. WEINSTEIN: Objection.

5 A. I don't recall.

6 Q. You don't recall. Did you ever review
7 contracts between Morgan Stanley and sellers?

8 A. I did review them but I did not, I did not go
9 through them and really read them.

10 Q. If you go to page ending in Bates No. 02, it
11 says 30 at the bottom, it says Cure Platform?

12 A. Yes.

13 Q. This is the database from which LASER would
14 notice indicators of EPDs and FPDs and then they would
15 go to this particular platform?

16 A. I'm not sure how it worked before me. Is this
17 before me or no?

18 Q. This is August 2005.

19 A. Oh, okay. Yes, exactly.

20 Q. The fourth bullet refers to contractual side
21 letter items. What are those?

22 A. I think that there were times that during due
23 diligence the seller might not have been able to
24 provide a document like I -- I think the one that I
25 remember is the HUD 1 for all the loans, and there was

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2 a population that they said, we'll get this to you, and
3 morgan Stanley agreed to purchase the loans without.

4 But the contract finance drew up a contract
5 with the seller saying these are the loans, you need to
6 provide the HUD 1s back to us by this date or else you
7 have to buy the loan back.

8 Q. So it's just a separate contractual agreement?

9 A. Yes.

10 Q. Did you work with those side letters at all?

11 A. Yes.

12 Q. How did you work with them?

13 A. We worked to get the documents in and mark
14 that they were in, and then anything that we didn't
15 get, then we would notice the seller to buy back the
16 loan.

17 Q. This is when you were in valuation?

18 A. In repurchase.

19 Q. So when you were in repurchase you made sure
20 that you had all the documents necessary under the
21 contracts between Morgan Stanley and the seller, is
22 that right?

23 A. Yes, when it was given to us. I think it
24 there was a time that another group may have managed
25 the side-letter process, but there was a time that the

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2 repurchase group was given that function to do.

3 Q. When did the repurchase group come to manage
4 the side-letter process?

5 A. I don't remember. And it was something that
6 was kind of short-term. I don't think we did that for
7 very long. I think we stopped. I don't remember
8 doing, continuing doing the side letter process.

9 Q. So at some point when you were director of
10 repurchase, repurchase became responsible for the side-
11 letter process and sometime shortly thereafter it
12 stopped being responsible for the side-letter process,
13 is that accurate?

14 A. I think the side-letter process stopped.

15 Q. Okay. I see. So Morgan Stanley stopped
16 entering into side letters altogether at some point?

17 A. I believe so.

18 Q. While you were director of repurchase?

19 A. Yes.

20 Q. I think we're done with this one. You can put
21 that away.

22 How are you doing?

23 A. Good.

24 Q. Don't need a break?

25 A. No.

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2 (Exhibit 5 marked for identification)

3 Q. So you've been handed what's been marked as
4 Exhibit 5 to your deposition. It bears Bates MSM MSSTI
5 20071 0267431. If you want to take a moment and look
6 it over and just let me know when you're ready.

7 A. Okay.

8 Q. So this is an email chain between you and Greg
9 Quinlan, is that right?

10 A. Yes.

11 Q. And the dates on this email are February 23,
12 which is an email from Greg Quinlan to you February 23,
13 2006, and your response is February 27, 2006; is that
14 right?

15 A. Yes.

16 Q. But it looks like you are responding to Javier
17 Gomez, not to Greg Quinlan?

18 A. Yes, I forwarded it.

19 Q. Who's Greg Quinlan?

20 A. He works for Clayton.

21 Q. Do you know what his role is?

22 A. No. I didn't really interact with him.

23 Q. And he e-mailed you "what Morgan conduit uses
24 as elevated flags so you get an idea of what we may
25 need," right?

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2 A. Yes.

3 Q. Do you know what elevated flags are?

4 A. Kind of. This was the period of time, I
5 believe, that I was working for Pamela and doing a
6 project for the conduit, and I'm not that familiar with
7 the flags in Clayton.

8 Q. So this is the special projects period before
9 you became director of repurchase?

10 A. Correct.

11 Q. Your response, rather your message to Javier
12 Gomez says, "The attached spreadsheet shows the
13 descriptions of possible exceptions." Do you know what
14 exceptions refers to?

15 MR. WEINSTEIN: I want to stop. For the
16 record, obviously the witness hasn't been shown the
17 attachment, but you are free to answer the
18 questions.

19 A. No, I don't know.

20 Q. Who is Javier Gomez?

21 A. He was an a subprime due diligence credit and
22 compliance due diligence manager.

23 Q. He was a subprime credit and compliance due
24 diligence manager?

25 A. Yes.

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2 Q. The line below the one that I just read, you
3 say "Based on your knowledge of the guidelines would
4 you kindly put a Y in column G next to any item you
5 should be elevated to the deal managers?" What
6 guidelines are you referring to?

7 A. I don't know.

8 Q. If you would hang on to that email, I am going
9 to hand you another document.

10 (Exhibit 6 marked for identification)

11 Q. You have handed what has been marked as
12 Exhibit 6 to the deposition, produced in native format
13 by Morgan Stanley, Bates MSM MSSTI 20071 0267432. This
14 is the spreadsheet that was attached to the email that
15 we are discussing.

16 A. Yes.

17 Q. You recognize this spreadsheet?

18 A. No.

19 Q. Fair to say that you reviewed it at one point?

20 A. Yes.

21 Q. You just don't recall it now?

22 A. Correct.

23 Q. I'm going to walk through the rows here and
24 see what you can tell me about them. The first one,
25 A1, or that cell, says Scope. Do you know what that

1 DREW - CONFIDENTIAL

2 refers to?

3 A. It looks like it's -- I don't know. Credit?

4 I don't know.

5 Q. Sorry, Lisa, I didn't give you a chance. If
6 you want to take a look that's fine.

7 A. That's okay.

8 Q. Next one says Category. Do you know what that
9 refers to?

10 A. I mean, by looking at it I can figure it out
11 but I don't remember this at all. I was very barely in
12 the conduit involved in helping with the conduit.

13 Q. This is a document that was sent to Javier
14 Gomez who works in subprime?

15 A. Yes, I think he must have been helping with
16 this project.

17 Q. You don't recall what project this was for?

18 A. Something to do with the conduit.

19 Q. So your email says "Column F shows what
20 currently gets elevated for the conduit prime ALT-A
21 project." Then F says Conduit Flag and has some Y's
22 and some blanks, right? Is that accurate?

23 A. Well, that's what, yes, that's what the email
24 says.

25 Q. Do you know what this column means?

1 DREW - CONFIDENTIAL

2 A. Column F?

3 Q. Uh-huh.

4 A. Well, it says in the email, what is currently
5 elevated for the conduit.

6 Q. Do you know what elevation means in this
7 context?

8 A. It would be elevated for further review.

9 Q. And your email also refers to items that
10 should be elevated to the deal managers or that Javier
11 thinks should be elevated to the deal managers. Who
12 are the deal managers?

13 A. The conduit had deal managers that were
14 responsible for different sellers.

15 Q. Did subprime have deal managers that were
16 responsible for different sellers?

17 A. No, not that I'd know of. They were
18 structured differently.

19 Q. Then H1 says "Curable?." Do you know what
20 that means?

21 A. It means, Is it something that's curable, yes
22 or no? If it's not curable, then it's something that I
23 would believe got kicked out, returned to the client.

24 Q. What does curable mean in the context of
25 mortgaged back securities?

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2 A. Is it something that can be fixed, can they
3 fix it, can they call the seller and get this fixed,
4 can they get the borrower to sign something they didn't
5 sign. Whatever it is.

6 Q. And that term, curable, was used both in
7 conduit and subprime business?

8 A. I don't believe so.

9 Q. How did you refer to problems in subprime
10 loans that could be fixed?

11 A. I only looked at the loans as they related to
12 a value. So those loans either were determined to be
13 kicked out or purchased. There was nothing curable
14 about those. But credit and compliance may have a
15 different process.

16 Q. Okay. You can put this away.

17 (Exhibit 7 marked for identification)

18 Q. You were just handed what was marked as
19 Exhibit 7 for your deposition. It bears Bates No. MSM
20 MSSTI 20071 0268242.

21 If you want to take a moment and look at it
22 and let me know when you're ready.

23 A. Okay.

24 Q. So this is an email that you sent on March 6,
25 2006, is that right?

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2 A. Yes.

3 Q. At that point were you director of the
4 repurchase group?

5 A. No.

6 Q. Were you still working with Pamela Barrow on
7 special projects?

8 A. Yes.

9 Q. And you sent this email to Vivek Rodrigues?

10 A. Yes.

11 Q. And it says Securities Integration Group next
12 to his name, right?

13 A. Yes.

14 Q. What is the Securities Integration Group?

15 A. I don't remember.

16 Q. Do you remember working with Vivek?

17 A. A little bit.

18 Q. Do you remember how you worked with him or
19 rather what you worked with him on?

20 A. I don't remember what it was specifically.

21 Q. CC'd on this email is Michael Perlman in FID.
22 Did you work with him?

23 A. I remember the name but I don't remember
24 working with him.

25 Q. Do you know what his title was?

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2 A. No.

3 Q. And Anitha Baliga is also cc'd on this email?

4 A. Yes.

5 Q. Do you recall working with her?

6 A. I believe she worked with Vivek.

7 Q. It says Securities Integration Group next to
8 her name, right?

9 A. Yes.

10 Q. So fair to say they both worked in the
11 Securities Integration Group?

12 A. Yep.

13 Q. And Pamela Barrow also cc'd on this email and
14 you worked with her, of course?

15 A. Yes.

16 Q. And at the time of this email you were
17 reporting directly to Pamela Barrow?

18 A. Yes.

19 Q. And do you recall what projects you were
20 working on at the time of this email?

21 A. I don't know what this -- I was working on
22 conduit items and working on the repurchase group's
23 development of the system and, apparently, this. I
24 don't really remember what this is.

25 Q. Sure. If you drop down to the second to last

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2 bullet it says "New Century 0601 Detail Upload, January
3 2006: An example of a final = Layton report".

4 Clayton, right?

5 A. Right.

6 Q. "Clayton report detailing the status of all
7 lines in the credit and compliance sample." Is that
8 what it says?

9 A. Yes.

10 Q. Do you know what a credit and compliance
11 sample is?

12 A. That would be the loans that the credit and
13 compliance team reviewed for due diligence, during the
14 due diligence process.

15 Q. That's a subset of the loans that Morgan
16 Stanley was considering purchasing?

17 A. Yes.

18 Q. Did you have any involvement in preparing the
19 credit and compliance sample?

20 A. No.

21 Q. Do you know anything about how that sample was
22 selected?

23 A. No.

24 Q. If you see the bullet right below that it
25 says, "Subprime valuation monthly deal summary:

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2 Valuation management report documenting seller
3 valuation issues and valuation pull through." Do you
4 see that?

