

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 No. 150973/2016

Hon. Saliann Scarpulla
Part 39

Motion Sequence No. 1

**CENTER COURT, LLC'S SUBMISSION AND MEMORANDUM OF LAW
UNDER THE ORDER TO SHOW CAUSE OF FEBRUARY 5, 2016**

McKool Smith PC
One Bryant Park, 47th Floor
New York, NY 10016

Attorneys for Center Court, LLC

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Center Court, LLC and certain of its affiliates (“Certificateholder”) is an Interested Person in certain of the Covered Trusts identified in the Verified Petition filed by The Bank of New York Mellon, in its capacity as trustee or indenture trustee (“Trustee”) of 530 residential mortgage-backed securitization trusts (“Covered Trusts”). Certificateholder respectfully submits this Submission and Memorandum of Law under the Order to Show Cause of February 5, 2016.

PRELIMINARY STATEMENT

Certificateholder is a holder in at least seven of the overcollateralized (“OC”) Trusts identified in the Verified Petition. The clear and unambiguous terms of those trusts’ Governing Documents indicate an order of payment contrary to the default method of distribution described in the Settlement Agreement.¹ Given that the Settlement Agreement does not purport to alter the Governing Documents, Certificateholder believes the Trustee should abide by the “order of operations” expressed in the related Pooling and Servicing Agreements (“PSAs”): namely, to write-up Certificate Principal Balances in the amount of Subsequent Recoveries before distributing payments of principal.

Certificateholder understands that others may encourage the Court to instruct the Trustee to use an order of operation that permits “leakage” to junior classes of certificates in OC Trusts. Any such order is contrary to not only the plain meaning of the Governing Agreements, but also the very nature and purpose of overcollateralization credit enhancement, which is to provide protection for more senior certificateholders. Certificateholder therefore objects to any order of operation that results in OC “leakage.”

¹ Unless otherwise noted herein, defined terms have the meaning ascribed to them in the Verified Petition.

However, the Court has the equitable power under Article 77 to give meaning and effect to the PSAs and OC Trust structures without construing each of the 173 trusts at issue and resolving any possible discrepancies between the PSAs and the Settlement Agreement. Rather, the Court may instruct the Trustee to make a one-time adjustment to the distribution of Allocable Shares in order to prevent any OC “leakage.” Certificateholder is in favor of the Court using this approach to the extent that it is equitable, appropriate under the law, and judicially efficient.

STATEMENT OF FACTS

Certificateholder is the beneficial owner of Certificates in Covered Trusts, including without limitation the OC Trusts listed on Exhibit A hereto (the “Subject Trusts”).² Certificateholder holds both senior and mezzanine bonds in OC Trusts, as well as bonds in Covered Trusts that are not overcollateralized. Certificateholder makes this Submission given what it believes to be the proper interpretation of the language of the Pooling and Servicing Agreements (“PSAs”) governing the Subject Trusts, as well as what is fair, equitable and consistent with the intended structure and operation of the Subject Trusts.³

The Covered Trusts are senior-subordinated structures. The bond classes in a senior-subordinated trust generally are referred to as belonging to senior or junior (or subordinated) bond classes. This type of structure is designed to help ensure repayment to holders of senior classes of securities ahead of holders of subordinated classes. This order of priority means that if

² The Verified Petition, Order to Show Cause and Scheduling Order have afforded Certificateholder limited time to identify its holdings that may be implicated by the issues raised in the Verified Petition, as well as by any certificateholder submissions that will be filed today. Certificateholder therefore reserves the right to identify additional holdings and to supplement this Submission should good cause exist or the Court otherwise order.

³ Because the Trustee has explained its reasoning for seeking judicial instruction in both its Verified Petition and Memorandum of Law in Support, Certificateholder sets forth herein the facts germane only to this Submission.

income streams from the underlying mortgage loans are insufficient to pay holders of all classes of certificates, the senior bonds bear the least risk of suffering a shortfall. Junior bondholders receive compensation for bearing the additional risk in the form of higher interest rates on their subordinated securities. All purchasers of RMBS certificates take this risk-reward tradeoff into account when deciding whether to purchase a bond.

According to the Trustee's Verified Petition, 173 of the Covered Trusts are "OC Trusts." Overcollateralization ("OC") is a form of credit enhancement that is designed to provide a cushion to absorb losses that might otherwise be absorbed by certificateholders. Overcollateralization means that the amount of the assets held by the trust (*i.e.*, mortgage-loan collateral) exceeds the trust's liabilities (*i.e.*, the outstanding balance of all certificates issued by the trust). For example, a trust that owns \$550 million worth of mortgage loans, but issues only \$500 million of bonds is overcollateralized. The resulting \$50 million in overcollateralization results in interest and principal payments from the mortgage loans that exceed the corresponding amounts of interest and principal owed to the certificateholders. This \$50 million provides another layer of protection to the certificateholders from losses. The trust corpus can suffer losses up to \$50 million before the trust's income stream begins to lag behind payments owed to certificateholders.

Further, PSAs governing OC Trusts generally require that the trust maintain a minimum overcollateralization amount. If the OC amount drops below that target amount, then any excess interest payments generated by the mortgage loans will be used to make principal payments and build the OC back to its target level. If the trust experiences high enough losses, and the OC is reduced to zero, further losses will result in a write-down of the principal balances of junior certificates. Only after those junior certificates are fully written down to zero will senior

certificates begin to take losses. In sum, overcollateralization provides another layer of protection to senior classes of certificates beyond the senior-subordinated structure, and helps ensure that senior certificateholders suffer fewer losses and receive more secure payments of interest and principal than junior certificateholders. (*See also* Verified Petition at ¶ 23.)

