UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FEDERAL HOUSING FINANCE AGENCY, AS CONSERVATOR FOR THE FEDERAL NATIONAL MORTGAGE ASSOCIATION AND THE FEDERAL HOME LOAN MORTGAGE CORPORATION, Plaintiff, -against- BARCLAYS BANK PLC; BARCLAYS CAPITAL INC.; SECURITIZED ASSET BACKED RECEIVABLES LLC; MICHAEL WADE; JOHN CARROLL; and PAUL MENEFEE, Defendants.	**___ CIV. ___ (___)** **COMPLAINT** **JURY TRIAL DEMANDED**

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Plaintiff Federal Housing Finance Agency ("FHFA"), as conservator of The Federal National Mortgage Association ("Fannie Mae") and The Federal Home Loan Mortgage Corporation ("Freddie Mac"), by its attorneys, Quinn Emanuel Urquhart & Sullivan, LLP, for its Complaint herein against Barclays Bank PLC ("Barclays Bank"), Barclays Capital Inc. ("Barclays Capital"), and Securitized Asset Backed Receivables LLC ("SABR") (collectively, "Barclays"), Michael Wade, John Carroll, and Paul Menefee (collectively, the "Individual Defendants," and together with Barclays, the "Defendants") alleges as follows:

NATURE OF ACTION

1. This action arises out of Defendants' actionable conduct in connection with the offer and sale of certain residential mortgage-backed securities ("RMBS") to Fannie Mae and Freddie Mac (collectively, the "Government Sponsored Enterprises" or the "GSEs"). These securities were sold pursuant to registration statements, including prospectuses and prospectus supplements that formed part of those registration statements, which contained materially false or misleading statements and omissions. Defendants falsely stated that the underlying mortgage loans and properties complied with certain underwriting guidelines and standards, including representations that significantly overstated the ability of the borrowers to repay their mortgage loans. These representations were material to the GSEs, as reasonable investors, and their falsity violates Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, 15 U.S.C. § 77a *et seq.*, Sections 13.1-522(A)(ii) and 13.1-522(C) of the Virginia Code, Sections 31-5606.05(a)(1)(B) and 31-5606.05(c) of the District of Columbia Code, and constitutes negligent misrepresentation.

2. Between October 28, 2005 and February 28, 2007, Fannie Mae and Freddie Mac purchased approximately $4.9 billion in residential mortgage-backed securities (the "GSE

Certificates") issued in connection with eight Barclays-underwritten securitizations.[1] The GSE Certificates purchased by Freddie Mac, along with date and amount of the purchases, are listed *infra* in Table 10. The GSE Certificates purchased by Fannie Mae, along with date and amount of the purchases, are listed *infra* in Table 11. The following eight securitizations are at issue in this action:

i. Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2005-W3 ("ARSI 2005-W3");

ii. Fremont Home Loan Trust, Mortgage-Backed Certificates, Series 2005-D ("FHLT 2005-D");

iii. Ameriquest Mortgages Securities Inc., Asset-Backed Pass-Through Certificates, Series 2005-R10 ("AMSI 2005-R10");

iv. Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W5 ("ARSI 2006-W5");

v. Securitized Asset Backed Receivables LLC Trust, C-Bass Mortgage Loan Asset-Backed Certificates, Series 2006-CB1 ("CBASS 2006-CB1");

vi. Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2 ("ARSI 2006-W2")

vii. Fremont Home Loan Trust, Mortgage-Backed Certificates, Series 2006-C ("FHLT 2006-C");

viii. Securitized Asset Backed Receivables LLC Trust, C-Bass Mortgage Loan Asset-Backed Certificates, Series 2007-CB2 ("CBASS 2007-CB2");

(collectively, the "Securitizations").

3. Each Certificate was offered for sale pursuant to one of seven shelf registration statements (the "Shelf Registration Statements") filed with the Securities and Exchange Commission (the "SEC"). Defendant SABR filed two of the Shelf Registration Statements (the

[1] For purposes of this Complaint, the securities issued under the Registration Statements (as defined in paragraph 4 below) are referred to as "Certificates," while the particular Certificates that Fannie Mae and Freddie Mac purchased are referred to as the "GSE Certificates." Holders of Certificates are referred to as "Certificateholders."

"SABR Shelf Registration Statements") that pertained to two of the Securitizations – CBASS 2006-CB1 and CBASS 2007-CB2 (the "SABR Securitizations"). The Individual Defendants signed one or more of the SABR Shelf Registration Statements and the amendments thereto. Argent Securities Inc., Fremont Mortgage Securities, and Ameriquest Mortgage Securities Inc. filed the remaining five Shelf Registration Statements. Barclays Capital was the lead or co-lead underwriter and the underwriter who sold the GSE Certificates to Fannie Mae and Freddie Mac with respect to all the Securitizations.

4. For each Securitization, a prospectus ("Prospectus") and prospectus supplement ("Prospectus Supplement") were filed with the SEC as part of the Registration Statement[2] for that Securitization. The GSE Certificates were marketed and sold to Fannie Mae and Freddie Mac pursuant to the Registration Statements, including the Shelf Registration Statements and the corresponding Prospectuses and Prospectus Supplements.

5. The Registration Statements contained statements about the characteristics and credit quality of the mortgage loans underlying the Securitizations, the creditworthiness of the borrowers of those underlying mortgage loans, and the origination and underwriting practices used to make and approve the loans. Such statements were material to a reasonable investor's decision to invest in mortgage-backed securities by purchasing the Certificates. Unbeknownst to Fannie Mae and Freddie Mac, these statements were materially false, as significant percentages of the underlying mortgage loans were not originated in accordance with the represented underwriting standards and origination practices and had materially poorer credit quality than what was represented in the Registration Statements.

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[2] The term "Registration Statement" as used herein incorporates the Shelf Registration Statement, the Prospectus, and the Prospectus Supplement for each referenced Securitization, except where otherwise indicated.

6. The Registration Statements also contained statistical summaries of the groups of mortgage loans in each Securitization, such as the percentage of loans secured by owner-occupied properties and the percentage of the loan group's aggregate principal balance with loan-to-value ratios within specified ranges. This information was also material to reasonable investors. However, a loan-level analysis of a sample of loans for each Securitization—a review that encompassed thousands of mortgages across all of the Securitizations—has revealed that these statistics were false and omitted material facts due to inflated property values and misstatements of other key characteristics of the mortgage loans.

7. For example, the percentage of owner-occupied properties is a material risk factor to the purchasers of Certificates, such as Fannie Mae and Freddie Mac, since a borrower who lives in a mortgaged property is generally less likely to stop paying his or her mortgage and more likely to take better care of the property. Likewise, the Prospectus Supplements misrepresented other material factors, including the true value of the mortgaged properties relative to the amount of the underlying loans.

8. Defendants Barclays Capital (which lead underwrote and then sold the GSE Certificates to the GSEs), SABR (which acted as depositor in the SABR Securitizations), and the Individual Defendants (who signed the SABR Shelf Registration Statements) are directly responsible for the misstatements and omissions of material fact contained in the Registration Statements because they prepared, signed, filed and/or used these documents to market and sell the Certificates to Fannie Mae and Freddie Mac.

9. Defendant Barclays Bank is likewise responsible for the misstatements and omissions of material fact contained in the Registration Statements by virtue of its direction and control over the business operations of Defendants Barclays Capital and SABR. Barclays Bank

directly participated in and exercised dominion and control over the business operations of Defendants Barclays Capital and SABR.

10. Fannie Mae and Freddie Mac purchased approximately $4.9 billion of the Certificates pursuant to the Registration Statements filed with the SEC. These documents contained misstatements and omissions of material facts concerning the quality of the underlying mortgage loans, the creditworthiness of the borrowers, and the practices used to originate such loans. As a result of Defendants' misstatements and omissions of material fact, Fannie Mae and Freddie Mac have suffered substantial losses as the value of their holdings has significantly deteriorated.

11. FHFA, as Conservator of Fannie Mae and Freddie Mac, brings this action against the Defendants for violations of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, 15 U.S.C. §§ 77k, 77(a)(2), 77o, Sections 13.1-522(A)(ii) and 13.1-522(C) of the Virginia Code, Sections 31-5606.05(a)(1)(B) and 31-5606.05(c) of the District of Columbia Code, and for negligent misrepresentation.

PARTIES

The Plaintiff and the GSEs

12. The Federal Housing Finance Agency is a federal agency located at 1700 G Street, N.W. in Washington, D.C. FHFA was created on July 30, 2008 pursuant to the Housing and Economic Recovery Act of 2008 ("HERA"), Pub. L. No. 110-289, 122 Stat. 2654 (2008) (codified at 12 U.S.C. § 4617) to oversee Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. On September 6, 2008, under HERA, the Director of FHFA placed Fannie Mae and Freddie Mac into conservatorship and appointed FHFA as conservator. In that capacity, FHFA has the authority to exercise all rights and remedies of the GSEs, including but not limited to, the

authority to bring suits on behalf of and/or for the benefit of Fannie Mae and Freddie Mac. 12 U.S.C. § 4617(b)(2).

13. Fannie Mae and Freddie Mac are government-sponsored enterprises chartered by Congress with a mission to provide liquidity, stability and affordability to the United States housing and mortgage markets. As part of this mission, Fannie Mae and Freddie Mac invested in residential mortgage-backed securities. Fannie Mae is located at 3900 Wisconsin Avenue, NW in Washington, D.C. Freddie Mac is located at 8200 Jones Branch Drive in McLean, Virginia.

The Defendants

14. Defendant Barclays Bank is a public limited company registered in England and Wales, with its registered head office at Churchill Place, London E14 5HP. Barclays Bank maintains a New York Branch that is located at 200 Park Avenue, New York, New York 10166. Together with its subsidiary companies, it is an international financial services group engaged primarily in banking, investment banking, and asset management.

15. Defendant Barclays Capital is an SEC-registered broker-dealer. Barclays Capital is a Connecticut corporation that is principally located at 200 Park Avenue, New York, New York 10166. Barclays Capital is a wholly-owned subsidiary of Barclays Bank. Defendant Barclays Capital was the lead or co-lead underwriter for each Securitization, and was intimately involved in the offerings. Fannie Mae and Freddie Mac purchased all of the GSE Certificates from Barclays Capital in its capacity as underwriter of the Securitizations.

16. Defendant SABR is a Delaware corporation, and is principally located at 200 Park Avenue, New York, New York 10166. SABR is a wholly owned subsidiary of Barclays Bank. SABR was the depositor for the SABR Securitizations. SABR, as depositor, was also responsible for preparing and filing reports required under the Securities Exchange Act of 1934.

17. Defendant Michael Wade was President and Chief Executive Officer at SABR. Mr. Wade signed the SABR Shelf Registration Statements and the amendments thereto, and did so in New York.

18. Defendant John Carroll was Vice President and Chief Financial Officer at SABR. Mr. Carroll signed the SABR Shelf Registration Statements and the amendments thereto, and did so in New York.

19. Defendant Paul Menefee was Vice President and Chief Accounting Officer at SABR. Mr. Menefee signed the SABR Shelf Registration Statements and the amendments thereto, and did so in New York.

The Non-Party Originators

20. The loans underlying the Certificates were acquired by the sponsor for each Securitization from non-party mortgage originators.[3] The originators principally responsible for the loans underlying the Certificates were Argent Mortgage Company, L.L.C. ("Argent"), Fremont Investment & Loan ("Fremont"), Ameriquest Mortgage Company ("Ameriquest"), HSBC Consumer Lending (USA) Inc. ("HSBC"), and Lime Financial Inc. ("Lime").

JURISDICTION AND VENUE

21. Jurisdiction of this Court is founded upon 28 U.S.C. § 1345, which gives federal courts original jurisdiction over claims brought by FHFA in its capacity as conservator of Fannie Mae and Freddie Mac.

22. Jurisdiction of this Court is also founded upon 28 U.S.C. § 1331 because the Securities Act claims asserted herein arise under Sections 11, 12(a)(2), and 15 of the Securities

[3] The Securitizations were all sponsored by non-parties. In particular, Ameriquest, Fremont, and Credit-Based Asset Servicing and Securitization ("C-BASS") each sponsored one or more of the eight Securitizations.

Act of 1933, 15 U.S.C. §§ 77k, 77l(a)(2), 77o. This Court further has jurisdiction over the Securities Act claims pursuant to Section 22 of the Securities Act of 1933, 15 U.S.C. § 77v.

23. This Court has jurisdiction over the statutory claims of violations of Sections 13.1-522(A)(ii) and 13.1-522(C) of the Virginia Code and Sections 31-5606.05(a)(1)(B) and 31-5606.05(c) of the District of Columbia Code, pursuant to this Court's supplemental jurisdiction under 28 U.S.C. § 1367(a). This Court also has jurisdiction over the common law claim of negligent misrepresentation pursuant to this Court's supplemental jurisdiction under 28 U.S.C. § 1367(a).

24. Venue is proper in this district pursuant to Section 22 of the Securities Act of 1933, 15 U.S.C. § 77v, and 28 U.S.C. § 1391(b). Barclays Capital and SABR are principally located in this district. Barclays Bank maintains a branch in this district. Many of the acts and transactions alleged herein, including the preparation and dissemination of the Registration Statements, occurred in substantial part within this district. The Individual Defendants signed the Registration Statements in this district. Defendants are also subject to personal jurisdiction in this District.

