Exhibit 85:

Expert Report of Geoffery A. Oliver

Previously filed under seal (Docket No. 132)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

BEVERLY ADKINS, CHARMAINE WILLIAMS, REBECCA PETTWAY, RUBBIE McCOY, WILLIAM YOUNG and MICHIGAN LEGAL SERVICES, on behalf of themselves and all others similar situated,

Plaintiffs,

-against-

MORGAN STANLEY, MORGAN STANLEY & CO. LLC, MORGAN STANLEY ABS CAPITAL I INC., MORGAN STANLEY MORTGAGE CAPITAL INC., and MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC,

Defendants.

CASE NO. 12-cv-7667

EXPERT OPINION OF GEOFFREY A. OLIVER

Hon. Valerie Caproni

I, Geoffrey A. Oliver, respectfully submit this expert report on behalf of named plaintiffs Beverly Adkins, Charmaine Williams, Rebecca Pettway, Rubie McCoy, William Young, Michigan Legal Services, and the plaintiff class in the above-captioned case.

Scope of Assignment

I have been retained by counsel for Beverly Adkins, Charmaine Williams, Rebecca Pettway, Rubbie McCoy, William Young, and Michigan Legal Services to provide my expert opinions in connection with a lawsuit against Morgan Stanley. For the purpose of this report, my role is to establish a financial framework for calculating Morgan Stanley's Net Revenues derived from its relationship with New Century, and to provide examples of different ways the Court may calculate the amounts of such Net Revenues to disgorge to Class Members. Net Revenues are revenues less direct costs (not including personnel costs and overhead) and may be referred to as "gains" from such activities.

The actual calculation of Morgan Stanley's Net Revenues can be made once Morgan Stanley provides its financial statements (*i.e.* profit and loss statements and other documents reflecting the revenues and direct cost related to transactions with New Century) that Plaintiffs have sought through discovery. My opinions in this report, as described below, concern solely the financial framework to be used to calculate Morgan Stanley's Net Revenues, and not what Morgan Stanley's Net Revenues were. I have been retained by counsel to perform the calculations of Morgan Stanley's Net Revenues at a later date, once Morgan Stanley has provided the necessary financial statements sought through discovery.

Qualifications and Compensation

I am an accountant and consultant to the mortgage industry and the Chief Executive Officer of Hilltop Advisors LLC ("Hilltop"), a financial services consulting, compliance audit and accounting advisory firm. In that role, I have reviewed the financial, operational and technology aspects of loan originators, loan servicers, securities issuers, etc. As a CPA, I have performed over 300 financial and compliance audits of banks and mortgage entities over my 38 year career.

Hilltop was formed by me to provide consulting, compliance audit, acquisition/due diligence assistance and accounting advisory services to financial institutions in the areas of residential mortgage and commercial lending, loan servicing, mortgage capital markets and securitization, and credit policy.

Prior to founding my current consulting business at Hilltop, I had a long career in auditing banks and financial institutions, including mortgage banks, lenders, servicers, and credit unions. For 25 years (1976-2001) I worked at KPMG, LLP. I led KPMG's Mortgage and Structured Finance National practice. As it concerns risk management, I have led risk assessments of financial services companies in areas including credit, fraud, quality control, operations, and financial statements. All acquisition/due diligence engagements in financial services were conducted by my National team. After leaving KPMG, I worked as Managing Director at BearingPoint from 2001 to 2005, where I led the firm's consulting relationship with Freddie Mac. I had responsibility for all services provided to Freddie Mac in the financial, operational and technology areas. Freddie Mac engaged BearingPoint, under my leadership, and later, Hilltop Advisors, to perform financial reengineering, compliance auditing, market analysis, customer benchmarking, operational reengineering, financial restatement services, design and implementation of Sarbanes-Oxley controls, and technology services (including risk assessments, design/build/implement services, and control reviews, etc.).

I am a Certified Public Accountant and a Certified Mortgage Banker. I also have a certification in Financial Forensics. A copy of my curriculum vitae and a list of articles I have published is attached as Appendices A and B.

I have served as a consultant in more than 100 litigation support engagements to support our clients' analysis, assist as a subject matter expert, and provide deposition preparation assistance, among other things. I have testified once in a valuation dispute around 1990. I have been deposed twice to date.

I have been, and am being, compensated in connection with this matter on an hourly basis, at a rate of $500 per hour for testimony. I am supported in connection with this matter by consultants, at my consulting firm, who are being billed at rates between $175 and $450 per hour.

Compensation to me or my firm is not dependent on my testimony in this matter or the outcome of this case.

Summary

Hilltop has reviewed (1) Morgan Stanley's securitization financial summaries – e.g., Flow of Funds worksheets, (2) Deposition testimony of Morgan Stanley 30(b)(6) witnesses Vanessa Vanacker and Deborah Goodman, (3) Morgan Stanley's securitization deal documents – e.g., Prospectuses, Pooling and Servicing Agreements, Underwriting Agreements, Purchase Price and Term Agreements, etc., (4) Morgan Stanley Warehouse Lending Agreements and summary terms with New Century, (5) internal Morgan Stanley presentations, and (6) other Morgan Stanley documents including internal e-mails. These documents and other materials that I relied upon to formulate the financial framework are listed in Appendix C.

Based on its review of the above information, as well as Hilltop's general knowledge of the ways in which securitizers of mortgages derive revenue, Hilltop developed a financial framework that summarizes the various sources of revenue that Morgan Stanley derived from its relationship with New Century (see Appendix D) and certain direct deal costs (Net Revenues as defined above). Hilltop believes this financial framework is inclusive of all likely revenues and provides a basis to understand and compute Morgan Stanley's Net Revenues from its relationship with New Century.

The intent of the framework is to identify the discrete components of Morgan Stanley's sources of Net Revenues in a financial model. The components of the model will capture Net Revenues over the period of time starting from when a loan is initially funded by Morgan Stanley and finishing at the point in time when the loan is ultimately securitized. Any pool level information requires us to make some assumptions about the relative Net Revenues that Morgan Stanley derived from a particular loan. The financial framework is applicable to (1) securitizations issued by Morgan Stanley with New Century loans comprising the entire securitization or a portion of the securitization; (2) securitizations issued by New Century where Morgan Stanley provided financing and/or investment banking services to New Century in conjunction with the loans in the securitization and the issuance of the securitization; and (3) New Century loans that were funded by Morgan Stanley through warehouse lending, but ultimately were not securitized.

In this report, we describe the components of the financial framework. We also detail what each component captures and how the various components applied to Morgan Stanley at different points in time and for the different types of securitizations Morgan Stanley and New Century were involved in from 2004-2007.

Observations

- Morgan Stanley would expect to derive Net Revenues from all of the components identified below. Net Revenues could be minimized, or otherwise diminished, on any one component for the potential benefit of another component of revenues. For instance, lower warehouse lending revenues could be accepted if the underlying loans would be sold to the warehouse lender as the buyer.

- Morgan Stanley has not yet produced audited or otherwise verifiable calculations of Net Revenues and/or alternative definitions of Net Revenues for review. Nevertheless, we were able to verify some elements underlying the various components of Net Revenues by comparing and reviewing various documents. For instance, we could verify the amount of bonds sold as described in an internal securitization summary with the Prospectus Supplement and 8K files with the SEC or we could verify the service fee associated with a securitization from the Pooling and Servicing Agreement.

- The financial framework for calculating Net Revenues that we have created can be used to calculate Morgan Stanley's Net Revenues derived from any specific Morgan Stanley security or New Century securitization where Morgan Stanley was involved in either lending against the loans or providing investment banking services.

Summary of the Financial Framework for Calculation of Net Revenues

The financial framework Hilltop developed is intended to form a method for calculating Net Revenues Morgan Stanley realized from its relationship with New Century. The financial framework reflects our understanding of the range of potential financial transactions Morgan Stanley had in place with New Century. See Appendix D for an illustration of the financial framework. The amounts and percentages used in the exemplar calculations below are not intended to be specific to Morgan Stanley's financial results but rather are indicators of possible results based on the limited financial information available at the time of this report. We understand that discovery seeking Morgan Stanley's profit and loss statements and other documents reflecting Morgan Stanley's revenues is outstanding. Once such information is available, the financial framework may be refined and will be used to calculate Morgan Stanley's Net Revenues.

There are five basic components of the financial framework, as set forth below.

1. **Net Revenues on the Sale of Bonds and Value of Retained Assets in the Securitizations**

   In the securitization market, mortgage loans are typically pooled after they are originated and placed into a securitization for the eventual sale to bond investors. The composition or characteristics of a given loan pool, in conjunction with market levels for bond interest rates and rating agency bond ratings, determines the structure of the securitization. Each individual tranche of a securitization has different claims on the cash flow from payments collected from the borrower or recovered from the property underlying each mortgage loan in the case of default. Investors can choose to invest in the parts of a securitization that are rated consistent with the investor's investment profile (e.g., insurance companies would only invest premiums in AAA rated bonds). The distribution waterfall of cash – as collected or recovered – starts at the AAA tranches and flows down to the lower rated tranches. This is referred to as a Senior/Sub structure with the senior (AAA) bonds being first in line for any distribution of principal and interest payments before the distribution of cash to the subordinate bonds (AA+ down to unrated). Certain cash flows (e.g., pre-payment penalties) might be directed to specific tranches regardless of rating as defined and disclosed in the Prospectus.

   The non-investment grade bonds were often usually left un-rated (to save Rating Agency costs) and were typically comprised of three pieces – an over-collaterization (OC) tranche, a pre-payment penalty ("PPP") cash flow tranche and a Net Interest Margin (NIM or post-NIM) tranche to capture any excess interest generated from the underlying collateral greater than the needs of the interest payments due the bond holders of the rated tranches. These were often referred to individually or jointly as the Residual in a securitization. Most issuers retained the Residual. Indeed, in Morgan Stanley securitizations, Morgan Stanley retained the Residual, which received cash flow from OC release amounts that occur when the difference between the collateral balance and the securities balance was allowed to decrease, pre-payment penalties, and excess interest payments.[1] As such, these bonds were usually not offered for sale under the Morgan Stanley's securitization Prospectuses, but were instead simply noted as in existence due to the structure of the securitization. Since the OC bond effectively comprised loan balances from the collateral pool in excess of the rated bonds' stated aggregate principal, the balance of the OC bond is noted to help reconcile the total collateral supporting a securitization to the offered (rated) bonds. On certain occasions, Residual bonds were sold into other securitization structures, and any gain would be recognized upon sale. On certain occasions, a NIM bond was rated and included in the Prospectus. When Morgan Stanley retained the Residual (all or some of the three components noted above), Morgan Stanley recorded Net Revenues at the time the securitization was issued, based on its valuation of the cash flows that would go to the Residual in the future.[2] The financial framework below accordingly reflects the value of the Residual pieces at the date of the securitization.

Net Revenues from the securitization and sale of mortgage bonds can be calculated as follows:

Gross proceeds from sale of rated bonds	$X,XXX,XXX,XXX
Value of other (non-rated) bonds	$ XX,XXX,XXX
Value of any other assets	$ XX,XXX,XXX
Less	
Purchase price of collateral (loans)	$X,XXX,XXX,XXX
Deal related expenses	$ XX,XXX,XXX
Equals	
Net Revenues on sale of bonds/value of retained assets	$ XX,XXX,XXX

If Morgan Stanley did not purchase the whole loans from New Century, but instead only acted as underwriter for a New Century issued securitization or provided warehouse lending to New Century, this section would not be applicable to calculating Net Revenues derived from such transactions. Instead, only the third (Warehouse Financing Net Revenues) and fifth components (Other Fees or Revenues) of this financial framework would apply.

[1] Vanacker Depo. at 96:23-97-1; 140:11-141:1; 147:19-150:22.
[2] Vanacker Depo. at 204:21-25

Using a Morgan Stanley securitization (MSAC 2005 NC2) comprised entirely of New Century loans as an example, the securitization structure and details are as described in the Prospectus Supplement dated April 22, 2005 at MS00034800:

Class	Rating (F/S/M)	Size and Collateral
A-1ss	AAA/AAA/Aaa	$273,920,000 (FNM/FRE conforming pool 1)
A-1mz	AAA/-/Aaa	$ 68,481,000 (FNM/FRE conforming pool 1)
A-2ss	AAA/AAA/Aaa	$235,870,000 (FNM/FRE conforming pool 2)
A-2mz	AAA/-/Aaa	$ 58,968,000 (FNM/FRE conforming pool 2)
A-3a	AAA/AAA/Aaa	$315,000,000 (Non-conforming pool 3)
A-3b	AAA/AAA/Aaa	$109,586,000 (Non-conforming pool 3)
A-3c	AAA/AAA/Aaa	$ 92,500,000 (Non-conforming pool 3)
A-3mz	AAA/-/Aaa	$ 57,454,000 (Non-conforming pool 3)
M-1	AA+/AA/Aa1	$ 48,771,000 (all loans – pools 1, 2 & 3)
M-2	AA/AA/Aa2	$ 44,269,000 (all loans)
M-3	AA-/AA-/Aa3	$ 24,761,000 (all loans)
M-4	A+/A+/A1	$ 27,012,000 (all loans)
M-5	A/A/A2	$ 23,260,000 (all loans)
M-6	A-/A-/A3	$ 22,510,000 (all loans)
B-1	BBB+/BBB+/Baa1	$ 18,758,000 (all loans)
B-2	BBB/BBB/Baa2	$ 17,258,000 (all loans)
B-3	BBB-/BBB-/Baa3	$ 16,507,000 (all loans)
X	Unrated	$ 45,770,452 (Over collateralization of 3.05%)
P	Unrated	N/A (Pre-payment penalties)
R	Unrated	N/A (Noted, see PSA)

The total mortgage loan collateral associated with this security was $1,500,655,452.

The total of all rated bonds was $1,454,885,000 (Offered Certificates at Par Value).[3]

Gross Proceeds from the sale of the bonds was $1,454,885,000 (100.0% of issued bond principal).[4]

The value of the post-NIM (asset) retained by Morgan Stanley, as stated in Morgan Stanley's Flow of Funds worksheet, was $85,978,646.[5] The post-NIM is not specifically identified or defined in either the Prospectus or the Pooling and Servicing Agreement.[6] NIM Securities are defined as "Any debt securities secured or otherwise backed by some or all of the Class X and Class P Certificates that are rated by one or more of the Rating Agencies."[7] The post-NIM was noted as a specific item in the Flow of Funds worksheet, and we therefore treat this as unrelated to the X Bond value below which is comprised of excess collateral and has limited rights to

[3] Prospectus Supplement at MS00034800 - Appendix C.
[4] Flow of Funds at MS02696849 and Prospectus Supplement at MS00034800 - Appendix C.
[5] Flow of Funds at MS02696849 – Appendix C; Vanacker Depo 25:11 – 26:3.
[6] Prospectus Supplement at MS00034800; Pooling and Servicing Agreement at MS00035725
[7] Pooling and Servicing Agreement at MS00035725

payments of excess interest. In addition, given the specific nature of pre-payment penalties, we also treat post-NIM cash flows as unrelated to the P Bond value below.