Despite the fact that the purpose of overcollateralization in a senior-subordinated structured trust is to provide additional protection to the senior certificateholders from losses, the Trustee alleges that “leakage” occurs only in OC Trusts. Certificateholder believes that the unambiguous order of operation expressed in the PSAs governing its holdings preclude any OC leakage. Nevertheless, Certificateholder is in favor of any instruction by the Court that implements a one-time adjustment to preclude OC leakage under the extraordinary circumstances present here.

ARGUMENT

I. The PSAs Governing the Subject Trusts Direct the Trustee to Write-Up Subsequent Recoveries First And Pay Principal Second.

Under New York law, written agreements are construed in accordance with the [contracting] parties' intent and the best evidence of what parties to a written agreement intend is what they say in their writing. As such, a written agreement that is complete, clear and unambiguous on its face must be enforced according to the plain meaning of its terms." *Schron v. Troutman Sanders LLP*, 20 N.Y. 3d 430, 436 (N.Y. 2013) (quotations and citations omitted). The Settlement Agreement reflects this principal by deferring to the plain terms of the PSAs and explicitly disclaiming any intent to alter any clear provision of the PSAs. (See Settlement Agreement, ¶ 21) ("Nothing in this Settlement Agreement is intended to, or does, amend any of the Governing Agreements.")

Each of the Subject Trusts unambiguously prescribes an order of operations for treatment of Subsequent Recoveries:⁴ First, the Trustee must allocate the amount of Subsequent Recoveries to "write up" the principal balance of trust certificates. Second, the Trustee must distribute payments of principal based upon the newly "written-up" principal balances.

A. How The Subject Trusts' Waterfalls Work.

Article IV of each of the PSAs governing the Subject Trusts contains detailed provisions, colloquially known as distribution "waterfalls," specifying the priorities and amounts of principal and interest payments to be made to each class of certificates on each Distribution Date. The Subject Trust PSAs generally set forth the waterfall governing payments of interest first. (See, e.g., CWABS 2006-24 PSA §4.02(a).) The PSAs then describe the waterfall governing

⁴ Certificateholder acknowledges that there is variation among PSAs and that such variations may prescribe different outcomes in particular circumstances. Certificateholder takes no position on the interpretation of any PSA other than those governing the Subject Trusts.

distribution of principal amounts (which include Subsequent Recoveries). By way of example, the principal distribution waterfall for the CWABS 2006-24 trust provides:

[W]ith respect to any Distribution Date prior to the Stepdown Date⁵ or on which a Trigger Event is in effect, sequentially:

(A) concurrently:

(i) from the Principal Distribution Amount for Loan Group 1, sequentially:

(a) to the Class 1-A Certificates, until the **Certificate Principal Balance** thereof is reduced to zero; and

(b) to the Classes of Class 2-A Certificates (after the distribution of the Principal Distribution Amount from Loan Group 2 as provided in clause (ii)(a) below), in the order and priorities set forth in clause (3) below, until the **Certificate Principal Balances** thereof are reduced to zero;

(ii) from the Principal Distribution Amount for Loan Group 2, sequentially:

(a) to the Classes of Class 2-A Certificates, in the order and priorities set forth in clause (3) below, until the **Certificate Principal Balances** thereof are reduced to zero; and

(b) to the Class 1-A Certificates (after the distribution of the Principal Distribution Amount from Loan Group 1 as provided in clause (i)(a) above), until the **Certificate Principal Balance** thereof is reduced to zero;

(B) from the remaining Principal Distribution Amounts for Loan Group 1 and Loan Group 2, sequentially:

(i) sequentially, to the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9 and Class B Certificates, in that order, in each case until the **Certificate Principal Balance** thereof is reduced to zero; and

(ii) any remainder as part of the Excess Cashflow.

⁵ The Stepdown Date has not occurred for any of the Subject Trusts. The Court may, therefore, disregard subsequent distribution provisions relating to distributions “on or after the Stepdown Date.”

(CWABS 2006-24 PSA §4.02(b)(1) (emphasis added).)

Subpart A of the waterfall describes the distribution to the senior classes of certificates (Class 1-A and 2-A Certificates) and Subpart B of the waterfall describes the distribution to the junior classes of certificates (Class M-1 through M-9 and Class B Certificates). As is evidenced in both subparts, this Trust has two separate loan groups, and the Principal Distribution Amounts for each loan group are specifically delineated for payment in the waterfall. The Principal Distribution Amounts⁶ for Loan Group 1 first pays to the Class 1-A Certificates, until their Certificate Principal Balance is zero, and then goes to pay Class 2-A Certificates until their Certificate Principal Balance is zero. Similarly, the Principal Distribution Amounts for Loan Group 2 first pays to the Class 2-A Certificates until their Certificate Principal Balance is zero, and then goes to pay the Class 1A Certificates. Only remaining funds “flow” to the junior classes of certificates.

Thus, reflecting the senior-subordinate structure of the Subject Trusts, the Principal Distribution Amount passes *seriatim* past each step in the waterfall and “flows” to each class of certificate along the way in an amount calculated with reference to the Certificate Principal Balance of that class of certificate. The Principal Distribution Amount keeps flowing down the waterfall until it is depleted.

B. The Importance of Certificate Principal Balance Definitions.

The Certificate Principal Balance is referenced in each step of the waterfall. The Certificate Principal Balances of each class, therefore, determine the amount of principal distributed at each stage of the waterfall and are the starting point for determining how the

⁶ See, e.g., definitions of Principal Distribution Amount and Principal Remittance Amount, CWABS 2006-24 PSA at 42.

Trustee distributes principal payments. The definition of “Certificate Principal Balance” in each of the PSAs governing the Subject Trusts requires the Trustee to determine such balances pursuant to a precisely defined set of calculations. Embedded in these calculations is an order of operations for treatment of Subsequent Recoveries. And for the Subject Trusts, the order of operations requires the write-up Certificate Principal Balances in the amount of Subsequent Recoveries before making any distributions.