FACTUAL ALLEGATIONS

I. THE SECURITIZATIONS

A. Residential Mortgage-Backed Securitizations In General

25. Asset-backed securitization distributes risk by pooling cash-producing financial assets and issuing securities backed by those pools of assets. In residential mortgage-backed securitizations, the cash-producing financial assets are residential mortgage loans.

26. The most common form of securitization of mortgage loans involves a sponsor – the entity that acquires or originates the mortgage loans and initiates the securitization – and the creation of a trust, to which the sponsor directly or indirectly transfers a portfolio of mortgage

loans. The trust is established pursuant to a Pooling and Servicing Agreement entered into by, among others, the "depositor" for that securitization. In many instances, the transfer of assets to a trust "is a two-step process: the financial assets are transferred by the sponsor first to an intermediate entity, often a limited purpose entity created by the sponsor . . . and commonly called a depositor, and then the depositor will transfer the assets to the [trust] for the particular asset-backed transactions." Asset-Backed Securities, Securities Act Release No. 33-8518, Exchange Act Release No. 34-50905, 84 SEC Docket 1624 (Dec. 22, 2004).

27. Residential mortgage-backed securities are backed by the underlying mortgage loans. Some residential mortgage-backed securitizations are created from more than one cohort of loans called collateral groups, in which case the trust issues securities backed by different groups. For example, a securitization may involve two groups of mortgages, with some securities backed primarily by the first group, and others primarily by the second group. Purchasers of the securities acquire an ownership interest in the assets of the trust, which in turn owns the loans. Within this framework, the purchasers of the securities acquire rights to the cash-flows from the designated mortgage group, such as homeowners' payments of principal and interest on the mortgage loans held by the related trust.

28. Residential mortgage-backed securities are issued pursuant to registration statements filed with the SEC. These registration statements include prospectuses, which explain the general structure of the investment, and prospectus supplements, which contain detailed descriptions of the mortgage groups underlying the certificates. Certificates are issued by the trust pursuant to the registration statement, the prospectus, and the prospectus supplement. Underwriters sell the certificates to investors.

29. A mortgage servicer is necessary to manage the collection of proceeds from the mortgage loans. The servicer is responsible for collecting homeowners' mortgage loan payments, which the servicer remits to the trustee after deducting a monthly servicing fee. The servicer's duties include making collection efforts on delinquent loans, initiating foreclosure proceedings, and determining when to charge off a loan by writing down its balance. The servicer is required to report key information about the loans to the trustee. The trustee (or trust administrator) administers the trust's funds and delivers payments due each month on the certificates to the investors.

B. The Securitizations At Issue In This Case

30. This case involves the eight Securitizations listed in Table 1 below. Barclays Capital served as the lead or co-lead underwriter and sold the GSE Certificates to the GSEs for all eight of the Securitizations. For each of the eight Securitizations, Table 1 identifies: (1) the sponsor; (2) the depositor; (3) the lead underwriter; (4) the principal amount issued for the tranches[4] purchased by the GSEs; (5) the date of issuance; and (6) the loan group backing the GSE Certificates for that Securitization (referred to as the "Supporting Loan Groups").

Table 1

Transaction	Tranche	Sponsor	Depositor	Lead Underwriter(s)	Principal Amount Issued	Date of Issuance	Supporting Loan Group
ARSI 2005-W3	A1	Ameriquest Mortgage Company	Argent Securities Inc.	Barclays Capital Inc. and Morgan Stanley & Co. Incorporated	$736,186,000	10/28/2005	Group I
FHLT 2005-D	1A1	Fremont Investment & Loan	Fremont Mortgage Securities Corporation	Barclays Capital Inc.	$343,936,000	11/18/2005	Group I
AMSI 2005-R10	A1	Ameriquest Mortgage Company	Ameriquest Mortgage Securities, Inc.	Barclays Capital Inc. and J.P. Morgan Securities Inc.	$1,230,491,000	11/23/2005	Group I
ARSI 2005-W5	A1	Ameriquest Mortgage Company	Argent Securities Inc.	Barclays Capital Inc.	$881,201,000	12/28/2005	Group I

[4] A tranche is one of a series of certificates or interests created and issued as part of the same transaction.

Transaction	Tranche	Sponsor	Depositor	Lead Underwriter(s)	Principal Amount Issued	Date of Issuance	Supporting Loan Group
CBASS 2006-CB1	AV1	Credit-Based Asset Servicing and Securitization LLC	Securitized Asset Backed Receivables LLC	Barclays Capital Inc.	$287,298,000	1/26/2006	Group I
ARSI 2006-W2	A1	Ameriquest Mortgage Company	Argent Securities Inc.	Barclays Capital Inc. and Deutsche Bank Securities Inc.	$725,306,000	2/27/2006	Group I
FHLT 2006-C	1A1	Fremont Investment & Loan	Fremont Mortgage Securities Corporation	Barclays Capital Inc.	$459,746,000	8/30/2006	Group 1
CBASS 2007-CB2	A1	Credit-Based Asset Servicing and Securitization LLC	Securitized Asset Backed Receivables LLC	Barclays Capital Inc.	$220,801,000	2/28/2007	Group I

C. The Securitization Process

1. Mortgage Loans Are Grouped in Special Purpose Trusts

31. Non-party sponsors Ameriquest, Fremont, and C-BASS purchased the mortgage loans underlying the Certificates for one or more of the Securitizations after the loans were originated, either directly from the originators or through affiliates of the originators.

32. The sponsors then sold the mortgage loans for the Securitizations that they sponsored to depositors. C-BASS sold the mortgage loans for two of the Securitizations to Defendant SABR, as depositor. With respect to the remaining six Securitizations, non-party sponsors Ameriquest and Fremont sold the mortgage loans to non-party depositors, as reflected in Table 1, *supra* at paragraph 30. Defendant Barclays Capital was the lead or co-lead and the selling underwriter for all eight Securitizations.

33. SABR was a wholly-owned, limited-purpose financial subsidiary of Barclays Capital. The sole purpose of SABR as depositor was to act as a conduit through which loans acquired by the sponsor could be securitized and sold to investors.

34. As depositor for the SABR Securitizations, SABR transferred the relevant mortgage loans to the trusts.

35. As part of each of the Securitizations, the trustee, on behalf of the Certificateholders, executed a Pooling and Servicing Agreement ("PSA") with the relevant depositor and the parties responsible for monitoring and servicing the mortgage loans in that Securitization. The trust, administered by the trustee, held the mortgage loans pursuant to the related PSA and issued Certificates, including the GSE Certificates, backed by such loans. The GSEs purchased the GSE Certificates, through which they obtained an ownership interest in the assets of the trust, including the mortgage loans.

2. The Trusts Issue Securities Backed by the Loans

36. Once the mortgage loans were transferred to the trusts in accordance with the PSAs, each trust issued Certificates backed by the underlying mortgage loans. The Certificates were then sold to investors like Fannie Mae and Freddie Mac, which thereby acquired an ownership interest in the assets of the corresponding trust. Each Certificate entitles its holder to a specified portion of the cash-flows from the underlying mortgages in the Supporting Loan Group. The level of risk inherent in the Certificates was a function of the capital structure of the related transaction and the credit quality of the underlying mortgages.

37. The Certificates were issued pursuant to one of seven Shelf Registration Statements filed with the SEC on a Form S-3. The Shelf Registration Statements were amended by one or more Forms S-3/A filed with the SEC. Each Individual Defendant signed one or more of the SABR Shelf Registration Statements, including any amendments thereto. The SEC filing number, registrants, signatories and filing dates for the seven Shelf Registration Statements and amendments thereto, as well as the Certificates covered by each Shelf Registration Statement, are reflected in Table 2 below.

Table 2

SEC File No.	Date Registration Statement Filed	Date(s) Amended Registration Statement Filed	Registrants	Covered Certificates	Signatories of Registration Statement	Signatories of Amendments
333-112237	1/27/2004	Not applicable	Argent Securities Inc.	ARSI 2005-W3	Adam J. Bass; John P. Grazer; Andrew L. Stidd	Not applicable
333-125587	6/7/2005	Not applicable	Fremont Mortgage Securities Corporation	FHLT 2005-D	Murray L. Zoota; Louis J. Rampino; Wayne R. Bailey; Thomas W. Hayes; Patrick Lamb	Not applicable
333-121781	12/30/2004	Not applicable	Ameriquest Mortgage Securities Inc.	AMSI 2005-R10	Adam J. Bass; John P. Grazer; Andrew L. Stidd	Not applicable
333-121782	12/30/2004	1/12/2006	Argent Securities Inc.	ARSI 2005-W5; ARSI 2006-W2	Adam J. Bass; John P. Grazer; Andrew L. Stidd	Adam J. Bass; John P. Grazer; Andrew L. Stidd
333-123990	4/11/2005	12/7/2005	Securitized Asset Backed Receivables LLC	CBASS 2006-CB1	Michael Wade; John Carroll; Paul Menefee	Michael Wade John Carroll; Paul Menefee
333-132540	3/17/2006	5/16/2006, 6/23/2006	Fremont Mortgage Securities Corporation	FHLT 2006-C	Murray L. Zoota; Louis J. Rampino; Wayne R. Bailey; Thomas W. Hayes; Donald Puglisi; Kyle R. Walker; Ronald Nicolas, Jr.	5/16 Am. Murray L. Zoota; Louis J. Rampino; Wayne R. Bailey; Thomas W. Hayes; Donald Puglisi; Patrick E. Lamb; Alan Faigin; 6/23 Am. Kyle W. Walker; Louis J. Rampino; Murray L. Zoota; Wayne R. Bailey; Thomas W. Hayes; Donald Puglisi; Ronald S. Nicolas; Alan Faigin
333-130543	12/20/2005	2/9/2006	Securitized Asset Backed Receivables LLC	CBASS 2007-CB2	Michael Wade; John Carroll; Paul Menefee	John Carroll; Michael Wade; Paul Menefee

38. The Prospectus Supplement for each Securitization describes the underwriting guidelines that purportedly were used in connection with the origination of the underlying mortgage loans. In addition, the Prospectus Supplements purport to provide accurate statistics regarding the mortgage loans in each group, including the ranges of and weighted average FICO credit scores of the borrowers, the ranges of and weighted average loan-to-value ratios of the loans, the ranges of and weighted average outstanding principal balances of the loans, the debt-

to-income ratios, the geographic distribution of the loans, the extent to which the loans were for purchase or refinance purposes; information concerning whether the loans were secured by a property to be used as a primary residence, second home, or investment property; and information concerning whether the loans were delinquent.

39. The Prospectus Supplements associated with each Securitization were filed with the SEC as part of the Registration Statements. The Form 8-Ks attaching the PSAs for each Securitization were also filed with the SEC. The date on which the Prospectus Supplement and Form 8-K were filed for each Securitization, as well as the filing number of the Shelf Registration Statement related to each, are set forth in Table 3 below.

Table 3

Transaction	Date Prospectus Supplement Filed	Filing Date of Form 8-K Attaching PSA	Filing No. of Related Registration Statement
ARSI 2005-W3	10/28/2005	11/11/2005	333-112237
FHLT 2005-D	11/16/2005	12/5/2005	333-125587
AMSI 2005-R10	11/23/2005	12/08/2005	333-121781
ARSI 2005-W5	12/27/2005	1/12/2006	333-121782
CBASS 2006-CB1	1/26/2006	2/10/2006	333-123990
ARSI 2006-W2	2/27/2006	3/14/2006	333-121782
FHLT 2006-C	8/31/2006	9/20/2006	333-132540
CBASS 2007-CB2	3/2/2007	3/15/2007	333-130543

40. The Certificates were issued pursuant to the PSAs, and Defendant Barclays Capital offered and sold the GSE Certificates to Fannie Mae and Freddie Mac pursuant to the Registration Statements, which, as noted previously, included the Prospectuses and Prospectus Supplements.

II. THE DEFENDANTS' PARTICIPATION IN THE SECURITIZATION PROCESS

A. The Role of Each of the Defendants

41. Each of the Defendants, including the Individual Defendants, had a role in the securitization process and the marketing for most or all of the Certificates, which included purchasing the mortgage loans from the originators, arranging the Securitizations, selling the

mortgage loans to the depositor, transferring the mortgage loans to the trustee on behalf of the Certificateholders, underwriting the public offering of the Certificates, structuring and issuing the Certificates, and marketing and selling the Certificates to investors such as Fannie Mae and Freddie Mac.

42. With respect to each Securitization, the depositor, underwriters, and Individual Defendants who signed the Registration Statement, as well as the Defendants who exercised control over the activities, are liable, jointly and severally, as participants in the registration, issuance and offering of the Certificates, including issuing, causing, or making materially misleading statements in the Registration Statements, and omitting material facts required to be stated therein or necessary to make the statements contained therein not misleading.

1. SABR

43. Defendant SABR is a wholly owned subsidiary of Barclays Bank. It is a special purpose entity formed solely for the purpose of purchasing mortgage loans, filing registration statements with the SEC, forming issuing trusts, assigning mortgage loans and all of its rights and interests in such mortgage loans to the trustee for the benefit of the Certificateholders, and depositing the underlying mortgage loans into the issuing trusts.

