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

In the Matter of the Application of THE BANK OF NEW YORK MELLON, in its Capacity as Trustee or Indenture Trustee of 530 Countrywide Residential Mortgage-Backed Securitization Trusts, Petitioner, For Judicial Instructions under CPLR Article 77 on the Distribution of a Settlement Payment	Index # 150973/2016 IAS Part 39 Honorable Saliann Scarpulla **RESPONDENTS PROSIRIS'S AND TILDEN PARK'S VERIFIED ANSWER TO THE VERIFIED PETITION**

Respondents Prosiris Capital Management LP ("Prosiris") and Tilden Park Capital Management LP ("Tilden Park" and, together with Prosiris, "Respondents") respectfully submit this Verified Answer in response to the Verified Petition for Judicial Instructions under CPLR Article 77 on the Distribution of a Settlement Payment ("Petition") filed by Petitioner The Bank of New York Mellon ("BNY Mellon" or "Petitioner"), in its capacity as trustee or indenture trustee of 530 Countrywide residential mortgage-backed securitization trusts ("Covered Trusts"). Respondents respectfully allege as follows:

1. Respondents are investors in 14 of the Covered Trusts, and hold certificates entitling them to payments from those 14 trusts ("14 Trusts"). Respondents may also hold certificates in Covered Trusts that are not the subject of this Verified Answer.

2. On February 5, 2016, Petitioner commenced this special proceeding under CPLR Article 77 and requested judicial instruction regarding the distribution of an $8.5 billion settlement payment that Petitioner expected to receive on or about February 10, 2016, for the benefit of investors in the Covered Trusts, including Respondents.

3. Specifically, the Petition requests instruction as to how the Trustee should, in

connection with the distribution of the settlement payment, apply the write-up provisions of the agreements that govern each Covered Trust (the "Governing Agreements").

4. Petitioner alleges that due to the size of the settlement, if it applies the write-up provisions as it has in the past, distributed funds may flow to subordinate classes that Petitioner otherwise would not expect to receive them. Petitioner proposes changing the order of certain distribution operations and/or the way it calculates overcollateralization to avoid this "leakage," and argues that the Governing Agreements do not preclude it from doing so because they are silent on these issues.

5. Far from being silent, however, the Pooling and Servicing Agreements that govern the 14 Trusts ("PSAs") make unambiguously clear that distribution operations must be performed in a certain sequence and that the calculation of overcollateralization does not affect the distribution.

6. The distribution waterfall set forth in the PSAs instructs that subsequent recoveries beyond a specified amount will be distributed not to pay down the principal balance of the senior certificates, but instead to compensate subordinate certificates for unpaid unrealized losses. This is an essential feature of the 14 Trusts and a significant reason why Respondents purchased them.

7. The Court should reject Petitioner's invitation to rewrite the unambiguous terms of the PSAs and direct Petitioner to enforce the PSAs as written. This means that, with respect to each of the 14 Trusts, Petitioner must "pay first and write up second" and make no "adjustment" to the overcollateralization calculation. That is precisely what the PSAs require, and that is what Petitioner has done in the past with respect to other trusts that have similar distribution waterfalls and governing agreements.

8. Finally, while Respondents do not object to the manner in which the escrowed funds have been invested for the pendency of this proceeding, they request that any judicial instruction require Petitioner to make distributions "as of" the next "Distribution Date" following February 10, 2016 (or the date the settlement funds were actually received by Petitioner), as defined by the PSAs. This timing instruction will protect investors from experiencing a disparate economic impact of the delay caused by the escrowing of settlement funds during this proceeding.

9. Respondents are submitting with this Verified Answer a Memorandum of Law, which sets forth in further detail the grounds for Respondents' positions as summarized above, including the legal arguments supporting Respondents' positions.

THE RESPONDENTS AND THEIR CERTIFICATES

10. Respondent Prosiris Capital Management LP is a Delaware limited partnership with its principal place of business in New York. Prosiris is an investment manager that manages diversified, multi-sector portfolios with asymmetric return profiles.

11. Respondent Tilden Park Capital Management LP is a Delaware limited partnership with its principal place of business in New York. Tilden Park is a multi-strategy fixed-income-focused alternative asset manager.