5 A. Yes.

6 Q. Do you know what valuation pull through is?

7 A. That would be the percentage of loans
8 purchased at a fee -- not purchased, but the percentage
9 of loans that passed the valuation review.

10 Q. That were recommended for purchase?

11 A. For purchase, yes.

12 Q. So the percentage of loans that were
13 recommended for purchase was something that Morgan
14 Stanley monitored at the time of this email?

15 A. Yes.

16 Q. Do you know if it's something that Morgan
17 Stanley monitored throughout your employment there?

18 A. I don't know.

19 Q. Do you know what "seller evaluation issues"
20 refers to?

21 A. No.

22 Q. Have you ever heard the phrase?

23 A. No.

24 Q. I think we're done with that.

25 There's another spreadsheet I want to show you

1 DREW - CONFIDENTIAL

2 and then do you want to take a break?

3 A. Okay.

4 (Exhibit 8 marked for identification)

5 Q. If you want to just -- sorry, you've been
6 handed what was marked as Exhibit 8 for your
7 deposition. It is produced in native format by Morgan
8 Stanley under Bates number MSM MSSTI 20071 0268250. If
9 you want to take a look and let me know when you are
10 ready.

11 MR. WEINSTEIN: I'll just note for the record
12 that it appears some of the text in some of these
13 cells is cut off. I also don't know if this was
14 attached to a different document, but if you would
15 ask questions about it I wanted to preserve those
16 objections for the record.

17 MS. WEINSTEIN: Sure. And if you want to look
18 at the spreadsheet we have it available in
19 electronic format and we can put it up on
20 projector.

21 A. Okay.

22 Q. Are you ready?

23 A. Yep.

24 Q. Do you know what this is?

25 A. It looks like it's the results of the

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2 mitigation process, the process where Morgan Stanley
3 appraiser reviews the BPO against the origination
4 appraisal.

5 Q. Do you know who would have worked on this
6 spreadsheet?

7 A. It could have been -- I don't know the date of
8 it. It could have been myself. It could have been
9 another person in the group. Someone in the valuation
10 group.

11 Q. Let me put it to you differently. Do you know
12 the title of the person or people who would have worked
13 on this spreadsheet?

14 MR. WEINSTEIN: Objection, form.

15 A. Either myself, I was the director, or I think
16 another Lisa, I think she might have been a manager.
17 Or there was another person, Rick. I don't know if he
18 was a manager or not but he came on as I was leaving.

19 Q. So if we can just walk through the rows. The
20 first row says "Loan #." That's the --

21 A. Yeah.

22 Q. That's the loan number, right?

23 A. Yes.

24 Q. Next to it, MS, and some say In, some say Out?

25 A. Yes.

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2 Q. Do you know who or the title of the person who
3 would have input MS Decision?

4 A. I don't know.

5 Q. Do you know at what stage of the process that
6 information would have been input?

7 A. I don't remember. This happens after the
8 mitigation decision or the mitigation -- this happens
9 after the appraiser reviews, it looks like to me.

10 Q. When you went to tie-out meetings did you have
11 spreadsheets like this one that summarized the
12 information?

13 A. They only had the ones that were identified
14 for tie-out. So the ones that say Remove or Out would
15 not be in the spreadsheet. So it would be a smaller
16 spreadsheet with the loans identified for tie-out.

17 Q. What does remove or out mean in the context of
18 this spreadsheet?

19 A. "Out" means that it would be recommended not
20 to purchase the loan and it wouldn't even go to
21 tie-out.

22 Q. Were the recommendations not to purchase loans
23 subject to review?

24 A. No. This was the review. They were reviewed
25 by the appraiser.

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2 Q. So when you as the director of valuation made
3 a recommendation not to purchase a loan, that was the
4 end of it?

5 A. As far as I know.

6 Q. Okay. And the ones you said marked for
7 tie-out would go to that tie-out meeting?

8 A. Correct.

9 Q. For discussion.

10 A. I see this comment, "This is agreed out" and
11 to me that tells me that there was communication back
12 and forth before tie-out with the seller and the seller
13 agreed that those are out, I think.

14 Q. To your recollection before tie-out loans that
15 could have gone to the tie-out process sometimes didn't
16 because the seller agreed?

17 A. Because the seller agreed, yeah.

18 Q. When would that happen?

19 A. I don't remember. I don't remember that
20 process. I don't know.

21 Q. We walked through MS Decision. MS Comments we
22 discussed briefly on the "agreed out" comment, right?

23 A. Yes.

24 Q. And then "issues'" details the issue with the
25 loan that would make it not something that Morgan

1 DREW - CONFIDENTIAL

2 Stanley would purchase?

3 A. It would make it, yeah, would be for review.

4 Q. Or it could make it subject to removal, right?

5 A. Yes.

6 Q. Mitigation Decision we discussed.

7 Mitigation Comments typically were provided by
8 the person doing the review, is that right?

9 A. Yes.

10 Q. And the MS Reviewer, there are some names
11 listed here. Is Mary Mary Jewel?

12 A. Yes.

13 Q. Is Mike, is that the guy in Texas?

14 A. I don't know. It could be him or it could be
15 Mike Romano.

16 Q. And Susie, do you know who that is?

17 A. I forget her last name but she's also an
18 appraiser.

19 Q. Borrower is the name of the borrower, right?

20 A. Yep.

21 Q. Property address, city, describes the
22 property. Do you recall ever making comments on a
23 spreadsheet like this?

24 A. I remember reviewing and I don't remember
25 exactly what I did on the spreadsheet.

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2 Q. Did you train Morgan Stanley appraisers like
3 Mary, Mike, Susie?

4 MR. WEINSTEIN: Objection.

5 A. They're all appraisers so they know how to
6 review an appraisal. But train them on this process,
7 yes.

8 Q. So you trained them on how to fill out
9 spreadsheets like this one?

10 A. Yeah, and how to look, what to look for, what
11 are the valuation guidelines, and Brad also was
12 involved in training the appraisers also.

13 Q. So you said you trained them on Morgan
14 Stanley's value guidelines as well?

15 A. Yeah.

16 Q. Okay. I think we're done with this document.

17 MR. WEINSTEIN: Now a good time for a break?

18 MS. WEINSTEIN: Yes.

19 THE VIDEOGRAPHER: This will be the end of
20 videodisc No. 4 at approximately 2:42 p.m.

21 (Recess taken in the proceedings)

22 THE VIDEOGRAPHER: I'm back on the record.

23 This the beginning the disc No. 5 at approximately
24 2:52 p.m.

25 BY MS. WEINSTEIN:

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2 Q. Welcome back.

3 A. Thank you.

4 Q. So did you ever check entire purchases for
5 first payment defaults specifically?

6 MR. WEINSTEIN: Objection.

7 A. No. No, I don't think so. Pre-acquisition,
8 is that what you are saying, before purchase?

9 Q. Either before or after.

10 A. Well, after the Cure repurchase group got a
11 feed from the servicer tape from LASER to review for
12 first payment defaults.

13 Q. And that servicer tape was limited to a single
14 purchase?

15 MR. WEINSTEIN: Objection.

16 A. It was everything, everything. So it would
17 include a purchase but it would also include any other
18 loan.

19 Q. So it's everything that Morgan Stanley had on
20 its books at the time?

21 A. Yes.

22 Q. Did it also include loans that Morgan Stanley
23 had sold in securitizations?

24 A. Not from LASER. But there was a point when
25 servicing oversight was able to obtain servicer data

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2 from the securitizations, and once we were able to do
3 that then we got that feed from the servicing oversight
4 and monitored the securitizations for first payment
5 default.

6 Q. Was there a database that contained that data
7 for loans that had been sold into securitization?

8 A. Was there a database? LASER identified where
9 the loans were, so the loans were purchased by Morgan
10 Stanley and they were identified as being Morgan
11 Stanley's long position with Morgan Stanley. And then
12 once they were securitized, the name of the
13 securitization was entered into LASER, so every loan
14 that was in the securitization. So yes, there was a
15 database.

16 Q. So LASER maintained information for both loans
17 that Morgan Stanley was currently holding and loans
18 that Morgan Stanley had sold into securitizations?

19 A. Yes.

20 Q. Did you ever come to the conclusion that
21 entire purchases needed to have been noticed for first
22 payment defaults?

23 MR. WEINSTEIN: Objection.

24 A. No.

25 Q. And a noticed loan in the context of

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2 repurchase is a loan that Morgan Stanley would have
3 noticed a seller for repurchase, correct?

4 A. Correct.

5 (Exhibit 9 marked for identification)

6 Q. You've been handed what is marked Bates MSM
7 MSSTI 20071 0224106. If you want to take a moment to
8 review it let me know when you're ready.

9 MR. WEINSTEIN: Is there an attachment to
10 this? Looks like there is from the document.

11 MS. WEINSTEIN: FPDs.XLS is what it says in
12 the attached line. It also says WMC February
13 Purchase.

14 A. Okay.

15 MR. WEINSTEIN: Do you have the attachment?

16 MS. WEINSTEIN: No. We can make it available.
17 You certainly have it.

18 MR. WEINSTEIN: Well, the point is the witness
19 doesn't have it so I'll object for the record, but
20 you can go ahead.

21 MS. WEINSTEIN: That's fine. I don't think we
22 are getting into the contents of the attachment.

23 MR. WEINSTEIN: Okay.

24 BY MS. WEINSTEIN:

25 Q. So this is an email exchange between you and

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2 Jim McKeown, right?

3 A. Yes.

4 Q. And who is Jim McKeown?

5 A. He worked in collateral analysis.

6 Q. So he was based out of New York?

7 A. Yes.

8 Q. Also in the fixed income division of Morgan
9 Stanley?

10 A. Yes.

11 Q. And his email to you is dated August 1, 2007,
12 right?

13 A. Yes.

14 Q. At that time you were head of repurchase?

15 A. Yes.

16 Q. And his cc'd Anna Teytel, who was a manager,
17 is that right?

18 A. Yes.

19 Q. He's also cc'd Michael Ortiz. Who's that?

20 A. I don't remember.

21 Q. Do you remember who Anthony Lombard is?

22 A. No.

23 Q. But he's also cc'd on this email?

24 A. Yes.

25 Q. And he is asking you about a February WMC

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2 purchase FPD position, correct?

3 A. Yes.

4 Q. FPD position means what?

5 A. That -- the first payment default.

6 Q. And he says "We don't have updated information
7 on all loans securitized i.e. MSSTI." Do you know
8 updated information he's referring to?

9 A. He may mean servicer tape, servicer tapes from
10 the securitization.

11 Q. And he says "but we believe these are all of
12 the loans that should have been noticed." Do you know
13 what noticed means in this context?

