

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

NEW JERSEY CARPENTERS
HEALTH FUND, *on Behalf of Itself and all Others
Similarly Situated,*

Plaintiff,

v.

NOVASTAR MORTGAGE, INC., NOVASTAR
MORTGAGE FUNDING CORPORATION, SCOTT
F. HARTMAN, GREGORY S. METZ, W. LANCE
ANDERSON, MARK HERPICH, RBS SECURITIES,
INC. F/K/A GREENWICH CAPITAL MARKETS, INC.
D/B/A RBS GREENWICH CAPITAL, DEUTSCHE
BANK SECURITIES INC., WELLS FARGO ADVISORS,
LLC F/K/A WACHOVIA SECURITIES LLC,

Defendants.

Case No. 08-cv-5310 (DAB)

**NOTICE OF PENDENCY OF CLASS ACTION, PRELIMINARY APPROVAL
ORDER AND PROPOSED SETTLEMENT, FINAL APPROVAL HEARING AND
MOTION FOR ATTORNEYS' FEES AND REIMBURSEMENT
OF LITIGATION EXPENSES**

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

NOTICE OF PENDENCY OF CLASS ACTION: Please be advised that your rights may be affected by the above-captioned class action lawsuit (the "Action") pending in this Court if, before May 21, 2008, you purchased or otherwise acquired an interest in any Certificates issued in any of the following six (6) Offerings:¹ NovaStar Mortgage Funding Trusts, NovaStar Home Equity Loan Series ("NMFT") 2006-3, 2006-4, 2006-5, 2006-6, 2007-1, or 2007-2.

NOTICE OF SETTLEMENT: Please also be advised that Lead Plaintiff and Class Representative New Jersey Carpenters Health Fund and Class Representative Iowa Public Employees' Retirement System (together, "Plaintiffs") on behalf of themselves and the Settlement Class (as defined in ¶ 1 below), have reached a proposed settlement (the "Settlement") of the Action for a total of \$165 million U.S. dollars in cash that will resolve all claims in the Action against NovaStar Mortgage, Inc., NovaStar Mortgage Funding Corporation, Scott F. Hartman, Gregory S. Metz, W. Lance Anderson, Mark Herpich, RBS Securities Inc. f/k/a Greenwich Capital Markets, Inc. d/b/a RBS Greenwich Capital, Deutsche Bank Securities Inc., and Wells Fargo Advisors, LLC f/k/a Wachovia Securities LLC (collectively, the "Defendants") on the terms set forth below.

This Notice explains important rights you may have, including your possible receipt of cash from the Settlement. Your legal rights will be affected whether or not you act. **PLEASE READ THIS NOTICE CAREFULLY!**

¹ All capitalized terms that are not defined herein shall have the meaning ascribed to them in the Stipulation and Agreement of Settlement (the "Stipulation").

1. **Description of the Action and the Settlement Class:** The proposed Settlement, if approved by the Court, will apply to the following Class (the “Settlement Class”):