44. SABR was the depositor for two of the eight Securitizations. In its capacity as depositor, SABR purchased the mortgage loans from the sponsor (which was C-BASS in the SABR Securitizations) pursuant to a mortgage loan purchase and warranties agreement. SABR then sold, transferred, or otherwise conveyed the mortgage loans to be securitized to the trusts. SABR, together with the other Defendants, was also responsible for preparing and filing the Registration Statements pursuant to which the Certificates were offered for sale. The trusts in turn held the mortgage loans for the sole benefit of the Certificateholders, and issued the Certificates in public offerings for sale to investors such as Fannie Mae and Freddie Mac.

2. Barclays Capital

45. Defendant Barclays Capital was formed in 1997 and is the investment banking division of Barclays Bank. Defendant Barclays Capital was, at all relevant times, a registered broker/dealer and one of the leading underwriters of mortgage and other asset-backed securities in the United States.

46. Barclays Capital was the lead or co-lead underwriter in each of the Securitizations. In that role, it was responsible for underwriting and managing the offer and sale of the Certificates to Fannie Mae and Freddie Mac and other investors. Barclays Capital was also obligated to conduct meaningful due diligence to ensure that the Registration Statements did not contain any material misstatements or omissions, including as to the manner in which the underlying mortgage loans were originated, underwritten, and transferred.

3. Barclays Bank

47. Barclays Bank employed its wholly-owned subsidiaries, Barclays Capital and SABR, in the key steps of the securitization process. With respect to the SABR Securitizations, the depositor was SABR. SABR does not have any significant assets and was created for the sole purpose of acquiring and pooling residential loans, offering securities or other mortgage- or asset-related securities, and related activities. Barclays Capital, the investment banking division of Barclays Bank, was the lead and selling underwriter with respect to all of the Securitizations.

48. As the sole corporate parent of Barclays Capital and SABR, Barclays Bank had the practical ability to direct and control the actions of Barclays Capital and SABR related to the Securitizations, and in fact exercised such direction and control over the activities of these entities related to the issuance and sale of the Certificates. Furthermore, Barclays Bank, upon information and belief, shared overlapping management with the other Defendant entities. For instance, Defendant John Carroll was Vice President and Chief Financial Officer at SABR. Mr.

Carroll was also Managing Director at Barclays Bank. Mr. Carroll signed the SABR Shelf Registration Statements as an employee of both Barclays Bank and SABR.

4. The Individual Defendants

49. Defendant Michael Wade was President and Chief Executive Officer at SABR. Mr. Wade signed the SABR Shelf Registration Statements and the amendments thereto.

50. Defendant John Carroll was Vice President and Chief Financial Officer at SABR. Mr. Carroll was also Managing Director at Barclays Bank. Mr. Carroll signed the SABR Shelf Registration Statements and the amendments thereto.

51. Defendant Paul Menefee was Vice President and Chief Accounting Officer at SABR. Mr. Menefee signed the SABR Shelf Registration Statements and the amendments thereto.

B. Defendants' Failure To Conduct Proper Due Diligence

52. The Defendants failed to conduct adequate and sufficient due diligence to ensure that the mortgage loans underlying the Securitizations complied with the representations in the Registration Statements.

53. During the time period in which the Certificates were issued—approximately 2005 through 2007—Barclays was extensively involved in the subprime mortgage market. In 2005, Barclays Capital securitized $27.1 billion in mortgage-backed securities, putting it in the top ten banks in this category. In June 2006, Barclays Bank acquired mortgage servicer HomeEq Servicing Corporation from Wachovia Corporation. In April 2007, Barclays Bank acquired EquiFirst Corporation ("EquiFirst"), the non-prime mortgage origination business of Regions Financial Corporation for $76 million. EquiFirst made $24.4 billion of high interest loans between 2005 and 2007. Barclays Bank stated that EquiFirst was to be combined with Barclays Capital's active U.S. wholesale mortgage business, mortgage servicing, and capital

markets capabilities to create a vertically integrated franchise for the purchase and securitization of non-prime mortgages.

54. Defendants had enormous financial incentives to complete as many offerings as quickly as possible without regard to ensuring the accuracy or completeness of the Registration Statements, or conducting adequate and reasonable due diligence. For example, Barclays Capital, as the underwriter, was paid a commission based on the amount it received from the sale of the Certificates to the public.

55. The push to securitize large volumes of mortgage loans contributed to the absence of controls needed to prevent the inclusion of untrue statements of material facts and omissions of material facts in the Registration Statements. In particular, Defendants failed to conduct adequate diligence or otherwise to ensure the accuracy of the statements in the Registrations Statements pertaining to the Securitizations.

III. THE REGISTRATION STATEMENTS AND THE PROSPECTUS SUPPLEMENTS

A. Compliance With Underwriting Guidelines

56. The Prospectus Supplements for each Securitization describe the mortgage loan underwriting guidelines pursuant to which the mortgage loans underlying the related Securitizations were to have been originated. These guidelines were intended to assess the creditworthiness of the borrower, the ability of the borrower to repay the loan, and the adequacy of the mortgaged property as security for the loan.

57. The statements made in the Prospectus Supplements, which, as discussed, formed part of the Registration Statement for each Securitization, were material to a reasonable investor's decision to purchase and invest in the Certificates because the failure to originate a mortgage loan in accordance with the applicable guidelines creates a higher risk of delinquency

and default by the borrower, as well as a risk that losses upon liquidation will be higher, thus resulting in a greater economic risk to an investor.

58. The Prospectus Supplements for the Securitizations contained several key statements with respect to the underwriting standards of the entities that originated the loans in the Securitizations. For example, the Prospectus Supplement for the AMSI 2005-R10 Securitization, for which Ameriquest was the originator, Barclays Capital was the underwriter and Ameriquest Mortgage Securities, Inc. was the depositor, stated that: "All mortgage loans to be included in a trust fund will have been subject to underwriting standards acceptable to the depositor and applied as described in the following paragraph. Each mortgage loan seller, or another party on its behalf, will represent and warrant that mortgage loans purchased by or on behalf of the depositor from it have been originated by the related originators in accordance with these guidelines." It also stated that "the Underwriting Guidelines are primarily intended to evaluate: (1) the applicant's credit standing and repayment ability and (2) the value and adequacy of the mortgaged property as collateral."

59. The AMSI 2005-R10 Prospectus Supplement stated that the originator may determine that a loan applicant, not strictly qualifying under an enumerated risk factor warrants an exception to the requirements set forth in the Underwriting Guidelines, but emphasized that the exceptions were made on "a case-by-case basis."

60. With respect to the information evaluated by the originator, the Prospectus Supplement stated that: "Each loan application package has an application completed by the applicant that includes information with respect to the applicant's liabilities, income, credit history and employment history, as well as certain other personal information. The Originator also obtains (or the broker submits) a credit report on each applicant from a credit reporting

company. If applicable, the loan application package must also generally include a letter from the applicant explaining all late payments on mortgage debt and, generally, consumer (i.e. non-mortgage) debt."

61. The Prospectus and Prospectus Supplement for each of the Securitizations had similar representations to those quoted above. The relevant representations in the Prospectus and Prospectus Supplement pertaining to originating entity underwriting standards for each Securitization are reflected in Appendix A to this Complaint. As discussed *infra* at paragraphs 91 through 109, in fact, the originators of the mortgage loans in the Supporting Loan Group for the Securitizations did not adhere to their stated underwriting guidelines, thus rendering the description of those guidelines in the Prospectuses and Prospectus Supplements false and misleading.

62. Further, for the vast majority of the Securitizations, the Prospectuses and Prospectus Supplements described or referenced additional representations and warranties in the PSA or the Mortgage Loan Purchase Agreement by the originator/sponsor concerning the mortgage loans underlying the Securitizations. These representations and warranties, which are described more fully for each Securitization in Appendix A, included (i) each mortgage loan was made in material compliance with all applicable local, state and federal laws and regulations; (ii) no mortgage loan is delinquent; (iii) origination and collection practices used by the originator with respect to each mortgage note and mortgage have been in all respects legal, proper, prudent and customary in the mortgage origination and servicing business; and (iv) the mortgage note and the mortgage were not subject to any right of rescission, set-off, counterclaim or defense (including the defense of usury) as to render such mortgage note or mortgage unenforceable.

63. The inclusion of these representations in the Prospectuses and Prospectus Supplements had the purpose and effect of providing additional assurances to investors regarding the quality of the mortgage collateral underlying the Securitizations and the compliance of that collateral with the underwriting guidelines described in the Prospectuses and Prospectus Supplements. These representations were material to a reasonable investor's decision to purchase the Certificates.

B. Statements Regarding Occupancy Status of Borrower

64. The Prospectus Supplements contained collateral group-level information about the occupancy status of the borrowers of the loans in the Securitizations. Occupancy status refers to whether the property securing a mortgage is to be the primary residence of the borrower, a second home, or an investment property. The Prospectus Supplements for each of the Securitizations presented this information in tabular form, usually in a table entitled "Occupancy Status of the Mortgage Loans." This table divided all the loans in the collateral group by occupancy status, *e.g.*, into the following categories: (i) "Primary," or "Owner-Occupied;" (ii) "Secondary" or "Second Home"; and (iii) "Investor" or "Non-Owner." For each category, the table stated the number of loans in that category. Occupancy statistics for the Supporting Loan Groups for each Securitization were reported in the Prospectus Supplements as follows:[5]

Table 4

Transaction	Supporting Loan Group	Primary/ Owner-Occupied (%)	Secondary/Second Home (%)	Investor/Non-Owner (%)
ARSI 2005-W3	Group I	85.64	1.01	13.35
FHLT 2005-D	Group I	89.98	1.29	8.73

[5] Each Prospectus Supplement provides the total number of loans and the number of loans in the following categories: primary or owner-occupied, secondary or second home, and investor or non-owner. These numbers have been converted to percentages.

Transaction	Supporting Loan Group	Primary/ Owner-Occupied (%)	Secondary/Second Home (%)	Investor/Non-Owner (%)
AMSI 2005-R10	Group I	95.93	0.92	3.15
ARSI 2005-W5	Group I	84.32	1.01	14.67
CBASS 2006-CB1	Group I	91.81	1.41	6.78
ARSI 2006-W2	Group I	83.66	0.98	15.36
FHLT 2006-C	Group 1	94.29	0.66	5.05
CBASS 2007-CB2	Group I	89.82	2.12	8.06

65. As Table 4 makes clear, the Prospectus Supplements for each Securitization reported that an overwhelming majority of the mortgage loans in the Supporting Loan Groups were owner-occupied, while a small percentage were reported to be non-owner-occupied (*i.e.* a second home or investor/non-owner property).

66. The statements about occupancy status were material to a reasonable investor's decision to invest in the Certificates. Information about occupancy status is an important factor in determining the credit risk associated with a mortgage loan and, therefore, the securitization that it collateralizes. Because borrowers who reside in mortgaged properties are less likely to default than borrowers who purchase homes as second homes or investments and live elsewhere, and are more likely to care for their primary residence, the percentage of loans in the collateral group of a securitization that are secured by mortgage loans on owner-occupied residences is an important measure of the risk of the certificates sold in that securitization.

67. Other things being equal, the higher the percentage of loans not secured by owner-occupied residences, the greater the risk of loss to the certificateholders. Even small differences in the percentages of primary/owner-occupied, second home/secondary, and investor/non-owner properties in the collateral group of a securitization can have a significant effect on the risk of each certificate sold in that securitization, and thus, are important to the decision of a reasonable investor whether to purchase any such certificate. As discussed at paragraphs 80 through 84 below, the Registration Statement for each Securitization materially

overstated the percentage of loans in the Supporting Loan Groups that were owner-occupied, thereby misrepresenting the degree of risk of the GSE Certificates.

C. Statements Regarding Loan-to-Value Ratios

68. The loan-to-value ratio of a mortgage loan, or LTV ratio, is the ratio of the balance of the mortgage loan to the value of the mortgaged property when the loan is made.

69. The denominator in the LTV ratio is the value of the mortgaged property, and is generally the lower of the purchase price or the appraised value of the property. In a refinancing or home-equity loan, there is no purchase price to use as the denominator, so the denominator is often equal to the appraised value at the time of the origination of the refinanced loan. Accordingly, an accurate appraisal is essential to an accurate LTV ratio. In particular, an inflated appraisal will understate, sometimes greatly, the credit risk associated with a given loan.

70. The Prospectus Supplements for each Securitization also contained group-level information about the LTV ratio for the underlying group of loans as a whole. The percentage of loans with an LTV ratio at or less than 80 percent and the percentage of loans with an LTV ratio greater than 100 percent as reported in the Prospectus Supplements for the Supporting Loan Groups are reflected in Table 5 below.[6]

[6] As used in this Complaint, "LTV" refers to the original loan-to-value ratio for first lien mortgages and for properties with second liens that are subordinate to the lien that was included in the securitization (*i.e.*, only the securitized lien is included in the numerator of the LTV calculation). However, for second lien mortgages, where the securitized lien is junior to another loan, the more senior lien has been added to the securitized one to determine the numerator in the LTV calculation (this latter calculation is sometimes referred to as the combined-loan-to-value ratio, or "CLTV").

