APPENDIX A TO THE NOTICE

THE PROPOSED PLAN OF ALLOCATION:

I. GENERAL PROVISIONS

1. The Net Settlement Fund will be distributed to eligible Settlement Class Members who timely submit valid Proof of Claim Forms under the Plan of Allocation described below, or as otherwise ordered by the Court ("Claimants").

2. Your share of the Net Settlement Fund will depend on several considerations, including (a) the aggregate value of the Recognized Claims (defined below) (represented by valid and acceptable Claim Forms) that Settlement Class Members submit to the Claims Administrator, relative to the Net Settlement Fund; (b) when your Certificates were purchased or acquired and the price on the date of purchase; (c) any principal payments received; (d) whether your Certificates were sold, and if so, when they were sold and for how much; (e) if held on the applicable dates of suit identified for each of the Certificates, as set forth in Table A-1 and Table A-2[1] (the "Date of Suit"), the price of the Certificates on that date; and/or (f) whether the Court sustained claims asserted on behalf of purchasers of certain Certificates.

3. To determine the amount that a Claimant may recover under the Plan of Allocation, Lead Counsel conferred with a valuation consultant. The proposed Plan of Allocation is generally based upon the statutory measure of damages for claims based on material misrepresentations in the relevant offering documents. For each Claimant, a "Recognized Claim" will be calculated. The calculation of a "Recognized Claim" is not an estimate of the amount that will be paid to Claimants pursuant to the Settlement, which would depend on the total amount of all Recognized Claims submitted by Claimants. The Recognized Claim formula provides the basis for proportionately allocating the Net Settlement Fund among the Claimants. Each Claimant will receive a *pro rata* share of the Net Settlement Fund based on his, her or its Recognized Claim, subject to the $10.00 minimum threshold mentioned below.

4. Settlement Class Members are required to include in their Proofs of Claim, and to submit the required documentation for, all transactions and holdings in any of the Certificates that they have purchased, held, and are currently holding as of submission of the Proof of Claim. Proofs of Claim submitted by Settlement Class Members that do not include all transactions in the Certificates will be considered deficient and may be ineligible for a recovery in this Settlement.

II. CALCULATION OF RECOGNIZED LOSS OR RECOGNIZED GAIN AMOUNTS

5. A "Recognized Loss Amount" or "Recognized Gain Amount" will be calculated for each Certificate purchased or acquired for which adequate documentation is provided (each an "Eligible Certificate"). The calculation of the Recognized Loss Amount or Recognized Gain Amount will depend on several considerations, including: (a) when such Certificates were purchased or acquired and the price on the date of purchase; (b) any principal payments received; (c) whether your Certificates were sold, and if so, when they were sold and for how much; (d) if held on the Date of Suit, the price of the Certificates on that date; and/or (e) whether the Court sustained claims asserted on behalf of purchasers of certain Certificates.

6. The calculations under this proposed Plan of Allocation use various financial parameters for each Certificate, including:

(a) the price of each Certificate, if any, on the applicable Date of Suit. *See* Tables A-1 and A-2, available on the Settlement website (www.MorganStanleyRMBSsettlement.com) or by calling the Claims Administrator toll-free at (888) 283-7957;

(b) the portion of original face amount remaining on each Certificate as of various dates between the Certificate's initial offering and the most recent monthly distribution. This portion is commonly referred to as the Certificate's "Factor"[2] and reflects all principal payments received and write-downs incurred;

(c) the portion of original face amount remaining on each Certificate as of various dates between the Certificate's initial offering and the most recent monthly distribution reflecting only principal payments received. This portion is referred to as the Write-Down Free Factor ("WFF"). Tables B and C, which provide, respectively, a complete list of all Factors and WFFs for all Certificates for each relevant date, are also available at www.MorganStanleyRMBSsettlement.com or by calling the Claims Administrator toll-free at (888) 283-7957.[3]

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[1] Tables A-1, A-2, B and C (described below) are incorporated by reference into this proposed Plan of Allocation, and are available on the Settlement website (www.MorganStanleyRMBSsettlement.com) or by calling the Claims Administrator toll-free at (888) 283-7957.