12. Respondents purchased and currently hold certificates ("Certificates") that represent interests in the cash flows associated with the 14 Trusts, all of which are overcollateralization trusts. An overcollateralization trust is an RMBS trust that is structured to create credit enhancement, or protection, for certificateholders in the trust through "overcollateralization." In general, overcollateralization is the amount by which the aggregate principal balance of the mortgage loans in the trust exceeds the aggregate principal balance that

is assigned to each of the certificates in the trust.

13. Respondents, on behalf of their advisory clients, which are private investment vehicles with interests held by public and private pension plans, endowments, and foundations, among others, hold pass-through certificates that represent interests in the cash flows associated with the 14 Trusts, all of which are overcollateralization trusts.

14. With one exception,[1] all of Respondents' Certificates are "Senior Certificates," which means that they have payment priority over the "Subordinate Certificates" in each of the respective 14 Trusts. More specifically, with the exception of one certificate, all of Respondents' certificates are "Super Senior Support Certificates" because they have lower payment priority than the "Super Senior Certificates" (e.g., 1-A-1, 2-A-1).

15. Nearly all of the Super Senior Support Certificates in the 14 Trusts were originally rated AAA.

16. Respondent Prosiris purchased and currently holds the following certificates representing interests in certain of the 14 Trusts:

Covered Trust	Trust Type	Certificate Class	Relevant Loan Group
CWALT 2005-61	Overcollateralization	2-A-4	2
CWALT 2005-69	Overcollateralization		
CWALT 2005-72	Overcollateralization		
CWALT 2005-76	Overcollateralization		
CWALT 2005-IM1	Overcollateralization	A-2	Full Deal
CWALT 2006-OA3	Overcollateralization	1-A-2, 2-A-2	1, 2
CWALT 2006-OA7	Overcollateralization		
CWALT 2006-OA8	Overcollateralization	1-A-2	1
CWALT 2006-OA10	Overcollateralization		
CWALT 2006-OA14	Overcollateralization	1-A-2, 2-A-2	1, 2
CWALT 2007-OA3	Overcollateralization		
CWALT 2007-OA8	Overcollateralization	1-A-2, 2-A-2	1, 2
CWMBS 2006-3	Overcollateralization	1-A-2	1
CWMBS 2006-OA5	Overcollateralization	1-A-2, 2-A-2, 3-A-2	1, 2, 3

[1] One certificate held by Respondent Tilden Park, CWALT 2005-61 IM1, is a "Mezzanine Certificate." This does not alter any of Respondents' arguments herein with respect to the distribution of the Allocable Shares.

17. Respondent Tilden Park purchased and currently holds the following certificates representing interests in certain of the 14 Trusts:

Covered Trust	Trust Type	Certificate Class	Relevant Loan Group
CWALT 2005-61	Overcollateralization	1-M-1, 2-A-4	1, 2
CWALT 2005-69	Overcollateralization	A-2	Full Deal
CWALT 2005-72	Overcollateralization	A-4	Full Deal
CWALT 2005-76	Overcollateralization	2-A-2, 3-A-2	2, 3
CWALT 2005-IM1	Overcollateralization		
CWALT 2006-OA3	Overcollateralization	1-A-2, 2-A-2	1, 2
CWALT 2006-OA7	Overcollateralization	1-A-3, 2-A-2	1, 2
CWALT 2006-OA8	Overcollateralization	1-A-2, 2-A-4	1, 2
CWALT 2006-OA10	Overcollateralization	1-A-2, 2-A-2, 3-A-2, 4-A-2	1, 2, 3, 4
CWALT 2006-OA14	Overcollateralization	1-A-2, 2-A-2	2
CWALT 2007-OA3	Overcollateralization	1-A-2, 2-A-2	1, 2
CWALT 2007-OA8	Overcollateralization	1-A-2, 2-A-2	1, 2
CWMBS 2006-3	Overcollateralization	1-A-2, 1-A-3, 2-A-3, 3-A-2	1, 2, 3
CWMBS 2006-OA5	Overcollateralization	1-A-2, 2-A-2, 3-A-2	1, 2, 3

18. As investors in the cash flows associated with the 14 Trusts, Prosiris and Tilden Park will be affected by any instruction from the Court regarding the distribution of funds from those trusts.

THE SETTLEMENT AGREEMENT AND THE PETITION

19. On June 28, 2011, Petitioner, in its capacity as trustee or indenture trustee of the Covered Trusts, entered into a settlement agreement with Bank of America Corporation, Countrywide Financial Corporation, and related entities (the "Settlement Agreement"). The Settlement Agreement required the defendants to pay $8.5 billion to Petitioner for the benefit of investors in the Covered Trusts in exchange for a release of certain claims.