Table 5

Transaction	Supporting Loan Group	Percentage of loans, by aggregate principal balance, with LTV less than or equal to 80%	Percentage of loans, by aggregate principal balance, with LTV greater than 100%
ARSI 2005-W3	Group I	53.18	0.00
FHLT 2005-D	Group I	69.19	0.00
AMSI 2005-R10	Group I	54.09	0.00
ARSI 2005-W5	Group I	56.08	0.00
CBASS 2006-CB1	Group I	69.72	0.01
ARSI 2006-W2	Group I	48.87	0.00
FHLT 2006-C	Group 1	60.13	0.00
CBASS 2007-CB2	Group I	56.66	0.00

71. As Table 5 makes clear, the Prospectus Supplement for each Securitization reported that many or most of the mortgage loans in the Supporting Loan Groups had an LTV ratio of 80% or less, and that virtually no mortgage loans in the Supporting Loan Group had an LTV ratio over 100 percent.

72. The LTV ratio is among the most important measures of the risk of a mortgage loan, and thus, it is one of the most important indicators of the default risk of the mortgage loans underlying the Certificates. The lower the ratio, the less likely that a decline in the value of the property will wipe out an owner's equity, and thereby give an owner an incentive to stop making mortgage payments and abandon the property. This ratio also predicts the severity of loss in the event of default. The lower the LTV, the greater the "equity cushion," so the greater the likelihood that the proceeds of foreclosure will cover the unpaid balance of the mortgage loan.

73. Thus, LTV ratio is a material consideration to a reasonable investor in deciding whether to purchase a certificate in a securitization of mortgage loans. Even small differences in the LTV ratios of the mortgage loans in the collateral group of a securitization have a significant effect on the likelihood that the collateral groups will generate sufficient funds to pay

Certificateholders in that securitization, and thus are material to the decision of a reasonable investor whether to purchase any such certificate. As discussed *infra* at paragraphs 85 through 90, the Registration Statements for the Securitizations materially *overstated* the percentage of loans in the Supporting Loan Groups with an LTV ratio at or less than 80 percent, and materially *understated* the percentage of loans in the Supporting Loan Groups with an LTV ratio over 100 percent, thereby misrepresenting the degree of risk of the GSE Certificates.

D. Statements Regarding Credit Ratings

74. Credit ratings are assigned to the tranches of mortgage-backed securitizations by the credit rating agencies, including Moody's Investors Service, Standard & Poor's, Fitch Ratings, and DBRS. Each credit rating agency uses its own scale with letter designations to describe various levels of risk. In general, AAA or its equivalent ratings are at the top of the credit rating scale and are intended to designate the safest investments. C and D ratings are at the bottom of the scale and refer to investments that are currently in default and exhibit little or no prospect for recovery. At the time the GSEs purchased the GSE Certificates, investments with AAA or its equivalent ratings historically experienced a loss rate of less than .05 percent. Investments with a BBB rating, or its equivalent, historically experienced a loss rate of less than one percent. As a result, securities with credit ratings between AAA or its equivalent through BBB- or its equivalent were generally referred to as "investment grade."

75. Rating agencies determine the credit rating for each tranche of a mortgage-backed securitization by comparing the likelihood of contractual principal and interest repayment to the 'credit enhancements' available to protect investors. Rating agencies determine the likelihood of repayment by estimating cash-flows based on the quality of the underlying mortgages by using sponsor-provided loan-level data. Credit enhancements, such as subordination, represent

the amount of "cushion" or protection from loss incorporated into a given securitization.[7] This cushion is intended to improve the likelihood that holders of highly rated certificates receive the interest and principal to which they are contractually entitled. The level of credit enhancement offered is based on the make-up of the loans in the underlying collateral group and entire securitization. Riskier loans underlying the securitization necessitate higher levels of credit enhancement to insure payment to senior certificate holders. If the collateral within the deal is of a higher quality, then rating agencies require less credit enhancement for AAA or its equivalent rating.

76. Credit ratings have been an important tool to gauge risk when making investment decisions. In testimony before the Senate Permanent Subcommittee on Investigations, Susan Barnes, the North American Practice Leader for RMBS at S&P from 2005 to 2008, confirmed that the rating agencies relied upon investment banks to provide accurate information about the loan pools:

> The securitization process relies on the quality of the data generated about the loans going into the securitizations. S&P relies on the data produced by others and reported to both S&P and investors about those loans . . . . S&P does not receive the original loan files for the loans in the pool. Those files are reviewed by the arranger or sponsor of the transaction, who is also responsible for reporting accurate information about the loans in the deal documents and offering documents to potential investors. (SPSI hearing testimony, April 23, 2010).

77. For almost a hundred years, investors like pension funds, municipalities, insurance companies, and university endowments have relied heavily on credit ratings to assist them in distinguishing between safe and risky investments. Fannie Mae and Freddie Mac's

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[7] "Subordination" refers to the fact that the certificates for a mortgage-backed securitization are issued in a hierarchical structure, from senior to junior. The junior certificates are "subordinate" to the senior notes in that, should the underlying mortgage loans become delinquent or default, the junior certificates suffer losses first. These subordinate certificates thus provide a degree of protection to the senior certificates from losses on the underlying loans.

respective internal policies limited their purchases of private label residential mortgage-backed securities to those rated AAA (or its equivalent), and in very limited instances, AA or A bonds (or their equivalent).

78. Each tranche of the Securitizations received a credit rating upon issuance, which purported to describe the riskiness of that tranche. The Defendants reported the credit ratings for each tranche in the Prospectus Supplements. The credit rating provided for each of the GSE Certificates was "investment grade," AAA or its equivalent. The accuracy of these ratings was material to a reasonable investor's decision to purchase the Certificates. As set forth in Table 8, *infra* at paragraph 105, the ratings for the Securitizations were inflated as a result of Defendants' provision of incorrect data concerning the attributes of the underlying mortgage collateral to the ratings agencies, and, as a result, Defendants sold and marketed the GSE Certificates as AAA (or its equivalent) in fact, they were not.

IV. FALSITY OF STATEMENTS IN THE REGISTRATION STATEMENTS AND PROSPECTUS SUPPLEMENTS

A. The Statistical Data Provided in the Prospectus Supplements Concerning Owner Occupancy and LTV Ratios Was Materially False

79. A review of loan-level data was conducted in order to assess whether the statistical information provided in the Prospectus Supplements was true and accurate. For each Securitization, the sample consisted of 1,000 randomly selected loans per Supporting Loan Group, or all of the loans in the group if there were fewer than 1,000 loans in the Supporting Loan Group. The sample data confirms, on a statistically-significant basis, material misrepresentations of underwriting standards and of certain key characteristics of the mortgage loans across the Securitizations. The data review demonstrates that the data concerning owner occupancy and LTV ratios was materially false and misleading.

1. Owner Occupancy Data Was Materially False

80. The data review has revealed that the owner occupancy statistics reported in the Prospectus Supplements were materially false and inflated. In fact, far fewer underlying properties were occupied by their owners than disclosed in the Prospectus Supplements, and more correspondingly were held as second homes or investment properties.

81. To determine whether a given borrower actually occupied the property as claimed, a number of tests were conducted, including, *inter alia*, whether months after the loan closed, the borrower's tax bill was being mailed to the property or to a different address; whether the borrower had claimed a tax exemption on the property; and whether the mailing address of the property was reflected in the borrower's credit reports, tax records, or lien records. Failing two or more of these tests is a strong indication that the borrower did not live at the mortgaged property and instead used it as a second home or an investment property, both of which make it much more likely that a borrower will not repay the loan.

82. A significant number of the loans failed two or more of these tests, indicating that the owner occupancy statistics provided to Fannie Mae and Freddie Mac were materially false and misleading.

83. For example, for the AMSI 2005-R10 Securitization, the Prospectus Supplement stated that 4.07 percent of the underlying properties by loan count in the Supporting Loan Group were not owner-occupied. But the data review revealed that, for 9.65 percent of the properties represented as owner-occupied, the owners lived elsewhere, indicating that the true percentage of

non-owner-occupied properties was 13.33 percent, more than double the percentage reported in the Prospectus Supplement.[8]

84. The data review revealed that for each Securitization, the Prospectus Supplement misrepresented the percentage of non-owner-occupied properties. The true percentage of non-owner-occupied properties, as determined by the data review, versus the percentage stated in the Prospectus Supplement for each Securitization, is reflected in Table 6 below. Table 6 demonstrates that the Prospectus Supplements for each Securitization understated the percentage of non-owner-occupied properties by at least 7.49 percent, and for all but one of the Securitizations by nine percent or more.

Table 6

Transaction	Supporting Loan Group	Reported Percentage of Non-Owner-Occupied Properties	Percentage of Properties Reported as Owner-Occupied With Strong Indication of Non-Owner Occupancy[9]	Actual Percentage of Non-Owner-Occupied Properties	Prospectus Under-statement of Non-Owner-Occupied Properties
ARSI 2005-W3	Group I	14.36	11.60	24.30	9.94
FHLT 2005-D	Group I	10.02	13.36	22.05	12.02
AMSI 2005-R10	Group I	4.07	9.65	13.33	9.26
ARSI 2005-W5	Group I	15.68	11.44	25.33	9.65
CBASS 2006-CB1	Group I	8.19	8.16	15.68	7.49
ARSI 2006-W2	Group I	16.34	11.34	25.83	9.49
FHLT 2006-C	Group 1	5.71	12.87	17.85	12.14
CBASS 2007-CB2	Group I	10.18	12.40	21.32	11.14

[8] This conclusion is arrived at by summing (a) the stated non-owned-occupied percentage in the Prospectus Supplement (here, 4.07 percent), and (b) the product of (i) the stated owner-occupied percentage (here, 95.93 percent) and (ii) the percentage of the properties represented as owner-occupied in the sample that showed strong indications that their owners in fact lived elsewhere (here, 9.65 percent).

[9] As described more fully in paragraph 81, failing two or more tests of owner-occupancy is a strong indication that the borrower did not live at the mortgaged property and instead used it as a second home or an investment property.

2. Loan-to-Value Data Was Materially False

85. The data review has further revealed that the LTV ratios disclosed in the Prospectus Supplements were materially false and understated, as more specifically set out below. For each of the sampled loans, an industry standard automated valuation model ("AVM") was used to calculate the value of the underlying property at the time the mortgage loan was originated. AVMs are routinely used in the industry as a way of valuing properties during prequalification, origination, portfolio review and servicing. AVMs rely upon similar data as appraisers—primarily county assessor records, tax rolls, and data on comparable properties. AVMs produce independent, statistically-derived valuation estimates by applying modeling techniques to this data.

86. Applying the AVM to the available data for the properties securing the sampled loans shows that the appraised value given to such properties was significantly higher than the actual value of such properties. The result of this overstatement of property values is a material understatement of LTV. That is, if a property's true value is significantly less than the value used in the loan underwriting, then the loan represents a significantly higher percentage of the property's value. This, of course, increases the risk a borrower will not repay the loan and the risk of greater losses in the event of a default.

87. For example, for the CBASS 2007-CB2 Securitization, which was sponsored by C-BASS and underwritten by Barclays Capital, the Prospectus Supplement stated that no LTV ratio for the Supporting Loan Group was above 100 percent. In fact, 29.27 percent of the sample of loans included in the data review had LTV ratios above 100 percent. In addition, the Prospectus Supplement stated that 60.68 percent of the loans had LTV ratios at or below 80 percent. The data review indicated that only 31.87 percent of the loans had LTV ratios at or below 80 percent.

88. The data review revealed that for each Securitization, the Prospectus Supplement misrepresented the percentage of loans with an LTV ratio above 100 percent, as well the percentage of loans that had an LTV ratio at or below 80 percent. Table 7 reflects (i) the true percentage of mortgages in the Supporting Loan Group with LTV ratios above 100 percent, versus the percentage reported in the Prospectus Supplement; and (ii) the true percentage of mortgages in the Supporting Loan Group with LTV ratios at or below 80 percent, versus the percentage reported in the Prospectus Supplement. The percentages listed in Table 7 were calculated by aggregated principal balance.

Table 7

		PROSPECTUS	DATA REVIEW	PROSPECTUS	DATA REVIEW
Transaction	**Supporting Loan Group**	**Percentage of Loans Reported to Have LTV Ratio At Or Less Than 80%**	**True Percentage of Loans With LTV Ratio At Or Less Than 80%**	**Percentage of Loans Reported to Have LTV Ratio Over 100%**	**True Percentage of Loans With LTV Ratio Over 100%**
ARSI 2005-W3	Group I	53.18	36.47	0.00	17.07
FHLT 2005-D	Group I	69.19	46.05	0.00	13.33
AMSI 2005-R10	Group I	54.09	41.14	0.00	12.93
ARSI 2005-W5	Group I	56.08	37.59	0.00	14.26
CBASS 2006-CB1	Group I	69.72	45.34	0.01	12.82
ARSI 2006-W2	Group I	48.87	32.95	0.00	20.93
FHLT 2006-C	Group 1	60.13	37.06	0.00	22.07
CBASS 2007-CB2	Group I	56.66	31.87	0.00	29.27

89. As Table 7 demonstrates, the Prospectus Supplements for all of the Securitizations reported that virtually *none* of the mortgage loans in the Supporting Loan Groups had an LTV ratio over 100 percent. In contrast, the data review revealed that at least 12.25 percent of the mortgage loans for each Securitization had an LTV ratio over 100 percent, and for almost half of the Securitizations this figure was much larger. Indeed, for three of the Securitizations, the data review revealed that more than 20 percent of the mortgages in the Supporting Loan Group had a true LTV ratio over 100 percent.