[2] The Certificates entitle borrowers to principal and interest payments derived from the underlying mortgages. Following a Certificate's offering, the outstanding principal balance may generally be reduced by various methods, including (1) borrowers making principal payments; (2) borrowers prepaying in whole or in part; (3) borrowers discontinuing payments; and/or (4) recognized losses the loans incur. A Certificate's Factor is taken into consideration when allocating the proceeds of the Settlement because it reflects any reductions in outstanding principal balance and directly impacts the remaining value realizable at sale.

[3] The Factors reflected in Table B and the WFFs reflected in Table C are presented based on two distinct chronological systems that are appropriate to the distinct purposes for which those tables are used. The Factors in Table B are used with prices to derive the amount of funds expended or realized in market transactions. Those Factors reflect convention used in the market, *i.e.*, the previous month's factor is used up until the current month's distribution date. The WFFs in Table C are used to attribute the receipt of monthly distributions during the holding period of a Certificate to the correct Claimant. Thus, the time periods associated with the WFFs are derived from the Certificate-specific record date convention, which determines the legal beneficiary of a monthly distribution.

7. For each calculation of a Recognized Loss Amount or Recognized Gain Amount, the purchase price used for the calculation may not exceed the price at which the Certificate was offered to the public, which prices are set forth in Tables A-1 and A-2. Thus, if the actual purchase price exceeds the price at which the Certificate was offered to the public, the price at which it was offered to the public will be used as the purchase price.

8. If a Claimant has more than one purchase/acquisition or sale of the same Certificate, those transactions will be matched on a first-in-first-out (FIFO) basis. Recognized Gain Amounts on the purchases or acquisitions of the same Certificate will be netted against (used to offset) Recognized Loss Amounts resulting from other purchases or acquisitions of the same Certificate, but will not be used to offset Net Recognized Losses (described further below in paragraph 15 of this Plan) resulting from purchases or acquisitions of different Certificates.

9. Notwithstanding any of the other provisions in this proposed Plan of Allocation, for all purchases or acquisitions of Certificates that occurred on or after the applicable Date of Suit, the Recognized Gain Amount or Recognized Loss Amount is zero.

10. **Certificates Sold Prior To Date Of Suit**: For each Certificate sold prior to the Date of Suit, the Recognized Loss Amount or Recognized Gain Amount is calculated as follows:

a. Step 1: Determine the Original Principal Amount

Original Principal Amount = Original Face Amount of Certificates Purchased x Factor on Date of Purchase x (Purchase Price/100)

The original face amount of the Certificates you purchased and the purchase price can be determined from your records. The "Purchase Price" to be used in this formula is the lesser of (i) the actual price paid, or (ii) the price at which the Certificate was offered to the public. The value of the Factor on the date of your purchase or sale can be found in Table B.

b. Step 2: Determine the Principal Payments Received

Principal Payments Received = Original Face Amount of Certificates Purchased x (WFF on Date of Purchase – WFF on Date of Sale)

The original face amount of the Certificates you purchased can be determined from your records. The WFF on the date of your purchase and the WFF on the date of your sale can be found in Table C.

c. Step 3: Determine the Amount Received on Sale

Amount Received on Sale = Original Face Amount of Certificates Purchased x Factor on Date of Sale x (Sale Price/100)

The original face amount of the Certificates you purchased and the sale price can be determined from your records. The Factor on the date of your sale can be found in Table B.

d. Step 4: Calculate Recognized Loss Amount or Recognized Gain Amount Using the Results of Steps 1-3

Recognized Loss Amount or Recognized Gain Amount = Original Principal Amount - Principal Payments Received - Amount Received on Sale

If this calculation results in a positive number, the result is a "Recognized Loss Amount." If this calculation results in a negative number, it is a "Recognized Gain Amount."