For the sole purpose of providing an example to the Court of how the financial framework would function in calculating Morgan Stanley's Net Revenues, prior to having the information necessary to actually calculate such Net Revenues, we made estimates as to the value of the other assets retained by Morgan Stanley: the X Bond, the P Bond, and the R Bond. These estimates will need to be adjusted once Morgan Stanley produces the financial statements sought through discovery.

The (OC) X Bond retained by Morgan Stanley had $45,770,452 in principal balance collateral.[8] For example purposes only, we have estimated a market value of this bond at the inception of the securitization to be $10,000,000. This estimate assumes that the average loan to value ratio of the loans was approximately 80% (providing for adequate equity at the loan level to absorb losses). It also assumes a cumulative loss rate of less than 3.0%, based on typical historical rates over a broad range of Morgan Stanley transactions.[9] Morgan Stanley, as the owner of the X Bond, had the right to OC principal cash flows for the life of the securitization and could have valued such at the example amount.

Prepayment penalty cash flows were assigned to the P Bond retained by Morgan Stanley.[10] For example purposes only, we have estimated a market value of this bond at the inception of the securitization to be $10,000,000. This estimate assumes the following: $1.5 billion of collateral, 80% of the loans have prepayment penalties (60% are 24 month and 20% are 36 month penalty terms), 6 months of interest for each penalty, and a 7.128% average interest rate. The resultant example calculation of approximately $43 million represents the monthly opportunity for prepayment cash flows. Since Morgan Stanley, the owner of the P Bond, has the opportunity for prepayment cash flows for 24-36 months, $10,000,000 is a reasonable minimum value for the P Bond.

The R Bond retained by Morgan Stanley had a final claim on any principal distributions after all the rated bonds were paid off and the X Bond was paid off.[11] For example purposes only, we have estimated the market value of this bond to be $0 at the inception of the securitization.

The purchase price that Morgan Stanley paid for the loans securitized in MSAC 2005 NC2 was $1,532,544,380, or 102.125% of unpaid principal balance "UPB".[12] The initial purchase price of 102.375 was adjusted downward by 0.250% to reflect the lower average interest rate on the pool of loans that was delivered, as compared to the average interest rate New Century promised to be delivered. The PPTA stipulated the loan pool would be at 7.30% (weighted average gross coupon or WAGC) and the purchase price would be adjusted up or down by 1.5 basis points in price for each basis point difference in WAGC. The final WAGC of the

[8] Flow of Funds at MS02696849 and Prospectus Supplement at MS00034800 - Appendix C; Vanacker Depo 25:11 – 26:3.
[9] MSAC Home Equity Program Overview pages 31 and 32 at MS00873691
[10] Prospectus Supplement at MS00034800 - Appendix C; Vanacker Depo 25:11 – 26:3.
[11] Pooling and Servicing Agreement at MS00035725; Vanacker Depo 25:11 – 26:3.
[12] Purchase Price and Terms Agreement at MS02475348 and Prospectus Supplement at MS00034800– Appendix C.

securitization was 7.128% and the resultant adjustment to purchase was estimated at 0.250%, or 7.300% less 7.128% multiplied by 1.5.

Inserting the above information for the MSAC 2005 NC2 securitization into the financial framework for calculating the Net Revenues from the sales of bonds and values of retained assets, we estimate that Morgan Stanley's Net Revenues were **$25,261,774**, or 1.6834% of the underlying collateral, as presented below:

Gross proceeds from sale of rated bonds	$1,454,885,000
Value of other OC, PPP and R bonds example purposes only)	$ 20,000,000 (estimated for
Value of post-NIM	$ 85,978,645
Less	
Purchase price of collateral (loans)	$1,532,544,380
Deal related expenses	$ 3,057,491
Equals	
Net Revenues on sale of bonds/value of retained assets	**$ 25,261,774** or 1.6834% of UPB

In reviewing expenses stated by Morgan Stanley in the Flow of Funds spreadsheet for MSAC 2005 NC2[13], Hilltop made the following adjustments – as explained below – to the stated securitization expenses:

Expense Line Item	Amount[14]	Adjusted Amount
Collateral Shortfall	$12,291,018.00	$0.00
Underwriting Fee	$727,442.50	$727,442.50
Residual Reserve	$450,000.00	$0.00
Deal Expenses	$1,245,094.90	$1,245,094.90
Non-Deal Expenses	$377,240.15	$0.00
Reserve for Expenses	$950,000.00	$800,000.00
Shelf Fees	$149,628.27	$149,628.27
Broken Prices	$11,510.00	$11,510.00
Co-Manager UW Fees – Countrywide	$113,816.00	$113,816.00
Co-Manager UW Fees – Utendahl	$10,000.00	$10,000.00

[13] MSAC 2005 NC2 Flow of Funds at MS02696849 – Appendix C.
[14] MSAC 2005 NC2 Flow of Funds – Flow tab - Deductions from Gross Proceeds at MS02696849 – Appendix C.

Total Expenses	$16,325,749,82	$3,057,490.67

Collateral Shortfall reflects a reduction in the principal needed to support the securitization from the date of the targeted collateral (loan) population to the actual collateral (loan) population on the securitization's closing date. A depositor (Morgan Stanley) to a trust (MSAC 2005 NC2) is responsible to provide additional collateral to the securitization consistent with the Prospectus. However, any collateral shortfall would have been realized by Morgan Stanley as either principal prepaid or repaid at the loan level or (if the loan defaulted within the first 90 days of ownership) as a repurchase of the loan by the New Century, thus making Morgan Stanley whole. This is therefore not an expense Morgan Stanley incurs with respect to the securitization.

The Underwriting Fee expense shown was earned by an affiliate of Morgan Stanley and was therefore offset by the income recognized by the affiliate. While this is an expense to the securitization, the net (consolidated) effect to Morgan Stanley is $0.00.

The Residual Reserve would be for the benefit of the residual holder, i.e. Morgan Stanley. This reserve would either (1) reduce the investment Morgan Stanley had in the residual without impairing the residual owners' rights to future cash flows or (2) provide cash to the residual for future potential distribution. Since Morgan Stanley would realize the Residual at fair value – any additional cash or reduction would be a direct benefit to Morgan Stanley. This is therefore not an expense that Morgan Stanley incurs with respect to the securitization.

Deal Expenses include Rating Agency fees, Accounting fees, Trustee fees and Legal fees. An additional expense item labeled MSCS Fees was earned by an affiliate of Morgan Stanley (Morgan Stanley Capital Services). The expense was therefore offset by the income recognized by the affiliate, and the net (consolidated) effect to Morgan Stanley is $0.00.

Non-Deal Expenses (additional Rating Agency fees and Legal fees) were not described as being directly associated with the securitization and as such were not treated as an expense to the securitization. In addition, the Flow of Funds associated with MSAC 2005 NC2 excluded these expenses when calculating net proceeds to Morgan Stanley.[15]

The Reserve for Expenses was not supported with any specific detail in the Flow of Funds spreadsheet and was therefore adjusted to be consistent with the estimates of $800,000 provided in the Prospectus Supplement.[16]

Various documents were used to obtain the values above, including Bid Terms, Purchase Price and Terms Agreement, Prospectus Supplement, Pooling and Sale Agreement, and Flow of Funds spreadsheet. See Appendix C for examples of reviewed documents.

2. **Net Revenues on the Sale of Mortgage Servicing Rights**

[15] MSAC 2005 NC2 Flow of Funds worksheet – Cell reference F35 in Flow tab at MS02696849

[16] MSAC 2005 NC2 Prospectus Supplement – Page 1 at MS00034800

Mortgage Servicing Rights (MSRs) arise from the securitization process where a specific (minimum) servicing fee is defined and the rights and responsibilities associated with servicing the loan are articulated in a Pooling and Servicing Agreement. New Century typically sold the MSRs to Morgan Stanley as part and parcel of Morgan Stanley's purchase of New Century mortgage loan pools. Morgan Stanley would then sell the MSRs to a mortgage servicer in a negotiated transaction or auction. MSRs were sold on a pool basis with the loans comprising the pools being consistent with the securitization prospectus. The servicer was named on both the Prospectus and the Pooling and Servicing Agreement, and details about the servicer and the servicer's qualifications were noted in both documents.

MSR values were sensitive to a number of factors including, but not limited to, the stated service fee on the loans paid by investors – typically 0.50%[17] annually on the mortgage loan principal balance – the average size of the loans, the geography of the loans, the type and purpose of the loans, the expected pre-payment profile of the loans – which is linked to the coupon rates on the loans – expected delinquency and default rates, and the cost to service the loans.

Historically, there have been a wide range of MSR values, but during the time period in question (2001-2007), based on conversations with Hilltop's clients and MSR brokers, the MSR prices were in the 70-90BP range for newly originated loans – with variation driven by the value factors previously noted.

The Net Revenues from the purchase and subsequent sale of MSRs can be calculated as follows:

UPB of loans * MSR sale price = MSR proceeds

Less

UPB of loans * MSR purchase price = MSR acquisition cost

Less

Direct Expenses

Equals

Net Revenues from sale of MSRs

Morgan Stanley typically acquired the Mortgage Servicing Rights from New Century for 0.75% of the amount of total loan UPB acquired.[18] Morgan Stanley appeared to sell to a consistent group of Servicers including Wells Fargo, Ocwen, HomEq, Provident, Countrywide, Saxon and Chase.

[17] Pooling and Servicing Agreement – MSAC 2005 NC2 - Servicing Fee Rate on page 38 at MS00035725

[18] Purchase Price and Terms Agreement (PPTA) page 2 at MS02475348 - Appendix C; PPTA page 2 at MS01885591; PPTA page 3 at MS01895205; PPTA page 2 at MS02500756; PPTA page 2 at MS01615358.

If Morgan Stanley did not purchase the whole loans from New Century, but instead only acted as underwriter for a New Century issued securitization or provided warehouse lending to New Century, this section would not be applicable to calculating Net Revenues derived from such transactions. Instead, only the third (Warehouse Financing Net Revenues) and fifth components (Other Fees or Revenues) of this financial framework would apply.

Using MSAC 2005 NC2 securitization as an example, we estimate that Morgan Stanley realized a loss of $**(800,328)** from the sale of mortgage servicing rights as presented below:

$1,500,655,452 UPB of loans * MSR sale price (0.70%) = $10,504,588
Less

$1,500,655,452 UPB of loans * MSR purchase price (0.75%) = $11,254,916

Less

Direct expenses of $50,000 (estimated)

Equals

Loss from sale of MSRs of $(800,328)

Various documents for the MSAC 2005 NC2 securitization were used to obtain the values above including Bid Terms, Purchase Price and Terms Agreement, Prospectus and Supplement, Pooling and Sale Agreement, Mortgage Servicing Rights Agreement. See Appendix C for examples of reviewed documents.

3. Net Revenues from Warehouse Financing

Warehouse lending facilities allow loan originators such as New Century to maximize the effectiveness of their equity capital by typically borrowing up to 98% of the UPB on readily saleable mortgage loans (loans that have a firm commitment for purchase). As a result, originators can typically originate many more loans with a warehouse facility. In many situations, the warehouse lender may also be the ultimate buyer for many (or often all) loans on the given warehouse facility. The buyers – either correspondent lenders like Wells Fargo or other aggregators like Morgan Stanley – may use the warehouse lending period to further due diligence the loans they have committed to buy and/or potentially manage the timing of a bulk purchase to efficiently use their own capital and gain economies of scale.

Morgan Stanley provided New Century with short term financing of mortgage loans prior to the loans being sold to an investor in the secondary market. Morgan Stanley derived Net Revenue from its warehouse lending to New Century from three primary sources: interest income, commitment fees and non-usage fees.[19] The interest income is the balance of the collateral on the line, the advance rate on the specific collateral (which is the percentage of the loan amount

[19] Warehouse Financing Proposal Review - pages 4, 5 and 6 at MS01194074; Goodman Depo. at 21:24-23:25.

that would be advanced to the originator[20]) and the interest rate applicable to the line. Commitment fees are upfront fees that New Century would pay to Morgan Stanley for setting aside a committed loan amount that New Century would borrow.[21] Commitment fees covered the entire term of the warehouse facility – usually one year in duration. Non-usage fees were charged in the event that New Century did not utilize the committed amount during a specified time period.[22] Non-usage fees are calculated using the difference between a contractual minimum percentage use of the committed line and the actual usage of the committed line multiplied by the interest rate applicable to the line. Morgan Stanley's Net Revenues would reflect Morgan Stanley's cost of providing the warehouse facility, referred to as its "cost of funds."

The Net Revenues from warehouse financing can be calculated as follows:

UPB of Readily Saleable Mortgage Loans (less advance rate haircut) * Days on warehouse line/365 * Interest Rate charged New Century

Plus

Applicable fees (some payable up front and pro-rated over estimated borrower usage of the warehouse line)

Less

UPB of Readily Saleable Mortgage Loans (less advance rate haircut) * Days on warehouse line/365 * Morgan Stanley cost of funds

Less

Direct expenses for managing the warehouse facility

Equals

Net Revenues from Warehouse Financing

Hilltop estimates the Net Revenues from warehouse financing to New Century in relation to the MSAC 2005 NC2 securitization to be **$1,969,979** as presented below:

$1,500,655,452 of UPB * 98% advance rate * 60 estimated days on warehouse line/365 * 3.00% Interest Rate charged New Century = $7,252,483

Plus

[20] Goodman Depo. at 22:8-16.
[21] Goodman Depo. at 24:1-5.
[22] Goodman Depo. at 24:13-21.

Applicable fees ($3MM pro-rated over estimated borrower usage of warehouse line – or 7.5 basis points per $ of borrowings) = $1,102,982

Less

$1,500,655,452 of UPB * 98% advance rate * 60 estimated days on warehouse line/365 * 2.60% Morgan Stanley cost of funds = $6,285,485

Less

Direct expenses of $100,000 (estimated)

Equals

Net Revenues from Warehouse Financing of $1,969,979

For the purpose of providing this exemplar calculation, Hilltop assumed all the loans in the MSAC 2005 NC2 securitization were collateral on the Morgan Stanley warehouse financing facility. We estimated the days on the warehouse line for the loans based on averages from other warehouse lenders. We would expect to receive actual numbers through pending discovery. See Appendix C for an example set of warehouse financing terms in Warehouse Lending Agreements between New Century and Morgan Stanley, as well as Warehouse Lending Summaries, from which we derived the values for the interest rate charged New Century, the relative Morgan Stanley cost of funds and the resultant net spread of 40 basis points, and the initial commitment fee of $3 million, which we amortized into income over estimated $4 billion of line usage.[23] We allocated the commitment fee over the estimated usage of the line to allow us to apportion the commitment fee to the loan level (Fee per UPB $).