For example, the definition of “Certificate Principal Balance” in the PSA governing CWABS 2006-24 states:

As to any Certificate (other than the Class C Certificates) and as of any Distribution Date, the Initial Certificate Principal Balance of such Certificate (A) *less* the sum of (i) all amounts distributed with respect to such Certificate in reduction of the Certificate Principal Balance thereof on previous Distribution Dates pursuant to Section 4.04(b) *and* (ii) any Applied Realized Loss Amounts allocated to such Certificate on previous Distribution Dates pursuant to Section 4.04(g), and (B) *increased by* any Subsequent Recoveries allocated to such Certificate pursuant to Section 4.04(h) on such Distribution Date.

(CWABS 2006-24 PSA at p. 11 (emphases added).)⁷

By its terms, “Certificate Principal Balance” is measured “as of any Distribution Date” and is calculated as follows:

- The Trustee begins with the Initial Certificate Principal Balance of each Certificate, meaning the Principal Balance of the Certificate as of the beginning of the trust;
- The Trustee subtracts the cumulative amount of all principal (including Subsequent Recoveries) distributed with respect to the certificate on “*previous* Distribution Dates,” meaning all amounts for all Distribution Dates before the one on which the calculation is made;
- The Trustee subtracts the cumulative amount of any Applied Realized Loss Amounts allocated to such Certificate on “*previous* Distribution Dates,” again

⁷ For ease of the Court’s reference and pursuant to the Court’s request in its February 26 Scheduling Order, attached hereto as Exhibit B is a summary page for each of the Subject Trusts that references the controlling provisions in each PSA governing a Subject Trust.

meaning all loss amounts accounted for on all Distribution Dates before the one on which the calculation is made; and

- The Trustee allocates the amount of any Subsequent Recoveries (or performs the “write-up”) based upon the Subsequent Recoveries as of “*such* Distribution Date,” meaning that the Trustee is to add the Subsequent Recoveries as of the Distribution Date on which the calculation is made.

Thus, by its own terms, the Certificate Principal Balance accounts for all principal payments distributed and Realized Losses allocated on *past* Distribution Dates, but excludes principal payments to be distributed and Realized Losses to be allocated *on* the present Distribution Date. Conversely, the calculation of Certificate Principal Balance specifically incorporates Subsequent Recoveries allocated to the Certificate *on the present Distribution Date*. Because no distributions of principal can be made under the waterfall provisions of Article IV without reference to “the” Certificate Principal Balance of a certificate, and because that Balance incorporates a write-up for Subsequent Recoveries to be made *on the present Distribution Date*, it follows that the write-up must occur *before* performing the distributions.

The provision in Article IV that governs allocation of Subsequent Recoveries further harmonizes with the above order of operations. Section 4.04(h) provides that certificateholders of certificates to which Subsequent Recoveries have been allocated are not entitled to Current Interest on the amount of increases for any Accrual Period preceding the Distribution Date on which the increase occurs. If the Trustee were to distribute principal payments under the waterfall before writing up the Certificate Principal Balances, there would not be any Current Interest to allocate, and this provision of Section 4.04(h) would be rendered meaningless. Therefore, because when a Subsequent Recovery write-up occurs, Current Interest from the preceding distribution is explicitly excluded, Section 4.04(h) must mean that the write-up occurs before payment is made.

C. The PSA Language For All Subject Trusts Is Congruous.

The CWABS 2006-24 Trust is but an example of the order of operations under the Governing Agreements for the Subject Trusts. The result for the other Subject Trusts is the same, even if the language has minor differences. As another example, the waterfall provision for the distribution of principal in CWALT 2006-OC3 similarly references the Class Certificate Balance in every step:

(i) For each Distribution Date prior to the Stepdown Date or on which a Trigger Event is in effect, sequentially:

(A) concurrently:

(1) from the Principal Distribution Amount for Loan Group 1, sequentially:

(a) to the Class A-R Certificates, until its Class Certificate Balance is reduced to zero,

(b) concurrently, to the Class 1-A-1 and Class 1-A-2 Certificates, pro rata, until their respective Class Certificate Balances are reduced to zero;

(c) sequentially, to the Class 2-A-1, Class 2-A-2 and Class 2-A-3 Certificates, in that order (after the distribution of the Principal Distribution Amount from Loan Group 2 as provided in clause (b)(i)(A)(2)(a) below), until their respective Class Certificate Balances are reduced to zero; and

(2) from the Principal Distribution Amount for Loan Group 2, sequentially:

(a) sequentially, to the Class 2-A-1, Class 2-A-2 and Class 2-A-3 Certificates, in that order, until their respective Class Certificate Balances are reduced to zero;

and

(b) concurrently, to the Class 1-A-1 and Class 1-A-2 Certificates (after the distribution of the Principal Distribution Amount from Loan Group 1 as provided in clause (b)(i)(A)(1)(a) above), pro rata, until their respective Class Certificate Balances are reduced to zero; and

(B) sequentially, to the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8 and Class M-9 Certificates, in that

order, until their respective Class Certificate Balances are reduced to zero;
and

(C) any remainder as part of the Excess Cashflow.

(CWALT 2006-OC3 PSA §4.02(b)(1) (emphasis added).) Thus, As with CWABS 2006-24, the definition of Certificate Balance plays a key role in the order of operations for treatment of Subsequent Recoveries in the waterfall. Certificate Balance in CWALT 2006-OC3 is defined as:

With respect to any Certificate (other than the Class C Certificates) at any date, the maximum dollar amount of principal to which the Holder thereof is then entitled under this Agreement, such amount being equal to the Denomination of that Certificate (A) plus, with respect to the LIBOR Certificates, any increase to the Certificate Balance of such Certificate pursuant to Section 4.02 due to the receipt of Subsequent Recoveries and (B) minus the sum of (i) all distributions of principal previously made with respect to that Certificate and (ii) with respect to the LIBOR Certificates, any Applied Realized Loss Amounts allocated to such Certificate on previous Distribution Dates pursuant to Section 4.02 without duplication.