Example 1:[4] Investor A purchased $100,000.00 original face amount of Certificate 61752RAA0 (MSM 2007-3XS 1-A-1) on November 1, 2007. The purchase price was $90.00. On February 15, 2009, Investor A sold its remaining interest in the Certificate. The sales price was $52.00.

(1) Step 1: Investor A uses Table B to determine that the factor at the purchase date (November 1, 2007) is 0.874588. Therefore, Original Principal Amount = $100,000.00 x 0.874588 x (90.00/100) = $78,712.92.

(2) Step 2: Investor A uses Table C to determine that the WFFs at the date of purchase and sale are 0.874588 and 0.772146, respectively. Therefore, Principal Payments Received = $100,000.00 x (0.874588 – 0.772146) = $10,244.20.

(3) Step 3: Investor A uses Table B to determine that the Factor at February 15, 2009 was 0.772146. Therefore, Amount Received on Sale = $100,000.00 x 0.772146 x (52.00/100) = $40,151.59.

(4) Step 4: Investor A uses the results of Steps 1-3 to calculate its Recognized Loss or Gain Amount: Original Principal Amount less Principal Payments Received less Amount Received on Sale = $78,712.92 - $10,244.20 - $40,151.59 = $28,317.13.

Investor A's Recognized Loss Amount is $28,317.13.

[4] The examples contained herein are for illustration purposes only and investors should not rely on the Certificate prices used (other than prices contained in Table A-1 and Table A-2).

Note that if a sale did not result in a complete disposition of an investor's ownership in a particular Certificate (*i.e.*, only a portion of the holdings of a Certificate was sold), a Recognized Loss Amount or Recognized Gain Amount, if any, related to the remaining portion of the Certificate will be calculated separately.

11. **<u>Certificates Not Sold</u>**: For each Certificate not sold (*i.e.*, still held by the Claimant as of the submission of the Proof of Claim), the Recognized Loss Amount or Recognized Gain Amount is calculated using the same steps set forth directly above, except that the calculation proceeds as if the Certificate was sold on the Date of Suit.

<u>Example 2</u>: Investor B purchased $100,000.00 original face amount of Certificate 61754TAC0 (MSM 2007-9SL M-2) on May 15, 2007. The purchase price was $100.00. Investor B continues to hold this Certificate.

(1) Step 1: Investor B uses Table B to determine that the Factor at the purchase date (May 15, 2007) is 1.000000. Therefore, Original Principal Amount = $100,000.00 x 1.000000 x (100.00/100) = $100,000.00.

(2) Step 2: Investor B uses Table A-2 and Table C to determine that the WFFs at the date of purchase and Date of Suit (5/7/2009) are 1.000000 and 1.000000, respectively. Therefore, Principal Payments Received = $100,000.00 x (1.000000 – 1.000000) = $0.00.

(3) Step 3: Investor B uses Table A-2 to determine that the price at the Date of Suit was $0.3227. Investor B then uses Table B to determine that the Factor at Date of Suit (5/7/2009) was 0.245463. Therefore, Amount Received on Sale = $100,000.00 x 0.245463 x (0.3227/100) = $79.21.

(4) Step 4: Investor B uses the results of Steps 1-3 to calculate its Recognized Loss or Gain Amount: Original Principal Amount less Principal Payments Received less Amount Received on Sale = $100,000.00 - $0.00 - $79.21 = $99,920.79.

Investor B's Recognized Loss Amount is $99,920.79.

12. **<u>Certificates Sold On Or After Date Of Suit</u>**: For each Certificate that was sold on or after the Date of Suit, the Recognized Loss Amount or Recognized Gain Amount is calculated using steps similar to those set forth above in Example 2. For Certificates sold on or after the Date of Suit, the Recognized Loss Amount or Recognized Gain Amount shall be calculated using the greater of the sum of Principal Payments Received and Amount Received on Sale (Steps 2 and 3) as of (i) the Date of Suit for that Certificate (see Table A-1 or Table A-2); or (ii) the Date of Actual Sale.