4. Net Revenues from Whole Loan Interest

After mortgage loans have been acquired by an investor such as Morgan Stanley, the loans are deemed to be in portfolio (held for investment) or inventory (held for sale). Held for sale loans are subject to the constant assessment of asset value and are subject to downward valuation adjustments as necessary to reflect the lower of cost or market value. Held for investment loans are not subject to the same mark to market scrutiny. While loans are in portfolio or inventory, the owner of the loans has two sources of cash flow: (1) interest, which is the primary source of income and (2) principal, which reduces the investment or loan balance as principal is received. As long as a mortgage loan owner's cost to finance a given loan is less than the interest rate on the loan – as adjusted for applicable servicing costs – the loan generates interest spread income.

Many banks will keep loans in portfolio and finance the investment in the loans with low cost deposits from bank customers or other low cost borrowings. Aggregators, such as Morgan Stanley, will typically build an inventory of loans over short periods of time (usually 60-90 days) for the eventual sale to Fannie Mae or Freddie Mac or for securitization. During this

[23] Warehouse Financing Proposal Review - page 3 at MS01194074

aggregation period, the overwhelming majority of loans would have been current (not delinquent) – allowing the owner of the loans to generate attractive short term returns.

Morgan Stanley acquired newly originated loans from New Century and typically treated the loans as held for sale and aggregated loans for eventual securitization over a 90 day period.[24] During this period of ownership, Morgan Stanley received interest income from the underlying borrower's scheduled payments. Any principal received from the borrower's payments would have reduced Morgan Stanley's investment in the loans.

The Net Revenues from whole loan interest income can be calculated as follows:

UPB * days in inventory or portfolio (from acquisition date to date transferred to a securitization trust)/365 *Net Coupon (gross average interest rate charged to the borrower less cost to interim service the loans)

Plus

Applicable fees (e.g., pre-payment penalties from borrowers)

Less

UPB * days in inventory or portfolio/365 * Morgan Stanley cost of funds

Less

Direct expenses to manage the investment of whole loans

Equals

Net Revenues from Whole Loan Interest

If Morgan Stanley did not purchase the whole loans from New Century, but instead only acted as underwriter for a New Century issued securitization or provided warehouse lending to New Century, this section would not be applicable to Morgan Stanley. Instead, only components three (Warehouse Financing Net Revenues) and five (Other Fees or Revenues) would be applicable.

Using the MSAC 2005 NC2 securitization as an example, Hilltop estimates the Net Revenues from whole loan interest income to be **$14,854,592** as presented below:

$1,500,655,452 * 90 Days in inventory/365 * 6.628% Interest Rate charged borrower *less* cost to interim service (New Century) = $24,525,233

Plus

[24] Vanacker Depo. at 206:18-24 (testifying that Morgan Stanley generally held the loans purchased for around three months prior to securitization).

$0.00 Applicable fees (pre-payment penalties from borrowers)

Less

$1,500,655,452 * 90 Days in inventory/365 * 2.60% Morgan Stanley (cost of funds) = $9,620,640

Less

Direct Expenses of $50,000 (estimated)

Net Revenues from Whole Loan Interest of $14,854,592

We estimated the number of days in inventory to be approximately 90 days by calculating the difference between (1) the date of acquisition (January 28, 2005) by Morgan Stanley as disclosed in the Purchase Price and Terms Agreement dated October 22, 2004 and (2) the date of the securitization by Morgan Stanley (April 29, 2005) as disclosed in the Prospectus Supplement for MSAC 2005 NC2. The net interest rate for the pool of loans is the gross interest rate of 7.128%, as disclosed in the Prospectus Supplement (S-5), less the cost to service the loans of 0.50%, as stated service fee in the Pooling and Servicing Agreement for MSAC 2005 NC2 (page 38 – Servicing Fee Rate). The Morgan Stanley cost of funds was disclosed in the Warehouse Lending Summary dated January 26, 2005. We assumed that no prepayment penalties were earned and received in the 90 days – with no resultant Net Revenues realized by Morgan Stanley. Actual information about such fees may indicate differently and would therefore be included in the financial framework.

Various documents were used to obtain the values above including Bid Terms, Purchase Price and Terms Agreement, Prospectus Supplement, and Pooling and Sale Agreement. See Appendix C for examples of reviewed documents.

5. **Other Fees or Revenues**

The securitization process can lead to additional fees for investment banks who are involved with the structuring and distribution of a security. These fees are typically for underwriting of the security and the development and maintenance of financial instruments such as interest rate caps or interest rate swaps that will protect the ultimate bond investors. These fees were sometimes paid to entities that are affiliated with the issuer of the security.

The Net Revenues from Other Fees or Revenues can be calculated as follows:

Underwriting Fees

Plus

Other Investment Banking Fees

Equals

Net Revenues from Other Fees and Revenues

Morgan Stanley appears to have earned underwriting fees associated with all the securitizations they either issued (though an affiliated entity) or securitizations issued by New Century. The underwriting fee is typically priced as a % of the size of the underlying offering. In addition, Morgan Stanley earned fees for providing financial transactions (interest rate caps and/or interest rate swaps) on securitizations to ensure adequate cash is in a securitization's structure to provide payments to bond holders.

Using the financial framework to calculate Net Revenues for the MSAC 2005 NC2 securitization, we estimate the income gained by other fees or revenues to be **$1,412,443** as presented below:

$1,454,885,000 of gross proceeds on bonds underwritten by Morgan Stanley * Underwriting Fee of 0.05% = $727,443 listed in deal expense details on Flow of Funds for MSAC 2005 NC 2

Plus

MSCS Fee (Morgan Stanley Capital Services - for services provided in conjunction with interest rate caps) of $685,000 listed in deal expense details on Flow of Funds for MSAC 2005 NC 2

Equals

Net Revenues from Other Fees and Revenues of $1,412,443

Since these fees were paid by an affiliate of Morgan Stanley to an affiliate of Morgan Stanley, the net effect to Morgan Stanley upon consolidation will be $0. If these types of fees earned by Morgan Stanley were evident in a securitization issued by directly by New Century, there would be no consolidation effect to Morgan Stanley and therefore a net gain to Morgan Stanley would be realized.

Various documents were used to obtain the values above including Prospectus Supplement, Pooling and Sale Agreement, and Flow of Funds spreadsheet. See Appendix C for examples of reviewed documents.

Financial framework summary for MSAC 2005 NC2 is as follows, with Morgan Stanley realizing more than $42.7 million in gains on a pool of $1.5 billion in New Century originated loans:

Framework for Gain Quantification - MSAC 2005 NC2

	Gross Revenue [a] ($ / % of UPB)	Cost of Revenues [b] ($ / % of UPB)	Direct Expenses [c] ($ / % of UPB)	Net Revenues ($ / % of UPB)
Net Revenues on Sale of Bonds and Value of Retained Assets in the Securitization	$ 1,560,863,645	$ (1,532,544,380)	$ (3,057,491)	$ 25,261,774
	104.0121%	-102.1250%	-0.2037%	1.6834%
Net Revenues on the Sale of Mortgage Servicing Rights	$ 10,504,588	$ (11,254,916)	$ (50,000)	$ (800,328)
	0.7000%	-0.7500%	-0.0033%	-0.0533%
Net Revenues from Warehouse Financing	$ 8,355,465	$ (6,285,485)	$ (100,000)	$ 1,969,980
Assumes 60 days at 3.00% Gross Rate and 0.40% Net to MS	0.5568%	-0.4188%	-0.0067%	0.1313%
Assumes $3MM commitment fee = 7.5BP per dollar on line				
Net Revenues from Whole Loan Interest	$ 24,525,233	$ (9,620,640)	$ (50,000)	$ 14,854,592
Post-acquisition of loan and pre-securitization	1.6343%	-0.6411%	-0.0033%	0.9899%
Assumes 90 days at 6.628% Gross Coupon and 4.028% Net to MS				
Other Fees or Revenues	$ 1,412,443	$ -	$ -	$ 1,412,443
	0.0941%	0.0000%	0.0000%	0.0941%
Total	$ 1,605,661,374	$ (1,559,705,422)	$ (3,257,491)	$ 42,698,461
Total per UPB$	106.9973%	-103.9349%	-0.2171%	2.8453%

Calculating Disgorgement of Morgan Stanley's Net Revenues to the Class

There are a number of ways to calculate disgorgement of Morgan Stanley's Net Revenues to the Class. Any method ultimately utilized will require a complete understanding of the Net Revenues realized on any particular securitization and will apply some logic to the total Net Revenues we would calculate as being derived from the Class loans at issue using the above financial framework for calculating Net Revenues. The methods, as with the financial framework, are applicable whether New Century loans comprised the entire securitization or a portion of the subject securitization.

Below, we propose two exemplar methods for determining the amount of Morgan Stanley's Net Revenues to disgorge to Class Members.

1. Utilizing all the Morgan Stanley Net Revenues associated with a securitization – whether issued by Morgan Stanley or issued by New Century – and comparing the total Net Revenues to the size of the pool of mortgage loans providing the collateral for a given security, we can calculate the relative Net Revenues to the mortgage loan principal for the respective borrowers, essentially at the loan level.

   For instance, if the total amount of the Net Revenues associated with the loans in the collateral pool supporting a given security (for example: RMBS-1) was $25,000,000 and the size of the collateral pool supporting RMBS-1 was $1,000,000,000 (UPB), the relative gain that Morgan Stanley realized was 2.50% of every dollar in the RMBS-1 security. The financial framework already recognizes all the direct costs associated with loans, such as purchase price of whole loans (including the value paid for the servicing rights related to the mortgage loans in the security), interest costs for investing in assets such as whole loans or warehouse loans, out of pocket deal related costs for the securitization, and estimated direct costs to support the Morgan Stanley lines of business. In this example, we would estimate for every dollar of borrower indebtedness ($1.00), Morgan Stanley made approximately $0.025 in Net Revenues. Using this method, to calculate the Net Revenues on any given loan, we would apply the 2.50% to the amount of the loans (UPB) associated with the Class.

   Using the Net Revenues from MSAC 2005 NC2, we would estimate that Morgan Stanley realized 2.8453% of Net Revenue on every dollar of mortgage loans in the securitization – or approximately $42.7 million on $1.5 billion. Loans associated with the Class are estimated to be $5.7 million (UPB). As a result, we would estimate Morgan Stanley realized Net Revenues of **$161,182** associated with the Class ($5.7 million in mortgages multiplied by 2.8453%).

2. Utilizing all the Morgan Stanley Net Revenues associated with a securitization – whether issued by Morgan Stanley or issued by New Century – and comparing the relative size of the Class represented in the securitization to the total size of the pool of mortgage loans providing the collateral for a given security, we can calculate the relative Net Revenues to the subset of the securitization associated with the Class.

   For instance, if the total amount of the Net Revenues associated with the loans in the collateral pool supporting a given security (for example: RMBS-1) was $25,000,000, the size of the collateral pool supporting RMBS-1 was $1,000,000,000 (UPB), and the relative size of the class within the total pool of loans is $200,000,000 (UPB), the relative gain that Morgan Stanley realized that was associated with the Class was 20% of every dollar of Net Revenue associated with the RMBS-1 security. The financial framework already recognizes all the direct costs associated with loans, such as purchase price of whole loans (including the value paid for the servicing rights related to the mortgage loans in the security), interest costs for investing in assets such as whole loans or warehouse loans, out of pocket deal related costs for the securitization, and estimated direct costs to support the Morgan Stanley lines of business. In this example, we would estimate Morgan Stanley realized Net Revenues of $5,000,000 associated with the Class by applying the 20% to the total gain amount of $25,000,000.

Using the Net Revenues from MSAC 2005 NC2, we would estimate that Morgan Stanley realized approximately $42.7 million on $1.5 billion. Loans associated with the class were estimated at 0.378% of the total securitization. As a result, we would estimate Morgan Stanley realized gains of **$161,406** associated with the Class – $42.7 million multiplied by 0.378%.

Either allocation method will result in materially the same amount, especially after rounding all decimals to the same number of positions.

Conclusions

Hilltop has developed a financial framework to calculate the Net Revenues that Morgan Stanley realized from the relationship it had with New Century.

- This financial framework captures the various sources of Net Revenues Morgan Stanley realized from warehousing lending to securitization of New Century loans.

- The sources are (1) Net Revenues on sale of bonds and value of retained assets, (2) Net Revenues on the sale of mortgage servicing rights, (3) Warehouse financing Net Revenues, (4) Whole loan interest income, and (5) Net Revenues from other fees and revenues.

- The financial framework can be utilized for all securitizations issued by Morgan Stanley that contained New Century loans, including securitizations that contained a mix of New Century loans and loans originated by other lenders. The financial framework is standardized such that it doesn't need to be altered for any particular securitization.

- The financial framework can also be applied to situations where New Century issued the securitization and investment banking services such as underwriting and deal structuring or where Morgan Stanley provided warehouse lending of New Century loans that ultimately were not securitized by Morgan Stanley.

For the purpose of this report, we have not performed actual calculations of Morgan Stanley's Net Revenues. Once Morgan Stanley produces the financial statements requested in discovery, such calculations can be made.

- The use of detailed, auditable financials i.e. profit and loss or Net Revenues information will allow us to make more precise calculations based on the financial framework.

- The information requested in discovery should be applicable to both Morgan Stanley issued securitizations and New Century issued securitizations.

Once comprehensive financial information is gathered and used within the financial framework, we can utilize various methods for how the calculate the disgorgement of applicable Net Revenues to the Class.

- Net Revenues can be calculated at the loan level based on gain per dollar of UPB, or

- Net Revenues can be calculated at the geographic subset within a pool of loans.

Limitations

Morgan Stanley has yet to produce documents such as financial profit and loss statements in response to outstanding discovery. Thus, for the purpose of this report, Hilltop was not engaged to nor did it conduct an audit of the financial results of Morgan Stanley or any business segment. No detailed test work or any independent audit assessment was completed of Morgan Stanley's financial statements in accordance with generally accepted auditing standards. Fair market values are noted in this report for example purposes only as Hilltop did not complete a valuation of any assets noted herein, in accordance with AICPA's valuation requirements.

Once Morgan Stanley produces the financial statements requested, review of such information may require changes to the above financial framework. However, based on our expertise and our review of the types of documents described in Appendix C, the above financial framework captures Morgan Stanley's Net Revenues realized from its relationship with New Century (assuming there are no other business transactions and/or fees earned by Morgan Stanley).

We did not have any communications with Morgan Stanley regarding the revenues, expenses and elements of revenue related to the New Century transactions. Our comments and the financial framework for calculating the financial results are limited to our observations of the documents and depositions reviewed.

All procedures were performed on or prior to June 25, 2014 and as a result, comments, observations and conclusions are limited to information provided to Hilltop on or prior to that date.