(CWALT 2006-OC3 PSA at p. 11)(emphases added). By its terms, “Certificate Balance” is measured “at any Date” and is calculated as follows:

- The Trustee begins with the Denomination of each Certificate, meaning the Principal Balance of the Certificate as of the beginning of the trust;
- The Trustee allocates the amount of any Subsequent Recoveries (or performs the “write-up”) based upon “*any increase . . .* due to the receipt of Subsequent Recoveries,” meaning that the Trustee is to add the Subsequent Recoveries as of any Date on which the calculation is made.
- The Trustee subtracts the cumulative amount of all principal (including Subsequent Recoveries) “*previously made*,” meaning all amounts for all Distribution Dates before the date on which the calculation is made, and not accounting for any amounts of principal that might have been collected and are available for distribution;
- The Trustee subtracts the cumulative amount of any Applied Realized Loss Amounts allocated to such Certificate on “*previous Distribution Dates*,” again meaning all loss amounts accounted for on all Distribution Dates before the one on which the calculation is made.

Therefore, like the example in CWABS 2006-24, the Certificate Balance in CWALT 2006-OC3 accounts for all principal payments distributed and Realized Losses allocated on *past* Distribution Dates, but excludes principal payments to be distributed and Realized Losses to be allocated *on* the upcoming Distribution Date. Conversely, the calculation of Certificate Principal Balance specifically incorporates Subsequent Recoveries allocated to the Certificate *on the calculation Date*. And, because no distributions of principal can be made under the waterfall provisions of Article IV without reference to the Certificate Balance of a certificate, it follows that the write-up must occur *before* performing the distributions.

Thus, the language of the Subject Trust PSAs indicates that Subsequent Recoveries are “written-up” before any principal payments are made through the waterfalls. Construing the Subject Trusts in this manner not only would avoid any inference of OC leakage, but also is consistent with the purpose, intent and results of a senior-subordinate overcollateralization structure. Indeed, construing the Subject Trusts to allow for OC leakage would be a commercially absurd and unanticipated result and the Court should protect the integrity of the credit enhancement of the trusts.

II. The Court May Use Its Equitable Powers Under Article 77 To Apply A One-Time Adjustment To Any Applicable Overcollateralization Calculations.

Alternatively, the Court may resolve the leakage issue without reliance on the language of any particular PSA. As the Trustee notes, an Article 77 proceeding offers a long-standing equitable remedy to construe trust-related agreements. (Trustee Memorandum of Law in Support of Verified Petition Seeking Judicial Instruction (“Trustee Br.”) at 10.) “Trust instruction proceedings are a well-established procedure by which trustees (and other affected parties) can seek judicial guidance from the court about how to resolve immediate and difficult

issues of interpretation of governing documents.” *In re Trusteeship Created by Amer. Home Mortg. Inv. Trust 2005-2*, No 14. CIV 2494 (AKH), slip op. at 22 (July 24, 2014) (citing *Moser v. Darrow*, 341 U.S. 267, 274 (1951)). How to allocate funds between various groups of beneficiaries is a concrete problem for which a court should provide immediate resolution. See Restatement (Third) of Trusts, § 71, cmt. d (2003) (a court may instruct a trustee on the distribution of property when “the time arrives for making, or at least planning, that distribution”).

This Court holds the powers “to direct or permit the trustee to deviate from the terms of the trust where unanticipated exigencies have arisen.” See Restatement (Second) Conflict of Laws § 267 cmt. a (1971). Indeed, appellate courts are deferential to this authority, reviewing the Supreme Court’s use of an equitable remedy on an abuse of discretion standard. See *Van Wagner Advert. Corp. v. S & M Enter.*, 67 N.Y.2d 186, 192-93 (1986) (“Whether or not to award [equitable relief] is a decision that rests in the sound discretion of the trial court, and here that discretion was not abused.”); *Stellar Sutton LLC v. Dushey*, 82 A.D.3d 485, 486 (1st Dep’t 2011) (noting that the question of whether equitable relief should be awarded “to a party is ordinarily committed to the sound discretion of the trial court”).

And Courts have, in fact, deviated from trust terms to give meaning and effect to the intent of the governing documents. See, e.g., *In re Structured Asset Sec. Corp. Mortg. Pass-Through Certificates Series 2006-GEL1*, No. 27-TR-CV-15, 151, at *8, 10 (Minn. 4th Dist. Ct. June 4, 2015) (authorizing in the trustee in the context of a bankruptcy order not to comply with an otherwise contractually required fee cap when doing so “would cause substantial detriment to the Certificateholders”); *In re Structured Asset Sec. Corp. Mortg. Pass-Through Certificates Series 2007-BC1*, No. 27-TR-CV-15-43, at *11, 12-13 (Minn. 4th Dist. Ct. June 4, 2015) (same);

In re BNC Mortg. Loan Trust 2007-3, No. 27-TR-CV-15-50, at *10-11, 12 (Minn. 4th Dist. May 26, 2015) (same); *see also In re Trusteeship Created by Amer. Home Mortg. Inv. Trust 2005-2*, slip op. at 40 (reallocating realized losses sequentially to overcome a scrivener’s error and to “reflect[] the intent of the contracting parties”); *Petition of Percy*, 191 Misc. 1052, 1054 (Sup. Ct.1948) (interpreting the indenture provision governing disbursement of funds).

The Court may thus, in light of the extraordinary, one-time circumstances of this \$8.5 billion settlement, temporarily set aside the language of individual PSAs—and any potential tension between individual PSAs and the Settlement Agreement—by directing the Trustee to apply a one-time adjustment to the relevant overcollateralization calculations in order to distribute the Allocable Shares in a manner that avoids undue leakage to junior certificates. Doing so would reconcile the effect of the Trustee’s distribution of the Allocable Shares with the intent and purpose behind the overcollateralization structure. It would also be fair and equitable, since it would honor the bargain struck by purchasers of both senior and junior bonds in OC Trusts—*i.e.*, that junior bondholders take on additional risk in exchange for higher yields, and senior bondholders accept lower yields for more secure returns of principal.