90. These inaccuracies with respect to reported LTV ratios also indicate that the representations in the Registration Statements relating to appraisal practices were false, and that the appraisers themselves, in many instances, furnished appraisals that they understood were inaccurate and that they knew bore no reasonable relationship to the actual value of the underlying properties. Indeed, independent appraisers following proper practices, and providing genuine estimates as to valuation, would not systematically generate appraisals that deviate so significantly (and so consistently upward) from the true values of the appraised properties. This conclusion is further confirmed by the findings of the Financial Crisis Inquiry Commission (the "FCIC"), which identified "inflated appraisals" as a pervasive problem during the period of the Securitizations, and determined through its investigation that appraisers were often pressured by mortgage originators, among others, to produce inflated results. *See* FCIC, Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States (January 2011).

B. The Originators of the Underlying Mortgage Loans Systematically Disregarded Their Underwriting Guidelines

91. The Registration Statements contained material misstatements and omissions regarding compliance with underwriting guidelines. Indeed, the originators for the loans underlying the Securitizations systematically disregarded their respective underwriting guidelines in order to increase production and profits derived from their mortgage lending businesses. This is confirmed by the systematically misreported owner occupancy and LTV statistics, discussed above, and by (1) government investigations into originators' underwriting practices, which have revealed widespread abandonment of originators' reported underwriting guidelines during the relevant period; (2) the collapse of the Certificates' credit ratings; and (3) the surge in delinquency and default in the mortgages in the Securitizations.

1. Government Investigations Have Confirmed That the Originators of the Loans in the Securitizations Systematically Failed to Adhere to Their Underwriting Guidelines

92. The abandonment of underwriting guidelines is confirmed by several government reports and investigations that have described rampant underwriting failures throughout the period of the Securitizations, and, more specifically, have described underwriting failures by the very originators whose loans were included by the Defendants in the Securitizations.

93. For instance, in November 2008, the Office of the Comptroller of the Currency, an office within the United States Department of the Treasury, issued a report identifying the "Worst Ten" mortgage originators in the "Worst Ten" metropolitan areas. The worst originators were defined as those with the largest number of non-prime mortgage foreclosures for 2005-2007 originations. Argent, Ameriquest, and Fremont, which originated many of the loans for the Securitizations at issue here, were all on that list. *See* "Worst Ten in the Worst Ten," Office of the Comptroller of the Currency Press Release, November 13, 2008.

94. The originators of the mortgage loans underlying the Securitizations went beyond the systemic disregard of their own underwriting guidelines. Indeed, as the FCIC has confirmed, mortgage loan originators throughout the industry pressured appraisers, during the period of the Securitizations, to issue inflated appraisals that met or exceeded the amount needed for the subject loans to be approved, regardless of the accuracy of such appraisals, and especially when the originators aimed at putting the mortgages into a package of mortgages that would be sold for securitization. This resulted in lower LTV ratios, discussed *supra*, which in turn made the loans appear to the investors less risky that they were.

95. As described by Patricia Lindsay, a former wholesale lender who testified before the FCIC in April 2010, appraisers "fear[ed]" for their "livelihoods," and therefore cherry-picked data "that would help support the needed value rather than finding the best comparables to come

up with the most accurate value." *See* Written Testimony of Patricia Lindsay to the FCIC, April 7, 2010, at 5. Likewise, Jim Amorin, President of the Appraisal Institute, confirmed in his testimony that "[i]in many cases, appraisers are ordered or severely pressured to doctor their reports and to convey a particular, higher value for a property, or else never see work from those parties again… [T]oo often state licensed and certified appraisers are forced into making a 'Hobson's Choice.'" *See* Testimony of Jim Amorin to the FCIC, available at www.appraisalinstitute.org/newsadvocacy/downloads/ltrs_tstmny/2009/AI-ASA-ASFMRA-NAIFATestimonyonMortgageReform042309final.pdf. Faced with this choice, appraisers systematically abandoned applicable guidelines and over-valued properties in order to facilitate the issuance of mortgages that could then be collateralized into mortgage-backed securitizations.

96. On October 4, 2007, the Commonwealth of Massachusetts, through its Attorney General, brought an enforcement action against Fremont, which originated loans for two of the Securitizations, for an array of "unfair and deceptive business conduct," "on a broad scale." *See* Complaint, *Commonwealth v. Fremont Investment & Loan and Fremont General Corp.*, No. 07-4373 (Mass. Super. Ct.) ("Fremont Complaint"). According to the complaint, Fremont (i) "approve[ed] borrowers without considering or verifying the relevant documentation related to the borrower's credit qualifications, including the borrower's income"; (ii) "approv[ed] borrowers for loans with inadequate debt-to-income analyses that do not properly consider the borrowers' ability to meet their overall level of indebtedness and common housing expenses"; (iii) "failed to meaningfully account for [ARM] payment adjustments in approving and selling loans"; (iv) "approved borrowers for these ARM loans based only on the initial fixed 'teaser' rate, without regard for borrowers' ability to pay after the initial two year period"; (v) "consistently failed to monitor or supervise brokers' practices or to independently verify the

information provided to Fremont by brokers"; and (vi) "ma[de] loans based on information that Fremont knew or should have known was inaccurate or false, including, but not limited to, borrowers' income, property appraisals, and credit scores." *See* Fremont Complaint.

97. On December 9, 2008, the Supreme Judicial Court of Massachusetts affirmed a preliminary injunction that prevented Fremont from foreclosing on thousands of its loans issued to Massachusetts residents. As a basis for its unanimous ruling, the Supreme Judicial Court found that the record supported the lower court's conclusions that "Fremont made no effort to determine whether borrowers could 'make the scheduled payments under the terms of the loan,'" and that "Fremont knew or should have known that [its lending practices and loan terms] would operate in concert essentially to guarantee that the borrower would be unable to pay and default would follow." *Commonwealth v. Fremont Inv. & Loan*, 897 N.E.2d 548, 556 (Mass. 2008). The terms of the preliminary injunction were made permanent by a settlement reached on June 9, 2009.

98. Argent originated loans for three of the Securitizations. According to a December 7, 2008 article in the *Miami Herald*, employees of Argent Mortgage had a practice of actively assisting brokers to falsify information on loan applications. They would "tutor[]…mortgage brokers in the art of fraud." Employees "taught [brokers] how to doctor credit reports, coached them to inflate [borrower] income on loan applications, and helped them invent phantom jobs for borrowers" so that loans could be approved. "Borrowers Betrayed, Part 4," *Miami Herald*, Dec. 7, 2008.

99. Orson Benn, a former Argent Vice President who went to prison for his role in facilitating mortgage fraud, has stated that at Argent "the accuracy of loan applications was not a priority." "Borrowers Betrayed, Part 4," *Miami Herald*, Dec. 7, 2008. Mr. Benn was the head

of a crime ring that fabricated loan applications in order to pocket the loan fees; Mr. Benn himself pocketed a $3,000 kickback for each loan he helped secure. FCIC Report at 164. Of the 18 defendants charged in the Argent ring, 16 have been convicted or pled guilty, FCIC Report at 164, including Mr. Benn, who was sentenced to 18 years in prison, "Ex-Argent Mortgage VP Sentenced For Fraud," *North Country Gazette*, Sept. 5, 2008.

100. Other jurisdictions have also investigated Argent for its mortgage origination practices. On June 22, 2011, a grand jury in Cuyahoga County, Cleveland, indicted nine employees of Argent for their suspected roles in approving fraudulent home loans. The case, investigated by the Cuyahoga County Mortgage Fraud Task Force, alleges that the employees helped coach mortgage brokers about how to falsify loan documents to misstate the source or existence of down payments, as well as a borrower's income and assets. Argent was Cleveland's number one lender in 2004, and originated over 10,000 loans during the time span 2002 through 2005. This was the first time in Ohio, and one of few instances nationwide, that a mortgage fraud investigation has led to criminal charges against employees of a subprime lender. Mark Gillespie, "Former employees of subprime mortgage lender indicted by Cuyahoga County grand jury," *The Plain Dealer*, June 23, 2011.

101. Indeed, Jacquelyn Fishwick, who worked for more than two years at an Argent loan processing center near Chicago as an underwriter and account manager, noted that "some Argent employees played fast and loose with the rules." She "personally saw some stuff [she] didn't agree with," such as "[Argent] account managers remove documents from files and create documents by cutting and pasting them." "The Subprime House of Cards," *Cleveland Plain Dealer*, May 11, 2008.

102. Similarly, Argent was also not diligent about confirming accurate appraisals for the properties for which it was issuing mortgages. Steve Jernigan, a fraud investigator at Argent, said that he once went to check on a subdivision for which Argent had made loans. The address on the loans turned out to be in the middle of a cornfield; the appraisals had all been fabricated. The same fake picture had been included in each file. Michael W. Hudson, "Silencing the Whistle-blowers," *The Investigative Fund*, May 10, 2010.

2. The Collapse of the Certificates' Credit Ratings Further Indicates that the Mortgage Loans were not Originated in Adherence to the Stated Underwriting Guidelines.

103. The total collapse in the credit ratings of the GSE Certificates, typically from AAA or its equivalent to non-investment speculative grade, is further evidence of the originators' systematic disregard of underwriting guidelines, amplifying that the GSE Certificates were impaired from the start.

104. The GSE Certificates that Fannie Mae and Freddie Mac purchased were originally assigned credit ratings of AAA or its equivalent, which purportedly reflected the description of the mortgage loan collateral and underwriting practices set forth in the Registration Statements. These ratings were artificially inflated, however, as a result of the very same misrepresentations that the Defendants made to investors in the Prospectus Supplements

105. Barclays provided or caused to be provided loan-level information to the rating agencies that they relied upon in order to calculate the Certificates' assigned ratings, including the borrower's LTV ratio, debt-to-income ratio, owner-occupancy status, and other loan-level information described in aggregation reports in the Prospectus Supplements. Because the information that Barclays provided or caused to be provided was false, the ratings were inflated and the level of subordination that the rating agencies required for the sale of AAA (or its equivalent) certificates was inadequate to provide investors with the level of protection that those

ratings signified. As a result, the GSEs paid Defendants inflated prices for purported AAA (or its equivalent) Certificates, unaware that those Certificates actually carried a severe risk of loss and carried inadequate credit enhancement.

106. Since the issuance of the Certificates, the ratings agencies have dramatically downgraded their ratings to reflect the revelations regarding the true underwriting practices used to originate the mortgage loans, and the true value and credit quality of the mortgage loans. Table 8 details the extent of the downgrades.[10]

Table 8

Transaction	Tranche	Rating at Issuance (Moody's/S&P/Fitch/DBRS)	Rating at July 31, 2011 (Moody's/S&P/Fitch/DBRS)
ARSI 2005-W3	A1	Aaa/AAA/AAA/-	Ba2/BBB/B/-
FHLT 2005-D	1A1	Aaa/AAA/-/AAA	Baa3/AAA/-
AMSI 2005-R10	A1	Aaa/AAA/AAA/-	A1/AAA/A/-
ARSI 2005-W5	A1	Aaa/AAA/AAA/-	B2/B+/CC/-
CBASS 2006-CB1	AV1	Aaa/AAA/AAA/AAA	B1/BB/CC/C
ARSI 2006-W2	A1	Aaa/AAA/AAA/-	Caa1/CCC/C/-
FHLT 2006-C	1A1	Aaa/AAA/AAA/AAA	Ca/CCC/CC/C
CBASS 2007-CB2	A1	Aaa/AAA/AAA/AAA	Ca/B-/C/C

3. The Surge in Mortgage Delinquency and Default Further Indicates that the Mortgage Loans Were Not Originated in Adherence to the Stated Underwriting Guidelines

107. Even though the Certificates purchased by Fannie Mae and Freddie Mac were supposed to represent long-term, stable investments, a significant percentage of the mortgage loans backing the Certificates have defaulted, have been foreclosed upon, or are delinquent, resulting in massive losses to the Certificateholders. The overall poor performance of the

[10] Applicable ratings are shown in sequential order separated by forward slashes: Moody's/S&P/Fitch/DBRS. A hyphen between forward slashes indicates that the relevant agency did not provide a rating at issuance.

mortgage loans is a direct consequence of the fact that they were not underwritten in accordance with applicable underwriting guidelines as represented in the Registration Statements.

108. Loan groups that were properly underwritten and contained loans with the characteristics represented in the Registration Statements would have experienced substantially fewer payment problems and substantially lower percentages of defaults, foreclosures, and delinquencies than occurred here. Table 9 reflects the percentage of loans in the Supporting Loan Groups that are in default, have been foreclosed upon, or are delinquent as of July 2011.