Respectfully submitted,

Geoffrey A. Oliver

Geoffrey A. Oliver Dated: June 27, 2014

Appendix A

Geoffrey A. Oliver CPA, CFF, CMB

Professional Experience

The Hilltop Companies	CEO	2005 - Present
BearingPoint, Inc.	Managing Director/Practice Lead	2001 - 2005
KPMG, LLP	Partner/Practice Lead	1976 - 2001

Geoffrey A. Oliver (Jeff) is the founder and CEO of The Hilltop Companies, LLC.

The Hilltop Companies are focused on banking, real estate, lending, loan servicing, mortgage banking (residential, multifamily and commercial) and overall capital markets activities involving such assets. Further, Hilltop Government Solutions, LLC is focused on providing services to those governmental agencies that provide direct lending, loan credit guarantees or mortgage insurance, sell and/or securitize such assets, and/or regulate the financial services business.

As an active CPA, auditor and consultant, Jeff is involved in each of the above businesses in providing Financial Services, Real Estate and Government financial sector consulting, financial statement / compliance auditing and full service accounting, auditing, tax, payroll and management services to our clients.

During his first 28 plus years, Jeff held several National Practice Leader roles while at KPMG and BearingPoint. He had responsibility for the Lending & Leasing Team leader (Consumer and Commercial), Mortgage and Structured Finance practice, Bank Regulatory practice, Homebuilder segment of the Real Estate practice and the Credit Analysis practice. Jeff was the lead Managing Director for the Freddie Mac-BearingPoint relationship from 2002 to 2005. The Freddie Mac account services team grew to 450 consultants on site and BearingPoint was Freddie Mac's largest consultancy by early 2005.

The Mortgage Bankers Association (the national trade group) has recognized Jeff for his leadership and experience through his Certified Mortgage Banker (CMB) designation. He is a frequent speaker at industry conferences on topics including accounting/auditing issues, risk management, fraud investigations, regulatory compliance, financial reporting, and profit improvement. He is a featured writer in many of the industry's trade periodicals. Many of the industry's leading companies are among his references.

Finance, Accounting, Auditing and Regulatory Experience

As a practicing CPA, Jeff provides accounting advisory services (accounting policy and technical interpretation), accounting/audit dispute resolution, and other compliance audit activities. He is regularly involved in client M&A and finance transactions. Jeff is very active in the bank, lending and servicing regulatory compliance areas and leads numerous engagements in these areas.

As a senior partner in the KPMG's Financial Services Accounting/Audit practice, Jeff was the Firm's expert on credit and mortgage banking subject matters, including helping with responses to the FASB, AICPA, PCAOB, etc. Jeff was involved in the KPMG audits of many large clients (banks/credit unions, mortgage, real estate and Federal agencies):

Fannie Mae - audit	Freddie Mac – restatement consultant
Ginnie Mae - lead partner	FHA – SME partner
Wells Fargo Mortgage - technical assist	GE REIT – lead partner
GE Mortgage Services – lead partner	CitiMortgage – technical assist
Old Kent Bank (now Fifth Third) - lead	Fleet Mortgage (now BoA) - technical assist
American Security Bank (now BoA) - lead	NS&T Bank (now Wachovia) – lead partner
NVR Homes – lead	IDI Development
Clover Development	Gulledge Multifamily Development
State Department FCU – lead	Agriculture Department FCU - lead Pentagon
FCU – lead	James Madison Bank
American Security Bank	NS&T Bank

The MORPRO and MORSERV benchmarking studies were created/managed by Jeff's team. These industry leading surveys were focused on lender and servicer performance measurement studies (operational benchmarking, unit cost, and profitability).

Regulatory Compliance

Jeff has been in the regulatory environment with his bank, credit union and mortgage clients for his entire career. Hilltop continues to do extensive work in the regulatory arena, especially providing compliance audit services and "get ready" for the regulator efforts. Remediation services and responses to supervisory letters and consent orders have also been a major component of the services provided to regulated clients. Regulatory compliance engagements include assisting clients with the understanding of the regulations, their processes/policies to comply with such, and mitigation efforts should the client already be in non-compliance. Such engagements have been completed both prior to and/or after a regulatory exam. Jeff's significant involvement with client's regulatory efforts and their regulators – FDIC, OCC, OTS, NCUA, HUD, OFHEO, etc. – has helped him gain respect from the regulatory community. He has assisted the Federal Financial Institutions Examination Council with training for their examiners. Jeff was formerly chair of the MBA's Internal Audit Quality Control Committee. He was the primary author of the MBA's current Uniform Servicing Attestation Program (USAP) which is a single audit concept used by auditors in the U.S. to attest to the loan servicer's compliance with certain loan servicing contract investor requirements.

Risk Management Experience

Jeff has led many enterprise risk assessments and remediation engagements relating to enterprise-wide risks including credit, fraud, operations, financial statement, interest rate/prepayment, technology and other risks. His expertise includes the assessment, detection and mitigation efforts related to such risks. Example engagements include assessing operational risks (backlogs, data management, and system reliance), hedging and secondary market process risk, fraud risk vulnerability, credit analytics (loan loss provisioning, foreclosure and recourse risk loss analyses), and financial statement controls risks.

Mortgage Banking, Lending & Loan Servicing Experience

Jeff has significant engagement experience in all facets of the credit cycle – origination, sales and securitization, and loan servicing. He has led numerous teams in assessing mortgage banking operations for regulatory compliance, acquisition, management performance reviews, risk level assessments (especially in the credit and default areas), and overall operational effectiveness/cost efficiency.

Lending engagements have included, but are not limited to, the following:

- Loan portfolio reviews – documents, credit underwriting, loss and prepayment estimates, valuation, etc.
- Underwriting assessment of policies, processes, tools and the number of "touches" (handoffs between involved parties)
- Regulatory compliance – CRA, Fair Lending, Disclosures, Document compliance, etc.
- QC – post closing audits
- Single audits for investor compliance
- Mortgage fraud assessments
- Benchmarking loan production costs and efficiencies
- Vendor selections – technology, outsourcing for overall loan production
- Loan production operations capability for prime, subprime, FHA/VA and CRA
- Competitive product and pricing analyses
- Market penetration studies – identification of new markets, products
- Branch quality assessments
- Loan officer production level and quality assessments
- Secondary Marketing - risk assessments of loan sales
- "Best Execution" on sale of loans
- Hedge and Pipeline risk management and effectiveness, tools and technology assessments
- Loan origination system application assessments – selection, business requirements, market analysis, workflow effectiveness, etc.
- Reengineering of business processes across entire lending business

Default Management engagements have included, but are not limited to, the following:

- Review policies, processes and regulatory/investor compliance for various areas:
  - Loss mitigation
  - Cashiering
  - Collections
  - Foreclosure
  - Bankruptcy

- REO management/disposition
- NPV calculations for best execution
- Short sale, deed in lieu and other foreclosure alternatives
- Review advances made by servicer (P&I, T&I, Foreclosure and Property Preservation, Replacement Reserves)
- Calculating and tracking servicer advances and foreclosure losses incurred, etc.

* Review delinquency reporting completeness, report accuracy, and trend analyses
* Review of foreclosure claims made to insurers
* Review of reimbursement claims made to investors
* Review of accounting for all advances, property preservation costs, etc.

Other loan servicing engagements have included, but are not limited to, the following:

* Assess Customer Service effectiveness and call center operations
* Provide reconciliation assistance in investor reporting and accounting
* Review FNMA/FHLMC shortage surplus reconciliations and tests of expected P&I
* Provide reconciliation of investor trust accounts
* Review functional servicing cost and revenue for residential mortgage
* Consumer, multi-family and commercial loan servicing portfolios and compare to industry benchmarks to evaluate servicing quality/cost efficiency
* Review the ancillary income sources and determine on-going viability of this revenue stream
* Review custodial accounts (principal, interest, taxes and insurance) bank account reconciliations for timely preparation and resolution of reconciling items
* Review processes, policies and procedures for escrow management - taxes and insurance, escrow analysis, completion escrows, etc.
* Review most recent investor/regulatory audit reports and evaluate deficiencies and other matters communicated in such
* Review terms of servicing agreements for contingent liabilities – recourse, repurchase, indemnifications, etc.
* Loan servicing system assessments – selection, business requirements, market analysis, workflow effectiveness, etc.
* Mortgage fraud assessments
* Reengineering of business processes across entire servicing business

Commercial Bank, Business Lending, Multifamily Lending, Commercial Real Estate Finance and Other Lending Experience

Jeff has significant bank audit experience in all aspects of commercial lending – commercial, multifamily, real estate, land, ADC, warehousing/floor plans, retail, hospitality and other commercial lending areas. He has performed numerous financial and compliance audits, loan reviews, document reviews, ALLL analyses, and valuations of these types of loans. Jeff has worked with numerous banks and their auditors/bank examiners in assessing the lending/credit process, the controls, and the detailed credit risk/allowance requirements for commercial loan portfolios. Assessing credit loss exposure within commercial/multifamily loan portfolios has been completed on an average of 35-45 engagements per year.

Jeff also is very well recognized in the multifamily lending arena (engagements over his career include many of the Top 20 commercial / multifamily lender/servicers, HUD, Fannie Mae and Freddie Mac). Credit evaluations and document compliance have been the primary focus of many engagements in this arena. Lending and loan servicing processes have also been evaluated for efficiency and compliance with regulatory and investor requirements.

Related engagements include, but are not limited to, the following:

- Commercial loan portfolio reviews – documents, credit underwriting, loss and prepayment estimates, valuation, credit ratings, regulatory compliance, etc.
- Regulatory compliance audits for Banks – CRA, Fair Lending, Disclosures, Document compliance, etc.
- Single audits for investor compliance with CMBS securities
- Benchmarking bank operating costs and efficiencies
- Conducted audits of commercial and multifamily real estate properties and the related partnerships
- Vendor selections – technology, outsourcing for overall loan production

Capital Markets and Derivatives Experience

Jeff has been involved in many secondary and capital markets engagements involving the fixed income and asset-backed capital markets (MBS, ABS, CMBS, and CDO/CLOs). Jeff has significant engagement experience with asset securitization and understanding the derivatives that have evolved/been used in the mortgage and asset-backed securitization marketplace. He has been involved in modeling, due diligence, comfort letter issuance, trustee audits, compliance efforts, etc., with respect to various securitizations. He has consulted on hedging techniques, trading loans and securities, creating ongoing risk monitoring, securitization transactions, pooling and servicing agreement compliance and Reg AB compliance, assessing securitization tools/technologies, and valuation of assets (whole loans, securities and derivatives). Jeff was the National Lead Partner of the KPMG Structured Finance Group which handled all asset securitization transactions and valuation for KPMG clients.

Capital Markets engagements include, but are not limited to, the following:

- Reviewing securitization documents for completeness and accuracy
- Review and assessment of compliance with PSA/securitization requirements
- Risk assessment of securitized instruments
- Review of the performance of underlying assets supporting a securitization

Financial Advisory - Transaction Management & Valuation Experience

Jeff has led many financial advisory, and mergers and acquisition engagements for many of the Top 100 banks, mortgage companies, homebuilders, REITs and consumer finance companies. He has assisted sellers, buyers, and financiers of such transactions. Jeff has led several financial advisory engagements for many of the government agencies that dispose of assets such as HUD, Ginnie Mae, FDIC, and SBA. He led the "design, architecture and build" of an electronic auction website/browser tool that was being used successfully in many asset dispositions by Federal agencies. Jeff has led the valuation efforts for many acquisition and bank financing transactions, including loans, securities, derivatives, mortgage servicing assets and whole enterprises.

Government Agency Experience

Jeff has had both audit and consulting engagements with various government agencies and GSEs. His audit experience includes leading the Fannie Mae and Ginnie Mae audits for a number of years. He has assisted Ginnie Mae, FDIC, RTC, Department of Education and the SBA with asset sales as a financial advisor. Jeff has had consulting engagements with Fannie Mae, Ginnie Mae, Freddie Mac, FDIC, RTC, OCC, HUD, FHA, and SBA involving strategy, industry analysis, compliance issues, new regulations, and program operations.

Education, Designations and Professional Organizations

Jeff received a Bachelor of Science degree from Georgetown University in Accounting & Finance. Jeff is a Certified Public Accountant, Commonwealth of Virginia. He has a Certification in Financial Forensics (forensic accounting and fraud detection). He is a Certified Mortgage Banker. He is very active with the various MBA committees such as MBA's Financial Management and Quality Assurance Committees.

Jeff is on the Advisory Board of the McDonough School of Business at Georgetown University. He has been an adjunct Professor of Corporate Finance and Financial Statement Analysis for Georgetown University.

Appendix B

LIST OF PUBLICATIONS

1. Geoffrey A. Oliver, *Loan Modifications and Troubled Debt Restructuring – A New Set of Challenges with the Allowance for Loan and Lease Losses (ALLL)*, 2009, *available at* http://hilltopadvisors.com/files/New_Challenges_with_the_Allowance_for_Loan_and_Lease_Losses_2-20-09.pdf.
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3. Geoffrey A. Oliver, et al., *Profitable Servicers In The New Millennium*, 61 MORTGAGE BANKING, June 2001, number 9, at 32.
4. Geoffrey A. Oliver & Bernadette Kogler, *Boosting the Return on Servicing*, 60 MORTGAGE BANKING, Feb. 2000, No. 5, at 60.
5. Geoffrey A. Oliver & Laura McDonald, *What Drives Servicing Profits?*, 58 MORTGAGE BANKING, June 1998, number 9, issue 8, at 38.
6. Geoffrey A. Oliver, *The Lending Strategies That Work Best Strike A Balance Between Starts, Servicing*, 162 AMERICAN BANKER, April 28, 1997, issue 2, at 29.
7. Geoffrey A. Oliver, *Outdated Strategies Holding Back Retail Lender*, 162 AMERICAN BANKER, April 25, 1997, number 79, issue 1, at 9.
8. Geoffrey A. Oliver & Laura McDonald, *Nontraditional Channels Also Feeling Profit Pinch*, 161 AMERICAN BANKER, Oct. 9, 1996, number 194, issue 1, at 13.
9. Geoffrey A. Oliver & Laura McDonald, *Originations: Cost Held Study In '95, But Income Fell*, 161 AMERICAN BANKER, Oct. 3, 1996, number 190, issue 1, at 13.
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14. Geoffrey A. Oliver & Bernadette Kogler, *Building A System To Manage Your Servicing Assets*, 161 AMERICAN BANKER, March 22, 1996, number 40, at 11.

15. Geoffrey A. Oliver & Bernadette Kogler, *New Accounting Standard Highlights Servicing Risks*, 161 AMERICAN BANKER, March 21, 1996, number 55, issue 1, at 11.

16. Geoffrey A. Oliver & Lowell Alcorn, *Technology Investments Don't Guarantee Gains*, 161 AMERICAN BANKER, Feb. 29, 1996, number 40, issue 1, at 11A.

17. Geoffrey A. Oliver & Laura L. McDonald, *Benchmarking The Business*, 56 MORTGAGE BANKING, Oct. 1995, number 1, issue 7, at 141.