Given that the Trustee has suggested implementing a one-time adjustment methodology, it stands to reason that the Trustee not only agrees the Court has the power to make the instruction, but also is ready, willing and able to implement this solution. Doing so would effectuate the proper operation of the credit enhancement features of the OC Trusts without doing violence to the specific language of any particular PSA.

CONCLUSION

For the foregoing reasons, Certificateholder respectfully requests the Court to instruct the Trustee to distribute the Allocable Shares for the Subject Trusts in a manner that is consistent with the terms, meaning, and intent of the PSAs, either by adopting the order of operations described therein or by applying a one-time adjustment to any overcollateralized Covered Trusts to prevent leakage. Certificateholder also requests all other relief, at law or in equity, to which it may be justly entitled.

DATED: March 4, 2016
 New York, New York

Respectfully submitted,

MCKOOL SMITH, P.C.

By: /s/ Gayle R. Klein
 Gayle R. Klein
 Robert W. Scheef
 Matthew P. Rand

One Bryant Park, 47th Floor
New York, New York 10036
gklein@mckoolsmith.com
rscheef@mckoolsmith.com
dschiefelbein@mckoolsmith.com
(t) (212) 402-9400
(f) (212) 402-9444

Attorneys for Center Court, LLC

EXHIBIT A

SUBJECT TRUSTS

Certificateholder is the beneficial owner of Certificates in the following Covered Trusts:

CWALT 2006-OC3

CWABS 2005-AB1

CWABS 2006-24

CWABS 2004-BC5

CWABS 2004-6

CWABS 2005-1

CWALT 2005-61

EXHIBIT B

SECTION REFERENCED FOR SUBJECT TRUSTS

TRUST: CWALT 2006-OC3	
CWALT, INC.	
Alternative Loan Trust 2006-OC3	
Mortgage Pass-Through Certificates, Series 2006-OC3	
DATES:	
Closing Date	April 28, 2006
ENTITIES:	
Depositor	CWALT, Inc.
Seller	Countrywide Home Loans, Inc.
Seller	Park Granada LLC
Seller	Park Monaco Inc.
Seller	Park Sienna LLC
Master Servicer	Countrywide Home Loans Servicing LP
Trustee	The Bank of New York
PSA CERTIFICATE BALANCE DEFINITION	
<p>Certificate Balance: With respect to any Certificate (other than the Class C Certificates) at any date, the maximum dollar amount of principal to which the Holder thereof is then entitled under this Agreement, such amount being equal to the Denomination of that Certificate (A) plus, with respect to the LIBOR Certificates, any increase to the Certificate Balance of such Certificate pursuant to Section 4.02 due to the receipt of Subsequent Recoveries and (B) minus the sum of (i) all distributions of principal previously made with respect to that Certificate and (ii) with respect to the LIBOR Certificates, any Applied Realized Loss Amounts allocated to such Certificate on previous Distribution Dates pursuant to Section 4.02 without duplication. [PSA at p. 11]</p>	
PSA SUBSEQUENT RECOVERY WRITE-UP SECTION	
<p>Section 4.02(h) Application of Subsequent Recoveries. If Subsequent Recoveries have been received with respect to a Liquidated Mortgage Loan, the amount of such Subsequent Recoveries will be applied, first, concurrently, to the Classes of Senior Certificates, pro rata based on the Unpaid Realized Loss Amounts for each Class, to increase the Class Certificate Balance of the Senior Certificates in an amount up to the amount of Unpaid Realized Losses on each such Class of Certificates; provided, however that any amounts allocable to the Class 1-A-1 and Class 1-A-2 Certificates will be allocated first, to the Class 1-A-1 Certificates in an amount up to the Unpaid Realized Loss Amount for that Class, and then to the Class 1-A-2 Certificates, and, second, sequentially, in the order of payment priority, to increase the Class Certificate Balance of each Class of Subordinated Certificates to which Realized Losses have been allocated, but in each case by not more than the amount of Unpaid Realized Losses on that Class of Certificates. Holders of such Certificates will not be entitled to any payment in respect of Current Interest on the amount of such increases for any Interest Accrual Period preceding the Distribution Date on which such increase occurs. Any such increases shall be applied pro rata to the Certificate Balance of each Certificate of such Class. [PSA at p. 83]</p>	

CWALT 2006-OC3 Pooling and Servicing Agreement available at:

http://www.sec.gov/Archives/edgar/data/1359963/000090514806003711/efc6-1487_ex991.txt.

TRUST: CWABS 2005-AB1	
CWABS, INC.	
Asset-Backed Certificates, Series 2005-AB1	
DATES:	
Closing Date	March 29, 2005
ENTITIES:	
Depositor	CWABS, Inc.
Seller	Countrywide Home Loans, Inc.
Seller	Park Monaco Inc.
Seller	Park Sienna LLC
Master Servicer	Countrywide Home Loans Servicing LP
Trustee	The Bank of New York
Co-Trustee	The Bank of New York Trust Company, N.A.
PSA CERTIFICATE PRINCIPAL BALANCE DEFINITION	
<p>Certificate Principal Balance: As to any Certificate (other than the Class C Certificates) and as of any Distribution Date, the Initial Certificate Principal Balance of such Certificate (A) less the sum of (i) all amounts distributed with respect to such Certificate in reduction of the Certificate Principal Balance thereof on previous Distribution Dates pursuant to Section 4.04, and (ii) with respect to any Subordinate Certificates, any Applied Realized Loss Amounts allocated to such Certificate on previous Distribution Dates pursuant to Section 4.04(h), and (B) increased by, with respect to any Subordinate Certificates, any Subsequent Recoveries allocated to such Certificate pursuant to Section 4.04(i) on such Distribution Date. References herein to the Certificate Principal Balance of a Class of Certificates shall mean the Certificate Principal Balances of all Certificates in such Class. The Class C Certificates do not have a Certificate Principal Balance. With respect to any Certificate (other than the Class C Certificates) of a Class and any Distribution Date, the portion of the Certificate Principal Balance of such Class represented by such Certificate equal to the product of the Percentage Interest evidenced by such Certificate and the Certificate Principal Balance of such Class. [PSA at p. 7]</p>	

CWABS 2005-AB1 Pooling and Servicing Agreement available at:
https://www.sec.gov/Archives/edgar/data/1322017/000090514805002455/efc5-0992_5676268ex41.txt.