Table 9

Transaction	Supporting Loan Group	Percentage of Delinquent/Defaulted/Foreclosed Loans
ARSI 2005-W3	Group I	40.00
FHLT 2005-D	Group I	55.40
AMSI 2005-R10	Group I	33.70
ARSI 2005-W5	Group I	36.10
CBASS 2006-CB1	Group I	44.50
ARSI 2006-W2	Group I	42.10
FHLT 2006-C	Group I	53.20
CBASS 2007-CB2	Group I	44.50

109. The confirmed misstatements concerning owner occupancy and LTV ratios, the confirmed systematic underwriting failures by the originators responsible for the mortgage loans across the Securitizations, and the extraordinary drop in credit rating and rise in delinquencies across those Securitizations, all confirm that the mortgage loans in the Supporting Loan Groups, contrary to the representations in the Registration Statements, were not originated in accordance with the stated underwriting guidelines.

V. FANNIE MAE'S AND FREDDIE MAC'S PURCHASES OF THE GSE CERTIFICATES AND THE RESULTING DAMAGES

110. In total, between October 28, 2005 and February 28, 2007, Fannie Mae and Freddie Mac purchased approximately $4.9 billion in residential mortgage-backed securities issued in connection with the Securitizations. Table 10 reflects each of Freddie Mac's purchases of the Certificates.[11]

Table 10

Transaction	Tranche	CUSIP	Settlement Date of Purchase by Freddie Mac	Initial Unpaid Principal Balance	Purchase Price (% of Par)	Seller to Freddie Mac
ARSI 2005-W3	A1	040104NX5	10/28/2005	736,186,000	100	Barclays Capital
FHLT 2005-D	1A1	35729PMA5	11/18/2005	343,936,000	100	Barclays Capital
AMSI 2005-R10	A1	03072SS22	11/23/2005	1,230,491,000	100	Barclays Capital
ARSI 2005-W5	A1	040104QK0	12/28/2005	881,201,000	100	Barclays Capital
CBASS 2006-CB1	AV1	81375WHF6	1/26/2006	287,298,000	100	Barclays Capital
ARSI 2006-W2	A1	040104SG7	2/27/2006	725,306,000	100	Barclays Capital
CBASS 2007-CB2	A1	1248MBAF2	2/28/2007	220,801,000	100	Barclays Capital

111. Table 11 reflects Fannie Mae's purchase of the Certificates:

Table 11

Transaction	Tranche	CUSIP	Settlement Date of Purchase by Fannie Mae	Initial Unpaid Principal Balance	Purchase Price (% of Par)	Seller to Fannie Mae
FHLT 2006-C	1A1	35729TAA0	9/7/2006	459,746,000	100	Barclays Capital

112. The statements and assurances in the Registration Statements regarding the credit quality and characteristics of the mortgage loans underlying the GSE Certificates, and the origination and underwriting practices pursuant to which the mortgage loans were originated, which were summarized in such documents, were material to a reasonable investor's decision to purchase the GSE Certificates.

[11] Purchased securities in Tables 10 and 11 are stated in terms of unpaid principal balance of the relevant Certificates. Purchase prices are stated in terms of percentage of par.

113. The false statements of material facts and omissions of material facts in the Registration Statements, including the Prospectuses and Prospectus Supplements, directly caused Fannie Mae and Freddie Mac to suffer hundreds of millions of dollars in damages, including without limitation depreciation in the value of the securities. The mortgage loans underlying the GSE Certificates experienced defaults and delinquencies at a much higher rate than they would have had the loan originators adhered to the underwriting guidelines set forth in the Registration Statements, and the payments to the trusts were therefore much lower than they would have been had the loans been underwritten as described in the Registration Statements.

114. Fannie Mae's and Freddie Mac's losses have been much greater than they would have been if the mortgage loans had the credit quality represented in the Registration Statements.

115. Barclays' misstatements and omissions in the Registration Statements regarding the true characteristics of the loans were the proximate cause of Fannie Mae's and Freddie Mac's losses relating to their purchase of the GSE Certificates.

116. Barclays' misstatements and omissions in the Registration Statements regarding the true characteristics of the loans were the proximate cause of Fannie Mae's and Freddie Mac's losses relating to their purchases of the GSE Certificates. Based upon sales of the Certificates or similar certificates in the secondary market, Barclays proximately caused hundreds of millions of dollars in damages to Fannie Mae and Freddie Mac in an amount to be determined at trial.

FIRST CAUSE OF ACTION

Violation of Section 11 of the Securities Act of 1933 (Against Defendants Barclays Capital, SABR, and the Individual Defendants)

117. Plaintiff realleges each allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

118. This claim is brought by Plaintiff pursuant to Section 11 of the Securities Act of 1933 and is asserted on behalf of Fannie Mae and Freddie Mac, which purchased the GSE Certificates issued pursuant to the Registration Statements. This claim is brought against Defendant Barclays Capital with respect to each of the Registration Statements. This claim is also brought against (i) Defendant SABR and (ii) the Individual Defendants, each with respect to the SABR Shelf Registration Statements filed by SABR in connection with the SABR Securitizations.

119. This claim is predicated upon Defendants Barclays Capital's strict liability for making false and materially misleading statements in each of the Registration Statements for the Securitizations and for omitting facts necessary to make the facts stated therein not misleading. Defendant SABR and the Individual Defendants are strictly liable for making false and materially misleading statements in the SABR Shelf Registration Statements which are applicable to the SABR Securitizations (as specified in Table 1, *supra* at paragraph 30), and for omitting facts necessary to make the facts stated therein not misleading.

120. Defendant Barclays Capital served as the lead or co-lead underwriter in each Securitization. As the underwriter in each Securitization, Barclays Capital is strictly liable under Section 11 of the Securities Act for the misstatements and omissions in each Registration Statement.

121. Defendant SABR filed the SABR Shelf Registration Statements under which two of the eight Securitizations were carried out. As depositor, Defendant SABR is an issuer of the GSE Certificates issued pursuant to the Registration Statements it filed within the meaning of Section 2(a)(4) of the Securities Act, 15 U.S.C. § 77(b)(4), and in accordance with Section 11(a), 15 U.S.C. § 77k(a). As such, it is liable under Section 11 of the Securities Act for the

misstatements and omissions in the SABR Shelf Registration Statements that registered securities that were bona fide offered to the public on or after September 6, 2005 in connection with the SABR Securitizations.

122. At the time SABR filed the SABR Shelf Registration Statements applicable to the SABR Securitizations, the Individual Defendants were officers and/or directors of SABR. In addition, the Individual Defendants signed the SABR Shelf Registration Statements and either signed or authorized another to sign on their behalf the amendments to those Registration Statements. As such, the Individual Defendants are liable under Section 11 of the Securities Act for the misstatements and omissions in the SABR Shelf Registration Statements that registered securities that were bona fide offered to the public on or after September 6, 2005 in connection with the SABR Securitizations.

123. At the time that they became effective, each Registration Statement contained material misstatements of fact and omitted information necessary to make the facts stated therein not misleading, as set forth above. The facts misstated or omitted were material to a reasonable investor reviewing the Registration Statements, including to Fannie Mae and Freddie Mac.

124. The untrue statements of material facts and omissions of material fact in the Registration Statements are set forth above in Section IV and pertain to compliance with underwriting guidelines, occupancy status, loan-to-value ratios, and accurate credit ratings.

125. Fannie Mae and Freddie Mac purchased or otherwise acquired the GSE Certificates pursuant to the false and misleading Registration Statements. Fannie Mae and Freddie Mac made these purchases in the primary market. At the time they purchased the GSE Certificates, Fannie Mae and Freddie Mac did not know of the facts concerning the false and

misleading statements and omissions alleged herein, and if the GSEs had known those facts, they would not have purchased the GSE Certificates.

126. Barclays Capital owed to Fannie Mae, Freddie Mac, and other investors a duty to make a reasonable and diligent investigation of the statements contained in the Registration Statements at the time they became effective to ensure that such statements were true and correct and that there were no omissions of material facts required to be stated in order to make the statements contained therein not misleading. The Individual Defendants owed the same duty with respect to the SABR Shelf Registration Statements they signed, which are applicable to the SABR Securitizations.

127. Barclays Capital and the Individual Defendants did not exercise such due diligence and failed to conduct a reasonable investigation. In the exercise of reasonable care, these Defendants should have known of the false statements and omissions contained in or omitted from the Registration Statements filed in connection with the Securitizations, as set forth herein. In addition, SABR, though subject to strict liability without regard to whether it performed diligence, also failed to take reasonable steps to ensure the accuracy of the representations in the SABR Shelf Registration Statements.

128. Fannie Mae and Freddie Mac sustained substantial damages as a result of the misstatements and omissions in the Registration Statements, for which they are entitled to compensation.

129. The time period since July 29, 2011 is tolled for statute of limitations purposes by virtue of a tolling agreement entered into among the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, Barclays Bank, Barclays Capital, and SABR. This action is brought within

three years of the date that FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(12).

130. By reason of the conduct herein alleged, Barclays Capital, SABR, and the Individual Defendants are jointly and severally liable for their wrongdoing.

SECOND CAUSE OF ACTION

Violation of Section 12(a)(2) of the Securities Act of 1933 (Against Barclays Capital and SABR)

131. Plaintiff realleges each allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

132. This claim is brought by Plaintiff pursuant to Section 12(a)(2) of the Securities Act of 1933 and is asserted on behalf of Fannie Mae and Freddie Mac, which purchased the GSE Certificates issued pursuant to the Registration Statements.

133. Defendant Barclays Capital negligently made false and materially misleading statements in the Prospectuses (as supplemented by the Prospectus Supplements, hereinafter referred to in this Section as "Prospectuses") for each Securitization. Defendant SABR negligently made false and materially misleading statements in the Prospectuses for the SABR Securitizations effected under the SABR Shelf Registration Statements it filed in connection with the SABR Securitizations.

134. Barclays Capital is prominently identified in the Prospectuses, the primary documents that it used to sell the GSE Certificates. Barclays Capital offered the Certificates publicly, including selling to Fannie Mae and Freddie Mac the GSE Certificates, as set forth in the "Plan of Distribution" or "Underwriting" sections of the Prospectuses.

135. Barclays Capital offered and sold the GSE Certificates to Fannie Mae and Freddie Mac by means of the Prospectuses, which contained untrue statements of material facts and

omitted to state material facts necessary to make the statements, in light of the circumstances under which they were made, not misleading. Barclays Capital reviewed and participated in drafting the Prospectuses.

136. Barclays Capital successfully solicited Fannie Mae's and Freddie Mac's purchases of the GSE Certificates. As underwriter, Barclays Capital obtained substantial commissions based upon the amount received from the sale of the Certificates to the public.

137. Barclays Capital offered the GSE Certificates for sale, sold them, and distributed them by the use of means or instruments of transportation and communication in interstate commerce, including communications between its representatives in New York and representatives of Fannie Mae in the District of Columbia and Freddie Mac in McLean, Virginia.

138. SABR is prominently identified in the Prospectuses for the SABR Securitizations carried out under the SABR Shelf Registration Statements it filed. These Prospectuses were the primary documents SABR used to sell Certificates for the SABR Securitizations under the SABR Shelf Registration Statements. SABR offered the Certificates publicly, and actively solicited their sale, including selling to Fannie Mae and Freddie Mac. SABR was paid a percentage of the total dollar amount of the offering upon completion of the SABR Securitizations effected pursuant to the SABR Shelf Registration Statements.

139. With respect to the SABR Securitizations for which it filed the SABR Shelf Registration Statements, SABR offered and sold the GSE Certificates to Fannie Mae and Freddie Mac by means of Prospectuses which contained untrue statements of material facts and omitted to state material facts necessary to make the statements, in the light of the circumstances under which they were made, not misleading. SABR reviewed and participated in drafting the Prospectuses.

140. SABR offered the GSE Certificates for sale by the use of means or instruments of transportation and communication in interstate commerce.

141. Barclays and SABR actively participated in the solicitation of the GSEs' purchase of the GSE Certificates, and did so in order to benefit themselves. Such solicitation included assisting in preparing the Registration Statements, filing the Registration Statements, and assisting in marketing the GSE Certificates.

142. Each of the Prospectuses contained material misstatements of fact and omitted information necessary to make the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Prospectuses, and were specifically material to Fannie Mae and Freddie Mac.

143. The untrue statements of material facts and omissions of material fact in the Registration Statements, which include the Prospectuses, are set forth above in Section IV, and pertain to compliance with underwriting guidelines, occupancy status, loan-to-value ratios, and accurate credit ratings.

144. SABR and Barclays Capital offered and sold the GSE Certificates offered pursuant to the Registration Statements directly to Fannie Mae and Freddie Mac, pursuant to the false and misleading Prospectuses.

145. Barclays Capital owed to Fannie Mae and Freddie Mac, as well as to other investors in these trusts, a duty to make a reasonable and diligent investigation of the statements contained in the Prospectuses, to ensure that such statements were true, and to ensure that there was no omission of a material fact required to be stated in order to make the statements contained therein not misleading. SABR owed the same duty with respect to the Prospectuses for the SABR Securitizations carried out under the SABR Shelf Registration Statements it filed.

146. Barclays Capital and SABR failed to exercise such reasonable care. These defendants in the exercise of reasonable care should have known that the Prospectuses contained untrue statements of material facts and omissions of material facts at the time of the Securitizations as set forth above.