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19. Geoffrey A. Oliver & Peter Fitzsimmons, *Accounting Change Puts Servicing In New Light*, vol. 160 AMERICAN BANKER, Sept. 26, 1995, number 185, issue 1, at 11.

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30. Geoffrey A. Oliver & Regina J. Reed, *The Perils And Profits Of Production*, 54 MORTGAGE BANKING, Oct. 1993, number 1, issue 4, at 159.

31. Geoffrey A. Oliver & Michael F. Horn, *The Accounting Has Shifted For Servicing Rights*, 158 AMERICAN BANKER, Sept. 29, 1993, number 187, issue 1, at 11.

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Appendix C

Documents reviewed included the following (see MCAS 2005 – NC2 Documents as examples)

- Prospectus Supplements
- Underwriting Agreements
- Purchase Price and Terms Agreements
- Flow of Funds worksheets
- Pooling and Servicing Agreements
- Mortgage Servicing Rights Agreements
- Morgan Stanley and New Century Securitization inventory (2002-2007)

Independent Accountant's 2005-HE6	MS00054286
MS Trade Log	MS01261189
Pooling and Servicing 2005-HE6	MS00054386
Pooling and Servicing 2007-NC4	MS00444384
Prospectus 2005-HE6	MS00052068
Prospectus 2007-NC4	MS00443081
Trade Ticket	NC_ADKINS_DEFENDANT_0002657N
Underwriting 2005-HE6	MS00053801
Underwriting 2007-NC4	MS00443916
Vanacker FHFA Deposition Day 1	MS01260650
Vanacker FHFA Deposition Day 2	MS01260975
Deobrah Goodman Email 2/13/07	MS01235617
Steven Shapiro Email 3/4/07	MS00081922
NC Warehouse Financing Proposal Review September 2004	MS00834907
Oren Erfrati Email 6/24/05	MS00984304
Subprime Warehouse Lines February 13, 2007	MS01235619
SPG Warehouse Lending Group Procedures Manual	MS01239792
Exhibit 3 to Kaplan Deposition - Purchase and Warranties Agreement	MS00033977
Goodman 3/7/14 Depo with Exhibits	
Vanacker 3/12/14 Depo with Exhibits	
MS Relationships	MS00005056
Cadwalader CD TOC 2005-NC2	MS00037133
Cadwalader CD TOC 2006-HE5	MS00056148
2004-HE6 P&S Agreement	MS00101546
SubPrime Process	MS00121501
2004-NC1 P&S Agreement	MS00239150
NC Requested Info.	MS00240698
2005-NC2 P&S Agreement	MS00305695
2007-HE2 P&S Agreement	MS00435603
Cadwalader CD TOC 2007-HE2	MS00437404
Cadwalader CD TOC 2007-NC2	MS00437413
2007-NC4 P&S Agreement	MS00444384
2005-HE1 P&S Agreement	MS00879875
Requested Commitment	MS00890909
MS Relationship	MS00890920
NCFC Warehouse Financing Proposal Review 1/26/2005	MS01194074
NCFC Warehouse Financing Proposal Review 11/16/2005	MS01246868
Cadwalader CD TOC 2005-HE1	MS01870181
Cadwalader CD TOC 2005-HE2	MS01873984
2003-NC1 P&S Agreement	MS02036127
2006-NC5 P&S Agreement	MS02069580
2006-HE6 P&S Agreement	MS02436580
MS Production of P&Ls, Flow of Funds, and other revenue documents	MS02696840-MS02697022
PPTAs	MS01895205, MS02500756, MS01885591, MS01615358
Defendants' Written Responses and Objections to Plaintiffs' Notice of 30(b)(6) Deposition and Request for the Production of Documents Regarding Defendants' Corporate Organization	N/A
Servicing Rights Terms Agreement	MS02668226
MSAC 2005-NC2 - 01-00 - Prospectus	MS00034800
MSAC 2005-NC2 - 01-00 - CD Table of Contents	MS00037133
MSAC 2005-NC2 - 02-00 - EDGAR Conf.	MS00035123

MSAC 2005-NC2 - 02-00 - Transaction Title, Table of Contents and Key	MS00037125
MSAC 2005-NC2 - 03-00	MS00035126
MSAC 2005-NC2 - 04-00	MS00035462
MSAC 2005-NC2 - 05-00 - Underwriting Agreement	MS00035464
MSAC 2005-NC2 - 06-00	MS00035485
MSAC 2005-NC2 - 07-00	MS00035494
MSAC 2005-NC2 - 08-00	MS00035502
MSAC 2005-NC2 - 09-00	MS00035511
MSAC 2005-NC2 - 10-00	MS00035707
MSAC 2005-NC2 - 11-00	MS00035715
MSAC 2005-NC2 - 12-00	MS00035718
MSAC 2005-NC2 - 13-00	MS00035720
MSAC 2005-NC2 - 14-00	MS00035722
MSAC 2005-NC2 - 15-00 - P&S Agreement	MS00035725
MSAC 2005-NC2 - 15-01 - Mortgage Loan Schedule	MS00035858
MSAC 2005-NC2 - 15-02	MS00036188
MSAC 2005-NC2 - 15-03	MS00036191
MSAC 2005-NC2 - 15-04	MS00036195
MSAC 2005-NC2 - 15-05	MS00036211
MSAC 2005-NC2 - 15-06	MS00036214
MSAC 2005-NC2 - 15-07	MS00036224
MSAC 2005-NC2 - 15-08	MS00036233
MSAC 2005-NC2 - 15-09	MS00036242
MSAC 2005-NC2 - 15-10	MS00036252
MSAC 2005-NC2 - 15-11	MS00036256
MSAC 2005-NC2 - 15-12	MS00036260
MSAC 2005-NC2 - 15-13	MS00036266
MSAC 2005-NC2 - 15-14	MS00036268
MSAC 2005-NC2 - 15-15	MS00036276
MSAC 2005-NC2 - 15-16	MS00036279
MSAC 2005-NC2 - 15-17	MS00036283
MSAC 2005-NC2 - 15-18	MS00036286
MSAC 2005-NC2 - 15-19	MS00036288
MSAC 2005-NC2 - 15-20	MS00036291
MSAC 2005-NC2 - 16-00	MS00036297
MSAC 2005-NC2 - 16-01	MS00036300
MSAC 2005-NC2 - 16-02	MS00036308
MSAC 2005-NC2 - 16-03	MS00036320
MSAC 2005-NC2 - 16-04	MS00036325
MSAC 2005-NC2 - 17-00	MS00036327
MSAC 2005-NC2 - 17-01	MS00036329
MSAC 2005-NC2 - 17-02	MS00036341
MSAC 2005-NC2 - 17-03	MS00036349
MSAC 2005-NC2 - 18-00	MS00036351
MSAC 2005-NC2 - 18-01	MS00036353
MSAC 2005-NC2 - 18-02	MS00036393
MSAC 2005-NC2 - 18-03	MS00036396
MSAC 2005-NC2 - 18-04	MS00036399
MSAC 2005-NC2 - 18-05	MS00036403
MSAC 2005-NC2 - 19-00	MS00036408

MSAC 2005-NC2 - 19-01	MS00036410
MSAC 2005-NC2 - 19-02	MS00036414
MSAC 2005-NC2 - 19-03	MS00036429
MSAC 2005-NC2 - 19-04	MS00036456
MSAC 2005-NC2 - 20-00	MS00036458
MSAC 2005-NC2 - 20-01	MS00036462
MSAC 2005-NC2 - 20-02	MS00036467
MSAC 2005-NC2 - 20-03	MS00036490
MSAC 2005-NC2 - 20-04	MS00036493
MSAC 2005-NC2 - 20-05	MS00036496
MSAC 2005-NC2 - 21-00	MS00036499
MSAC 2005-NC2 - 22-00	MS00036505
MSAC 2005-NC2 - 23-00	MS00036508
MSAC 2005-NC2 - 23-01	MS00036522
MSAC 2005-NC2 - 23-02	MS00036525
MSAC 2005-NC2 - 24-00	MS00036528
MSAC 2005-NC2 - 25-00	MS00036533
MSAC 2005-NC2 - 26-00	MS00036536
MSAC 2005-NC2 - 27-00	MS00036542
MSAC 2005-NC2 - 28-00	MS00036548
MSAC 2005-NC2 - 29-00	MS00036553
MSAC 2005-NC2 - 30-00	MS00036558
MSAC 2005-NC2 - 31-00	MS00036566
MSAC 2005-NC2 - 32-00	MS00036568
MSAC 2005-NC2 - 33-00	MS00036577
MSAC 2005-NC2 - 34-00	MS00036586
MSAC 2005-NC2 - 35-00	MS00036595
MSAC 2005-NC2 - 36-00	MS00036604
MSAC 2005-NC2 - 37-00	MS00036613
MSAC 2005-NC2 - 38-00	MS00036617
MSAC 2005-NC2 - 39-00	MS00036620
MSAC 2005-NC2 - 40-00	MS00036624
MSAC 2005-NC2 - 41-00	MS00036948
MSAC 2005-NC2 - 42-00	MS00036953
MSAC 2005-NC2 - 43-00	MS00036969
MSAC 2005-NC2 - 44-00	MS00037113
MSAC 2005-NC2 - 45-00	MS00037117
MSAC 2005-NC2 - 46-00	MS00037123
MSAC 2005-NC2 - Successor Servicer Side Letter Agreement (draft)	MS01735537
MSAC 2005-NC2 - Bid Terms (final)	MS01885791
MSAC 2005-NC2 - PPTA (draft)	MS02475348
MSAC 2005-NC2 - Side Letter Agreement (executed)	MS02616310
MSAC 2005-NC2 - Side Letter Agreement (executed)	MS02616314
MSAC 2005-NC2 - Mortgage Servicing Rights Agreement	MS02618453
MSAC 2005-NC2 - Signature Page to Mortgage Servicing Rights Agreement	MS02618513
MSAC 2005-NC2 - Flow of Funds	MS02696849

PROSPECTUS SUPPLEMENT
(To Prospectus dated February 17, 2005)

$1,454,885,000
Mortgage Pass-Through Certificates, Series 2005-NC2
Morgan Stanley ABS Capital I Inc. Trust 2005-NC2
Issuer
Morgan Stanley ABS Capital I Inc.
Depositor
Countrywide Home Loans Servicing LP
Servicer
HomEq Servicing Corporation
Servicer

The following classes of certificates are being offered pursuant to this prospectus supplement and the accompanying prospectus:

Class	Original Class Certificate Balance	Pass-Through Rate
Class A-1ss	$273,920,000	Variable
Class A-1mz	$ 68,481,000	Variable
Class A-2ss	$235,870,000	Variable
Class A-2mz	$ 58,968,000	Variable
Class A-3a	$315,000,000	Variable
Class A-3b	$109,580,000	Variable
Class A-3c	$ 92,500,000	Variable
Class A-3mz	$ 57,454,000	Variable
Class M-1	$ 48,771,000	Variable
Class M-2	$ 44,269,000	Variable
Class M-3	$ 24,761,000	Variable
Class M-4	$ 27,012,000	Variable
Class M-5	$ 23,260,000	Variable
Class M-6	$ 22,510,000	Variable
Class B-1	$ 18,758,000	Variable
Class B-2	$ 17,258,000	Variable
Class B-3	$ 16,507,000	Variable

You should read the section entitled "Risk Factors" starting on page S-8 of this prospectus supplement and page 6 of the accompanying prospectus and consider these factors before making a decision to invest in the certificates.

The certificates represent interests in the trust fund only and are not interests in or obligations of any other person.

Neither the certificates nor the underlying mortgage loans will be insured or guaranteed by any governmental agency or instrumentality.

The trust fund —
- *The trust fund consists primarily of three groups of fixed- and adjustable-rate, first-lien and second-lien mortgage loans secured by residential real properties.*

The certificates —
- *The certificates represent beneficial interests in the assets of the trust fund, as described in this prospectus supplement; and*
- *The certificates will accrue interest at a rate equal to one-month LIBOR plus a related fixed margin, subject to certain caps, as described in this prospectus supplement.*

Credit enhancement —
- *Subordination as described in this prospectus supplement under "Description of the Certificates—Priority of Distributions Among Certificates";*
- *Overcollateralization as described in this prospectus supplement under "Description of the Certificates—Overcollateralization Provisions"; and*
- *Excess interest as described in this prospectus supplement under "Description of the Certificates—Overcollateralization Provisions".*

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of the offered certificates or determined if this prospectus supplement or the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley ABS Capital I Inc. will not list the certificates on any securities exchanges or on any automated quotation system of any securities association.

The certificates offered by this prospectus supplement will be purchased by Morgan Stanley & Co. Incorporated, Countrywide Securities Corporation and Utendahl Capital Partners, L.P. and offered from time to time to the public in negotiated transactions or otherwise at varying prices to be determined at the time of sale. Proceeds to the depositor from the sale of the offered certificates are anticipated to be approximately $1,450,520,345 before the deduction of expenses payable by the depositor, estimated to be approximately $800,000. The offered certificates will be available for delivery to investors in book entry form through the facilities of The Depository Trust Company, Clearstream Banking, société anonyme and Euroclear Bank, as operator of the Euroclear System, on or about April 29, 2005.

MORGAN STANLEY
COUNTRYWIDE SECURITIES CORPORATION
UTENDAHL CAPITAL PARTNERS, L.P.

April 22, 2005

MS00034601

SUMMARY

This summary highlights selected information from this prospectus supplement and does not contain all of the information that you need to consider in making your investment decision. You should read this entire prospectus supplement and the accompanying prospectus carefully to understand all of the terms of the offering of the certificates.

The Offered Certificates

The Morgan Stanley ABS Capital I Inc. Trust 2005-NC2 will issue the Mortgage Pass-Through Certificates, Series 2005-NC2. Seventeen classes of the certificates – the Class A-1ss certificates, the Class A-1mz certificates, the Class A-2ss certificates, the Class A-2mz certificates, the Class A-3a certificates, the Class A-3b certificates, the Class A-3c certificates, the Class A-3mz certificates, the Class M-1 certificates, the Class M-2 certificates, the Class M-3 certificates, the Class M-4 certificates, the Class M-5 certificates, the Class M-6 certificates, the Class B-1 certificates, the Class B-2 certificates and the Class B-3 certificates – are being offered to you by this prospectus supplement. The Class A-1ss and Class A-1mz certificates generally represent interests in the group I mortgage loans, the Class A-2ss and Class A-2mz certificates generally represent interests in the group II mortgage loans, and the Class A-3a, Class A-3b, Class A-3c and Class A-3mz certificates generally represent interests in the group III mortgage loans. The Class M certificates and the Class B certificates represent interests in all of the mortgage loans.

The Other Certificates

The trust will also issue three other classes of certificates – Class X, Class P and Class R certificates – which will not be offered under this prospectus supplement.