PSA SUBSEQUENT RECOVERY WRITE-UP SECTION

Section 4.04(i) On each Distribution Date, the Trustee shall allocate the amount of the Subsequent Recoveries, if any, to increase the Certificate Principal Balances of the Subordinate Certificates to which Applied Realized Loss Amounts have been previously allocated in the following order of priority:

(1) to the Class M-1 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-1 Certificates;

(2) to the Class M-2 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-2 Certificates;

(3) to the Class M-3 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-3 Certificates;

(4) to the Class M-4 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-4 Certificates;

(5) to the Class M-5 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-5 Certificates;

(6) to the Class M-6 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-6 Certificates;

(7) to the Class M-7 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-7 Certificates; and

(8) to the Class B Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class B Certificates.

Holders of Certificates to which any Subsequent Recoveries have been allocated shall not be entitled to any payment in respect of Current Interest on the amount of such increases for any Accrual Period preceding the Distribution Date on which such increase occurs. [PSA at p. 100]

TRUST: CWABS 2006-24	
CWABS, INC.	
Asset-Backed Certificates, Series 2006-24	
DATES:	
Closing Date	December 29, 2006
ENTITIES:	
Depositor	CWABS, Inc.
Seller	Countrywide Home Loans, Inc.
Seller	Park Monaco Inc.
Seller	Park Sienna LLC
Master Servicer	Countrywide Home Loans Servicing LP
Trustee	The Bank of New York
Co-Trustee	The Bank of New York Trust Company, N.A.
PSA CERTIFICATE PRINCIPAL BALANCE DEFINITION	
<p>Certificate Principal Balance: As to any Certificate (other than the Class C Certificates) and as of any Distribution Date, the Initial Certificate Principal Balance of such Certificate (A) less the sum of (i) all amounts distributed with respect to such Certificate in reduction of the Certificate Principal Balance thereof on previous Distribution Dates pursuant to Section 4.04(b) and (ii) any Applied Realized Loss Amounts allocated to such Certificate on previous Distribution Dates pursuant to Section 4.04(g), and (B) increased by any Subsequent Recoveries allocated to such Certificate pursuant to Section 4.04(h) on such Distribution Date. [PSA at p. 12]</p>	
PSA SUBSEQUENT RECOVERY WRITE-UP SECTION	
<p>Section 4.04(h): On each Distribution Date, the Trustee shall allocate the amount of the Subsequent Recoveries with respect to either Loan Group, if any, first to increase the Certificate Principal balance of the Class 1-A Certificates (in the case of any Subsequent Recoveries with respect to Loan Group 1) or the Certificate Principal Balances of the Classes of Class 2-A Certificates (in the case of any Subsequent Recoveries with respect to Loan Group 2) to which Applied Realized Loss Amounts have been previously allocated (such increases, in the case of Subsequent Recoveries with respect to Loan Group 2, to be made among the Classes of Class 2-A Certificates on a pro rata basis according to their respective Certificate Principal Balances), in each case by not more than the amount of the Unpaid Realized Loss Amount of such Class, and then to increase the Certificate Principal Balance of the Subordinate Certificates to which Applied Realized Loss Amounts have been previously allocated, sequentially, to the Class M-1, Class M-2, Class M-3, Class M-4, Class M-5, Class M-6, Class M-7, Class M-8, Class M-9 and Class B Certificates, in that order, in each case by not more than the amount of the Unpaid Realized Loss Amount of such Class.</p> <p> Holders of Certificates to which any Subsequent Recoveries have been allocated shall not be entitled to any payment in respect of Current Interest on the amount of such increases for any Accrual Period preceding the Distribution Date on which such increase occurs. [PSA at p. 122]</p>	

TRUST: CWABS 2004-BC5	
CWABS, INC.	
Asset-Backed Certificates, Series 2004-BC5	
DATES:	
Closing Date	December 27, 2004
ENTITIES:	
Issuer	CWABS Asset-Backed Certificates Trust 2004-BC5
Depositor	CWABS, Inc.
Seller	Countrywide Home Loans, Inc.
Master Servicer	Countrywide Home Loans Servicing LP
Trustee	The Bank of New York
PSA CERTIFICATE PRINCIPAL BALANCE DEFINITION	
<p>CERTIFICATE PRINCIPAL BALANCE: As to any Certificate (other than the Class C Certificates) and as of any Distribution Date, the Initial Certificate Principal Balance of such Certificate LESS the sum of (i) all amounts distributed with respect to such Certificate in reduction of the Certificate Principal Balance thereof on previous Distribution Dates pursuant to Section 4.04, and (ii) in the case of any Subordinate Certificate, any Applied Realized Loss Amounts allocated to such Certificate on previous Distribution Dates pursuant to Section 4.04; provided that, the Certificate Principal Balance of the Class of Subordinate Certificates with the highest payment priority to which Realized Losses have been allocated shall be increased by the amount of any Subsequent Recoveries on the Mortgage Loans not previously allocated, but not by more than the amount of Realized Losses previously allocated to reduce the Certificate Principal Balance of that Class. As to any Class C Certificate and as of any Distribution Date, an amount equal to the excess, if any, of (i) the aggregate Stated Principal Balance of the Mortgage Loans over (ii) the aggregate Certificate Principal Balance of the Offered Certificates. References herein to the Certificate Principal Balance of a Class of Certificates shall mean the Certificate Principal Balances of all Certificates in such Class. [PSA at p. 6]</p>	