14 A. Notice to the seller, a repurchase notice.

15 Q. Then he asks you, "Can you please confirm that
16 each of these have been notified?" Is that something
17 you were commonly asked to do?

18 A. Not commonly, but it's not an unusual request
19 to just confirm that this is what collateral analysis
20 is seeing that should be noticed, has is the seller
21 been noticed on these loans.

22 Q. How would you respond to such a request,
23 sorry, how would you go about verifying whether they
24 were noticed?

25 A. We would pull, run a report in the Cure

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2 platform system.

3 Q. So what information would you input in the
4 Cure platform system?

5 A. There was -- it may be -- well, I guess the
6 notice date would tell you the date that the notice was
7 sent out.

8 Q. And then you'd let them know whether the
9 notice was sent out or not?

10 A. Yes.

11 Q. And he says, "Want to make sure our queries
12 are capturing everything." Do you know what queries
13 he's referring to?

14 A. It may be queries from LASER.

15 Q. And that refers to first payment defaults?

16 A. Yes. It could be. Although this is, those
17 liens are securitized but they probably were -- I don't
18 know. I don't know what queries he's talking about.

19 Q. And you respond, "Matt, Please run these loans
20 in our system and add the issue code, review status and
21 notice date to the spreadsheet and send back to us."

22 Matt is Matt Appolonia?

23 A. Yes.

24 Q. We discussed him earlier today, didn't we?

25 A. Yes.

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2 Q. Remind me what was his role?

3 A. He's an analyst. He was an analyst.

4 Q. And he reported to you?

5 A. I think he reported to Marshall.

6 Q. But Marshall reported to you?

7 A. Yes, ultimately, yes.

8 Q. And when you say issue code, what does that
9 refer to?

10 A. I don't remember.

11 Q. Do you know what issue codes are?

12 A. Don't remember. It may be FPD, EPD, mis-rep.
13 But I don't remember, really.

14 Q. You said, "Jim, we will get updated servicer
15 data for the securitized loans to identify PD that are
16 not noticed."

17 "Not noticed" in this context means not
18 noticed for repurchase?

19 A. Yes.

20 Q. You can put that away. Do you know who John
21 Ogle is?

22 A. I think he might have worked with Frank
23 Telesca and Steve Shapiro but not a hundred percent
24 sure.

25 Q. Did you work with him?

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2 A. No, not really.

3 Q. So not really. Did you ever work with him?

4 A. There may have been times that he e-mailed me
5 for something or I e-mailed him but not on a regular
6 basis.

7 Q. Do you remember whether you corresponded with
8 him?

9 A. There may have been a time that I corresponded
10 with him in an email.

11 Q. Are you saying you don't remember?

12 A. I don't remember, no.

13 Q. Do you know what subprime tail management is?

14 A. No.

15 Q. Does that phrase mean anything to you?

16 A. No.

17 Q. Do you know who Kathleen Koprowski is?

18 A. Yes.

19 Q. Who's that?

20 A. She was a consultant that did work for Morgan
21 Stanley. She was like a process improvement person.
22 She helped facilitate the development of the system,
23 the Cure platform system. She did other initiatives,
24 other kind of projects for the Boca office.

25 Q. Did you work with her?

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2 A. Yes.

3 Q. Do you recall over what period of time you
4 worked with her?

5 A. I worked with her when we were developing the
6 system in the beginning, so that was --

7 Q. The beginning of your tenure as repurchase
8 director?

9 A. Yep. And there may have been another time too
10 that I worked with her. I can't remember.

11 Q. Do you recall whether you worked with her on
12 anything aside from developing the Cure platform?

13 A. She worked on the seller scorecard, the
14 development of that with Christine Egan that graded
15 sellers, and I think it was the conduit sellers to
16 identify higher risk sellers. I don't think the
17 subprime or prime ALT-A bulk sellers were on the
18 sellers scorecard but I could be wrong.

19 Q. Who is Christine Egan?

20 A. Christine Egan managed counterparty risk for
21 the conduit.

22 Q. What was her title?

23 A. Vice president.

24 Q. What division was she in?

25 A. She was in fixed income. She was in the Boca

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2 office.

3 Q. So she worked in the same office as you?

4 A. Yes.

5 Q. Do you recall over what period of time she
6 worked there?

7 A. She was there after me. She was in New York
8 in credit before that, but I think maybe 2007 she came
9 or the end of 2006.

10 Q. So --

11 A. Yeah, I'm sorry. Probably like after 2003
12 when I first started she came, maybe in 2004, 2005,
13 something like that.

14 Q. Somewhere around 2004, 2005 she came to the
15 Boca office?

16 A. Yes.

17 Q. Before that she worked in New York at Morgan
18 Stanley?

19 A. Yes.

20 Q. Do you know whether she had the same position
21 when she switched offices or did that change?

22 A. It was similar, she was always in like a
23 counterparty credit group.

24 Q. What does the counterparty risk group do?

25 A. They -- she managed a group that ensured that

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2 the conduit sellers had signed an agreement with, a
3 contract with Morgan Stanley, and she did vendor --
4 seller due diligence on the sellers. She assessed
5 their financials periodically.

6 Q. What were they looking for?

7 A. They looked at -- well, I don't know what she
8 specifically looked at when she was --

9 Q. The group generally. The group generally, not
10 Christine specifically.

11 MR. WEINSTEIN: Objection.

12 A. I don't know. They just -- their job was to
13 evaluate the conduit sellers financially,
14 operationally, strategically, and I don't know what all
15 the nuances of what they did were. And they also
16 ensured that there was a contract in place with each of
17 the sellers.

18 Q. But you said there wasn't a comparable
19 department for the subprime business?

20 A. Well, this is a different group than what we
21 were talking about before. That was, those were the
22 conduit -- I forget the name of that group. Now that I
23 think about it I think that the similar counterpart to
24 that group, which I guess we can go back in the notes,
25 is really contract finance. So I think the contract

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2 finance team was comparable to those positions on the
3 conduit for the smaller sellers. And Christine was
4 like kind of like, her group was the oversight of the
5 counterparties as far as credit risk would be, would
6 go.

7 Q. You mentioned a seller scorecard. What is
8 that?

9 A. So that was something that Christine oversaw
10 and built, and Kathleen helped facilitate that and
11 information, data information from the front end due
12 diligence of the conduit on each seller, information
13 about their underwriting, the underwriting of those
14 loans, the valuation, other factors, I don't know all
15 of the factors, and then information from the
16 repurchase area went in and QC. So there were multiple
17 factors that went into grading each of the sellers.

18 Q. And that was for the conduit business?

19 A. For the conduit business.

20 Q. Was there a seller scorecard for the subprime
21 business?

22 A. I don't know. I'm not sure. Our group would
23 provide a lot of information to the subprime desk on a
24 biweekly basis. You know, there was just a handful of
25 subprime sellers, where the conduit was, I don't know

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2 how many sellers there were but it was 50 plus sellers,
3 maybe a hundred sellers.

4 So the repurchase exposure for the sellers on
5 the subprime was clearly identified in our meetings,
6 and that's one of the risk factors that went into the
7 scorecard, Christine's scorecard. And this was
8 something that our group communicated on a weekly basis
9 -- biweekly basis to the subprime desk.

10 Q. Did you ever see the seller scorecard?

11 A. Yes. Oh yeah.

12 Q. Did you ever see one for the subprime
13 business?

14 A. No, I don't think so.

15 (Exhibit 10 marked for identification)

16 Q. You've just been handed what's marked as
17 Exhibit 10 for your deposition. It bears Bates MSM
18 MSSTI 20071 0122662. This is an email between you and
19 Kathleen Koprowski, correct?

20 A. Yes.

21 Q. And it is dated October 23, 2006?

22 A. Yes.

23 Q. And you were head of repurchase at this point?

24 A. Yes.

25 (Exhibit 11 marked for identification)

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2 Q. You've been handed what was marked as
3 Plaintiff's Exhibit 11 for your deposition and it was
4 produced by Morgan Stanley in native format under Bates
5 MSM MSSTI 20071 0122663. If you want to take a second
6 to review. Take your time and let me know when you are
7 ready.

8 A. Okay.

9 Q. Do you recognize this spreadsheet?

10 A. No.

11 Q. Do you see the email says "Attachment subprime
12 tail management tables"?

13 A. Yes.

14 Q. But you don't know what subprime tail
15 management is?

16 A. No.

17 Q. And your email says, "My comments are in
18 column Q. Please let me know if you disagree. Thanks
19 for your help." Do you know what help you were asking
20 Kathleen for?

21 A. I don't know.

22 Q. If you'd look at the spreadsheet in
23 Plaintiff's Exhibit 11 or Exhibit 11 for your
24 deposition, rather, it says "Cure comments"?

25 A. Yes.

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2 Q. Do you know who made those comments?

3 A. No.

4 Q. And you see it says, "Should be yes, (new
5 rule)." Do you know what new rule refers to?

6 A. No. She helped develop the system, so we may
7 be --

8 Q. System means Cure?

9 A. Cure platform system. So system may have
10 something to do with that.

11 Q. But you don't know by looking at it?

12 A. I don't remember.

13 Q. You can put it away. Thank you. Did you ever
14 work on repurchases -- so you testified that you did
15 work on repurchase requests made against Morgan
16 Stanley?

17 A. Yes.

18 Q. Did you ever work on repurchases that Morgan
19 Stanley made out of a trust into its sold loans?

20 A. Can you repeat the question?

21 Q. Sure. You are aware that Morgan Stanley sold
22 loans for securitization that were then pulled
23 securitized into a trust, correct?

24 A. Yes.

25 Q. Did you ever work on repurchase requests

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2 dealing with any of those trusts?

3 A. Yes.

4 Q. Do you recall any of those instances?

5 A. I just know that we noticed loans that were
6 securitized for FPD and EPD back to the seller.

7 Q. And that was when you were in the repurchase
8 group?

9 A. Yes.

10 Q. And that was based on Morgan Stanley's own
11 system alerting Morgan Stanley to FPDs and EPDs?

12 A. That was based on servicer data acquired from
13 the securitization servicers. So that was the other
14 way that the Cure platform system received FPD/EPD
15 information.

16 Q. Was this towards the end of your time at
17 Morgan Stanley or throughout?

18 A. No, I don't remember when we started getting
19 access to the securitization data, but it wasn't, it
20 was probably in the middle of my time in the repurchase
21 group.

22 Q. Were there any internal procedures for dealing
23 with loans that had been sold into securitizations?

24 MR. WEINSTEIN: Objection.

25 A. I don't remember.

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2 Q. Any internal procedures for repurchases of
3 loans that had been sold into securitizations?