20. On April 27, 2015, this Court entered a final judgment approving the settlement. Under the terms of the Settlement Agreement, Petitioner was required to retain an expert to allocate the $8.5 billion settlement payment among the Covered Trusts according to a

predetermined formula that allocates a share of the settlement payment to each Covered Trust (the Covered Trust's "Allocable Share"). The formula treated each class of certificates supported by a distinct loan group as a separate Covered Trust.

21. After each Allocable Share was determined by the expert, Petitioner was required by the Settlement Agreement to take two steps. First, Petitioner was required to distribute each Allocable Share "to investors in accordance with the distribution provisions of the [Governing Agreements]." *See* Settlement Agreement ¶ 3(d)(i). Second, after the distribution, Petitioner was required to "allocate the amount of the Allocable Share for that Covered Trust . . . to increase the Class Certificate Balance . . . of each class of Certificates . . . to which Realized Losses have been previously allocated." *See* Settlement Agreement ¶ 3(d)(ii).

22. The Settlement Agreement requires Petitioner to treat the Allocable Shares as "Subsequent Recoveries" and distribute them accordingly. *See* Settlement Agreement ¶ 3(d)(i).

23. On January 11, 2016, the expert retained by Petitioner produced a report that identified the Allocable Share for each Covered Trust. The Allocable Share for each loan group within each of the 14 Trusts is as follows:

Covered Trust	Loan Group	Allocable Share ($)
CWALT 2005-61	1	7,337,208
CWALT 2005-61	2	7,241,394
CWALT 2005-69	Full Deal	12,186,772
CWALT 2005-72	Full Deal	19,080,450
CWALT 2005-76	2	32,426,265
CWALT 2005-76	3	3,291,520
CWALT 2005-IM1	1	12,333,478
CWALT 2006-OA3	1	15,262,825
CWALT 2006-OA3	2	9,913,673
CWALT 2006-OA7	1	26,423,245
CWALT 2006-OA7	2	14,525,944
CWALT 2006-OA8	1	12,788,042
CWALT 2006-OA8	2	9,678,752
CWALT 2006-OA10	1	17,350,688
CWALT 2006-OA10	2	20,080,340

CWALT 2006-OA10	3	16,081,267
CWALT 2006-OA10	4	55,959,920
CWALT 2006-OA14	1	13,864,960
CWALT 2006-OA14	2	12,744,897
CWALT 2007-OA3	1	28,363,912
CWALT 2007-OA3	2	16,504,111
CWALT 2007-OA8	1	10,692,829
CWALT 2007-OA8	2	18,165,461
CWMBS 2006-3	1	13,371,533
CWMBS 2006-3	2	8,158,952
CWMBS 2006-3	3	7,229,847
CWMBS 2006-OA5	1	18,455,630
CWMBS 2006-OA5	2	16,669,608
CWMBS 2006-OA5	3	8,743,632

24. On February 5, 2016, Petitioner commenced this special proceeding under CPLR Article 77 and requested judicial instruction regarding the distribution of the $8.5 billion settlement payment that it expected to receive on or about February 10, 2016.

25. Respondents have yet to receive the share of the settlement payment to which they are entitled pursuant to the Certificates they hold.

THE PSAs' EXPRESS PROVISIONS GOVERNING THE WRITE UP ISSUE WITH RESPECT TO THE 14 TRUSTS

26. The PSAs for each of the 14 Trusts specify that Subsequent Recoveries (which, as noted above, include any Allocable Share distributed pursuant to the Settlement Agreement) must be treated as "Available Funds" pursuant to the Trust's PSA. An effect of the PSAs' classification of Subsequent Recoveries as Available Funds is that any Subsequent Recoveries do not receive special treatment as they are distributed to certificateholders; they are simply distributed in the same manner as principal and interest payments.

27. Each PSA for the 14 Trusts specifies that on the 25th of every month ("Distribution Date"), Available Funds must be distributed in accordance with Section 4.02(a) of the PSA.