TRUST: CWABS 2004-6	
CWABS, INC.	
Asset-Backed Certificates, Series 2004-6	
DATES:	
Closing Date	June 30, 2004
ENTITIES:	
Depositor	CWABS, Inc.
Seller	Countrywide Home Loans, Inc.
Seller	Countrywide LFT LLC
Master Servicer	Countrywide Home Loans Servicing LP
Trustee	The Bank of New York
Co-Trustee	BNY Western Trust Company
PSA CERTIFICATE PRINCIPAL BALANCE DEFINITION	
<p>Certificate Principal Balance: As to any Certificate (other than the Class C Certificates) and as of any Distribution Date, the Initial Certificate Principal Balance of such Certificate (A) less the sum of (i) all amounts distributed with respect to such Certificate in reduction of the Certificate Principal Balance thereof on previous Distribution Dates pursuant to Section 4.04, and (ii) with respect to the Class 1-A-2 Certificates or any Subordinate Certificates, any Applied Realized Loss Amounts allocated to such Certificate on previous Distribution Dates pursuant to Section 4.04(h), and (B) increased by, with respect to the Class 1-A-2 Certificates or any Subordinate Certificates, any Subsequent Recoveries allocated to such Certificate pursuant to Section 4.04(i) on such Distribution Date. References herein to the Certificate Principal Balance of a Class of Certificates shall mean the Certificate Principal Balances of all Certificates in such Class. The Class C Certificates do not have a Certificate Principal Balance. With respect to any Certificate (other than the Class C Certificates) of a Class and any Distribution Date, the portion of the Certificate Principal Balance of such Class represented by such Certificate equal to the product of the Percentage Interest evidenced by such Certificate and the Certificate Principal Balance of such Class. [PSA at p. 8]</p>	

CWABS 2004-6 Pooling and Servicing Agreement available at:
https://www.sec.gov/Archives/edgar/data/1296124/000090514804004018/efc4-1654_5565590ex991.txt.

PSA SUBSEQUENT RECOVERY WRITE-UP SECTION

Section 4.04(i): (i) On each Distribution Date, the Trustee shall allocate the amount of the Subsequent Recoveries, if any, to increase the Certificate Principal Balances of the Class 1-A-2 Certificates and Subordinate Certificates to which Applied Realized Loss Amounts have been previously allocated in the following order of priority:

(1) to the Class 1-A-2 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class 1-A-2 Certificates;

(2) to the Class M-1 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-1 Certificates;

(3) to the Class M-2 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-2 Certificates;

(4) to the Class M-3 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-3 Certificates;

(5) to the Class M-4 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-4 Certificates;

(6) to the Class M-5 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-5 Certificates;

(7) to the Class M-6 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-6 Certificates;

(8) to the Class M-7 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-7 Certificates;

(9) to the Class M-8 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class M-8 Certificates; and

(10) to the Class B Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class B Certificates.

Holders of Certificates to which any Subsequent Recoveries have been allocated will not be entitled to any payment in respect of Current Interest on the amount of such increases for any Accrual Period preceding the Distribution Date on which such increase occurs. [PSA at p. 110]

TRUST: CWABS 2005-1	
CWABS, INC.	
Asset-Backed Certificates, Series 2005-1	
DATES:	
Closing Date	March 30, 2005
ENTITIES:	
Depositor	CWABS, Inc.
Seller	Countrywide Home Loans, Inc.
Seller	Park Monaco Inc.
Seller	Park Sienna LLC
Master Servicer	Countrywide Home Loans Servicing LP
Trustee	The Bank of New York
Co-Trustee	The Bank of New York Trust Company, N.A.
PSA CERTIFICATE PRINCIPAL BALANCE DEFINITION	
<p>Certificate Principal Balance: As to any Certificate (other than the Class C Certificates) and as of any Distribution Date, the Initial Certificate Principal Balance of such Certificate (A) less the sum of (i) all amounts distributed with respect to such Certificate in reduction of the Certificate Principal Balance thereof on previous Distribution Dates pursuant to Section 4.04(c) or 4.04(d), (ii) with respect to the Class AF-5B Certificates only, payments under the Class AF-5B Policy relating to principal and (iii) with respect to the Class 2-AV-2 and Class 3-AV-3 Certificates and any Class of Subordinate Certificates, any Applied Realized Loss Amounts allocated to such Certificate on previous Distribution Dates pursuant to Section 4.04(j) or 4.04(k), and (B) increased by, with respect to the Class 2-AV-2, Class 3-AV-3 and Subordinate Certificates, any Subsequent Recoveries allocated to such Class of Certificate pursuant to Section 4.04(l) or 4.04(m) on such Distribution Date. References herein to the Certificate Principal Balance of a Class of Certificates shall mean the Certificate Principal Balances of all Certificates in such Class. The Class C Certificates do not have a Certificate Principal Balance. With respect to any Certificate (other than the Class C Certificates) of a Class and any Distribution Date, the portion of the Certificate Principal Balance of such Class represented by such Certificate equal to the product of the Percentage Interest evidenced by such Certificate and the Certificate Principal Balance of such Class. Exclusively for the purpose of determining any subrogation rights of the Class AF-5B Insurer arising under Section 4.06 hereof, the "Certificate Principal Balance" of the Class AF-5B Certificates shall not be reduced by the amount of any payments made by the Class AF-5B Insurer in respect of principal on such Certificates under the Class AF-5B Policy, except to the extent such payment shall have been reimbursed to the Class AF-5B Insurer pursuant to the provisions of this Agreement. [PSA at p. 19]</p>	

CWABS 2005-1 Pooling and Servicing Agreement available at:
https://www.sec.gov/Archives/edgar/data/1322005/000090514805002453/efc5-0991_5673137exhibit41.txt.