4 A. I don't remember if there were specific
5 procedures.

6 Q. Did you ever receive any training on those
7 repurchase requests?

8 A. We -- no.

9 Q. Do you know who Andrew Weiner is?

10 A. Yes.

11 Q. Who is that?

12 A. He was also an analyst. He pulled together
13 repurchase data to facilitate a repurchase.

14 Q. And he worked for you in the repurchase group?

15 A. Yes.

16 (Exhibit 12 marked for identification)

17 Q. You've been handed what was marked as Exhibit
18 12 for your deposition. It bears Bates MSM MSSTI 20071
19 0223768. If you want to take some time to review the
20 document, let me know when you're ready.

21 A. Okay.

22 Q. This is an email exchange between you and
23 Andrew Weiner around July 17. The emails are dated
24 July 17, 2007, right?

25 A. Yes.

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2 Q. Some are dated July 16 and one is July 13, is
3 that right? This email exchange is between July 13,
4 2007 and July 17, 2007?

5 A. Yes.

6 Q. He mentions a premium recapture. What does
7 that mean?

8 A. The loans were purchased above par, so they
9 were purchased over a hundred and so whatever that
10 excess, Morgan Stanley paid extra for the loan. The
11 process was that Morgan Stanley kept the premium and
12 the seller was obligated to buy back the loan out of
13 the securitization. So they needed to provide enough
14 repurchase funds to pay for the principal and other
15 costs that are accrued on the loan to pay it off and
16 remove it from the securitization.

17 Q. When you say Morgan Stanley bought it above
18 par what do you mean?

19 A. From what I understand if the loan was a
20 hundred dollars Morgan Stanley spent maybe \$103 for the
21 loan. They paid higher than the amount. You know,
22 you'll need to ask the folks in New York that did this,
23 but that's what I understand is that they paid above
24 the value of the portfolio.

25 Q. So when you used the phrase that's what you

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2 understand it to mean?

3 A. Yes.

4 Q. And not, that payment was made to the seller,
5 right, that's when Morgan Stanley bought the loan from
6 the seller originator?

7 A. Correct.

8 Q. And following your description in that
9 situation where Morgan Stanley buys the loan above par
10 it required the seller to provide the repurchase funds
11 so they could recoup its investment should the loan
12 need to be repurchased?

13 A. Can you repeat the question?

14 Q. Sure. Why don't I put it more simply. You
15 said in the situation where Morgan Stanley buys loans
16 above par you required the seller to provide a certain
17 amount of repurchase fund, right?

18 MR. WEINSTEIN: Objection.

19 A. Yeah. Yes. In any situation Morgan Stanley
20 would provide a repurchase amount for the repurchase of
21 the loan. In the case where, which was most cases
22 where Morgan Stanley paid above par, there was an
23 excess amount that would go back to Morgan Stanley,
24 that premium that Morgan Stanley paid goes back to
25 Morgan Stanley.

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2 The servicer, Morgan Stanley directed the
3 servicer -- we pulled together the repurchase amount
4 that would pay off the loan so that the loan could be
5 transferred over to the seller. But the premium is an
6 excess amount. It wouldn't go to the servicer.

7 Q. That Morgan Stanley keeps?

8 A. Yes.

9 Q. The repurchase amount that you referred to, is
10 that contractually defined in the agreements between
11 the seller and Morgan Stanley?

12 A. I believe so.

13 Q. Are you aware of seeing a purchase amount in a
14 contract between the seller and Morgan Stanley?

15 A. No, I don't remember.

16 Q. How did you come to know about the repurchase
17 amount?

18 A. We worked with -- well, Marshall Georges was
19 in the group before me and that was one of his
20 functions, was to gather the servicer payoff amounts at
21 an as-of date and work with operations the team to
22 ensure that the repurchase was calculated correctly,
23 and then would direct the seller to wire the money to
24 the servicer.

25 Q. Did anybody else perform that function or just

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2 Marshall Georges?

3 A. Andrew, I believe Andrew Weiner also did. I
4 think it was Andrew and Marshall that did that.

5 Q. Andrew is not an attorney, right?

6 A. No.

7 Q. So the first page of this document, the one
8 ending in Bates number 68, the second email, the one
9 from Andrew Weiner dated July 17, 2007, he says, "I'd
10 already requested buyout figures from Saxon." What
11 does buy out figures means?

12 A. That would be the payoff figures that would
13 allow the loan to be bought out of the securitization;
14 what's the amount, the principal, whatever else that's
15 accrued on the loan that the seller would need to pay
16 in order to buy the loan out of the securitization.

17 Q. And then in your response to him you say, "I
18 guess it's not an issue because it sounds like in this
19 case we can buy the loan out of the trust ourselves."
20 Right?

21 A. Yes.

22 Q. What is not an issue?

23 A. So it looks like there was one loan out of
24 this population that when we gave the repurchase figure
25 to WMC it was in long position, when we did that and

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2 then somehow it ended up in the securitization. That's
3 what it looks like to me. Or maybe we just had more --
4 wrong, there was a mistake made, so for whatever reason
5 the loan was actually securitized.

6 So we needed to correct that issue by buying
7 the loan out of the trust, Morgan Stanley needed to buy
8 it out of the trust themselves and then facilitate the
9 repurchase over to WMC.

10 Q. Okay. You can put this away. I think you
11 mentioned Eric Kaplan earlier today?

12 A. Yes.

13 Q. Remind me who he is?

14 A. He's in contract finance.

15 Q. And you worked with him?

16 A. Yes.

17 Q. And Brian Wornow, do you know who he is?

18 A. Yes.

19 Q. What was his role?

20 A. He was very involved in the repurchase group
21 starting in the beginning of January 2007. He was
22 based in New York but came down a lot and he was -- his
23 role was to facilitate alternatives to repurchase for
24 the conduit sellers. That was his, the basic role.

25 Q. What group was he in?

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2 A. I think he worked in -- he started out in the
3 sales group but he wasn't a salesperson. And then he
4 was like, you know, he was in the repurchase group,
5 basically, and he was like the liaison between the
6 repurchase group and the prime ALT-A desk.

7 Q. So he reported to you?

8 A. No, I kind of reported to him at one point,
9 but it was a short period of time and then I ended up
10 reporting to Scott Clark.

11 Q. Did he work just on the conduit business?

12 A. His role was to do that, to work in the
13 conduit business, but he kind of got involved in
14 subprime also a little bit. But he really wasn't. I
15 mean he wasn't on the communication calls that I had
16 with the subprime desk, the biweekly calls. And he
17 wasn't involved in the process. But sometimes he would
18 jump in and kind of give some thoughts and ideas and
19 advice on repurchase process.

20 Q. And that biweekly call that's the call with
21 Frank Telesca, Steve Shapiro, Kris Gilly, that whole
22 group of people we discussed earlier in the morning?

23 A. Yes.

24 Q. When did you start having those calls?

25 A. I believe almost as soon as I started in 2006,

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2 maybe a couple of months in I started having a biweekly
3 call with, and it was just to discuss repurchase. It
4 wasn't the call that we talked about that was
5 pre-acquisition. This was a call just to discuss
6 repurchase with subprime sellers.

7 Q. Was that discuss, did you discuss repurchase
8 requests against Morgan Stanley and outgoing requests
9 by Morgan Stanley?

10 A. No, we just discussed outgoing requests to
11 subprime sellers?

12 Q. When you say biweekly you mean --

13 A. Every two weeks.

14 Q. Thank you for clarifying that. You said Brian
15 Wornow had some involvement in the subprime business.
16 What was his involvement in the subprime business?

17 A. I don't know. I mean, he wasn't really
18 involved with the communications with Steve Shapiro's
19 group. He wasn't involved in any of the repurchase
20 discussions that the managers had with the seller. But
21 I think maybe on a higher level he was trying to get
22 involved and give some feedback on it.

23 Q. Are you aware of him getting involved in the
24 subprime group?

25 A. Yeah.

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2 Q. In what respects?

3 A. You know, he would maybe send an email or
4 something. After Bruce Witherell and Ed Donohue came
5 over to Morgan Stanley they provided a lot of direction
6 for our group and and got involved and wanted to help
7 improve reporting, improve the communication with the
8 sellers and targeting and managing repurchase, to
9 facilitate repurchase.

10 And Ed and Bruce worked with Brian to, because
11 a lot of the focus was for them on everything. I don't
12 really remember specifically what Brian was working on
13 in subprime but it wasn't anything that I -- I was much
14 more involved in subprime and the managers that handled
15 the subprime were the ones that were involved.

16 Q. Do you remember anything that Brian did in the
17 subprime business?

18 A. No.

19 Q. Who's Bruce Witherell?

20 A. Bruce Witherell was hired I believe in the
21 beginning of 2007 and he worked with -- well, he was in
22 New York. I think he was a managing director and he
23 was, like I believe he was over the operation, the
24 Boca. I'm not exactly sure what his role was.

25 But I know that he became very involved and

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2 focused on the repurchase and helping to streamline
3 reporting and getting a plan for, an action plan for
4 communication with the conduit sellers because there
5 were so many of them.

6 Q. Was he involved in repurchase for the subprime
7 business too?

8 A. He looked at the reporting, asked questions.
9 We would have meetings with them. They would come down
10 on a regular basis and we would present what got
11 repurchased, where we're at, the acknowledging of the
12 repurchase requests and kind of discussed plans. It
13 was definitely on the forefront of management,
14 particularly as a lot of the sellers started to file
15 bankruptcy and go out of business.

16 Q. What about Ed Donohue?

17 A. Ed Donohue, they came over together and I
18 think he reported to Bruce.

19 Q. These meetings that you had with them, did
20 they address outgoing requests from Morgan Stanley to
21 sellers for repurchase?

22 A. Yeah, we reported, so we would have the
23 subprime sellers like New Century, WMC, this is their
24 population and loan count and dollar amount, UPB. And
25 then this is how old, this is the aging of those

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2 repurchase requests, this is the last repurchase that
3 they did, this is how much they bought back. So they
4 were very involved. And so was Steve Shapiro, too.

5 Q. And those are for loans in the long position
6 on Morgan Stanley's books?

7 A. Everything.

8 Q. For all the loans?

9 A. Everything, yes.

10 Q. So also for repurchase requests against Morgan
11 Stanley?

12 A. This was for repurchase requests for long and
13 securitized loans. Purchase requests for Morgan
14 Stanley were not many, it wasn't a pipeline, a big
15 pipeline of loans that were put back to Morgan Stanley
16 at that time, anyway.

17 Q. For the securitized loans the repurchase
18 requests would go from Morgan Stanley to the seller
19 even though they were securitized?

20 A. Yes. You know, I just remembered the long
21 loans. When we would get a repurchase request from the
22 purchaser, if we found it to be a mis-rep and we
23 agreed, not only did we buy the loan back but we would
24 notice the seller on that loan too.

25 Q. So --

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2 A. I don't know that we sold subprime loans
3 though, if that's your focus. I think we sold ALT-A
4 loans to purchasers.