28. Section 4.02(a) of each PSA for the 14 Trusts requires Available Funds to be distributed in the following manner: *first*, to pay interest (coupon payments) on the covered Certificates in a specified sequence; *second*, to reduce the principal balance of the covered Certificates in a specified order up to a specified amount; and *third*, to compensate the covered Certificates for unpaid realized losses in a specified order of priority starting with the most senior class of certificates.

29. The PSAs for the 14 Trusts limit the amount of Available Funds that may be applied to reduce the principal balance of the Certificates. The amount of Available Funds that may be applied to reduce the principal balance of the Certificates is the "Principal Distribution Amount," which, as relevant here, is defined by the PSAs to equal the certificate principal balance immediately prior to the Distribution Date minus the difference between the principal balance of the mortgage loans on the Distribution Date and the "Overcollateralization Target Amount" for the Distribution Date.

30. At this point in the life of the 14 Trusts, the Overcollateralization Target Amount, as defined in the PSAs, is a fixed amount (equal to a fixed percentage of the original principal balance) and does not vary on a month-to-month basis. Writing up the certificate principal balance would therefore have no impact on the Overcollateralization Target Amount.

31. The Governing Agreements for some of the Covered Trusts calculate principal balance by reference to an additional defined term for overcollateralization (or overcollateralized) amounts. These additional provisions in certain Governing Agreements—which are not present in the PSAs for the 14 Trusts—contain language suggesting that the aggregate certificate principal balance must be adjusted to bring it up to date prior to the calculation of the overcollateralization amount.

32. The PSAs for the 14 Trusts provide for the "writing up" of certificate principal balance in the event of a Subsequent Recovery, but only after the distribution of the Subsequent Recovery. Specifically, the PSAs provide that Subsequent Recoveries must be applied "[o]n each Distribution Date," and that the Principal Distribution Amount described must be calculated based on the certificate principal balance "immediately prior to such Distribution Date." The PSAs for the 14 Trusts are accordingly clear that, for purposes of distributing a Subsequent Recovery, the trustee should use the certificate principal balance as it existed "immediately prior" to the distribution—not after any "write up" resulting from the distribution.

33. Given the foregoing provisions of the PSAs for the 14 Trusts, and for reasons explained in more detail in Respondents' Memorandum of Law, the PSAs require that Petitioner must "pay first and write up second."

PETITIONER'S HISTORIC PRACTICE

34. Petitioner's historic practice has been to allow Available Funds to flow to subordinate classes of securities for unpaid realized losses they have experienced when in excess of the Principal Distribution Amount, consistent with the express terms of the PSAs as described above.

35. For example, in October 2010, Petitioner distributed Available Funds in excess of the Principal Distribution Amount to the subordinate certificateholders of CWALT 2007-OA10. That trust received a Subsequent Recovery such that the Available Funds exceeded the Principal Distribution Amount. The M-1, M-2, M-3, M-4, M-5, M-6 certificateholders received no principal in October 2010, yet the M-7 certificateholders received $631,003, equal to the full amount of the unpaid realized loss of this class, and the M-8 class received $110,909, representing a portion of the unpaid realized losses suffered by that class. In other words, rather

than first writing up the certificate principal balances, which would have resulted in principal payments to more senior certificateholders, Petitioner distributed available funds, consistent with the PSAs, to the more junior classes based upon unpaid realized losses.

36. Respondents relied in part on this historic practice in purchasing the Certificates.

INVESTMENT OF ESCROWED FUNDS

37. Respondents do not object to the investment of the escrowed funds in the manner proposed by Petitioner and adopted by the Court in the Order to Show Cause.

TIMING OF DISTRIBUTION

38. Under the Settlement Agreement, following the determination of the Allocable Shares by Petitioner's expert, Bank of America was required to wire a payment in the amount of each Allocable Share to the account of the Covered Trust entitled to that share. *See* Settlement Agreement ¶ 3(b). Once in the accounts of the 14 Trusts, the Allocable Shares (and any other amounts in those accounts at the time) would be eligible for distribution to Respondents on the next Distribution Date, in accordance with the PSAs.

39. The Allocable Share of each Covered Trust was determined on January 11, 2016, and the payments from Bank of America were expected to be received on or around February 10, 2016. (Petitioner has not stated when the funds were actually received, but Respondents are aware of no information indicating that the funds were received after February 10, 2016).