<u>Example 3</u>: Investor C purchased $100,000.00 original face amount of Certificate 61749JAE6 (MSM 2006-7 3-A) on December 15, 2006. The purchase price was $95.00. On March 7, 2012, Investor C sold its remaining interest in the Certificate. The sales price was $70.00.

(1) Step 1: Investor C uses Table B to determine that the Factor at the purchase date (December 15, 2006) is 0.958429. Therefore, Original Principal Amount = $100,000.00 x 0.958429 x (95.00/100) = $91,050.76.

(2) Steps 2 and 3: Investor C conducts independent summations of Principal Payments Received and Amount Received on Sale at both (1) the Date of Suit; and (2) the Date of Actual Sale. Investor C shall use the greater of the sums in Step 4.

(a) Date of Suit

Investor C first uses Table C to determine that the WFFs at the date of purchase and Date of Suit (12/2/2008) are 0.943192 and 0.782572, respectively. Therefore, Principal Payments Received as of the Date of Suit = $100,000.00 x (0.943192 – 0.782572) = $16,062.00.

Investor C then uses Table A-1 to determine that the price at the Date of Suit was $62.8396. Investor C uses Table B to determine that the Factor at the Date of Suit was 0.787328. Therefore, Amount Received on Sale at Date of Suit = $100,000.00 x 0.787328 x (62.8396/100) = $49,475.38.

The sum of Steps 2 and 3 for the Date of Suit is $16,062.00 + $49,475.38 = $65,537.38.

(b) Date of Actual Sale

Investor C first uses Table C to determine that the WFFs at the date of purchase and Date of Actual Sale are 0.943192 and 0.541591, respectively. Therefore, Principal Payments Received as of the Date of Actual Sale = $100,000.00 x (0.943192 – 0.541591) = $40,160.10.

Investor C then uses the actual sales price of $70.00. Investor C uses Table B to determine that the Factor at the Date of Actual Sale was 0.526085. Therefore, Amount Received on Sale at Date of Actual Sale = $100,000.00 x 0.526085 x (70.00/100) = $36,825.95.

The sum of Steps 2 and 3 for the Date of Actual Sale is $40,160.10 + $36,825.95 = $76,986.05.

Investor C shall use $76,986.05 (rather than $65,537.38) in Step 4.

(3) Step 4: Investor C uses the results of Steps 1-3 to calculate its Recognized Loss Amount or Recognized Gain Amount.

Original Principal Amount less the greater of the sums from Steps 2 and 3 above (i.e., Principal Payments Received + Amount Received on Sale) = $91,050.76 - $76,986.05 = $14,064.71.

Investor C's Recognized Loss Amount is $14,064.71.

13. **Exchangeable Certificates**: Certain of the Offerings included classes of Certificates that could be exchanged into and from certain other classes of Certificates that were not sold as of the date of such Offerings (typically referred to as "Exchangeable Certificates") based on predefined certificate exchange relationships described in the relevant offering documents.[5] For purposes of determining the Recognized Loss Amount or Recognized Gain Amount for an Eligible Certificate that was exchanged by a Claimant, the exchange transaction will not be treated as a separate purchase or sale for which a distinct Recognized Loss Amount or Recognized Gain Amount would be claimed, but will instead be treated as a component of the Recognized Loss Amount or Recognized Gain Amount that is attributable to the Claimant's original acquisition of the Eligible Certificate. Thus, each leg (pre-exchange and post-exchange) of a Claimant's ownership resulting from the acquisition of an Eligible Certificate will have a Recognized Loss Amount or Recognized Gain Amount that reflects the financial parameters, such as Factor, WFF and price, of that specific component of the total ownership period, and those components will be aggregated to calculate the Recognized Loss Amount or Recognized Gain Amount for the original Eligible Certificate. The exchange transaction will be assumed, both for purposes of calculating the Original Principal Amount of the Certificate exchanged to and the Amount Received from Sale of the Certificate exchanged from, to occur at a price of $0.00.