5 Q. So in the period that you worked at Morgan
6 Stanley you don't think that Morgan Stanley sold
7 subprime loans?

8 A. To a whole loan purchaser, I don't know. I
9 don't remember. I don't remember dealing with that.

10 Q. You said Bruce Witherell and Ed Donohue came
11 over together. Do you know where they came from?

12 A. They came from Lehman Brothers or -- and I
13 think Bruce oversaw loan servicing out in Colorado.

14 Q. Do you know who brought them on board?

15 A. No.

16 Q. And you said you think that Bruce Witherell
17 was a managing director?

18 A. Yes.

19 Q. Do you remember his title?

20 A. I think it was like Global-something. I don't
21 remember.

22 Q. Global Priority Credit Group?

23 A. No, it wasn't that.

24 Q. What about Ed Donohue, do you remember his
25 title?

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2 A. No.

3 Q. And they started, when did you say?

4 A. I think in the beginning of 2007.

5 Q. Did you work with them throughout your
6 employment at Morgan Stanley -- beginning 2007 till you
7 left Morgan Stanley?

8 A. Yes.

9 Q. And you said that they would come down to the
10 Boca office and you would discuss repurchase. Any
11 other interactions with them?

12 A. I think I sent them a report on a weekly
13 basis.

14 Q. What would that report contain?

15 A. That would be the repurchase by seller, the
16 aging of the repurchase claims, and it might have had
17 other information. It might have had information for
18 the conduit, particularly for the conduit. But it
19 would have a grade that our group would -- we started
20 to grade the sellers on their willingness to discuss
21 repurchase ability. So I think that was also included
22 in the report.

23 Q. When did you start grading the sellers?

24 A. Probably the first quarter of 2007.

25 Q. Is that something that Bruce and Ed instructed

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2 you to do?

3 A. I think that was an idea that we had in our
4 group and as things -- you know, the market started to
5 change and the sellers all of a sudden weren't as
6 quickly repurchasing as they had been before and we
7 started to see some sellers go out of business.

8 So I'm not sure who decided on that, but it
9 was some way that we enhanced the system so that we
10 could update the grade, have a comment about why the
11 grade was there and something that we also communicated
12 to the prime ALT-A desk and the MV subprime desk.

13 Q. When you decided to start grading sellers did
14 you document the grades in any way?

15 A. The grades were in the system.

16 Q. What system?

17 A. The Cure platform system.

18 Q. Did all the sellers receive a grade?

19 A. I think it was -- I don't remember but I think
20 it was just the conduit sellers. The subprime sellers
21 and the prime ALT-A sellers were big entities and there
22 was not a lot of them. So it was really much easier to
23 discuss individually, on a call we could discuss with
24 the subprime desk every seller for subprime on a call.
25 So we discussed in a more informal way, but we also put

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2 notes in our system.

3 I don't recall that there was a grade for the
4 subprime sellers. We talked about communication, the
5 last time they repurchased, what the seller said to the
6 manager about repurchasing, so it was a regular
7 discussion.

8 So the subprime desk was aware of the
9 outstanding claims for each seller and the seller's
10 response to the repurchase request.

11 Q. And they were aware of that because you told
12 them about it over the phone or in meetings, not
13 because you wrote it down?

14 A. It was also in our -- we would send a report
15 to the subprime desk also and give them information in
16 the email. Before the call there was a report that
17 went along with that.

18 Q. Do you remember the name of that report?

19 A. No.

20 Q. But you sent a report on repurchases to the
21 subprime desk before the call you had every two weeks?

22 A. Yes.

23 Q. Would everybody on that call receive that
24 report?

25 A. Yes.

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2 Q. And you discussed that report during the
3 calls?

4 A. Yes.

5 Q. But you didn't grade the sellers in that
6 report?

7 A. No, I don't believe so.

8 Q. But you did grade the sellers for the conduit
9 business?

10 A. Yes.

11 Q. Any other ways in which you worked with Bruce
12 and Ed?

13 A. No.

14 Q. Do you recall whether they were still at
15 Morgan Stanley when you left?

16 A. I believe Bruce was there, but I know Bruce
17 left after, not that long after. Or maybe he -- I
18 don't remember. He might have left around the time I
19 left. Ed I believe is still there.

20 Q. Do you recall if anybody took over your
21 position when you left Morgan Stanley?

22 A. Yes, somebody took over my position.

23 Q. Who?

24 A. They hired somebody, Steve. I don't remember
25 his name. And then somebody else took over the group

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2 after that. I don't think he stayed.

3 Q. Who took over the group after that?

4 A. Might have been Kevin Murphy.

5 Q. Did you overlap with Kevin Murphy at Morgan
6 Stanley?

7 A. Kevin Murphy was a manager, credit and
8 compliance underwriting manager for subprime
9 acquisition and prime ALT-A acquisition.

10 Q. And he later took over the repurchase group?

11 A. I think so. I'm not a hundred percent sure.

12 Q. Did you have any hand in choosing your
13 successor when you decided that you would leave rather
14 than move to Texas?

15 A. No.

16 Q. Did you have any hand in training your
17 successor?

18 A. I met with him and spent some time with him.

19 Q. This is the guy who you think might be named
20 Steve?

21 A. Yes. Templeton. I think his last name is
22 Templeton.

23 Q. How frequently did you meet with him?

24 A. I don't think it was that frequently because I
25 think he was hired kind of at the very end of my time

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2 there.

3 Q. Who hired him?

4 A. I don't remember.

5 Q. You do you remember anything you discussed
6 with him?

7 A. No.

8 Q. Do you remember any materials that you gave
9 him?

10 A. No.

11 Q. Do you recall whether you gave him any
12 materials?

13 A. I don't remember.

14 Q. And Kevin Murphy would have succeeded Steve
15 Templeton?

16 A. No, wait. No, it wasn't Steve Templeton. I
17 forget now. The person that took the role wasn't
18 Steve. I think Steve took over QC. I forget his name.
19 But there was somebody else and he actually did reach
20 out to me and asked me questions. I do remember that
21 even after I left.

22 Q. So let's go back and do this not using Steve
23 Templeton's name. So did you meet with your successor?

24 A. Yes.

25 Q. Do you recall how frequently you met with your

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2 successor?

3 A. Again I don't think it was very frequently
4 before I left. I think he was hired close to when I
5 left.

6 Q. Did you provide your successor any materials?

7 A. I don't remember.

8 Q. Do you respond to his questions once you'd
9 left and he'd taken over?

10 A. Yes.

11 Q. How long was that period of time that you were
12 answering questions for him?

13 A. Maybe two months.

14 Q. Do you recall any questions he asked you?

15 A. No.

16 Q. Do you recall the topics that you advised him
17 on?

18 A. No. No.

19 Q. And then that person would have been succeeded
20 by Kevin Murphy?

21 A. I believe Kevin Murphy took that position.

22 Q. That's your --

23 A. My guess.

24 Q. To the best of your recollection?

25 A. Yes, to the best of my recollection.

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2 Q. Okay, back on track.

3 (Exhibit 13 marked for identification)

4 Q. You've been handed what has been marked
5 Exhibit 13 for your deposition. It bears Bates MSM
6 MSSTI 20071 0165777. Take a moment to review the
7 document and let me know when you're ready.

8 A. Okay.

9 (Exhibit 14 marked for identification)

10 Q. I'm going to hand you the attachment. That's
11 Exhibit 14 for your deposition produced by Morgan
12 Stanley in native format under Bates MSM MSSTI 20071
13 065778. Again, take a moment, review it and let me
14 know when you're ready.

15 A. Okay.

16 Q. Do you recognize the spreadsheet produced
17 under Bates number ending in 65778?

18 A. No.

19 Q. Looking at the email that is Exhibit 13 ending
20 in Bates number 65777 this is an email from you to J
21 Hubbard at Accreditedhome.com, right?

22 A. Yes.

23 Q. Who is J Hubbard?

24 A. I don't remember, but she must have been the
25 counterpart that we worked with to facilitate

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2 repurchases.

3 Q. At Accredited?

4 A. At Accredited.

5 Q. And Accredited is a seller?

6 A. Yes, a subprime seller.

7 Q. You worked with Accredited during your career
8 at Morgan Stanley?

9 A. Yes.

10 Q. Both in valuations and in repurchase?

11 A. Yes.

12 Q. The date of this email is May 14, 2007,
13 correct?

14 A. Correct.

15 Q. And you were the director of the repurchase
16 group as of that date?

17 A. Yes.

18 Q. Cc'd on this email is Eric Kaplan, who we
19 discussed, right?

20 A. Uh-huh.

21 Q. And Brian Wornow, who we have also discussed?

22 A. Yes.

23 Q. And Brian Wornow, was he in the repurchase
24 group at the time this email was sent?

25 A. Yes.

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2 Q. Do you recall what he was working on at the
3 time of this email?

4 A. What's that?

5 Q. Do you recall what he was working on?

6 A. I don't know.

7 Q. But his position was as an analyst at this
8 time, or you are not sure?

9 A. He was like a facilitator. And it was just an
10 FYI to Brian, I believe.

11 Q. Any reason why you'd be giving him an FYI?

12 A. I don't know.

13 Q. In this email you said, "Hi Judi, I have
14 attached the population of loans we discussed today."
15 That population of loans is what's documented in the
16 spreadsheet Exhibit 14, right?

17 A. Okay.

18 Q. Is that right, does that seem right to you?

19 A. It looks like it but it doesn't say -- yeah, I
20 mean it looks like it is.

21 Q. You say, "Morgan Stanley interprets from the
22 contractual language below that we have protection on
23 either the first payment due after origination or the
24 first payment due after closing date." Do you know
25 what you meant by the phrase "we have protection"?

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2 A. Morgan Stanley has the ability to request
3 repurchase from Accredited if those time frames are
4 missed, those payments are missed.

5 Q. And you said, "Morgan Stanley interprets that
6 contractual language." Do you know who you are
7 referring to when you say Morgan Stanley?

8 A. Probably worked with Eric Kaplan just to make
9 sure that -- that's probably why I copied him.

10 Q. And Eric Kaplan is in contract finance, is
11 that right?

12 A. Yes.

13 Q. He's an attorney?

14 A. Yes.

15 Q. So his duties included reviewing the
16 contractual language like that reproduced below and
17 providing advice?

18 A. Yes.

19 Q. So that's what he would have done with regard
20 to this contractual provision?

21 A. Yes.

22 Q. If you look at the spreadsheet, Exhibit 14, do
23 you recall putting spreadsheets like this together?

24 A. Yes. I probably had -- somebody probably put
25 this spreadsheet together. The managers typically did

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2 this process, so for some reason I got involved. Maybe
3 there was confusion.

4 It sounds like there might have been confusion
5 about what they felt they were obligated to buy back.
6 So it's probably why I got involved with this. But
7 somebody probably put this together so that we'd have
8 something to talk about and go back and forth on.