The Class X certificates will have an initial aggregate principal balance of approximately $45,770,452, which is approximately equal to the initial overcollateralization required by the pooling and servicing agreement. The Class X certificates initially evidence an interest of approximately 3.05% of the aggregate scheduled principal balance of the mortgage loans in the trust.

The Class P certificates will not have an aggregate principal balance and will not be entitled to distributions in respect of principal or interest. The Class P certificates will be entitled to all prepayment premiums or charges received in respect of the mortgage loans.

The certificates will represent fractional undivided interests in the assets of the trust, which will consist primarily of the mortgage loans.

Closing Date

On or about April 29, 2005.

Cut-off Date

April 1, 2005.

Distributions

Distributions on the certificates will be made on the 25th day of each month, or, if the 25th day is not a business day, on the next business day, beginning in May 2005, to the holders of record on the preceding record date.

The record date for the offered certificates will be the business day preceding the related distribution date, unless the offered certificates are issued in definitive form, in which case the record date will be the last business day of the month preceding the month in which the related distribution date occurs.

Payments of Interest

The pass-through rates for each class of offered certificates will be equal to the sum of one-month LIBOR plus a fixed margin, subject to caps on those pass-through rates. Interest will accrue on the offered certificates on the basis of a 360-day year and the actual number of days elapsed in the applicable interest accrual period, which for any distribution date will be the period from and including the preceding distribution date (or, in the case of the first distribution date, from and including the closing date) through the day before the current distribution date.

Payments of Principal

Principal will be paid on the certificates on each distribution date as described under "*Description of the Certificates—Distributions of Interest and Principal*" in this prospectus supplement.

Credit Enhancement

The credit enhancement provided for the benefit of the holders of the certificates consists solely of:

- the use of excess interest to cover losses on the mortgage loans and as a distribution of principal to maintain overcollateralization;
- the subordination of distributions on the more subordinate classes of certificates to the required distributions on the more senior classes of certificates; and
- the allocation of losses on the mortgage loans to the most subordinate classes of certificates.

Interest Rate Cap Agreements

The offered certificates will have the benefit of interest rate cap agreements provided by Morgan Stanley Capital Services Inc., as cap provider, to cover certain shortfalls in interest that may result from the pass-through rates on those classes of certificates being limited by the caps on those pass-through rates. All obligations of the trust under the interest rate cap agreements will be paid on or prior to the closing date. For further information regarding these interest rate cap agreements, see "*Description of the Certificates—Interest Rate Cap Agreements*" in this prospectus supplement.

The Mortgage Loans

The mortgage loans to be included in the trust will be primarily adjustable and fixed rate subprime mortgage loans secured by first-lien and second lien mortgages or deeds of trust on residential real properties. All of the mortgage loans were purchased by an affiliate of the depositor from NC Capital Corporation, which in turn acquired them from its affiliate New Century Mortgage Corporation. NC Capital Corporation will make certain representations and warranties relating to the mortgage loans.

On the closing date, the trust will acquire the mortgage loans. The aggregate scheduled principal balance of the mortgage loans as of the cut-off date will be approximately $1,500,655,452. Approximately 18.86% of the mortgage loans are fixed-rate and approximately 81.14% are adjustable-rate. Approximately 99.05% of the mortgage loans are first-lien mortgage loans, and approximately 0.95% of the mortgage loans are second-lien mortgage loans.

The information regarding the mortgage loans set forth below that is based on the principal balance of the mortgage loans as of the cut-off date assumes the timely receipt of principal scheduled to be paid on the mortgage loans on or prior to the cut-off date and no delinquencies, defaults or prepayments from March 1, 2005 through the cut-off date.

The mortgage loans have original terms to maturity of not greater than 360 months, have a weighted average remaining term to scheduled maturity of 353 months and have the following approximate characteristics as of the cut-off date:

Range of interest rates:	4.990%	to	12.950%
Weighted average interest rate:	7.128%		
Range of gross margins of adjustable-rate mortgage loans:	1.000%	to	8.390%
Weighted average gross margin of adjustable-rate mortgage loans:	5.645%		

MS00034805

Range of minimum interest rates of adjustable-rate mortgage loans:	4.990%	to	12.950%
Weighted average minimum interest rate of adjustable-rate mortgage loans:	7.118%		
Range of maximum interest rates of adjustable-rate mortgage loans:	11.750%	to	19.950%
Weighted average maximum interest rate of adjustable-rate mortgage loans:	14.114%		
Range of principal balances:....................	$19,652	to	$870,000
Average principal balance:	$191,410		
Range of combined original loan-to-value ratios:....................	7.08%	to	100.00%
Weighted average combined original loan-to-value ratio:	80.35%		
Weighted average next adjustment date of adjustable-rate mortgage loans:	January 2007		

For purposes of calculating principal distributions on the Class A certificates and for purposes of calculating the allocation of certain interest shortfalls to the offered certificates, in each case as described in detail in this prospectus supplement, the mortgage loans will be divided into three subpools, designated as "group I mortgage loans," "group II mortgage loans" and "group III mortgage loans." The group I mortgage loans and the group II mortgage loans will consist only of those mortgage loans with principal balances that conform to Freddie Mac and Fannie Mae guidelines. The group III mortgage loans will consist of all other remaining mortgage loans. Information about the characteristics of the mortgage loans in each group is described under *"The Mortgage Loan Pool"* in this prospectus supplement.

The interest rate on substantially all of the adjustable-rate mortgage loans will either adjust monthly on each adjustment date to equal the sum of one-month LIBOR or, after an initial fixed rate period, adjust semi-annually on each adjustment date to equal the sum of six-month LIBOR and, in each case, the gross margin for that mortgage loan subject to periodic and lifetime limitations. See *"The Mortgage Loan Pool—The Indices"* in this prospectus supplement.

For the adjustable-rate mortgage loans, the first adjustment date generally will occur only after initial periods of approximately two or three years, as more fully described under *"The Mortgage Loan Pool"* in this prospectus supplement. For additional information regarding the mortgage loans, see *"The Mortgage Loan Pool"* in this prospectus supplement.

Servicing of the Mortgage Loans

Countrywide Home Loans Servicing LP will act as servicer with respect to approximately 99.05% of the mortgage loans. HomEq Servicing Corporation will act as servicer with respect to approximately 0.95% of the mortgage loans. Each servicer will be obligated to service and administer the applicable mortgage loans on behalf of the trust, for the benefit of the holders of the certificates.

Optional Termination of the Trust

Subject to the satisfaction of the conditions described under *"The Pooling and Servicing Agreement—Termination; Optional Clean-up Call"* in this prospectus supplement, either servicer, individually, or both of the servicers together, may, at their option, purchase the mortgage loans and terminate the trust on any distribution date when the aggregate stated principal balance, as further described in this prospectus supplement, of the mortgage loans as of the last day of the related due period is equal to or less than 10% of the aggregate stated principal balance of the mortgage loans as of the cut-off date. That purchase of the mortgage loans would result in the payment on that distribution date of the final distribution on the certificates.

Advances

Each servicer will be required to make cash advances with respect to delinquent payments of principal and interest on the mortgage loans serviced by it, unless the applicable servicer reasonably believes that the cash advances cannot be repaid from future payments on the applicable mortgage loans. These cash advances are only intended to maintain a regular flow of scheduled interest and principal payments on the certificates and are not intended to guarantee or insure against losses.

ERISA Considerations

Subject to the conditions described under "*ERISA Considerations*" in this prospectus supplement, the offered certificates may be purchased by an employee benefit plan or other retirement arrangement subject to Title I of ERISA or Section 4975 of the Internal Revenue Code.

Federal Tax Aspects

Cadwalader, Wickersham & Taft LLP is acting as tax counsel to Morgan Stanley ABS Capital I Inc. and is of the opinion that:

- portions of the trust will be treated as two real estate mortgage investment conduits, or REMICs, for federal income tax purposes; and
- the offered certificates will represent regular interests in a REMIC, which will be treated as debt instruments of a REMIC, and interests in certain basis risk interest carry forward payments, pursuant to the payment priorities in the transaction. Each interest in basis risk interest carry forward payments will be treated as an interest rate cap contract for federal income tax purposes.

Legal Investment

None of the classes of offered certificates will constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984, as amended. If your investment activities are subject to legal investment laws and regulations, regulatory capital requirements, or review by regulatory authorities, then you may be subject to restrictions on investment in the offered certificates. You should consult your own legal advisors for assistance in determining the suitability of and consequences to you of the purchase, ownership, and sale of the offered certificates. See "*Legal Investment*" in this prospectus supplement and in the prospectus.

Ratings

In order to be issued, the offered certificates must be assigned ratings not lower than the following by Fitch, Inc., Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Moody's Investors Service, Inc.:

Class	Fitch	S&P	Moody's
A-1ss	AAA	AAA	Aaa
A-1mz	AAA	-	Aaa
A-2ss	AAA	AAA	Aaa
A-2mz	AAA	-	Aaa
A-3a	AAA	AAA	Aaa
A-3b	AAA	AAA	Aaa
A-3c	AAA	AAA	Aaa
A-3mz	AAA	-	Aaa
M-1	AA+	AA	Aa1
M-2	AA	AA	Aa2
M-3	AA-	AA-	Aa3
M-4	A+	A+	A1
M-5	A	A	A2
M-6	A-	A-	A3
B-1	BBB+	BBB+	Baa1
B-2	BBB	BBB	Baa2
B-3	BBB-	BBB-	Baa3

A security rating is not a recommendation to buy, sell or hold securities. These ratings may be lowered or withdrawn at any time by any of the rating agencies. The ratings set forth above do not take into account the existence of the interest rate cap agreements.

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Morgan Stanley ABS Capital I 2005-NC2

Flow of Funds - Gross Proceeds

Class	Rating Moody's/S&P/Fitch	Size	Pct.	Price to Investors	Proceeds
A-1ss	Aaa/AAA/AAA	$273,920,000	18.83%	100.00000%	$273,920,000.00
A-1mz	Aaa/--/AAA	$68,481,000	4.71%	100.00000%	$68,481,000.00
A-2ss	Aaa/AAA/AAA	$235,870,000	16.21%	100.00000%	$235,870,000.00
A-2mz	Aaa/--/AAA	$58,968,000	4.05%	100.00000%	$58,968,000.00
A-3a	Aaa/AAA/AAA	$315,000,000	21.65%	100.00000%	$315,000,000.00
A-3b	Aaa/AAA/AAA	$109,586,000	7.53%	100.00000%	$109,586,000.00
A-3c	Aaa/AAA/AAA	$92,500,000	6.36%	100.00000%	$92,500,000.00
A-3mz	Aaa/--/AAA	$57,454,000	3.95%	100.00000%	$57,454,000.00
M-1	Aa1/AA/AA+	$48,771,000	3.35%	100.00000%	$48,771,000.00
M-2	Aa2/AA/AA	$44,269,000	3.04%	100.00000%	$44,269,000.00
M-3	Aa3/AA-/AA-	$24,761,000	1.70%	100.00000%	$24,761,000.00
M-4	A1/A+/A+	$27,012,000	1.86%	100.00000%	$27,012,000.00
M-5	A2/A/A	$23,260,000	1.60%	100.00000%	$23,260,000.00
M-6	A3/A-/A	$22,510,000	1.55%	100.00000%	$22,510,000.00
B-1	Baa1/BBB+/BBB+	$18,758,000	1.29%	100.00000%	$18,758,000.00
B-2	Baa2/BBB/BBB	$17,258,000	1.19%	100.00000%	$17,258,000.00
B-3	Baa3/BBB-/BBB-	$16,507,000	1.13%	100.00000%	$16,507,000.00
	Total	$1,454,885,000		*Proceeds*	$1,454,885,000.00
NIM					
NIM	BBB/BBB+	$0	0.00%	99.75000%	$0.00
	Total	$0		*Proceeds*	$0.00
	Total	$1,454,885,000		*Total Proceeds*	$1,454,885,000.00
	Total Collateral	1,488,364,434	Ops actual collat balance (TBD)		
		1,500,655,452	Scheduled for Bond sizing		
		(12,291,018.00)	Cash returned in 1st remittance from trustee / (paid as shortfall)		

Morgan Stanley ABS Capital I 2005-NC2

Flow of Funds

Gross Proceeds on Offered Bonds		$ 1,454,885,000.00	97.75
	Post NIM mark	5.77672%	
Gross Proceeds on Post NIM		$ 85,978,645.94	5.78
Less:			
	Capitalized Interest Account	-	
	Pre-Funding Account	-	
	Collateral Shortfall	12,291,018.00	
	Interest on Loan Repurchased (1-month)	-	
	NIM Reserve Account	-	
	Underwriting Fee	727,442.50	0.05
	Residual Reserve	450,000.00	0.03
	Deal Expenses	$1,245,094.90	0.08
	Non-deal Expenses	377,240.15	0.03
	Shelf Fees	149,628.27	0.01
	Broken Prices	11,510.00	
	Reserves for Expenses	950,000.00	0.06
	Reserves - Extra	-	-
	TRR carry reserve	-	
	Payment/Receivable on Swaps		-
Co-Managers			
	Utendahl Capital Partners L.P.	10,000.00	
	Countrywide Securities Corp.	113,816.00	Payment to be made Later
Net Proceeds Due SPG Principal Group		**$ 1,524,537,896.12**	
Funds expected back after closing		-	(Cap Int +Prefunding +NIM reserve)
Total funds expected to be received		**1,524,537,896.12**	
Estimated Price (Net funds divided by UPB + prefund)		102.45576%	**Does not include non-deal expenses**
	Accrued Interest paid	(0.51590%)	**WL Ops to provide**
Net price		101.93986%	
Current mark on loans		101.93985%	**Jansen to provide**
P&L (%)		**0.00001%**	
P&L ($)		**142.12**	

Morgan Stanley ABS Capital I 2005-NC2

Morgan Stanley Wiring Instructions - April 29, 2005

		Bank	ABA #	ACCT#	DEAL	COMMENTS
Secondary Wires After Closing						
Less Moody's Fee	$220,087.00	SunTrust Bank	REDACTED		MS ABS 2005-NC2	
Less Standard & Poors Fee:	$143,000.00	Bank of America			MS ABS 2005-NC2	
Less Fitch Fee:	$140,000.00	Chase Manhattan Bank			MS ABS 2005-NC2	
Less Deloitte Fee:	$46,000.00	Chase Manhattan Bank			MS ABS 2005-NC2	Flat fee paid at close
Less Deutsche Bank Fee:	$5,007.90	Bankers Trust			MS ABS 2005-NC2	
Less Sonneschein Fee:	$6,000.00	Citibank, N.A.			MS ABS 2005-NC2	Flat fee paid at close
Less MSCS Fee:	685,000.00	Citibank, N.A.			MS ABS 2005-NC2	
Total Current Expenses:	**$1,245,094.90**					
Less Dorenus Fee:	24,240.15	HSBC Bank U.S.A	REDACTED		MSAC 2005-HE2	
Less Standard & Poors Fee:	$10,000.00	Bank of America			MSAC 2005-HE1	
Less Standard & Poors Fee:	$10,000.00	Bank of America			MSHEL 2005-1	
Less CWT Fee:	$110,000.00	JPMorgan Chase			MSAC 2005-WMC2	
Less CWT Fee:	$110,000.00	JPMorgan Chase			MSAC 2005-HE2	
Less DBRS Fee:	$38,000.00	JPMorgan Chase			MSAC 2005-WMC2	
Less Fitch Fee:	$75,000.00	Chase Manhattan Bank			MS ABS 2005-NC2	
Other Expenses	**$377,240.15**					