all Persons who purchased or otherwise acquired publicly offered Certificates representing interests in any of the Offerings prior to May 21, 2008, pursuant or traceable to the Registration Statement, and who were damaged thereby, except those Persons that timely and validly request exclusion from the class pursuant to and in accordance with the terms of the Preliminary Approval Order. Also excluded from the Settlement Class are all Defendants, their officers and directors at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which any Defendant has or had a controlling interest, except for any Investment Vehicle.
2. **Statement of Settlement Class’s Recovery:** Subject to Court approval, and as described more fully in ¶¶ 59–61 below, the Plaintiffs, on behalf of themselves and the Settlement Class, have agreed to settle all Released Claims against the Defendants in exchange for a settlement payment of \$165 million in cash (the “Settlement Amount”) to be deposited into an interest-bearing escrow account (the “Settlement Fund”) and certain other terms. The Settlement Fund less all Taxes, Tax Expenses, Notice and Administration Costs, and attorneys’ fees and Litigation Expenses awarded to Lead Counsel (the “Net Settlement Fund”) will be distributed to members of the Settlement Class in accordance with a plan of allocation (the “Plan of Allocation”) that will be submitted and approved by the Court. The proposed Plan of Allocation is included in this Notice, and may be modified by the Court without further notice.
3. **Statement of Average Distribution Per \$1,000 in Initial Certificate Value:** The Settlement Fund consists of \$165 million plus any interest earned while the funds are held in the escrow account. For the Settlement Fund, based on the total original principal balances as stated in the prospectus supplements for the Offerings (without subtracting the principal pay-downs received) and the \$165 million in the Settlement Fund prior to payment of Court-approved attorneys’ fees and expenses, the estimated average distribution is approximately \$21.30 per \$1,000 in original principal balance for the Claimants (as defined in ¶ 7 below). Should those Persons and entities that have filed their own individual suits opt out of the Settlement, the estimated average distribution would be approximately \$28.33 per \$1,000 in original principal balance for the remaining Claimants.
4. Members of the Settlement Class should note, however, that this is only an estimate. Members of the Settlement Class may recover more or less than this amount depending on, among other factors, when their Certificates were purchased or sold, the amount of principal that has been repaid, the amount of principal that has been written off, the number of Settlement Class members who submit timely Proof of Claim Forms, and the amount of such claims, and the Settlement Plan of Allocation, as more fully described below in this Notice. In addition, the actual recovery of members of the Settlement Class may be further reduced by the payment of Court-approved attorneys’ fees and expenses from the Settlement Fund.
5. Please Note: As set forth in the Plan of Allocation below, only those Settlement Class Members who purchased or otherwise acquired an interest in their Certificate(s) before May 21, 2008 are eligible to potentially recover from the Net Settlement Fund.
6. **Statement of the Parties’ Position on Damages:** The Defendants deny all claims of wrongdoing and deny that they are liable to the Plaintiffs and/or the Settlement Class or that the Plaintiffs or other members of the Settlement Class suffered any injury. Moreover, the parties do not agree on the amount of recoverable damages or the average amount of damages per Certificate that would be recoverable if Plaintiffs were to prevail on each of the claims. The issues on which the parties disagree include, but are not limited to: (1) whether the statements made or facts allegedly omitted were material, false or misleading; (2) whether the Defendants are otherwise liable under the securities laws for those statements or omissions; (3) whether all or part of the damages allegedly suffered by Plaintiffs or members of the Settlement Class were caused by economic conditions or factors other than the allegedly false or misleading statements or omissions; (4) whether Plaintiffs and/or Settlement Class Members knew or had reason to know of any alleged misstatements or omissions; and (5) whether Defendants performed adequate due diligence on the underlying mortgage loans prior to selling the Certificates.
7. **Statement of Attorneys’ Fees and Expenses Sought:** Prior to final distribution of funds, Lead Counsel will apply to the Court for an award of attorneys’ fees from the Settlement Fund in an amount not to exceed 28% of the Settlement Fund (or \$46,200,000.00), net of Court-approved Litigation Expenses, plus interest earned at the same rate and for the same period as earned by the Settlement Fund. In addition, Lead Counsel also will apply for the reimbursement of certain Litigation Expenses paid or incurred in connection with the prosecution and resolution of the Action in an amount not to exceed \$3,500,000.00 plus interest earned at the same rate and for the same period as earned by the Settlement Fund. Litigation Expenses may include reimbursement of the expenses of Plaintiffs in accordance with 15 U.S.C. § 77z-1(a)(4). Based on the total initial dollar value of the Certificates as

stated in the prospectus supplements (without subtracting the principal pay-downs received on the Certificates), and assuming all purchasers of the initially offered Certificates elect to participate in the Settlement, if the Court approves Lead Counsel’s fee and expense application, the estimated average cost is \$6.42 per \$1,000 in original principal balance of the Certificates. Assuming those Persons and entities that have filed their own individual suits opt out of the Settlement, the estimate average cost is \$8.52 per \$1,000 in original principal balance. The actual cost may be more or less than this amount depending on, among other factors, when their certificates were purchased or sold, the amount of principal that has been repaid, the estimated value of the certificates on the applicable date that claims relating to that certificate were first asserted in the litigation, the number of Settlement Class Members who timely file Claims, and the Plan of Allocation, as more fully described below in this Notice.

8. **Identification of Attorneys’ Representatives:** Plaintiffs and the Settlement Class are being represented by Cohen Milstein Sellers & Toll PLLC (“Cohen Milstein”). Any questions regarding the Settlement should be directed to Joel P. Laitman, Christopher Lometti, or Michael Eisenkraft at Cohen Milstein, 88 Pine Street, 14th Floor, New York, New York, 10005, (212) 838-7797.

YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT:	
REMAIN A MEMBER OF THE CLASS.	This is the only way to receive a payment. If you wish to obtain a payment as a member of the Settlement Class, you will need to file a proof of claim form (the “Proof of Claim Form”), which is included with this Notice, postmarked no later than September 6, 2017.
EXCLUDE YOURSELF FROM THE CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS RECEIVED NO LATER THAN AUGUST 16, 2017.	Receive no payment pursuant to this Settlement. If you exclude yourself from the Settlement Class, you may be able to seek recovery against the Defendants or other Released Parties through other litigation. If, however, you have not brought suit yourself within three years of the offering date of the Certificates you purchased, your ability to bring claims under the federal Securities Act of 1933 may be barred by its statute of repose. <i>See Police & Fire Ret. Sys. v. Indymac MBS, Inc.</i> , 721 F.3d 95 (2d Cir. 2013).
OBJECT TO THE SETTLEMENT BY SUBMITTING WRITTEN OBJECTIONS SO THAT THEY ARE RECEIVED NO LATER THAN AUGUST 30, 2017.	Write to the Court and explain why you do not like the Settlement, the proposed Plan of Allocation, or the request for attorneys’ fees and reimbursement of Litigation Expenses. You cannot object to the Settlement unless you are a member of the Settlement Class and do not validly exclude yourself.
GO TO THE HEARING ON SEPTEMBER 13, 2017, AT 2:30 P.M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS RECEIVED NO LATER THAN AUGUST 30, 2017.	Ask to speak in Court about the fairness of the Settlement, the proposed Plan of Allocation, or the request for attorneys’ fees and reimbursement of Litigation Expenses.
DO NOTHING.	Receive no payment, remain a Class Member, give up your rights and be bound by the Order and Final Judgment entered by the Court if it approves the Settlement, including the Release of the Released Claims.

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WHY DID I GET THIS NOTICE?

9. This Notice is being sent to you pursuant to an order of the United States District Court for the Southern District of New York (the "Court" or "District Court") because you or someone with whom you are affiliated may have purchased or otherwise acquired the Certificates described above. The Court has directed us to send you this Notice because, as a potential Settlement Class Member, you have a right to know about your options before the Court rules on the proposed Settlement of this case. Additionally, you have the right to understand how a class action lawsuit may generally affect your legal rights.
10. A class action is a type of lawsuit in which the claims of a number of individuals are resolved together, thus providing the class members with both consistency and efficiency. In a class action lawsuit, the Court selects one or more people, known as class representatives or Lead Plaintiff, to sue on behalf of all people with similar claims, commonly known as the class or the class members. Once the class is certified, the Court must resolve all issues on behalf of the class members, except for any persons who choose to exclude themselves from the class. (For more information on excluding yourself from the Class, please read "What If I Do Not Want To Be A Part Of The Settlement? How Do I Exclude Myself?" located below.) In the Action, the Court has directed that Lead Plaintiff and Lead Counsel have primary responsibility for prosecuting all claims against Defendants on behalf of investors in the Certificates described above.
11. The Court in charge of this case is the United States District Court for the Southern District of New York, and the case is known as *New Jersey Carpenters Health Fund v. NovaStar Mortgage, Inc., et al.*, Case No. 08-cv-5310 (S.D.N.Y.) (DAB) (the "Action"). The Judge presiding over this case is the Honorable Deborah A. Batts, United States District Judge. The people who are suing are called the plaintiffs, and those who are being sued are called the defendants. In this case, the primary plaintiffs are referred to as the Lead Plaintiff and Class Representative New Jersey Carpenters Health Fund, and the additional Class Representative Iowa Public Employees' Retirement System, on behalf of themselves and the class, and the defendants are NovaStar Mortgage Funding Corporation, RBS Securities Inc., Deutsche Bank Securities, Inc., and Wells Fargo Advisors, LLC, who issued and underwrote the Certificates, and certain officers and directors of those entities who signed the registration statement pursuant to which the Certificates were issued. This Settlement is with all Defendants which includes: NovaStar Mortgage, Inc., NovaStar Mortgage Funding Corporation, Scott F. Hartman, Gregory S. Metz, W. Lance Anderson, Mark Herpich, RBS Securities Inc. f/k/a Greenwich Capital Markets, Inc. d/b/a RBS Greenwich Capital, Deutsche Bank Securities Inc., and Wells Fargo Advisors, LLC f/k/a Wachovia Securities LLC.