The calculation of Recognized Gain Amount or Recognized Loss Amount for Exchangeable Certificates will otherwise be the same as for any other Certificate, as described above. Summary examples of the Recognized Loss Amount or Recognized Gain Amount calculations for Certificates involved in exchange transactions, using the same methodologies set forth above, can be found at www.MorganStanleyRMBSsettlement.com.

14. **Dismissed Certificates**: Claims associated with the 2007 Offerings[6] were not sustained by the Court. Accordingly, the Net Recognized Loss for the 2007 Certificates (identified by CUSIP in the attached Table A-2) will be discounted by 70% to reflect the reduced likelihood of success of those claims.

III. CALCULATION OF THE CLAIMANT'S RECOGNIZED CLAIM AND DISTRIBUTION AMOUNT

15. For each Certificate, a Claimant's Net Recognized Loss will be calculated by totaling all of the Claimant's Recognized Loss Amounts for a Certificate and subtracting from that total all Recognized Gain Amounts for the same Certificate. If this calculation results in a positive number, that figure will be the Claimant's Net Recognized Loss for that Certificate. If the calculation results in a negative number, the Claimant's Net Recognized Loss for that Certificate will be zero and the Claimant will not receive any recovery from the Net Settlement Fund as a result of its purchases or acquisitions of that Certificate.

16. A Claimant's "Recognized Claim" is the sum of all of the Claimant's Net Recognized Losses for all of the Certificates.

17. The Net Settlement Fund will be distributed to Claimants on a *pro rata* basis based on the relative size of their Recognized Claims. Specifically, a "Distribution Amount" will be calculated for each Claimant, which shall be the Claimant's Recognized Claim divided by the total Recognized Claims of all Claimants, multiplied by the total amount in the Net Settlement Fund. If any Claimant's Distribution Amount calculates to less than $10.00, it will not be included in the calculation and no distribution will be made to such Claimant. The Recognized Claims of any Claimants whose Distribution Amounts would be less than $10.00 are then excluded and the total Recognized Claims of all other Claimants are totaled to determine the *pro rata* Distribution Amounts for the Authorized Claimants who will receive $10.00 or more.

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[5] These Certificates were sold in the following Offerings: MSM 2007-8XS, MSM 2007-10XS, MSM 2007-11AR, MSM 2007-12, MSM 2007-13, MSM 2007-14AR and MSM 2007-15AR.

[6] As set forth in the Stipulation, "2007 Offerings" means Morgan Stanley Mortgage Loan Trust 2006-17XS, Morgan Stanley Mortgage Loan Trust 2007-1XS, Morgan Stanley Mortgage Loan Trust 2007-2AX, Morgan Stanley Mortgage Loan Trust 2007-3XS, Morgan Stanley Mortgage Loan Trust 2007-4SL, Morgan Stanley Mortgage Loan Trust 2007-5AX, Morgan Stanley Mortgage Loan Trust 2007-6XS, Morgan Stanley Mortgage Loan Trust 2007-7AX, Morgan Stanley Mortgage Loan Trust 2007-8XS, Morgan Stanley Mortgage Loan Trust 2007-9SL, Morgan Stanley Mortgage Loan Trust 2007-10XS, Morgan Stanley Mortgage Loan Trust 2007-11AR, Morgan Stanley Mortgage Loan Trust 2007-12, Morgan Stanley Mortgage Loan Trust 2007-13, Morgan Stanley Mortgage Loan Trust 2007-14AR, and Morgan Stanley Mortgage Loan Trust 2007-15AR.

Morgan Stanley Mortgage Loan Trust 2006-17XS was issued in 2006, but is included in the definition of "2007 Offerings" consistent with the proceedings in the Action and the Settling Parties' litigation terminology.