Morgan Stanley ABS Capital I 2005-NC2

Morgan Stanley Wiring Instructions - April 29, 2005

Party		Wiring Instructions	
Deutsche Bank		Amount:	**$12,291,018.00**
		ABA #:	
Cap Int Acct	-	Account #:	REDACTED
Prefunding Amount	-	Account Name:	REDACTED
Collateral Shortfall	12,291,018.00	Deal Name:	MS ABS 2005-NC2
Interest on Loan Repurchased	-	Bank:	Bankers Trust
	$12,291,018.00		
		Attn:	Eiko Akiyama
Deutsche Bank		Amount:	**$0.00**
NIM Reserve Account	-	ABA #:	REDACTED
	$0.00	Account #:	REDACTED
		Account Name:	MS ABS 2005-NC2
		Bank:	Bankers Trust
		Attn:	Eiko Akiyama
Morgan Stanley		Amount:	**$1,524,537,896.12**
Internal Transfer		ABA #:	REDACTED
		Account #:	REDACTED
		Account Name:	MSDWMC
		Bank:	Citibank of NYC
		Attn:	Kevin J. Hyland
		Re:	MS ABS 2005-NC2
Utendahl Capital Partners L.P.		Amount:	**$10,000.00**
		ABA #:	REDACTED
		Account #:	REDACTED
		Account Name:	Utendahl Capital Partners L.P.
		Bank:	Chase Manhattan Bank
		Attn:	
		Re:	MS ABS 2005-NC2
Countrywide Securities Corp.		Amount:	**$0.00**
		ABA #:	
		Bank:	
		Account #:	
		F/B/O:	
		Account #:	
		Attn:	
		Re:	MS ABS 2005-NC2

CWT DRAFT 1/24/05

As of October 22, 2004

NC Capital Corporation
New Century Mortgage Corporation
18400 Von Karman, Suite 1000
Irvine, CA 92612

Attention: Mr. Kevin Cloyd

Re: Purchase Price and Terms Agreement

Dear Mr. Cloyd:

Morgan Stanley Mortgage Capital Inc. (the "Purchaser") hereby confirms its agreement to purchase and NC Capital Corporation (the "Seller") hereby confirms its agreement to sell, on a mandatory delivery basis, a pool of fixed and adjustable rate, first and second lien, residential mortgage loans described herein (the "Mortgage Loans") on a servicing released basis, on the terms and conditions set forth below.

In addition to this Purchase Price and Terms Agreement (which incorporates the terms set forth on Exhibit A hereto (the "Bid Terms")), (i) the Second Amended and Restated Mortgage Loan Purchase and Warranties Agreement, dated as of July 1, 2003, as amended by Amendment No. 1, dated as of October 22, 2003, Amendment No. 2, dated as of December 30, 2003, Amendment No. 3, dated as of January 29, 2004, Amendment No. 4, dated as of March 30, 2004, Amendment No. 5, dated as of June 28, 2004 and Amendment No. 6, dated as of January 28, 2005 (the "Purchase Agreement"), each between the Purchaser and the Seller, and (ii) the Servicing Agreement, dated as of July 1, 2003 (the "Servicing Agreement"), between the Purchaser and New Century Mortgage Corporation ("NCMC"), shall set forth the terms and provisions with respect to the Mortgage Loans and the sale and servicing thereof. The Mortgage Loans will be conveyed by the Seller to the Purchaser pursuant to an Assignment and Conveyance, to be dated as of the Closing Date (the "Assignment and Conveyance"), to be executed by the Seller.

Ownership of the Mortgage Loans shall be evidenced by delivery of the Mortgage Loans as whole loans pursuant to this Purchase Price and Terms Agreement, the Purchase Agreement and the Servicing Agreement.

1. Term of this Commitment

The Mortgage Loans shall be purchased by the Purchaser and sold by the Seller, subject to the terms hereof and the Bid Terms, on January 28, 2005, or such other date as shall be mutually agreed upon by the parties hereto (the "Closing Date").

Notwithstanding the foregoing and prior to the Closing Date, in the event that there is a material adverse change to (a) the Property, business, operations, financial condition or

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prospects of the Seller or any of its Material Affiliates, (b) the ability of the Seller or any of its Material Affiliates to perform its obligations under any of this Purchase Price and Terms Agreement, the Purchase Agreement or the Servicing Agreement or (c) the Mortgage Loans as a whole, in each case as determined in good faith by the Purchaser in its sole discretion, the Purchaser shall be relieved of any obligation to purchase any Mortgage Loans.

When used in this Section 1, the term "Property" shall mean any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, and the term "Material Affiliate" shall mean each of New Century Financial Corporation and New Century Mortgage Corporation, and their respective successors and assigns.

2. Aggregate Amount of Mortgage Loans

The aggregate outstanding principal balance of the Mortgage Loans as of January 1, 2005 (the "Cut-off Date") shall be \$1,675,000,000.

The Purchaser, in its sole discretion, may accept delivery of less than the \$1,507,500,000 pool amount. In the event that the Seller delivers Mortgage Loans with an aggregate outstanding principal balance that is less than \$1,507,500,000 the Seller shall pay the Purchaser a pair-off fee (as described in the Bid Terms) for the difference between the actual amount delivered (in the aggregate) and \$1,507,500,000.

3. Total Purchase Price

The purchase price for the Mortgage Loans (the "Mortgage Loan Purchase Price") shall be equal to the product of (i) the Mortgage Loan Price Percentage (as defined below) and (ii) the aggregate outstanding principal balance of the Mortgage Loans as of the Cut-off Date, after application of payments due on such Mortgage Loans on or before the Cut-off Date, to the extent such payments were actually received (the "Cut-off Date Aggregate Pool Balance"), plus accrued interest at the weighted average mortgage interest rate (net of the servicing fee) from the date on which interest was last paid through the day prior to the Closing Date, inclusive. In the event the characteristics and parameters of the pool of Mortgage Loans as described in Section 4 change prior to the Closing Date, the Seller and Purchaser shall negotiate in good faith to recalculate the Mortgage Loan Price Percentage. Additionally, in connection with the servicing rights related to the Mortgage Loans (the "Servicing Rights"), the Purchaser shall pay to the Seller on the Closing Date an amount equal to 90% of (i) 75 basis points (0.75%) (the "Servicing Rights Price Percentage") multiplied by (ii) the Cut-off Date Aggregate Pool Balance (the "Servicing Rights Purchase Price"). The remaining 10% of the Servicing Rights Purchase Price (the "Holdback Amount") shall be paid by the Purchaser to the Seller upon a Complete Servicing Transfer (as defined below). When used herein, (a) the Mortgage Loan Price Percentage plus the Servicing Rights Percentage shall equal the "Purchase Price Percentage" and (b) the Mortgage Loan Purchase Price plus the Servicing Rights Purchase Price shall equal the "Total Purchase Price".

The "Mortgage Loan Price Percentage" with respect to each of the Mortgage Loans shall be equal to 102.375% (which amount does not include the Servicing Rights Price

Percentage). Notwithstanding the foregoing sentence, the Mortgage Loan Price Percentage shall be adjusted up or down per the following table for every basis point (0.01%) by which the weighted average interest rate of the Mortgage Loans (the "Weighted Average Gross Coupon") as of the Cut-off Date exceeds or falls below a rate equal to 7.30%.

Weighted Average Gross Coupon ("GWAC") Range	Adjustment to Mortgage Loan Price Percentage per 0.01% (1 bp) change in GWAC
> 7.30%	1.5 bps up
= 7.30%	none
< 7.30%	1.5 bps down

Notwithstanding the foregoing paragraph, the Mortgage Loan Price Percentage with respect to Adjustable Rate Mortgage Loans shall be adjusted up or down per the following table for every basis point (0.01%) by which the weighted average margin of the Mortgage Loans (the "GWAM") as of the Cut-off Date exceeds or falls below a rate equal to 5.60%.

Weighted Average Gross Margin ("GWAM") Range	Adjustment to Mortgage Loan Price Percentage per 0.01% (1 bp) change in GWAM
> 5.60%	0.3 bps up
= 5.60%	none
< 5.60%	0.3 bps down

The Total Purchase Price for the Mortgage Loans, less the Holdback Amount, shall be paid to the Seller in immediately available funds by wire transfer on the Closing Date to an account designated by the Seller in writing.

Thereafter, the Seller shall pay the Purchaser an amount equal to the product of (i) the Servicing Rights Price Percentage and (ii) the difference between (a) the Cut-off Date Aggregate Pool Balance and (b) the aggregate outstanding principal balance of such Mortgage Loans as of the servicing transfer cut-off date (the "Transfer Cut-off Date"), plus accrued interest at the federal funds rate as of the Closing Date from the Closing Date through the Servicing Transfer Date, inclusive (the "Servicing Adjustment Amount"). The Servicing Adjustment Amount shall be paid to the Purchaser within one (1) business day of the Servicing Transfer Date (as defined below) in immediately available funds by wire transfer to an account designated by the Purchaser in writing.

Additionally, upon a Complete Servicing Transfer, the Purchaser shall be obligated to pay the Seller the Holdback Amount, which shall be due and payable to the Seller in immediately available funds by wire transfer to an account designated by the Seller in writing.

4. The Mortgage Loans

The Mortgage Loans will have the applicable characteristics set forth in the Bid Terms. The Seller shall make the representations and warranties set forth in the Purchase Agreement, with respect to the Mortgage Loans, as of the Closing Date. In addition, Seller agrees that (i) the Mortgage Loans shall be selected from among the outstanding one- to four-family mortgage loans in the Seller's portfolio on the Closing Date as to which the

EXECUTION COPY

As of February 28, 2005

Countrywide Home Loans, Inc.
Countrywide Securities Corporation
31303 W. Agoura Road
Westlake Village, California 91361
Attention: Ms. Lynn Sumner

Re: Servicing Rights Terms Agreement

Dear Ms. Sumner:

Morgan Stanley Mortgage Capital Inc. ("Morgan Stanley") hereby confirms its agreement to sell and Countrywide Home Loans, Inc. ("Countrywide") hereby confirms its agreement to purchase the servicing rights (the "Servicing Rights") with respect to certain mortgage loans (the "Mortgage Loans") with an approximate unpaid principal balance of $1,500,000,000 plus or minus fifteen percent (15%) (including such variance, the "Commitment Amount") to be originated by New Century Mortgage Corporation ("NCMC"), on the terms and conditions set forth below including those certain trade stipulations set forth in Exhibit B hereto.

In addition to this Servicing Rights Terms Agreement, the Servicing Rights Purchase and Servicing Agreement, dated as of November 1, 2004 (the "Servicing Agreement"), between Morgan Stanley and Countrywide, shall set forth the terms and provisions with respect to the purchase of the Servicing Rights and the servicing of the Mortgage Loans to be purchased on the Servicing Transfer Date (as defined below). The Servicing Rights shall be sold by Morgan Stanley and purchased by Countrywide pursuant to an Assignment and Conveyance Agreement, to be dated as of the Servicing Transfer Date (the "Assignment and Conveyance"), executed by and in form and substance satisfactory to Morgan Stanley and Countrywide.

1. Term of this Commitment

Morgan Stanley purchased the Mortgage Loans from NC Capital Corporation ("NCCC") on January 28, 2005 (the "Closing Date"). The Mortgage Loans are being serviced by NCMC on behalf of Morgan Stanley and its assignees from and after the Closing Date until April 30, 2005 (the "Servicing Transfer Date"). On the Servicing Transfer Date, Morgan Stanley shall transfer servicing with respect to the Mortgage Loans to Countrywide.

2. Purchase Price and Servicing Fee

The purchase price for the Servicing Rights (the "Purchase Price") shall be equal to the product of (i) 0.70% (the "Purchase Price Percentage"), and (ii) the aggregate outstanding principal balance of the Mortgage Loans as of the cut-off date in connection with the Servicing Transfer Date.

For Internal Distribution Only

New Century Financial Corp.

[redacted]

Warehouse Financing Proposal Review

New Century Financial Corp.

A warehouse facility will result in:

- $32.4Bn league table credit over the next 3 years
- $21.4Bn of whole loan purchases resulting in $71.5MM revenue over the next 3 years
- $17.4MM securitization fees for agented transactions over the next 3 years
- $6.2MM expected warehouse revenue for the first year of the facility and each year thereafter:
  - $2.0Bn Warehouse Facility:
    - Fee: $3.0MM (15 bps on the $2.0Bn facility for the first year) and $2.0MM (10 bps on the $2.0Bn facility for the second year)
    - Spread revenue: $3.2MM (assumes $800mm minimum usage @L+50 bps less the cost of funding @L+10)

Historic MS Revenues $MM	
2001	35.6
2002	67.4
2003	96.7
2004 YTD*	69.3
TOTAL	268.8

* Through Q3 2004

2005 Revenue Analysis Total SPG Revenue ($MM)	Revenue/ Average Usage	Revenue/ Committed Balance
34.3	4.29%	1.72%

Morgan Stanley

Future Revenue Opportunities

Probability Weighted Future Revenue and League Table Potential

SPG Future Revenue Opportunities

Whole Loan and Securitization

3-year Analysis

Transaction Timing	Size ($MM)	Street Revenue ($MM)	Morgan Stanley Role	Morgan Stanley [illegible]	Transaction Probability	[illegible]	[illegible]	[illegible]	[illegible]	Incremental [illegible] Revenue	ABS League Table Credit
						Probability Weighted Revenue to Morgan Stanley					
Whole Loan Purchases											
2005	28,000	70.0	Purchaser	100%	75%	25%	15%	17.5	10.5	7.0	7,000
2006	24,000	120.0	Purchaser	100%	75%	30%	15%	27.0	13.5	13.5	7,200
2007	24,000	120.0	Purchaser	100%	75%	30%	15%	27.0	13.5	13.5	7,200
Sub Total	76,000	310.0						71.5	37.5	34.0	21,400
Term Securitization											
2005-1	5,000	7.5	Sole	60%	100%	100%	100%	9.0	5.5	4.0	5,000
2005-2	5,000	7.5	Sole	40%	90%	85%	10%	2.3	0.5	3.8	5,000
2005-3	2,600	5.0	Co	15%	85%	90%	50%	0.4	0.3	0.2	–
2005-4	2,600	5.0	Joint	40%	95%	75%	50%	1.8	1.0	0.8	1,000
Sub Total	15,200	25.0						14.5	7.3	3.3	7,650
2006-1	2,000	5.0	Joint	40%	75%	90%	50%	1.4	0.8	0.6	1,000
2006-2	2,000	5.0	Co	10%	75%	90%	50%	0.3	0.2	0.1	–
2006-3	2,500	6.0	Joint	40%	75%	90%	50%	1.4	0.8	0.6	1,000
2006-4	2,000	5.0	Co	10%	75%	90%	50%	0.3	0.2	0.1	–
Sub Total	8,000	20.0						3.4	2.0	1.4	2,000
2007-1	2,000	5.0	Joint	40%	75%	90%	50%	1.4	0.8	0.6	1,000
2007-2	2,000	5.0	Co	10%	75%	90%	50%	0.3	0.2	0.1	–
2007-3	2,000	5.0	Joint	40%	75%	90%	50%	1.4	0.8	0.6	1,000
2007-4	2,000	5.0	Co	10%	75%	90%	50%	0.3	0.2	0.1	–
Sub Total	8,000	20.0						3.4	2.0	1.4	2,000
TOTAL								92.9	48.8	40.1	32,400

For Internal Distribution Only

New Century Financial Corp.