12. This Notice explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them. The purpose of this Notice is to inform you of this case, that it is a class action, how you might be affected, and how to exclude yourself from the Settlement if you wish to do so. It also is being sent to inform you of the terms of the proposed Settlement, and of a hearing to be held by the Court to consider the fairness, reasonableness and adequacy of the proposed Settlement and the application by Lead Counsel for reimbursement of expenses incurred to date (the “Final Approval Hearing”).
13. The Final Approval Hearing will be held on September 13, 2017, at 2:30 P.M., before the Honorable Deborah A. Batts at the United States District Court for the Southern District of New York, 500 Pearl Street, Courtroom 24B, New York, New York 10007, to determine:
 - (i) whether the proposed Settlement on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate, and should be approved by the Court;
 - (ii) whether a judgment should be entered dismissing the Action, on the merits and with prejudice, and whether the release by the Settlement Class of the Released Claims should be ordered;
 - (iii) whether the proposed Plan of Allocation is fair and reasonable and should be approved by the Court; and
 - (iv) whether Lead Counsel’s request for an award of attorneys’ fees and reimbursement of Litigation Expenses should be approved by the Court.
14. This Notice does not express any opinion by the Court concerning the merits of any claim in the Action, and the Court still has to decide whether to approve the Settlement. Any distribution will not be paid until after the completion of all claims processing. Please be patient.

WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR?

15. On May 21, 2008, the New Jersey Carpenters Health Fund filed a complaint against, *inter alia*, the Defendants, in the Supreme Court of the State of New York, County of New York, Index No. 601563/08, asserting claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, 15 U.S.C. §§ 77k, 77l, and 77o.
16. On June 10, 2008, the action was removed to the United States District Court for the Southern District of New York, Civ. No. 08-cv-5310. The case was assigned to the Honorable Deborah Batts (the “Court”).
17. On November 7, 2008, notice of the action was published pursuant to the Private Securities Litigation Reform Act of 1995 (“PSLRA”), notifying eligible purchasers of their right to move for appointment as lead plaintiff. On April 17, 2009, the Court appointed New Jersey Carpenters Health Fund as Lead Plaintiff and approved Lead Plaintiff’s selection of Schoengold Sporn Laitman & Lometti, P.C. as lead counsel. On May 12, 2009, on Lead Plaintiff’s motion, the Court substituted Cohen Milstein Sellers & Toll PLLC as lead counsel.
18. On June 16, 2009, Lead Plaintiff filed the Consolidated First Amended Securities Class Action Complaint (the “First Amended Complaint”). The First Amended Complaint asserted claims concerning the purchase or sale of securities, issued in six (6) residential mortgage-backed securities offerings² (the “Offerings,” and each individually an “Offering”), pursuant or traceable to a Registration Statement and accompanying Prospectus filed with the Securities and Exchange Commission by NovaStar Mortgage Funding Corporation a/k/a NovaStar Certificates Financing Corporation on June 16, 2006 (No. 333-134461), against NovaStar Mortgage, Inc., NovaStar Mortgage Funding Corporation, Scott F. Hartman, Gregory S. Metz, W. Lance Anderson, Mark Herpich, RBS Securities Inc. f/k/a Greenwich Capital Markets, Inc. d/b/a RBS Greenwich Capital, Deutsche Bank Securities Inc., and Wells Fargo Advisors, LLC f/k/a Wachovia Securities LLC (collectively, the “Defendants”).³
19. On August 31, 2009, Defendants moved to dismiss the First Amended Complaint.

² The Offerings are NovaStar Mortgage Funding Trusts, NovaStar Home Equity Loan Series (“NMFT”): 2006-3, 2006-4, 2006-5, 2006-6, 2007-1, and 2007-2.

³ The First Amended Complaint also asserted claims against Moody’s Investors Service, Inc. and The McGraw-Hill Companies, Inc. (the “Rating Agencies”).