9 Q. "We" being Accredited and you?

10 A. Yes.

11 Q. "We" being Accredited and you?

12 A. Yes.

13 Q. So you reviewed spreadsheets like this but
14 only when there was some kind of discrepancy?

15 A. Yeah, or sometimes I would sit on a call with
16 a seller and the manager and I'd be looking, also
17 looking at the spreadsheet. So I did look at
18 spreadsheets.

19 Q. So if you look at C1 it says "MS Response
20 5/14/07." 5/14/07 looks to be a date, right?

21 A. Uh-huh.

22 Q. Which is actually the date on your email,
23 right?

24 A. Yes.

25 Q. And then there's another cell that says

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2 "Morgan Stanley Response" next to that. And
3 "Accredited Response" next to that and then "Accredited
4 Additional Comments."

5 Based on the contents of this spreadsheet,
6 what is your understanding of the relationship between
7 these four comment boxes?

8 A. Well, because the date is there I can assume
9 that the MS response in column C is the latest review
10 after looking at Accredited's response and Accredited's
11 additional comments. That was the second look. And
12 the response to those comments.

13 Q. G1 says "Date next due." Do you know what
14 that refers to?

15 A. That's the date that the loan is next due for.

16 Q. For payment?

17 A. For a payment.

18 Q. So is this addressing early payment defaults?

19 A. Yes.

20 Q. So this is a monitoring system for early
21 payment defaults, is that right?

22 A. It's like -- so the loans all get noticed on a
23 monthly basis from the group, and then that population
24 and anything else that hasn't been repurchased by a
25 seller is all pulled together. So for the subprime

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2 sellers they have more loans than the little conduit
3 sellers. So there's a population of loans that have
4 been noticed that haven't been repurchased.

5 And so we would pull that information all
6 together by seller so that we have something to show
7 the seller. Initially like the first part of this we
8 would be sending the pay histories also over to the
9 seller to provide support and proof that the payments
10 were missed and then we would go back and forth at
11 times.

12 This contract is not as clear cut as maybe the
13 first. The first pay default is a first pay default.
14 This one is a little different, so we're trying to make
15 sure that they're going to repurchase the loans that
16 they're obligated to repurchase.

17 Q. What if Morgan Stanley came to the conclusion
18 that Accredited was obligated to repurchase a loan and
19 Accredited refused to repurchase the loan?

20 A. I don't know what would happen. During normal
21 times before the market crashed, the sellers were
22 repurchasing the loans that they were obligated to
23 repurchase.

24 As sellers started to go under the repurchase
25 timelines kind of got a little bit longer and they

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2 weren't maybe purchasing, repurchasing as much. But as
3 far as I remember I believe that most of the sellers
4 repurchased their EPDs that were outstanding for
5 subprime.

6 And I don't know, I can't remember if there
7 was a point where they, somebody refused or just
8 stopped in subprime. What we saw was like New Century
9 just went out of business. We had no -- we didn't see
10 it coming. And we were talking to them, they had
11 repurchased loans from us and then boom, they were out
12 of business. So it wasn't like they just refused and
13 there was a time period. But I don't really remember.

14 Q. So you didn't see New Century going out of
15 business coming?

16 A. No, I didn't.

17 Q. What happened with the loans, what happened
18 with the loans that were noticed that were New Century
19 loans after it went out of business?

20 A. I'm not sure. I think that collateral
21 analysis and maybe another group worked to move those
22 loans, somehow did something with the warehouse line.
23 You'll have to ask somebody, but there was something
24 that was done to -- because Morgan Stanley had a
25 warehouse line with New Century.

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2 Q. What do you mean by warehouse line?

3 A. They loaned money to New Century.

4 Q. Do you know when that happened?

5 A. When they loaned money?

6 Q. Yes.

7 A. I don't know. I think there was an open line.

8 Q. Do you know who was involved with that?

9 A. That was Deb Goodman was in that group and I
10 forget now. Newman. Andy Newberger.

11 Q. What was Deb Goodman's role or position,
12 rather at Morgan Stanley?

13 A. I think she was vice president and she worked
14 in the Warehouse lending group.

15 Q. Did you work with her at all?

16 A. Yes. I worked with her because she was in our
17 group, the Fixed Income Securitized Products group
18 before she went over to the Warehouse group.

19 Q. What was her position in fixed income?

20 A. She worked in New York and she managed the due
21 diligence for prime ALT-A and I think maybe assisted
22 Pamela in managing the due diligence for subprime as
23 well.

24 Q. How did you work with Deb Goodman?

25 A. Because she was involved in valuation, she was

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2 involved in the due diligence for prime. I worked with
3 her on the populations, the valuation results and
4 things like that.

5 Q. Did you work with her at all in subprime
6 loans?

7 A. I think she was involved but I don't remember.
8 I think she kind of just did, supported Pamela.

9 Q. And Andy Newberger, what was his position at
10 Morgan Stanley?

11 A. I don't know.

12 Q. Did you work with him?

13 A. No, not really.

14 Q. Did you have any involvement with the
15 warehouse lines with New Century?

16 A. A little bit when I was in valuation.
17 Valuation group would do a valuation review of the
18 loans --

19 MS. WEINSTEIN: Can I ask you to turn that
20 off.

21 MR. WEINSTEIN: I thought I did. Sorry about
22 that.

23 Q. I'm sorry.

24 A. When I was in the valuation group, the
25 valuation team, somebody on the team would review

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2 loans, a sample of the loans or -- I don't know if it
3 was a sample but they reviewed loans that were on the
4 warehouse line.

5 Q. When you say loans that were on the warehouse
6 line what do you mean?

7 A. So I guess they put them up as collateral,
8 they put up loans as collateral.

9 Q. They being?

10 A. New Century.

11 Q. So New Century provided loans as collateral in
12 exchange for which Morgan Stanley provided the line of
13 credit?

14 A. Correct.

15 Q. And you said that you had some involvement
16 with that process?

17 A. I had involvement in kind of managing the due
18 diligence of the collateral that was on the line.

19 Q. And that's when you were in the valuations
20 group?

21 A. Yes.

22 Q. Was the process for managing the collateral on
23 the warehouse line different for valuing the collateral
24 for any other deals?

25 A. I think it was -- I don't really remember what

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2 they did, how they reviewed the loans, but it was a
3 review -- I'm sure it was supported by ordering a
4 valuation product and reviewing online data and
5 ensuring that the product, the property type was what
6 they said it was and looking at whatever the guidelines
7 were for ensuring that it was within, like, the
8 guidelines that the warehouse group had for the loans.

9 Q. So there were specific guidelines for the
10 warehouse lines?

11 A. Yeah. I know that there was probably property
12 type guidelines. I know that they didn't allow certain
13 loan types on the warehouse line.

14 Q. How do you know that?

15 A. I just remember that they didn't allow certain
16 loan types like something like an option ARM or -- I
17 forget but there were certain loan types they didn't
18 want on the warehouse line.

19 Q. And you said I'm sure they did a number of
20 things in reviewing the collateral?

21 A. Yes.

22 Q. Did you do any of that?

23 A. No.

24 Q. What was your involvement with valuation
25 review of collateral in the warehouse line?

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2 A. Just managing and ensuring that the loans got
3 reviewed.

4 Q. Were they reviewed by the same valuation team
5 that did the review of the other loans or was it a
6 separate team?

7 A. It was somebody on the valuation team.

8 Q. It was a dedicated person?

9 A. Yes.

10 Q. And that person worked only with the warehouse
11 lines?

12 A. No, they did other things also because it
13 wasn't, I don't think it was a lot of loans, and it
14 wasn't -- I don't remember how regular the review was.

15 Q. You said it was one person, so there weren't
16 other people that were joining and doing the review of
17 the warehouse lines, right?

18 A. Typically. Maybe that person needed support
19 to do some -- there were, I don't know, but I think
20 typically it was one person. I think it was Mike
21 Romano that did the review.

22 MR. WEINSTEIN: Sorry to interrupt but if this
23 is a good time for a break soon?

24 MS. WEINSTEIN: Sure. No worries.

25 Q. Are you doing okay?

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2 A. Yes.

3 Q. So you said Mike Romano did valuation due
4 diligence on the warehouse loans. You were the
5 director of valuation while he was doing that?

6 A. Yes.

7 Q. So in that capacity you oversaw his work?

8 A. Brad really oversaw his work but I oversaw the
9 process and ensured that it got completed and --

10 Q. You said you had managerial responsibility,
11 right?

12 A. Yeah.

13 Q. Okay. Got it.

14 MS. WEINSTEIN: Let's take a break.

15 THE VIDEOGRAPHER: This is the end of
16 videodisc No. 5 at approximately 4:06 p.m.

17 (Recess taken in the proceedings)

18 THE VIDEOGRAPHER: I'm back on the record.

19 This is the beginning of disc No. 6 at
20 approximately 4:21 p.m.

21 BY MS. WEINSTEIN:

22 Q. Welcome back, Lisa. We are in the home
23 stretch.

24 A. Thanks.

25 Q. So before we took the break we were discussing

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2 some back and forth between Accredited and Morgan
3 Stanley over EPDs, right?

4 A. Yes.

5 Q. Did you ever have any back and forth with
6 anyone at Morgan Stanley over whether something should
7 be counted as an EPD?

8 A. I don't remember that.

9 Q. No, you don't remember having any back and
10 forth?

11 A. I don't remember having back and forth
12 internally.

13 Q. So when you said something was an EPD that was
14 generally accepted?

15 A. Yes.

16 Q. You didn't get any pushback as far as you
17 know?

18 A. As far as I know, no.

19 (Exhibit 15 marked for identification)

20 Q. You've been handed what's been marked as
21 Exhibit 15 for your deposition. It bears Bates number
22 MSM MSSTI 20071 0396741. Take a moment to review and
23 let me know when you are ready.

24 A. Okay.

25 Q. The second page of this document ending in

1 DREW - CONFIDENTIAL

2 Bates number 0396742 contains what looks to be a
3 calendar invite from Eric Kaplan to a number of people.
4 Do you see that?

5 A. Yes.

6 Q. Do you agree it looks like a calendar invite?

7 A. Yes.

8 Q. And it has some dial-in or call-in
9 information. Do you recognize what this call would
10 have been for?

11 A. This may be a discussion about the repurchase
12 population for First NLC but I'm not sure.

13 Q. We discussed some of the people receiving this
14 calendar invite: Steven Shapiro, Frank Telesca. You
15 are on here, Brian Wornow and Anna Teytel. Adrienne
16 Dicker, remind me what she did again?

17 A. Contract finance.

18 Q. Lisa Farkovits I don't think we have spoken
19 about.

20 A. Also contract financial but she is on the
21 prime ALT-A side.

22 Q. How about Kevin Chavers?

23 A. Kevin Chavers is over Adrienne Dicker. Eric
24 Kaplan, Lisa Farkovits, he's over contract finance.

25 Q. And Michael Atadika?

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2 A. Mike Atadika is contract finance for subprime.