Summary of Terms

Warehouse Financing Proposal

Summary	• This Facility (the "Facility") has been designed to finance performing and sub-limits for delinquent residential mortgage loans (the "Collateral") as determined by Morgan Stanley in its sole discretion
Required Review	• The terms detailed herein are in draft form. Morgan Stanley will conduct both a credit and business review in a timely fashion prior to finalizing the terms of this Facility. The business review will include, but not limited to, a due diligence review by an outside due diligence company of a random sample of mortgage loans originated by New Century. The following terms are subject to final approval of the Morgan Stanley Credit Committee
Lender	• Morgan Stanley Mortgage Capital Inc. ("MSMCI"), Morgan Stanley Bank ("The Bank") and/or Concord Minutemen Capital Corp, LLC. *In the event this facility is referred to as Concord Minutemen ("Concord"), the ABCP conduit transaction recently approved internally, Concord will be the lender. Morgan Stanley Mortgage or MS Bank will be the asset referral and administrative agent of Concord. Morgan Stanley Capital Services Inc. will be the 90% Swap Counterparty and will own the first 90% of the credit and market risk of the Household facility. Based on U.S. GAAP neither Morgan Stanley nor any of its affiliates would be required to recognize in their consolidated financial statements the New Century loan originated by Concord or any liabilities issued by Concord to fund this loan. Instead, Morgan Stanley will recognize the 90% Swap at provides at fair market value as an asset or liability with changes in fair value recognized in earnings. SPG will own substantially all of the credit and market value risk in derivative form similar to other derivative positions owned and traded across fixed income*
Borrower	• NC Capital Corporation, New Century Credit Corp, and NC Residual II Corp.
Guarantor	• The facility will be guaranteed by New Century Financial Corporation
Term of Agreement	• 2 Years from the Initial Start Date
Initial Start Date	• The indicative terms set forth herein shall expire on February 28, 2005 if mutually acceptable definitive loan documentation has not been executed
Maximum Facility Amount	• $2.0 billion
Commitment Status	• The Maximum Facility Amount will be provided on a committed basis
Minimum Usage	• New Century will maintain an average monthly balance of $650 million at all times. New Century will pay a non usage fee of LIBOR + 50 bps on the difference between $650 million and the average outstanding balance calculated over a 4 month period
Wet Funding	• $200 million
Eligible Mortgage Loan Description	• Mortgage loans secured by a first or second lien on a one-to-four residential property originated or acquired in the name of New Century. The Eligible Mortgage Loans conform to the stated underwriting guidelines of New Century. MSMCI will not finance Section 32 loans. MSMCI will finance Eligible Mortgage Loans that have been originated within 4 months of the funding
Maximum Financing Term	• An individual mortgage loan can be financed for a maximum of 180 days

Morgan Stanley

New Century Financial Corp.

Summary of Terms (cont'd)

Warehouse Financing Proposal

Pricing Matrix	Product Type	Spread to 1 Month LIBOR
	Eligible Mortgage Loans	50 bp
	Second Liens	50 bp
	30-59 Days Delinquent	100 bp
	60-89 Days Delinquent	100 bp
Applicable Collateral Percentage	Product Type	Collateral Percentage
	Eligible Mortgage Loans	90%
	Second Liens	80%
	30-59 Days Delinquent	80%
	60-89 Days Delinquent	70%
Product Concentration Limit Matrix	Product Type	Concentration Limit
	Second Lien	[illegible]
	HELOCs	7%
	30-59 Days Delinquent	2%
	60-89 Days Delinquent	1%
	Manufactured Housing	2%
	Condos	6%
	Non-Owner Occupied	6%
	100% LTV Loans [1]	3% of Outstanding Funded Balance
First Payment Defaults	• MSMCI will only finance first payment default mortgage loans if the loan becomes current on the next payment date.	
Market Value	• The Market Value shall be determined MSMCI in its sole discretion	
Advance Limit	• The amount advanced will be the lesser of (a) the Applicable Collateral Percentage multiplied by the Market Value of the Eligible Mortgage Loans and (b) 100% of the Unpaid Principal Balance of the Eligible Mortgage Loans	
Repricing Frequency/Rates	• Daily, based on 30 day LIBOR, Act/360 day count basis.	
Borrowing Base	• The difference between (a) the Market Value of the mortgage loans and (b) the Collateral Percentage applied to the Market Value of the mortgage loans.	
Margin Call	• If the aggregate outstanding principal amount of the Facility exceeds the Borrowing Base, Borrower shall either at its option (a) repay the Facility in part or whole or (b) pledge to the Lender additional Mortgage Loans acceptable to Lender in its sole discretion.	

Morgan Stanley Securitizations with New Century Loans

Year	Name	% NC	Total UPB $s - MM	NC Share of UPB
2002	Morgan Stanley Dean Witter Capital I Trust 2002-NC1	100%	$ 593	$ 593
2002	Morgan Stanley Dean Witter Capital I Trust 2002-NC2	100%	$ 587	$ 587
2002	Morgan Stanley Dean Witter Capital I Trust 2002-HE1	77%	$ 910	$ 701
2002	Morgan Stanley Dean Witter Capital I Trust 2002-NC3	100%	$ 614	$ 614
2002	Morgan Stanley Dean Witter Capital I Trust 2002-NC4	100%	$ 709	$ 709
2002	Morgan Stanley Dean Witter Capital I Trust 2002-NC5	100%	$ 824	$ 824
2002	Morgan Stanley ABS Capital I Trust 2002-NC6	100%	$ 840	$ 840
2003	Morgan Stanley Dean Witter Capital I Trust 2003-NC1	100%	$ 984	$ 984
2003	Morgan Stanley Dean Witter Capital I Trust 2003-NC2	100%	$ 1,083	$ 1,083
2003	Morgan Stanley Dean Witter Capital I Trust 2003-NC3	100%	$ 697	$ 697
2003	Morgan Stanley Dean Witter Capital I Trust 2003-NC4	100%	$ 756	$ 756
2003	Morgan Stanley ABS Capital I Trust 2003-NC5	100%	$ 1,005	$ 1,005
2003	Morgan Stanley ABS Capital I Trust 2003-NC6	100%	$ 794	$ 794
2003	Morgan Stanley ABS Capital I Trust 2003-NC7	100%	$ 581	$ 581
2003	Morgan Stanley ABS Capital I Trust 2003-NC9	100%	$ 338	$ 338
2003	Morgan Stanley ABS Capital I Trust 2003-NC8	100%	$ 1,361	$ 1,361
2003	MSAC 2003-SD1	6.90%		$ -
2003	Morgan Stanley ABS Capital I Trust 2003-NC10	100%	$ 1,443	$ 1,443
2004	Morgan Stanley ABS Capital I Trust 2004-NC1	100%	$ 1,455	$ 1,455
2004	Morgan Stanley ABS Capital I Trust 2004-HE1	43.72%	$ 1,716	$ 750
2004	Morgan Stanley ABS Capital I Trust 2004-NC2	100%	$ 735	$ 735
2004	Morgan Stanley ABS Capital I Trust 2004-NC3	100%	$ 1,415	$ 1,415
2004	Morgan Stanley ABS Capital I Trust 2004-HE2	56.17%	$ 1,755	$ 986
2004	Morgan Stanley ABS Capital I Trust 2004-HE3	49.09%	$ 1,164	$ 571
2004	Morgan Stanley ABS Capital I Trust 2004-NC4	100%	$ 760	$ 760
2004	Morgan Stanley ABS Capital I Trust 2004-HE4	54.56%	$ 1,441	$ 786
2004	Morgan Stanley ABS Capital I Trust 2004-NC5	100%	$ 725	$ 725
2004	Morgan Stanley ABS Capital I Trust 2004-HE5	70.50%	$ 1,070	$ 754
2004	Morgan Stanley ABS Capital I Trust 2004-NC6	100%	$ 1,200	$ 1,200
2004	Morgan Stanley ABS Capital I Trust 2004-HE6	34.22%	$ 1,188	$ 407
2004	Morgan Stanley ABS Capital I Trust 2004-NC7	100%	$ 1,200	$ 1,200
2004	Morgan Stanley ABS Capital I Trust 2004-HE7	21.08%	$ 1,363	$ 287
2004	Morgan Stanley ABS Capital I Trust 2004-HE8	71.39%	$ 1,397	$ 997
2004	Morgan Stanley ABS Capital I Trust 2004-NC8	100%	$ 1,198	$ 1,198
2004	Morgan Stanley ABS Capital I Trust 2004-HE9	57.72%	$ 1,716	$ 990
2004	MSAC 2004-SD-2	8%		$ -
2004	Morgan Stanley ABS Capital I Trust 2004-SD1	18.00%	$ 263	$ 47
2005	Morgan Stanley ABS Capital I Trust 2005-HE1	40.38%	$ 1,713	$ 692
2005	Morgan Stanley ABS Capital I Trust 2005-NC1	100%	$ 1,504	$ 1,504
2005	Morgan Stanley ABS Capital I Trust 2005-HE2	17.93%	$ 1,589	$ 285
2005	Morgan Stanley ABS Capital I Trust 2005-NC2	100%	$ 1,501	$ 1,501
2005	Morgan Stanley ABS Capital I Trust 2005-HE5	26.90%	$ 1,487	$ 400
2005	Morgan Stanley ABS Capital I Trust 2005-HE6	42.25%	$ 1,077	$ 455
2005	MSAC 2005-HE3	1.20%		$ -
2005	Morgan Stanley ABS Capital I Trust 2005-HE7	35.22%	$ 1,364	$ 480
2006	Morgan Stanley ABS Capital I Trust 2006-NC1	100%	$ 1,296	$ 1,296
2006	Morgan Stanley ABS Capital I Trust 2006-NC2	100%	$ 1,420	$ 1,420
2006	Morgan Stanley ABS Capital I Trust 2006-NC3	100%	$ 1,404	$ 1,404
2006	Morgan Stanley ABS Capital I Trust 2006-HE3	41.00%	$ 2,089	$ 856
2006	Morgan Stanley ABS Capital I Trust 2006-HE4	18.52%	$ 2,160	$ 400
2006	Morgan Stanley ABS Capital I Trust 2006-NC4	100%	$ 2,157	$ 2,157
2006	Morgan Stanley ABS Capital I Trust 2006-HE5	62.58%	$ 1,302	$ 815
2006	Morgan Stanley ABS Capital I Trust 2006-HE6	44.17%	$ 1,472	$ 650
2006	Morgan Stanley ABS Capital I Trust 2006-HE7	46.75%	$ 1,285	$ 601
2006	Morgan Stanley ABS Capital I Trust 2006-NC5	100%	$ 1,392	$ 1,392
2006	MSIZ 2006-1	2.60%		$ -
2006	Morgan Stanley ABS Capital I Trust 2006-HE8	63.16%	$ 1,513	$ 956
2007	Morgan Stanley ABS Capital I Trust 2007-HE1	70.80%	$ 1,304	$ 923
2007	Morgan Stanley ABS Capital I Trust 2007-NC1	100%	$ 1,250	$ 1,250
2007	Morgan Stanley ABS Capital I Trust 2007-HE2	45.68%	$ 1,229	$ 561
2007	Morgan Stanley ABS Capital I Trust 2007-HE3	22.84%	$ 923	$ 211
2007	Morgan Stanley ABS Capital I Trust 2007-NC2	100%	$ 1,081	$ 1,081
2007	Morgan Stanley ABS Capital I Trust 2007-NC3	100%	$ 1,304	$ 1,304
2007	Morgan Stanley ABS Capital I Trust 2007-NC4	100%	$ 1,051	$ 1,051
2007	Morgan Stanley ABS Capital I Trust 2007-HE7	63.28%	$ 1,561	$ 988
		Total New Century Loans		$ 53,807.8

Appendix D

Framework for Gain Quantification

	Gross Revenue -a)	Cost of Revenues -b)	Direct Expenses -c)	Net Revenues
		Values are illustrative		
Net Revenues on Sale of Bonds and Value of Retained Assets in the Securitiza	$1,027,700,000	($1,019,000,000)	($800,000)	$7,900,000
	102.7700%	-101.9000%	-0.0800%	0.7900%
		Values are illustrative		
Net Revenues on the Sale of Mortgage Servicing Rights	$9,200,000	($7,500,000)	$0	$1,700,000
	0.9200%	-0.7500%	0.0000%	0.1700%
		Values are illustrative		
Net Revenues from Warehouse Financing	$5,833,333	($5,000,000)	($200,000)	$633,333
Assumes 60 days at 3.50% Gross Rate and 0.50% Net to MS	0.5833%	-0.5000%	-0.0200%	0.0633%
		Values are illustrative		
Net Revenues from Whole Loan Interest	$11,666,667	($5,000,000)	($100,000)	$6,566,667
Post-acquisition of loan and pre-securitization	1.1667%	-0.5000%	-0.0100%	0.6567%
Assumes 60 days at 7.00% Gross Coupon and 4.00% Net to MS				
		Values are illustrative		
Other Fees or Revenues	$500,000	$0	$0	$500,000
	0.0500%	0.0000%	0.0000%	0.0500%
Total	$1,054,900,000	($1,036,500,000)	($1,100,000)	$17,300,000
Total per UPB$	105.4900%	-103.6500%	-0.1100%	1.7300%

(a- Accounting definition of Gross Revenues - not necessarily consistent with Investment Banking definition. Investment Banking definition of Gross Revenues is consistent with Net Revenues as presented here. Reserves for balance sheet items are not treated as costs.

(b- Cost of services provided - cost of acquired loans or MSRs, cost of funds provided

(c- Direct expenses include items that were identified on deal flows. Minimal out of pocket costs assumed for MSR, warehouse financing and whole loans.