20. On March 31, 2011, the Court issued a memorandum and order (the “March 31, 2011 Order”) granting in part Defendants’ motions to dismiss. In the March 31, 2011 Order, the Court dismissed all of Lead Plaintiff’s claims without prejudice, finding that Lead Plaintiff had not adequately pleaded its claims. The Court further found that Lead Plaintiff lacked standing to sue for the five Offerings in which it had not purchased any Certificates, and had standing to sue only with respect to the NMFT 2007-2 Offering in which it had purchased a Certificate. The Court also dismissed claims based on the allegations that credit rating models were outdated, that credit enhancements were inadequate, and that Defendants purportedly omitted disclosure of material conflicts of interest with the Rating Agencies.⁴
21. On May 18, 2011, Lead Plaintiff filed its Second Amended Complaint, asserting claims solely with respect to the NMFT 2007-2 Offering.
22. On July 8, 2011, Defendants moved to dismiss the Second Amended Complaint. On March 29, 2012, the Court granted Defendants’ motion to dismiss the Second Amended Complaint, with prejudice.
23. On April 25, 2012, Lead Plaintiff appealed the Court’s rulings dismissing the First and Second Amended Complaints. On March 1, 2013, the United States Court of Appeals for the Second Circuit reversed in part and vacated in part the Court’s rulings dismissing the First and Second Amended Complaints.
24. On April 23, 2013, Lead Plaintiff filed a motion seeking reconsideration of the March 31, 2011 Order, insofar as that order dismissed on standing grounds Lead Plaintiff’s claims relating to five Offerings (NMFT 2006-3, 2006-4, 2006-5, 2006-6, and 2007-1), in light of an intervening change in law, specifically the United States Court of Appeals for the Second Circuit’s decision in *NECA-IBEW Health & Welfare Fund v. Goldman, Sachs & Co.*, 693 F.3d 145 (2d Cir. 2012) (“*NECA-IBEW*”). On February 5, 2015, the Court granted Lead Plaintiff’s reconsideration motion, vacated its March 31, 2011 Order as to Lead Plaintiff’s standing to pursue claims relating to the five dismissed Offerings, reinstated Lead Plaintiff’s claims with respect to those Offerings, and directed Lead Plaintiff to file a Third Amended Complaint.
25. On March 9, 2015, Lead Plaintiff filed its Third Amended Complaint. Defendants filed answers to the Third Amended Complaint on April 9, 2015.
26. Between May 2015 and October 2016, Plaintiffs and Defendants conducted extensive party and third-party fact discovery, including propounding and responding to document requests and subpoenas, interrogatories, and requests for admission, and conducting fact depositions.
27. On June 16, 2015, Lead Plaintiff filed a motion to certify a class of purchasers or acquirers of certificates in the Offerings. As part of its class certification motion, Lead Plaintiff sought an order permitting Iowa Public Employees’ Retirement System (“IPERS”) to intervene as an additional plaintiff and a class representative in the Action.
28. On November 4, 2016, the Court granted Lead Plaintiff’s class certification motion; certifying a class comprising all those who purchased or otherwise acquired publicly offered certificates in the Offerings prior to May 21, 2008, pursuant or traceable to the Registration Statement, and were damaged thereby (excluding Defendants); permitting IPERS to intervene as an additional plaintiff; appointing Lead Plaintiff and IPERS as class representatives; and appointing Lead Counsel as lead counsel for the class.
29. Starting in December 2015, Lead Counsel and Defendants began mediation under the auspices of former United States District Court Judge Layn Phillips. Facilitated by the mediator, the Settling Parties reached an agreement in principle on December 11, 2016, with respect to the Settlement Amount of \$165 million. On December 20, 2016, the Settling Parties executed a term sheet setting forth certain terms of the Settlement, subject to the completion of definitive documentation and Court approval.
30. Lead Counsel has conducted extensive discovery relating to the claims and the underlying events and transactions alleged in the Third Amended Complaint. Lead Counsel has analyzed evidence adduced in discovery, including reviewing millions of pages of documents produced by Defendants and third parties, taking and defending a number of depositions, and gathering and closely examining thousands of loan files. Lead Counsel researched the applicable law with respect to the claims of Lead Plaintiff and the Settlement Class against the Defendants, as well as the potential defenses thereto, retained and consulted with numerous experts in the areas of damages, loan re-underwriting, real estate appraisals, and due diligence, among others, and has actively litigated this case for the past nine years.

⁴ The Court also dismissed Lead Plaintiff’s claims against the Rating Agencies.

31. On May 9, 2017, the Court authorized this Notice to be sent to potential Class Members, certified the Settlement Class for purposes of the Settlement and scheduled the Final Approval Hearing to consider whether to grant final approval of the Settlement.

WHAT ARE THE PLAINTIFFS' REASONS FOR THE SETTLEMENT?