3 Q. And then I take it that Bai Su Sun, Melissa
4 Dawson are on the legal team?

5 A. Yes.

6 Q. What about Demetrius Nonas?

7 A. He was on the scratch and dent desk, trade
8 desk.

9 Q. And Gabriel Riopel?

10 A. Also on the scratch and dent trade desk.

11 Q. Frank Pallotta?

12 A. Was the head of sales for the conduit.

13 Q. And Michael Wold?

14 A. Was sales. He was a sales conduit sales and
15 ALT-A sales.

16 Q. We discussed Eric Kaplan, right?

17 A. Correct.

18 Q. And this is not one of the regularly scheduled
19 calls that you would have that we have discussed?

20 A. No, this is not my call.

21 Q. And you know that because there are
22 individuals on this call that would not have been on
23 those calls?

24 A. I know that because the call was from me. I
25 would send out the invite to the call and it was a

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2 subprime, it specifically said subprime, probably
3 something like repurchase, outstanding repurchase
4 claims or something like that.

5 Q. And the email above this one is from you and
6 it says, "The attached details is my review including a
7 decision for the timely payments and aged notices."
8 And aged notices refers to notices for repurchase,
9 right?

10 A. Yes.

11 Q. We have discussed the concept of aging, right?

12 A. Yes.

13 Q. That just means the time elapsed between
14 issuing the notice for repurchase and it coming to a
15 conclusion, right?

16 A. Correct.

17 Q. And it looks like Eric forwards your email to
18 Jim McKeown?

19 A. Yep.

20 Q. Who forwards it to Kris Gilly?

21 A. Yep.

22 Q. And Kris Gilly was in contract finance, is
23 that right?

24 A. Yes.

25 Q. Is that right?

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2 A. Collateral analysis.

3 Q. Yeah, collateral analysis.

4 A. And so is Jim.

5 Q. And Kris Gilly says "The file did come from
6 her. See below. I think maybe I'm speaking Japanese.
7 I'm waiting for her to call me back to find out her
8 definition of timely."

9 Is "her" you in this email exchange?

10 A. I don't believe so.

11 Q. Do you recall having a conversation with Kris
12 Gilly about timeliness?

13 A. No.

14 Q. Do you take this use of the word timely to
15 refer to the aging of notices?

16 MR. WEINSTEIN: Objection.

17 A. I don't know what the definition of timely
18 here is.

19 Q. So did you ever have any conversation with
20 Kris Gilly about aging notices?

21 A. She was on that biweekly call with the
22 subprime desk so she was aware of the outstanding
23 notices.

24 Q. Did you ever have any back and forth with her
25 about whether a loan should count as early payment

1 DREW - CONFIDENTIAL

2 defaulted or not?

3 A. No.

4 Q. No, you didn't or no, you don't remember?

5 A. No, I don't believe I had a conversation about
6 whether it should count as a first pay default, but I
7 don't really remember.

8 Q. You can put this away.

9 We have discussed some changes in the market
10 that you observed while you were working at Morgan
11 Stanley and you meant, or you testified specifically
12 that you meant the loans weren't being repaid, is that
13 right?

14 A. That there was, there was a slowdown of
15 repurchase and a pushback on repurchase and some
16 sellers were going out of business. We observed
17 sellers filing bankruptcy. And with the conduit
18 sellers we observed that their financial ability to buy
19 back loans wasn't there.

20 Q. So let's stay focused on the subprime sellers.
21 When did you begin observing changes in the market with
22 regard to those sellers?

23 MR. WEINSTEIN: Objection.

24 A. I believe -- I don't remember. I think it was
25 probably in 2007, maybe end of 2007, mid -- maybe it

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2 was starting to change. I don't remember, though.

3 Q. With regard to the subprime business, what
4 changes in the market did you observe?

5 MR. WEINSTEIN: Objection.

6 A. We had, I remember we had a subprime seller,
7 Aegis, that was pushing back and refusing to repurchase
8 loans.

9 Q. When was that?

10 A. I don't remember when that was. And then I
11 think that, I think that First NLC was pushing back
12 also and that's probably why this information was
13 requested by this team. So sellers started to slow
14 down their repurchase activity, and a couple of sellers
15 pushed back on repurchasing loans or pushback on
16 certain loans to repurchase.

17 Q. Do you recall what happened when sellers
18 refused to repurchase loans?

19 A. We communicated that, so we communicated
20 everything that we observed when we were communicating
21 with the seller. We would communicate that back to the
22 subprime desk on our biweekly calls.

23 Q. Do you know what they did with that
24 information?

25 A. They made -- they would make a decision about,

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2 give us direction, make a decision about whether, you
3 know, what next steps they would want to take with the
4 seller.

5 Q. What were the available next steps?

6 A. They did, I think they ended up doing a
7 settlement. They may have done one with First NLC. I
8 do remember another settlement, maybe with Wilmington.
9 And so, yeah, that was -- I think for the subprime desk
10 settling was one option that they utilized.

11 Q. When you say settling what do you mean?

12 A. So they worked with the scratch and dent desk
13 to identify their best guess at what the loss amount
14 would be for that loan if the loan went down.

15 So the thought process was that the loss on
16 the loan isn't the unpaid principal balance, it's a
17 formula that the scratch and dent team would utilize to
18 purchase scratch and dent loans. So they kind of gave
19 the loans a loss amount and then they utilized that to
20 come up with a settlement amount to resolve the
21 repurchase population.

22 Q. What other options were discussed as next
23 steps?

24 A. Looking at if the seller says, you know, we
25 have got hundred of loans you want us to repurchase,

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2 because they were first pay default, but 25 of the
3 loans are performing and the borrower yes, missed the
4 first payment but now they have been performing and
5 they're current, why are you forcing us to take them
6 back when we don't have the funds to do the whole deal?

7 So the trade desk might say, go ahead and put
8 those loans aside and focus on the loans that are
9 delinquent and get them to repurchase back the
10 delinquent loans.

11 Q. What other options were available as next
12 steps?

13 A. I think that's -- there may be others. I just
14 can't remember. I just remember the settlements and
15 forcing the repurchase of the delinquent loans.

16 Q. Are you aware of any litigation between Morgan
17 Stanley and the sellers regarding the repurchases?

18 A. In subprime I don't remember any litigation in
19 subprime.

20 Q. Are you aware of any litigation outside of
21 subprime?

22 A. Yes.

23 Q. In what part of the business?

24 A. Morgan Stanley tried to -- well, did file
25 suits against some of the conduit sellers.

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2 Q. Do you know the results of those suits?

3 A. When I left nothing had happened. Maybe there
4 were a couple of settlements that came out of it.

5 Q. Are you aware of the results of those suits
6 after you left?

7 A. No.

8 Q. We were discussing warning signs -- and,
9 sorry, not warning signs, changes in the market, and
10 you mentioned that sellers such as Aegis and First NLC
11 refused to repurchase loans. What other changes in the
12 market did you observe?

13 MR. WEINSTEIN: Objection.

14 A. Well, we started to see some sellers file
15 bankruptcy.

16 Q. Do you recall when you began to see that?

17 A. I think we saw a small seller, conduit seller,
18 file bankruptcy in December of 2006. And then
19 throughout 2007 some of the smaller ones. And I forget
20 when the bigger subprime sellers started to file
21 bankruptcy.

22 Q. But eventually some of them did?

23 A. Yes.

24 Q. Do you recall who?

25 A. Well, yes, New Century, WMC just shut their

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2 doors, I believe. And I don't remember, I don't
3 remember the others. I remember American Home, but
4 that was a prime ALT-A seller.

5 Q. So sellers slowing down or refusing to
6 repurchase loans, sellers declaring bankruptcy, you've
7 described those as changes in the market, right?

8 A. Yes.

9 Q. Any other changes in the market that you
10 observed?

11 A. Well, the other groups identified that the
12 performance of the loans overall was declining, the
13 loans that we purchased, and either held or securitized
14 over all their performance was declining.

15 Q. Do you recall when that was?

16 A. In that 2007 period.

17 Q. Two more documents.

18 (Exhibit 16 marked for identification)

19 Q. You've been handed what was marked Exhibit 16
20 for your deposition. It bears Bates numbers MSM MSSTI
21 20071 0337480. If you want to take a moment to review
22 this.

23 A. I know this email.

24 Q. You know this email?

25 A. Yes.

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2 Q. That's the first time you've said you know
3 this email of all the documents I've shown you today,
4 so why does this email stand out in your mind?

5 A. Because this email, I've seen it in other
6 depositions.

7 Q. So what's this email about?

8 A. It's Frank Pallotta, is the head of the
9 conduit and conduit sales force and also I believe
10 sales for the ALT-A desk too. And there was one loan
11 or I guess he was trying to get business from
12 Wilmington.

13 This was mainly subprime seller to Morgan
14 Stanley. And he was trying to get ALT-A business and
15 the person that he was speaking with said, there's this
16 one loan that Morgan Stanley keeps trying to put back
17 to us and if you can get that rescinded then we'll
18 talk, or something like that.

19 So Frank asked me and said, you know, this is
20 the situation and so I said okay, I will ask Steve
21 Shapiro.

22 Q. That's Shippy in this email?

23 A. Yeah, Shippy. But, you know, Frank is a very
24 outgoing, playful sales kind of guy that he kind of
25 just, the dynamic is kind of just a fun, joking. If

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2 you look at his emails overall they are all very joking
3 emails and stuff. But he did ask me, yes, he asked me
4 to do that.

5 Q. And that was a serious request?

6 A. Yeah. So I did ask Steve. But it's Steve's
7 business. And Steve, I don't believe Steve ever, I
8 mean Steve would not, you know, as far as I know, care
9 whether Frank got business or not. It's totally
10 separate. So --

11 Q. What was Steve's response to this email?

12 A. I don't believe he rescinded the loan. I
13 think that loan stayed as a repurchase claim. I don't
14 know --

15 Q. Did you email Steve about this?

16 A. Yes. Yeah.

17 Q. Did he respond to you in an email?

18 A. Probably.

19 Q. You are not sure?

20 A. I'm not sure. Maybe he talked about it on the
21 call. I just said, you know -- I don't believe that --
22 I don't remember perfectly but I don't remember him
23 rescinding the claim, the loan.

24 Q. Do you remember his reaction to your email?

25 A. I don't. I don't.

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2 Q. I take it you don't remember his response
3 either?

4 A. No, I don't remember.

5 (Exhibit 17 marked for identification)

6 Q. You've been handed what's marked as Exhibit 17
7 to your deposition. It begins with Bates MSM MSSTI
8 20071 0307784. Take a moment and review it and let me
9 know when you are ready.