147. In contrast, Fannie Mae and Freddie Mac did not know, and in the exercise of reasonable diligence could not have known, of the untruths and omissions contained in the Prospectuses at the time they purchased the GSE Certificates. If the GSEs had known of those untruths and omissions, they would not have purchased the GSE Certificates.

148. Fannie Mae and Freddie Mac acquired the GSE Certificates in the primary market pursuant to the Prospectuses.

149. Fannie Mae and Freddie Mac sustained substantial damages in connection with their investments in the GSE Certificates and have the right to rescind and recover the consideration paid for the GSE Certificates, with interest thereon.

150. The time period since July 29, 2011 is tolled for statute of limitations purposes by virtue of a tolling agreement entered into among the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, Barclays Bank, Barclays Capital, and SABR. This action is brought within three years of the date that FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(12).

THIRD CAUSE OF ACTION

Violation of Section 15 of the Securities Act of 1933 (Against Barclays Bank and the Individual Defendants)

151. Plaintiff realleges each allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

152. This claim is brought under Section 15 of the Securities Act of 1933, 15 U.S.C. §77o, against Barclays Bank and the Individual Defendants for controlling-person liability with regard to the Section 11 and Section 12(a)(2) causes of actions set forth above.

153. The Individual Defendants at all relevant times participated in the operation and management of SABR, and conducted and participated, directly and indirectly, in the conduct of SABR's business affairs. Defendant Michael Wade was President and Chief Executive Officer of SABR. Defendant John Carroll was Vice President and Chief Financial Officer of SABR. Defendant Paul Menefee was Vice President and Chief Accounting Officer at SABR.

154. Because of their positions of authority and control as senior officers and directors of SABR, the Individual Defendants were able to, and in fact did, control the contents of the SABR Shelf Registration Statements, including the related Prospectus Supplements, which contained material misstatements of fact and omitted facts necessary to make the facts stated therein not misleading.

155. Defendant Barclays Bank controlled all aspects of the business of SABR, as SABR was merely a special purpose entity created for the purpose of acting as a pass-through for the issuance of the Certificates. Upon information and belief, the officers and directors of Barclays Bank overlapped with the officers and directors of SABR. For example, Defendant John Carroll was both Vice President and Chief Executive Officer at SABR, and Managing Director at Barclays Bank.

156. Defendant Barclays Bank also controlled the business operations of Barclays Capital. Barclays Bank is the corporate parent of Barclays Capital and SABR. As the sole corporate parent of Barclays Capital and SABR, Barclays Bank, upon information and belief, held the voting power and therefore the practical ability to direct and control the actions of

Barclays Capital and SABR in issuing and selling the Certificates, and in fact exercised such direction and control over the activities of Barclays Capital and SABR in connection with the issuance and sale of the Certificates. Barclays Bank expanded its share of the residential mortgage-backed securitization market in order to increase revenue and profits. The push to securitize large volumes of mortgage loans contributed to the inclusion of untrue statements of material facts and omissions of material facts in the Registration Statements.

157. Defendant Barclays Bank wholly owns Barclays Capital and SABR. Barclays Bank culpably participated in the violations of Section 11 and 12(a)(2) set forth above. It oversaw the actions of its subsidiaries and allowed them to misrepresent the mortgage loans' characteristics in the Registration Statements and established special-purpose financial entities such as SABR and the issuing trusts to serve as conduits for the mortgage loans.

158. Barclays Bank and the Individual Defendants are controlling persons within the meaning of Section 15 by virtue of their actual power over, control of, ownership of, and/or directorship of Barclays Capital and SABR at the time of the wrongs alleged herein and as set forth herein, including their control over the content of the Registration Statements.

159. Fannie Mae and Freddie Mac purchased in the primary market the GSE Certificates issued pursuant to the Registration Statements, including the Prospectuses and Prospectus Supplements, which, at the time they became effective, contained material misstatements of fact and omitted facts necessary to make the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Registration Statements, and were specifically material to Fannie Mae and Freddie Mac.

160. Fannie Mae and Freddie Mac did not know of the misstatements and omissions in the Registration Statements. Had the GSEs known of those misstatements and omissions, they would not have purchased the GSE Certificates.

161. Fannie Mae and Freddie Mac have sustained substantial damages as a result of the misstatements and omissions in the Registration Statements, for which they are entitled to compensation.

162. The time period since July 29, 2011 is tolled for statute of limitations purposes by virtue of a tolling agreement entered into among the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, Barclays Bank, Barclays Capital, and SABR. This action is brought within three years of the date that FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(12).

FOURTH CAUSE OF ACTION

Violation of Section 13.1-522(A)(ii) of the Virginia Code (Against Barclays Capital and SABR)

163. Plaintiff realleges each allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

164. This claim is brought by Plaintiff pursuant to Section 13.1-522(A)(ii) of the Virginia Code and is asserted on behalf of Freddie Mac. The allegations set forth below in this cause of action pertain only to the GSE Certificates issued in connection with the CBASS 2007-CB2 Securitization (the "CBASS 2007-CB2 Certificates").

165. This claim is predicated upon Barclays Capital's and SABR's negligence in making materially false and misleading statements in the Prospectus (as supplemented by the Prospectus Supplement, hereinafter referred to in this Section as "Prospectus") for the CBASS

2007-CB2 Securitization, effected under the Registration Statement filed December 20, 2005 by SABR.

166. Barclays Capital and SABR are prominently identified in the Prospectus for the CBASS 2007-CB2 Securitization, the primary document used to sell the CBASS 2007-CB2 Certificates. Barclays Capital and SABR offered the Certificates issued in connection with the CBASS 2007-CB2 Securitization publicly, including selling the CBASS 2007-CB2 Certificates to Freddie Mac, as set forth in the "Underwriting" section of the Prospectus.

167. Barclays Capital and SABR offered and sold the CBASS 2007-CB2 Certificates to Freddie Mac by means of a Prospectus, which contained untrue statements of material facts and omitted to state material facts necessary to make the statements, in light of the circumstances under which they were made, not misleading. Barclays Capital and SABR reviewed and participated in drafting the Prospectus.

168. Barclays Capital and SABR successfully solicited Freddie Mac's purchase of the CBASS 2007-CB2 Certificates. As underwriter, Barclays Capital obtained a substantial commission based upon the amount received from the sale of the Certificates issued in connection with the CBASS 2007-CB2 Securitization to the public. SABR was paid a percentage of the total dollar amount of the offering upon completion of the CBASS 2007-CB2 Securitization.

169. Barclays Capital and SABR offered the GSE Certificates for sale, sold them, and distributed them to Freddie Mac in the State of Virginia.

170. Barclays Capital and SABR actively participated in the solicitation of Freddie Mac's purchase of the CBASS 2007-CB2 Certificates, and did so in order to benefit themselves.

Such solicitation included assisting in preparing a Registration Statement, filing the Registration Statement, and assisting in marketing the CBASS 2007-CB2 Certificates.

171. The Prospectus contained material misstatements of fact and omitted information necessary to make the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Prospectus, and were specifically material to Freddie Mac.

172. The untrue statements of material facts and omissions of material fact in the Registration Statement, which include the Prospectus, are set forth above in Section IV, and pertain to compliance with underwriting guidelines, occupancy status, loan-to-value ratios, and accurate credit ratings.

173. Barclays Capital and SABR offered and sold the CBASS 2007-CB2 Certificates offered pursuant to the Registration Statement directly to Freddie Mac, pursuant to the false and misleading Prospectus.

174. Barclays Capital owed to Freddie Mac, as well as to other investors, a duty to make a reasonable and diligent investigation of the statements contained in the Prospectus, to ensure that such statements were true, and to ensure that there was no omission of a material fact required to be stated in order to make the statements contained therein not misleading. SABR owed the same duty with respect to the Prospectus for the CBASS 2007-CB2 Securitization, effected under the Registration Statement filed December 20, 2005.

175. Barclays Capital and SABR failed to exercise such reasonable care. These defendants in the exercise of reasonable care should have known that the Prospectus contained untrue statements of material facts and omissions of material facts at the time of the CBASS 2007-CB2 Securitization as set forth above.

176. In contrast, Freddie Mac did not know, and in the exercise of reasonable diligence could not have known, of the untruths and omissions contained in the Prospectus at the time it purchased the CBASS 2007-CB2 Certificates. If Freddie Mac had known of those untruths and omissions, it would not have purchased the CBASS 2007-CB2 Certificates.

177. Freddie Mac sustained substantial damages in connection with its investment in the CBASS 2007-CB2 Certificates and has the right to rescind and recover the consideration paid for the CBASS 2007-CB2 Certificates, with interest thereon.

178. The time period since July 29, 2011 is tolled for statute of limitations purposes by virtue of a tolling agreement entered into among the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, Barclays Bank, Barclays Capital, and SABR. This action is brought within three years of the date that FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(12).

FIFTH CAUSE OF ACTION

Violation of Section 13.1-522(C) of the Virginia Code (Against Barclays Bank and the Individual Defendants)

179. Plaintiff realleges each allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

180. This claim is brought by Plaintiff under Section 13.1-522(C) of the Virginia Code and is asserted on behalf of Freddie Mac. The allegations set forth below in this cause of action pertain only to the CBASS 2007-CB2 Certificates. This claim is brought against Barclays Bank and the Individual Defendants for controlling-person liability with regard to the Fourth Cause of Action set forth above.

181. The Individual Defendants at all relevant times participated in the operation and management of SABR, and conducted and participated, directly and indirectly, in the conduct of

SABR's business affairs. Defendant Michael Wade was President and Chief Executive Officer of SABR. Defendant John Carroll was Vice President and Chief Financial Officer of SABR. Defendant Paul Menefee was Vice President and Chief Accounting Officer at SABR.

182. Because of their positions of authority and control as senior officers and directors of SABR, the Individual Defendants were able to, and in fact did, control the contents of the Registration Statement filed in connection with the CBASS 2007-CB2 Securitization, including the related Prospectus Supplement, which contained material misstatements of fact and omitted facts necessary to make the facts stated therein not misleading.

183. Defendant Barclays Bank controlled all aspects of the business of SABR, as SABR was merely a special purpose entity created for the purpose of acting as a pass-through for the issuance of the Certificates. Upon information and belief, the officers and directors of Barclays Bank overlapped with the officers and directors of SABR. For example, Defendant John Carroll was both Vice President and Chief Executive Officer at SABR, and Managing Director at Barclays Bank.

184. Defendant Barclays Bank also controlled the business operations of Barclays Capital. Barclays Bank is the corporate parent of Barclays Capital and SABR. As the sole corporate parent of Barclays Capital and SABR, Barclays Bank, upon information and belief, held the voting power and therefore the practical ability to direct and control the actions of Barclays Capital and SABR in issuing and selling the Certificates, and in fact exercised such direction and control over the activities of Barclays Capital and SABR in connection with the issuance and sale of the CBASS 2007-BC2 Certificates. Barclays Bank expanded its share of the residential mortgage-backed securitization market in order to increase revenue and profits. The push to securitize large volumes of mortgage loans contributed to the inclusion of untrue

statements of material facts and omissions of material facts in the Registration Statement filed in connection with the CBASS 2007-CB2 Securitization.

185. Defendant Barclays Bank wholly owns Barclays Capital and SABR. Barclays Bank culpably participated in the violation of Section 13.1-522(A)(ii) set forth above. It oversaw the actions of its subsidiaries and allowed them to misrepresent the mortgage loans' characteristics in the Registration Statement filed in connection with the CBASS 2007-CB2 Securitization and established special-purpose financial entities such as SABR and the issuing trust to serve as conduits for the mortgage loans.

186. Barclays Bank and the Individual Defendants are controlling persons within the meaning of Section 13.1-522(C) by virtue of their actual power over, control of, ownership of, and/or directorship of Barclays Capital and SABR at the time of the wrongs alleged herein and as set forth herein, including their control over the content of the Registration Statement filed in connection with the CBASS 2007-CB2 Securitization.

187. Freddie Mac purchased the CBASS 2007-CB2 Certificates issued pursuant to the Registration Statement filed December 20, 2005 by SABR, including the corresponding Prospectus and Prospectus Supplement, which, at the time they became effective, contained material misstatements of fact and omitted facts necessary to make the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Registration Statements, and were specifically material to Freddie Mac.

188. Freddie Mac did not know of the misstatements and omissions in the Registration Statement filed in connection with the CBASS 2007-CB2 Securitization. Had Freddie Mac known of those misstatements and omissions, it would not have purchased the CBASS 2007-CB2 Certificates.

189. Freddie Mac has sustained substantial damages as a result of the misstatements and omissions in the Registration Statement filed in connection with the CBASS 2007-CB2 Securitization, for which it is entitled to compensation.

190. The time period since July 29, 2011 is tolled for statute of limitations purposes by virtue of a tolling agreement entered into among the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, Barclays Bank, Barclays Capital, and SABR. This action is brought within three years of the date that FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(12).