32. Plaintiffs and Lead Counsel believe that the claims asserted against the Defendants have merit. Plaintiffs and Lead Counsel recognize, however, the expense and length of continued proceedings necessary to pursue their claims against the Defendants through continued discovery, trial and appeals, as well as the difficulties in establishing liability. Plaintiffs and Lead Counsel have considered the uncertain outcome of trial and appellate risk in complex lawsuits like this one.
33. In light of the risks of continued litigation, Plaintiffs and Lead Counsel believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Settlement Class. Plaintiffs and Lead Counsel also believe that the Settlement provides a substantial benefit now, namely Defendants' payment of \$165 million U.S. dollars (less the various deductions described in this Notice), as compared to the risk that the claims would produce a similar, smaller, or no recovery after summary judgment, trial and appeals, possibly years in the future.
34. The Defendants have denied and continue to deny each and all of the claims alleged by Plaintiffs in the Action. The Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any and all of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Action. The Defendants have also contended by way of defense, among other things, that no material misstatements or omissions were made with respect to the Offerings, and that all or a portion of the alleged damages to the Settlement Class were caused by economic conditions or factors other than the allegedly false or misleading statements or omissions asserted in the Action, and that such damages are not recoverable. The Defendants have further contended, among other things, that the claims are barred by the statute of limitations as to all or some of the members of the Settlement Class. The Defendants also have denied and continue to deny, among other things, the allegations that Plaintiffs or the Settlement Class have suffered any damage, or that Plaintiffs or the Settlement Class were harmed by the conduct alleged in the Action. The Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in a complex case such as this. Nonetheless, the Defendants have concluded that further conduct of the Action would be protracted and expensive, and that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation.

WHAT MIGHT HAPPEN IF THERE WAS NO SETTLEMENT?

35. If there was no Settlement and Plaintiffs failed to establish any essential legal or factual element of their claims against the Defendants, neither Plaintiffs nor members of the Settlement Class would recover anything from the Defendants. Also, if the Defendants were successful in proving any of their defenses, the Settlement Class likely would recover substantially less than the amount provided in the Settlement, or nothing at all.

HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT?

36. If you are a member of the Settlement Class, you are subject to the Settlement unless you timely request to be excluded. The Settlement Class consists of: all Persons who purchased or otherwise acquired publicly offered Certificates representing interests in any of the Offerings prior to May 21, 2008, pursuant or traceable to the Registration Statement, and who were damaged thereby, except those Persons that timely and validly request exclusion from the class pursuant to and in accordance with the terms of the Preliminary Approval Order. Also excluded from the Settlement Class are all Defendants, their officers and directors at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which any Defendant has or had a controlling interest, except for any Investment Vehicle.
37. RECEIPT OF THIS NOTICE DOES NOT NECESSARILY MEAN THAT YOU ARE A CLASS MEMBER OR THAT YOU ARE ELIGIBLE TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU WISH TO PARTICIPATE IN THE SETTLEMENT, YOU MUST SUBMIT THE ENCLOSED CLAIM FORM POSTMARKED NO LATER THAN SEPTEMBER 6, 2017.

HOW MUCH WILL MY PAYMENT BE? WHEN WILL I RECEIVE IT?