10 A. Okay.

11 Q. Ready?

12 A. Yes.

13 Q. Do you know what this email -- this is an
14 e-mail chain in which you are part in the period
15 January 2007 to February 2007, right?

16 A. Yes.

17 Q. Do you know what this exchange is about?

18 MR. WEINSTEIN: Objection.

19 A. It's about notices for breach of rep and
20 warrant for a Fremont seconds purchase, second lien
21 purchase.

22 Q. And you were involved in this repurchase
23 claim?

24 A. Yes.

25 Q. Because at the time of this email you were the

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2 director of the repurchase group?

3 A. Yes.

4 Q. So if you look at the second to last page of
5 the document, it ends in Bates 307791.

6 A. Okay.

7 Q. This is an email from AnnMarie Dion to J
8 Crusinberry@fmtinv.com. FMT is the Fremont email
9 address?

10 A. Yes.

11 Q. And you were cc'd on this email?

12 A. Yes.

13 Q. Like three lines before AnnMarie's signature
14 block she says, "We would like to complete the
15 repurchase of these 19 loans by January 31, 2007"?

16 A. Yes.

17 Q. Do you know how that deadline was set?

18 A. I don't know how it was set.

19 Q. Do you know how deadlines for completing
20 repurchase requests were set, generally?

21 A. There was a guideline to it, you know, maybe
22 it was -- I don't know. I don't remember. We would
23 request a repurchase amount at an as-of date if they
24 agreed to repurchase and said we'll repurchase earlier
25 than that, then we would have to provide different

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2 figures. But I don't know, maybe she did it weekly.
3 I'm not sure why she picked that date and if there was
4 a specific date that we offered to conduct the
5 repurchase for.

6 Q. You said you picked a repurchase amount at an
7 as-of date?

8 A. Yes.

9 Q. How did you do that?

10 A. When we would provide a repurchase quote it
11 would be as of the date that the purchaser -- the
12 seller agreed to repurchase the loans. So we would
13 request the data from the servicer and the servicer
14 would ensure that they had all of the costs, the
15 principal balance, accrued interest and any accrued
16 costs including going forward to a date. They would
17 estimate out to a date and that would be the repurchase
18 quote.

19 Q. Who came up with the repurchase price?

20 A. Andrew Weiner or Marshall Georges.

21 Q. People within the repurchase group?

22 A. Yes.

23 Q. And they would provide you with that price?

24 A. They would provide the seller with that price.

25 Q. They didn't need your approval before?

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2 A. They might have gotten approval from the
3 operations team.

4 Q. In three or four lines up from the line we
5 were just reading from, AnnMarie says "Morgan Stanley
6 has found the remaining 19 loans have a valid breach."

7 Do you know who would have determined whether
8 the breach was valid?

9 A. AnnMarie reviewed the loans.

10 Q. And she was an analyst in repurchase?

11 A. She was a manager/underwriter.

12 Q. Were there written policies and procedures for
13 determining whether something was a valid breach?

14 A. No, because it depended on the contract, the
15 purchase agreement with the seller. So she would --
16 this was a seconds purchase, which is different than a
17 typical subprime purchase, so the guidelines for those
18 loans would be different. So she would review the
19 guidelines at the time that that loan was purchased and
20 review the files to see if they were within those
21 guidelines, if the loan documents met the guidelines.

22 Q. If you go to page ending in Bates number
23 307786, this is an email from Eric Kaplan to Bruce
24 Hurwitz, Michale Koch, Rafael Uribarre, Marshall
25 Georges and you are cc'd on this email. It is dated

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2 February 26, 2007, right?

3 A. Yes.

4 Q. And it is on the same chain we have been
5 discussing, right?

6 A. Yes.

7 Q. And Eric Kaplan says, "Our claim was
8 originated outside guidelines." Are those the
9 guidelines to which you were just referring?

10 A. Yes.

11 Q. What does it mean that a claim was originated
12 outside guidelines?

13 MR. WEINSTEIN: Objection.

14 A. I'm not sure what he means.

15 Q. Have you ever heard this phrase, origination
16 outside of guidelines?

17 A. No.

18 Q. You don't know what it means?

19 A. No.

20 Q. If you go to the front page of this document,
21 ends in 307784, this is an email you wrote, the second
22 paragraph of it says, "I'm not sure that is a slam dunk
23 though. How are we supposed to underwrite to their
24 guidelines if they do not provide us with guidelines
25 during due diligence?"

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2 Do you know what you meant when you wrote
3 that?

4 A. Well, I don't remember this, but I read
5 earlier that the seller is saying the guidelines that
6 you had during due diligence weren't applicable to
7 these loans, we had a flyer. But the flyer wasn't
8 supplied, looks like the flyer wasn't supplied during
9 due diligence. So that was the issue with this.

10 Q. And you are saying what about that in the line
11 that I just read?

12 A. Right.

13 Q. What are you saying about it, is the question?

14 A. I'm just saying -- you know, I'm asking Eric
15 did anybody know that there was this flyer when we were
16 purchasing the loans.

17 Q. It would have been important to have the
18 flyer?

19 A. Yeah.

20 Q. Why is that?

21 A. Because apparently the guidelines were changed
22 with this flyer. It was some sort of program that they
23 had for these loans.

24 Q. And these guidelines are Fremont guidelines?

25 A. Yes.

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2 Q. And those are the guidelines that you've been
3 referencing during our discussion of this document?

4 A. Yes.

5 Q. In the email below Eric has an explanation
6 where he says, "We would have to show that we would not
7 have purchased the loans had we known that they
8 originated in accordance with the program, or at the
9 very least prove that we would have paid a different
10 price for them. Part of Fremont's argument is a
11 rebuttal that the fact that the loans were originated
12 in accordance with the flyers in itself materially and
13 adversely affected the value of the loans or our
14 interest in the loans."

15 Do you understand what he meant?

16 MR. WEINSTEIN: Objection.

17 A. Yeah, he's just saying that the argument, I
18 guess, would be that -- you know, I don't want to guess
19 what he's saying there. It's a little bit -- I don't
20 remember the issue that well and so I don't want to
21 guess what he's saying.

22 Q. Sure. Based on your reading of it now do you
23 understand what he means?

24 A. Not really. No, I don't want to guess.

25 Q. So you don't understand what he means?

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2 A. Yeah, I don't understand what he means.

3 Q. In your email responding to his email you say
4 you are not sure you agree with his logic?

5 A. Yes.

6 Q. Why did you say that?

7 A. I said, how are we supposed to underwrite to
8 their guidelines if they did not provide us guidelines
9 during due diligence? You know, the flyer. So that
10 was my question.

11 Q. What does that have to do with Eric's logic?

12 A. I think -- I don't know. Because we go back
13 to what does Eric mean and I don't know what Eric means
14 so I don't want to say.

15 Q. And you are not able to explain what you meant
16 by not sure I agree with the logic?

17 A. Right.

18 Q. If you go back to page ending in Bates number
19 307785, are you on that page?

20 A. Yes.

21 Q. And the second full paragraph contains some
22 quoted language. It says -- I'll just read the full
23 sentence. It says, "but even so, please let us know
24 how the claimed breach of the underwriting guideline
25 representation 'materially and adversely affects the

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2 value of the mortgage loans or the interest of the
3 purchaser therein, or which materially and adversely
4 affects the value of the applicable mortgage loan or
5 the interest of the purchaser in the related mortgage
6 loan in the case of a representation and warranty
7 relating to a particular mortgage loan'."

8 Based on your experience at Morgan Stanley do
9 you have any understanding of what the quoted language
10 means?

11 MR. WEINSTEIN: Objection, calls for a legal
12 conclusion.

13 A. I don't know.

14 Q. You don't have any understanding of what this
15 language means?

16 A. No.

17 Q. Were you ever asked about your understanding
18 of what this language means during your employment at
19 Morgan Stanley?

20 A. No.

21 Q. Did you ever discuss this language?

22 A. No. This language is not, was not something
23 that was utilized by our group, by the repurchase
24 group.

25 Q. Who utilized it?

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2 A. This is something that would be contract
3 finance or the prime ALT-A desk. This is under the
4 prime ALT-A desk.

5 Q. You never discussed with anybody what
6 materially and adversely affects the value of the
7 mortgage loans means?

8 A. No.

9 Q. Okay.

10 MS. WEINSTEIN: If you give us two minutes and
11 we'll see whether we are ready to call it a day.

12 THE VIDEOGRAPHER: Off the record at
13 approximately 4:56 p.m.

14 (Recess taken in the proceedings)

15 THE VIDEOGRAPHER: I'm back on the record at
16 approximately 4:58 p.m.

17 MS. WEINSTEIN: Thank you, Ms. Drew. I don't
18 have any more questions. Brian, do you have
19 anything.

20 MR. WEINSTEIN: I do not. I just ask the
21 transcript be marked Confidential under the
22 protective order.

23 MS. WEINSTEIN: Thanks very much for joining
24 us today.

25 THE VIDEOGRAPHER: This is the end of the

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2 deposition consisting of six videodiscs. The time
3 is approximately 4:58 p.m.

4 (Deposition concluded at 4:58 p.m.)

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3
4 CERTIFICATE OF OATH

5
6
7 STATE OF FLORIDA)

SS

8 COUNTY OF PALM BEACH)

9
10 I, Michael J. D'Amato, Notary Public for the
11 State of Florida, certify that on the 23rd day of
12 February 2016, LISA ANN DREW personally appeared before
13 me and was duly sworn or affirmed.

14 WITNESS my hand and official seal this 24th day
15 of February 2016.

16
17 _____
18 Michael J. D'Amato
19 Notary Public - State of Florida
My Commission # EE 199113
Expires: June 13, 2016

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2 CERTIFICATE OF COURT REPORTER

3 I, MICHAEL J. D'AMATO, a Registered Merit Reporter
4 and Notary Public in and for the State of Florida at
5 Large, do HEREBY CERTIFY that I was authorized to and
6 did stenographically report the deposition of LISA ANN
7 DREW; that a review of the transcript was requested; and
8 that the foregoing transcript, pages from 1 to 269, is a
9 true and accurate record of my stenographic notes.

10 I FURTHER CERTIFY that I am not a relative,
11 employee, attorney, or counsel of any of the parties, nor
12 am I a relative or employee of any of the parties'
13 attorney or counsel connected with the action, nor am I
14 financially interested in the action.

15 Dated this 24th day of February 2016.

16 _____
17 MICHAEL J. D'AMATO,
18 Registered Merit Reporter
19
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21
22
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25

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E R R A T A S H E E T

(Do not write on transcript - Enter any changes here)

IN RE: Deutsche v Morgan Date taken: 2/23/16

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Under penalties of perjury, I declare that I have read my deposition and that the facts stated herein are true.

23		
24	_____	_____
25	LISA ANN DREW	DATE