SIXTH CAUSE OF ACTION

Violation of Section 31-5606.05(a)(1)(B) of the District of Columbia Code (Against Barclays Capital)

191. Plaintiff realleges each allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

192. This claim is brought by Plaintiff pursuant to Section 31-5606.05(a)(1)(B) of the District of Columbia Code and is asserted on behalf of Fannie Mae. The allegations set forth below in this cause of action pertain only to the GSE Certificates issued in connection with the FHLT 2006-C Securitization (the "FHLT 2006-C Certificates").

193. This claim is predicated upon Barclays Capital's negligence in making materially false and misleading statements in the Prospectus (as supplemented by the Prospectus Supplement, hereinafter referred to in this Section as "Prospectus") for the FHLT 2006-C Securitization that Barclays Capital sold.

194. Barclays Capital is prominently identified in the Prospectus for the FHLT 2006-C Securitization, the primary document used to sell the FHLT 2006-C Certificates. Barclays Capital offered the Certificates issued in connection with the FHLT 2006-C Securitization

publicly, including selling the FHLT 2006-C Certificates to Fannie Mae, as set forth in the "Method of Distribution" section of the Prospectus.

195. Barclays Capital offered and sold the FHLT 2006-C Certificates to Fannie Mae by means of a Prospectus, which contained untrue statements of material facts and omitted to state material facts necessary to make the statements, in light of the circumstances under which they were made, not misleading. Barclays Capital reviewed and participated in drafting the Prospectus.

196. Barclays Capital successfully solicited Fannie Mae's purchase of the FHLT 2006-C Certificates. As underwriter, Barclays Capital obtained a substantial commission based upon the amount received from the sale of the Certificates issued in connection with the FHLT 2006-C Securitization to the public.

197. Barclays Capital offered the FHLT 2006-C Securitization Certificates for sale, sold them, and distributed them to Fannie Mae in the District of Columbia.

198. Barclays Capital actively participated in the solicitation of Fannie Mae's purchase of the FHLT 2006-C Certificates, and did so in order to benefit itself. Such solicitation included assisting in preparing a Registration Statement, filing the Registration Statement, and assisting in marketing the FHLT 2006-C Certificates.

199. The Prospectus contained material misstatements of fact and omitted information necessary to make the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Prospectus, and were specifically material to Fannie Mae.

200. The untrue statements of material facts and omissions of material fact in the Registration Statement, which include the Prospectus, are set forth above in Section IV, and

pertain to compliance with underwriting guidelines, occupancy status, loan-to-value ratios, and accurate credit ratings.

201. Barclays Capital offered and sold the FHLT 2006-C Certificates pursuant to the Registration Statement dated March 17, 2006 directly to Fannie Mae, pursuant to the materially false, misleading, and incomplete Prospectus.

202. Barclays Capital owed to Fannie Mae, as well as to other investors, a duty to make a reasonable and diligent investigation of the statements contained in the Prospectus, to ensure that such statements were true, and to ensure that there was no omission of a material fact required to be stated in order to make the statements contained therein not misleading.

203. Barclays Capital failed to exercise such reasonable care. Barclays Capital in the exercise of reasonable care should have known that the Prospectus contained untrue statements of material facts and omissions of material facts at the time of the Securitization as set forth above.

204. In contrast, Fannie Mae did not know, and in the exercise of reasonable diligence could not have known, of the untruths and omissions contained in the Prospectus at the time it purchased the FHLT 2006-C Certificates. If Fannie Mae had known of those untruths and omissions, it would not have purchased the FHLT 2006-C Certificates.

205. Fannie Mae sustained substantial damages in connection with its investment in the FHLT 2006-C Certificates and has the right to rescind and recover the consideration paid for the FHLT 2006-C Certificates, with interest thereon.

206. The time period since July 29, 2011 is tolled for statute of limitations purposes by virtue of a tolling agreement entered into among the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, Barclays Bank, Barclays Capital, and SABR. This action is brought within

three years of the date that FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(12).

SEVENTH CAUSE OF ACTION

Violation of Section 31-5606.05(c) of the District of Columbia Code (Against Barclays Bank)

207. Plaintiff realleges each allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

208. This claim is brought under Section 31-5606.05(c) of the District of Columbia Code and is asserted on behalf of Fannie Mae. The allegations set forth below in this cause of action pertain only to the FHLT 2006-C Certificates. This claim is brought against Barclays Bank for controlling-person liability with regard to the Sixth Cause of Action set forth above.

209. Defendant Barclays Bank controlled the business operations of Barclays Capital. Barclays Bank is the corporate parent of Barclays Capital. As the sole corporate parent of Barclays Capital, Barclays Bank, upon information and belief, held the voting power and therefore the practical ability to direct and control the actions of Barclays Capital in issuing and selling the Certificates, and in fact exercised such direction and control over the activities of Barclays Capital in connection with the issuance and sale of the FHLT 2006-C Certificates. Barclays Bank expanded its share of the residential mortgage-backed securitization market in order to increase revenue and profits. The push to securitize large volumes of mortgage loans contributed to the inclusion of untrue statements of material facts and omissions of material facts in the Registration Statement filed in connection with the FHLT 2006-C Securitization.

210. Defendant Barclays Bank wholly owns Barclays Capital and SABR. Barclays Bank culpably participated in the violation of Section 31-5606.05(a)(1)(B) set forth above. It oversaw the actions of its subsidiary Barclays Capital and allowed it to misrepresent the

mortgage loans' characteristics in the Registration Statement filed in connection with the FHLT 2006-C Securitization.

211. Barclays Bank is a controlling person within the meaning of Section 31-5606.05(c) by virtue of its actual power over, control of, ownership of, and/or directorship of Barclays Capital at the time of the wrongs alleged herein and as set forth herein, including its control over the content of the Registration Statement filed in connection with the FHLT 2006-C Securitization.

212. Fannie Mae purchased the FHLT 2006-C Certificates issued pursuant to the Registration Statement, including the Prospectus and Prospectus Supplement, which, at the time they became effective, contained material misstatements of fact and omitted facts necessary to make the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Registration Statements, and were specifically material to Fannie Mae.

213. Fannie Mae did not know of the misstatements and omissions in the Registration Statement filed in connection with the FHLT 2006-C Securitization. Had Fannie Mae known of those misstatements and omissions, it would not have purchased the FHLT 2006-C Certificates.

214. Fannie Mae has sustained substantial damages as a result of the misstatements and omissions in the Registration Statement filed in connection with the FHLT 2006-C Securitization, for which it is entitled to compensation.

215. The time period since July 29, 2011 is tolled for statute of limitations purposes by virtue of a tolling agreement entered into among the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, Barclays Bank, Barclays Capital, and SABR. This action is brought within

three years of the date that FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(12).

EIGHTH CAUSE OF ACTION

Common Law Negligent Misrepresentation (Against SABR and Barclays Capital)

216. Plaintiff realleges each allegation above as if fully set forth herein.

217. This is a claim for common law negligent misrepresentation against Defendants SABR and Barclays Capital.

218. Between October 28, 2005 and February 28, 2007, Barclays Capital and SABR sold the GSE Certificates to the GSEs as described above. Because SABR owned and then conveyed the underlying mortgage loans that collateralized the Securitizations for which it served as depositor, SABR had unique, exclusive, and special knowledge about the mortgage loans in the Securitizations through its possession of the loan files and other documentation.

219. Likewise, as underwriter for the Securitizations, Barclays Capital was obligated to—and had the opportunity to—perform sufficient due diligence to ensure that the Registration Statements for those Securitizations, including without limitation the corresponding Prospectus Supplements, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. As a result of this privileged position as underwriter—which gave it access to loan file information and obligated it to perform adequate due diligence to ensure the accuracy of the Registration Statements—Barclays Capital had unique, exclusive, and special knowledge about the underlying mortgage loans in the Securitizations.

220. The GSEs, like other investors, had no access to borrower loan files prior to the closing of the Securitizations and their purchase of the Certificates. Accordingly, when

determining whether to purchase the GSE Certificates, the GSEs could not evaluate the underwriting quality or the servicing practices of the mortgage loans in the Securitizations on a loan-by-loan basis. The GSEs therefore reasonably relied on SABR's and Barclays Capital's knowledge and their express representations made prior to the closing of the Securitizations regarding the underlying mortgage loans.

221. SABR and Barclays Capital were aware that the GSEs reasonably relied on SABR's and Barclays Capital's reputations and unique, exclusive, and special expertise and experience, as well as their express representations made prior to the closing of the Securitizations, and that the GSEs depended upon these Defendants for complete, accurate, and timely information. The standards under which the underlying mortgage loans were actually originated were known to these Defendants and were not known, and could not be determined, by the GSEs prior to the closing of the Securitizations. In purchasing the GSE Certificates from SABR and Barclays Capital, the GSEs relied on their special relationship with those Defendants, and the purchases were made, in part, in reliance on that relationship.

222. Based upon their unique, exclusive, and special knowledge and expertise about the loans held by the trusts in the Securitizations, SABR and Barclays Capital had a duty to provide the GSEs complete, accurate, and timely information regarding the mortgage loans and the Securitizations. SABR and Barclays Capital breached their duty to provide such information to the GSEs by instead making to the GSEs untrue statements of material facts in the Securitizations, or otherwise misrepresenting to the GSEs material facts about the Securitizations. The misrepresentations are set forth in Section IV above, and include misrepresentations as to the accuracy of the represented credit ratings, compliance with underwriting guidelines for the mortgage loans, and the accuracy of the owner-occupancy

statistics and the loan-to-value ratios applicable to the Securitizations, as disclosed in the term sheets and Prospectus Supplements.

223. In addition, having made actual representations about the underlying collateral in the Securitizations and the facts bearing on the riskiness of the Certificates, SABR and Barclays Capital had a duty to correct misimpressions left by their statements, including with respect to any "half truths." The GSEs were entitled to rely upon SABR's and Barclays Capital's representations about the Securitizations, and these defendants failed to correct in a timely manner any of their misstatements or half truths, including misrepresentations as to compliance with underwriting guidelines for the mortgage loans.

224. Fannie Mae and Freddie Mac purchased the GSE Certificates based upon the representations by SABR as the depositor in the SABR Securitizations and Barclays Capital as lead and selling underwriter in all of the Securitizations. The GSEs received term sheets containing critical data as to the Securitizations, including with respect to anticipated credit ratings by the credit rating agencies, loan-to-value and combined loan-to-value ratios for the underlying collateral, and owner occupancy statistics, which term sheets were delivered, upon information and belief, by Barclays Capital. This data was subsequently incorporated into Prospectus Supplements that were received by the GSEs upon the close of each Securitization.

225. The GSEs relied upon the accuracy of the data transmitted to them and subsequently reflected in the Prospectus Supplements. In particular, the GSEs relied upon the credit ratings that the credit rating agencies indicated they would bestow on the Certificates based on the information provided by Barclays Capital relating to the collateral quality of the underlying loans and the structure of the Securitization. These credit ratings represented a determination by the credit rating agencies that the GSE Certificates were "AAA" quality (or its

equivalent)—meaning the Certificates had an extremely strong capacity to meet the payment obligations described in the respective PSAs.

226. Detailed information about the underlying collateral and structure of each Securitization was provided or caused to be provided to the credit rating agencies by Barclays Capital and/or the sponsor. The credit rating agencies based their ratings on the information provided to them, and the agencies' anticipated ratings of the Certificates were dependent on the accuracy of that information. The GSEs relied on the accuracy of the anticipated credit ratings and the actual credit ratings assigned to the Certificates by the credit rating agencies, and upon the accuracy of the representations in the term sheets and Prospectus Supplements.

227. In addition, the GSEs relied on the fact that the originators of the mortgage loans in the Securitizations had acted in conformity with their underwriting guidelines, which were described in the Prospectus Supplements. Compliance with underwriting guidelines was a precondition to the GSEs' purchase of the GSE Certificates in that the GSEs' decision to purchase the Certificates was directly premised on their reasonable belief that the originators complied with applicable underwriting guidelines and standards.

228. In purchasing the GSE Certificates, the GSEs justifiably relied on SABR's and Barclays Capital's false representations and omissions of material fact detailed above, including the misstatements and omissions in the term sheets about the underlying collateral, which were reflected in the Prospectus Supplements.

229. But for the above misrepresentations and omissions, the GSEs would not have purchased or acquired the Certificates as they ultimately did, because those representations and omissions were material to their decision to acquire the GSE Certificates, as described above.

230. The GSEs were damaged in an amount to be determined at trial as a direct, proximate, and foreseeable result of SABR's and Barclays Capital's misrepresentations, including any half truths.

231. The time period since July 29, 2011 is tolled for statute of limitations purposes by virtue of a tolling agreement entered into among the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, Barclays Bank, Barclays Capital, and SABR. This action is brought within three years of the date that FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(12).

PRAYER FOR RELIEF

WHEREFORE Plaintiff prays for relief as follows:

232. An award in favor of Plaintiff against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, but including:

a. Rescission and recovery of the consideration paid for the GSE Certificates, with interest thereon;

b. Each GSE's monetary losses, including any diminution in value of the GSE Certificates, as well as lost principal and lost interest payments thereon;

c. Attorneys' fees and costs;

d. Prejudgment interest at the maximum legal rate; and

e. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

233. Pursuant to Federal Rule of Civil Procedure 38(b), Plaintiff hereby demands a trial by jury on all issues triable by jury.

DATED: New York, New York
September 2, 2011

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