PSA SUBSEQUENT RECOVERY WRITE-UP SECTIONS

Section 4.04(l): (l) On each Distribution Date, the Trustee shall allocate the amount of the Subsequent Recoveries for Loan Group 1, if any, to increase the Certificate Principal Balances of the Fixed Rate Subordinate Certificates to which Applied Realized Loss Amounts have been previously allocated in the following order of priority:

- (1) to the Class MF-1 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MF-1 Certificates;
- (2) to the Class MF-2 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MF-2 Certificates;
- (3) to the Class MF-3 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MF-3 Certificates;
- (4) to the Class MF-4 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MF-4 Certificates;
- (5) to the Class MF-5 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MF-5 Certificates;
- (6) to the Class MF-6 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MF-6 Certificates;
- (7) to the Class MF-7 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MF-7 Certificates;
- (8) to the Class MF-8 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MF-8 Certificates; and
- (9) to the Class BF Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class BF Certificates.

(m) On each Distribution Date, the Trustee shall allocate the amount of the Subsequent Recoveries for Loan Group 2, Loan Group 3 and Loan Group 4, if any, to increase the Certificate Principal Balances of the Class 2-AV-2 and Class 3-AV-3 Certificates and the Adjustable Rate Subordinate Certificates to which Applied Realized Loss Amounts have been previously allocated in the following order of priority:

- (1) pro rata, to the Class 2-AV-2 and Class 3-AV-3 Certificates, based on the amount of the Unpaid Realized Loss Amount for such Class of Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of such Class of Certificates;
- (2) to the Class MV-1 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MV-1 Certificates;
- (3) to the Class MV-2 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MV-2 Certificates;
- (4) to the Class MV-3 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MV-3 Certificates;
- (5) to the Class MV-4 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MV-4 Certificates;
- (6) to the Class MV-5 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MV-5 Certificates;
- (7) to the Class MV-6 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MV-6 Certificates;
- (8) to the Class MV-7 Certificates, but not by more than the amount of the Unpaid Realized

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https://www.sec.gov/Archives/edgar/data/1322005/000090514805002453/efc5-0991_5673137exhibit41.txt.

Loss Amount of the Class MV-7 Certificates;

(9) to the Class MV-8 Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class MV-8 Certificates; and

(10) to the Class BV Certificates, but not by more than the amount of the Unpaid Realized Loss Amount of the Class BV Certificates;

Holders of Certificates to which any Subsequent Recoveries have been allocated shall not be entitled to any payment in respect of Current Interest on the amount of such increases for any Accrual Period preceding the Distribution Date on which such increase occurs. [PSA at pp. 144-45]

CWABS 2005-1 Pooling and Servicing Agreement available at:

https://www.sec.gov/Archives/edgar/data/1322005/000090514805002453/efc5-0991_5673137exhibit41.txt.

TRUST: CWALT 2005-61	
CWALT, INC.	
Alternative Loan Trust 2005-61	
Mortgage Pass-Through Certificates, Series 2005-61	
DATES:	
Closing Date	October 27, 2005
ENTITIES:	
Depositor	CWALT, Inc.
Seller	Countrywide Home Loans, Inc.
Seller	Park Granada LLC
Seller	Park Monaco Inc.
Seller	Park Sienna LLC
Master Servicer	Countrywide Home Loans Servicing LP
Trustee	The Bank of New York
PSA CERTIFICATE BALANCE DEFINITION	
<p>Certificate Balance: With respect to any Certificate (other than the Class C Certificates) at any date, the maximum dollar amount of principal to which the Holder thereof is then entitled under this Agreement, such amount being equal to the Denomination of that Certificate (A) plus, with respect to the Subordinated Certificates, any increase to the Certificate Balance of such Certificate pursuant to Section 4.02 due to the receipt of Subsequent Recoveries and (B) minus the sum of (i) all distributions of principal previously made with respect to that Certificate and (ii) with respect to the Subordinated Certificates, any Applied Realized Loss Amounts allocated to such Certificate on previous Distribution Dates pursuant to Section 4.02 without duplication. [PSA at p. 3]</p>	
PSA SUBSEQUENT RECOVERY WRITE-UP SECTION	
<p>Section 4.04(j): Application of Subsequent Recoveries. On each Distribution Date, the Trustee shall allocate the amount of the Subsequent Recoveries for Loan Group 1, if any, to increase the Class Certificate Balance of the Group 1 Certificates to which Applied Realized Loss Amounts have been previously allocated, sequentially, to the Class 1-A-1, Class 2-A-1, Class 1-A-3, Class 1-M-1, Class 1-M-2, Class 1-M-3, Class 1-M-4, Class 1-M-5 and Class 1-M-6 Certificates, in that order, in each case by not more than the amount of the Unpaid Realized Loss Amount of such Class.</p> <p>On each Distribution Date, the Trustee shall allocate the amount of the Subsequent Recoveries for Loan Group 2, if any, to increase the Class Certificate Balance of the Group 2 Certificates to which Applied Realized Loss Amounts have been previously allocated, sequentially, to the Class 2-A-1, Class 2-A-2, Class 2-A-3, Class 2-A-4, Class 2-M-1, Class 2-M-2, Class 2-M-3 and Class 2-M-4 Certificates, in that order, in each case by not more than the amount of the Unpaid Realized Loss Amount of such Class.</p> <p>Holders of Certificates to which any Subsequent Recoveries have been allocated shall not be entitled to any payment in respect of Current Interest on the amount of such increases for any Accrual Period preceding the Distribution Date on which such increase occurs. [PSA at p. 71]</p>	

CWALT 2005-61 Pooling and Servicing Agreement available at:
https://www.sec.gov/Archives/edgar/data/1342999/000090514806000618/efc6-0294_5781553ex991.txt.