40. Accordingly, upon information and belief, the Allocable Shares were eligible for distribution to Respondents on the next Distribution Date following February 10, 2016, which was February 25, 2016. Upon information and belief, the Allocable Shares would have been distributed to Respondents on February 25, 2016, in accordance with the PSAs, were it not for Petitioner filing the Petition and the Court subsequently issuing an Order to Show Cause

directing Petitioner to place the Allocable Shares in escrow "as an urgent interim measure" for the pendency of this proceeding.

41. The delay of the distribution caused by the Petition and the ensuing escrowing of the Allocable Shares raises a question as to whether the funds will ultimately be distributed to certificateholders (a) as of the date they would have been distributed in the absence of the Order to Show Cause, (b) as of the date the Petition is resolved and any judicial instructions are given, or (c) as of some other date. The Petition does not raise this issue or offer any indication as to how Petitioner intends to proceed.

42. Respondents expect that if the distribution of the Allocable Shares allocated to the 14 Trusts were to occur on a Distribution Date subsequent to February 25, 2016, that would have a material economic impact on the distribution with respect to the 14 Trusts. This is because additional losses may be realized by the 14 Trusts in the period following February 25, 2016, thus altering the waterfall distribution of the Allocable Shares between certificates in the 14 Trusts (which, as set forth in the PSAs, depends on unpaid realized losses).

43. The Court should eliminate this economic impact—which would arise solely as a result of the Petitioner's having filed the Petition instead of simply distributing the Allocable Shares—by directing Petitioner to distribute the Allocable Shares as of the date on which they would have been distributed absent the filing of the Petition and the entry of the Order to Show Cause. Upon information and belief, and as explained above, that date is February 25, 2016, with respect to the 14 Trusts.

REQUEST FOR RELIEF

Based on the foregoing, the accompanying Memorandum of Law, and the Declaration of Jaime D. Sneider, Respondents Prosiris Capital Management LP and Tilden Park Capital Management LP respectfully request that the Court:

a. instruct the Trustee to follow the Settlement Agreement, the plain and unambiguous language of the PSAs for the 14 Trusts, and past practice in connection with the distribution of Allocable Shares by distributing the Allocable Shares before writing up certificate principal balances and making no adjustment to the overcollateralization calculation, irrespective of the fact that doing so may result in payments to subordinate certificateholders;

b. instruct the Trustee to distribute the Allocable Shares as of, and as though they were being distributed on, February 25, 2016; and

c. grant Respondents such other, further, and different relief as the Court deems just and proper.

Dated: New York, New York
March 4, 2016

Respectfully submitted,

BOIES, SCHILLER & FLEXNER LLP

By: /s/ Damien J. Marshall

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Attorneys for Respondents Prosiris Capital Management LP and Tilden Park Capital Management LP

VERIFICATION WITH RESPECT TO FACTS RELATING TO TILDEN PARK CAPITAL MANAGEMENT LP

NEIL MARGOLIES, being duly sworn, deposes and says:

1. I am General Counsel and Chief Compliance Officer at Tilden Park Capital Management LP.

2. I have read the foregoing Verified Answer and know the contents thereof. All statements of fact therein, insofar as they relate to Tilden Park Capital Management LP and the Certificates (as that term is defined in the Verified Answer) held by Tilden Park Capital Management LP, are true and correct to the best of my knowledge and belief.

Neil Margolies

State of New York
County of New York

Sworn to before me this
4th day of March, 2016

Notary Public

MINDY CHEN
NOTARY PUBLIC-STATE OF NEW YORK
No. 01-CH6289928
Qualified In Queens County
Certificates Filed in Albany, New York, and Kings Counties
My Commission Expires September 30, 2017

VERIFICATION WITH RESPECT TO FACTS RELATING TO PROSIRIS CAPITAL MANAGEMENT LP

SERGE TODOROVICH being duly sworn, deposes and says:

1. I am General Counsel and Chief Compliance Officer at Prosiris Capital Management LP.

2. I have read the foregoing Verified Answer and know the contents thereof. All statements of fact therein, insofar as they relate to Prosiris Capital Management LP and the Certificates (as that term is defined in the Verified Answer) held by Prosiris Capital Management LP, are true and correct to the best of my knowledge and belief.

Serge Todorovich

Sworn to before me this
4th day of March, 2016

Notary Public

KENNETH SEILER
NOTARY PUBLIC-STATE OF NEW YORK
No. 02SE6314010
Qualified In New York County
My Commission Expires November 03, 2018