I. THE PROPOSED PLAN OF ALLOCATION: GENERAL PROVISIONS

38. The Defendants have agreed to pay a total of \$165 million in cash no later than fifteen (15) business days after the District Court and the Bankruptcy Court have preliminarily approved the Settlement, along with certain other events. At this time, it is not possible to make any determination as to how much individual Class Members may receive from the Settlement.
39. The \$165 million settlement amount, and the interest earned thereon while it is held in escrow before distribution, shall be the Settlement Fund. The Settlement Fund, less all Taxes, Tax Expenses, Notice and Administration Costs, and attorneys' fees and Litigation Expenses awarded to Lead Counsel (the "Net Settlement Fund"), shall be distributed based on the acceptable Proof of Claim Forms submitted by members of the Settlement Class ("Authorized Claimants"). The Net Settlement Fund will be distributed to Authorized Claimants who timely submit acceptable Proof of Claim Forms under the Plan of Allocation described below, or as otherwise ordered by the Court.
40. Your share of the Net Settlement Fund will depend on the aggregate number of Certificates (represented by valid and acceptable Proof of Claim Forms) that members of the Settlement Class submit to the Claims Administrator, relative to the Net Settlement Fund; which Certificates you purchased and when you purchased them; how many Certificates you purchased; whether you held or sold those Certificates; the date on which you sold those Certificates; and the price at which you sold them, among other factors. At this time, it is not possible to determine how much individual Settlement Class Members may receive from the Settlement.
41. A payment to any Authorized Claimant that would amount to less than \$10.00 in total will not be included in the calculation of the Net Settlement Fund, and no payment to those members of the Settlement Class will be made.
42. To determine the amount that an Authorized Claimant may recover under the Plan of Allocation, Lead Counsel conferred with a valuation consultant who estimated the values of the Certificates. The proposed Plan of Allocation is generally based upon the statutory measure of damages for claims asserted with respect to material misrepresentations or omissions in the offering documents issued in connection with the Certificates. This Plan of Allocation concerns damages under §11 of the federal Securities Act of 1933. Section 11 concerns liability for untrue statements and omissions in a registration statement, under which losses are calculated as the "difference between the amount paid for the security (not exceeding the price at which the security was offered to the public) and (1) the value thereof at the time such suit was brought, or (2) the price at which such security shall have been disposed of in the market before suit, or (3) the price at which such security shall have been disposed of after suit but before judgment if such damages shall be less than the damages representing the difference between the amount paid for the security (not exceeding the price at which the security was offered to the public) and the value thereof as of the time such suit was brought." Securities Act of 1933, Section 11(e).
43. For each Authorized Claimant, a "Recognized Claim" will be calculated. The calculation of a "Recognized Claim," as defined in ¶ 52 below, is not intended to be an estimate of, nor does it indicate, the amount that a Settlement Class Member might have been able to recover after a trial. Nor is the calculation of a Recognized Claim pursuant to the Plan of Allocation an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement, which would depend on the total amount of all Recognized Claims. The Recognized Claim formula provides the basis for proportionately allocating the Net Settlement Fund to Authorized Claimants. That computation is only a method to weigh Settlement Class Members' claims against one another. Each Authorized Claimant will receive a pro rata share of the Net Settlement Fund based on his, her or its Recognized Claim.
44. The District Court has reserved jurisdiction to allow, disallow, or adjust on equitable grounds the claim of any member of the Class. The Court may approve this Plan of Allocation as proposed or it may modify it without further notice.

II. CALCULATION OF RECOGNIZED LOSS OR GAIN AMOUNTS

45. A "Recognized Loss or Gain Amount" should be calculated for each purchase or acquisition of a Certificate. The calculation of the Recognized Loss or Gain Amount will depend on several factors, including (i) which Certificate was purchased or acquired; (ii) when the Certificate was purchased or acquired; (iii) whether it was sold, and if so, when it was sold (*i.e.*, before or after May 21, 2008) and for how much; and (iv) the value of the Certificate on May 21, 2008.

46. The Recognized Loss or Gain Amount will be calculated solely on the outstanding “Face Value” (*i.e.*, the principal amount) for each Certificate at the time of sale, or if not sold, the outstanding Face Value as of May 21, 2008, *i.e.*, Authorized Claimants will not be allocated damages related to principal distributions and interest payments they received prior to May 21, 2008. In each calculation of Recognized Loss or Gain Amount, the Face Value Sold will be limited to 100% of the Face Value Purchased.
47. The percentage of the original aggregate principal balance that remains to be distributed in a mortgage-backed security is known as the “Mortgage Factor.” The percentage of the original aggregate principal balance that has been written off is defined as the “Distribution Factor.” The Mortgage Factor and Distribution Factor for a specific Certificate on any date will be calculated as follows:

$$\text{Mortgage Factor} = (\text{Certificate's Outstanding Aggregate Principal Balance} / \text{Certificate's Original Aggregate Principal Balance})$$

$$\text{Distribution Factor} = (\text{Certificate's Cumulative Principal Distributions} / \text{Certificate's Original Aggregate Principal Balance})$$

The *Mortgage Factor* and *Distribution Factor* for each month and on May 21, 2008, is set forth on the settlement website, www.NovaStarMBSSettlement.com.

48. For each calculation of the Recognized Loss or Gain Amount, the purchase price used for the calculation may not exceed the price at which the Certificate was offered to the public. Thus, if the actual purchase price exceeds the price at which the Certificate was offered to the public, the price at which it was offered to the public will be used as the purchase price. If the sales price or the value as of May 21, 2008 exceeds the purchase price, then the calculation will result in a “Recognized Gain Amount” for that Certificate. If you have a Recognized Gain Amount for a Certificate, you will not receive recovery in the Settlement for that Certificate.
49. The “Recognized Loss Amount” for each Certificate is to be calculated in a manner consistent with the calculation of losses embodied in Section 11 of the Securities Act. In no case will the Recognized Loss Amount exceed the loss calculated as of May 21, 2008.
- a. The Recognized Loss is zero if the price at which the Certificate was sold or otherwise disposed is greater than the price at which the Certificate was offered to the public or the price at which it was purchased or otherwise acquired.
- b. The loss or gain of the Certificate’s value on May 21, 2008, is calculated as follows:

$$\begin{array}{l} \text{Sale proceeds that would have been realized on May 21, 2008} \\ \quad \text{Less the purchase amount} \\ \text{Plus the cumulative principal distributions between the time of the purchase and May 21, 2008} \\ \quad \text{Equals} \\ \text{[Face Value at May 21, 2008 x (value at May 21, 2008) / 100]} \\ \quad \text{Less} \\ \text{[Face Value at the purchase date x (purchase price / 100)]} \\ \text{Plus cumulative principal distributions between the date of purchase and May 21, 2008}^5 \end{array}$$

- c. For Certificates sold, whether prior to or after May 21, 2008, the loss or gain of the Certificate’s value is calculated as follows:

⁵ The *Face Value at May 21, 2008 or purchase date* is equal to the original face value of the Certificates purchased times the *Mortgage Factor* on May 21, 2008 or purchase date, respectively. *Cumulative Principal Distributions* between the date of purchase and May 21, 2008 are calculated based on the change in the *Distribution Factor* between the purchase date and May 21, 2008 times the original face value of the Certificates purchased and sold.

$$\begin{array}{r}
\text{Sale proceeds} \\
\text{Less the purchase amount} \\
\text{Plus the cumulative principal distributions between the time of the purchase and sale} \\
\text{Equals} \\
\text{[Face Value on the sale date } x \text{ (sale price) / 100]} \\
\text{Less} \\
\text{[Face Value at the purchase date } x \text{ (purchase price) / 100]} \\
\text{Plus cumulative principal distributions between the date of purchase and sale date}^6
\end{array}$$

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

- d. For Certificates sold prior to May 21, 2008, the Recognized Loss or Gain Amount is calculated as the loss or gain of the Certificate's value upon sale (*i.e.*, ¶ 49(c) above).
 - e. For Certificates sold after May 21, 2008, the Recognized Loss Amount is calculated as the lesser (in absolute value) of the loss of the Certificate's value on May 21, 2008 (*i.e.*, ¶ 49(b) above), or the loss of the Certificate's value upon sale (*i.e.*, ¶ 49(c) above). For Certificates sold prior to or after May 21, 2008, the Recognized Gain Amount is calculated as the greater of the gain of the Certificate's value on May 21, 2008 (*i.e.*, ¶ 49(b) above), or the gain of the Certificate's value upon sale (*i.e.*, ¶ 49(c) above).
 - f. For Certificates that were not sold and have been retained, the Recognized Loss or Gain Amount is the loss or gain of the Certificate's value on May 21, 2008, calculated in ¶ 49(b), above.
50. Notwithstanding the above provisions, the Recognized Loss or Gain Amount for any Certificate purchases or other acquisitions that occurred after May 21, 2008 is zero.
51. A "Total Recognized Loss by CUSIP" will be calculated for each Authorized Claimant on a CUSIP by CUSIP basis. Accordingly, multiple transactions by an Authorized Claimant in a single CUSIP will be netted; *i.e.*, the total Recognized Gain or Loss Amounts for that CUSIP shall be calculated by (1) totaling the Recognized Loss Amounts for that CUSIP; and (2) subtracting from that total Recognized Loss Amount the total of all Recognized Gain Amounts for that CUSIP. A Total Recognized Loss for a CUSIP cannot be less than zero.
52. Each Authorized Participant's "Recognized Claim" is the sum of all that Authorized Claimant's Total Recognized Loss by CUSIPs.

III. DISTRIBUTION OF THE NET SETTLEMENT FUND

53. The "Recognized Claim" will be used solely to calculate the relative amount of the Net Settlement Fund for each Authorized Claimant and does not reflect the actual amount an Authorized Claimant may expect to recover from the Net Settlement Fund. The combined Recognized Claims of all Authorized Claimants may be greater than the Net Settlement Fund. If this is the case, and subject to the \$10.00 minimum payment requirement described in ¶ 41 above, each Authorized Claimant shall receive his, her or its pro rata share of the Net Settlement Fund, which shall be his, her or its Recognized Claim divided by the total of all Recognized Claims to be paid, multiplied by the total amount in the Net Settlement Fund.
54. Payment pursuant to the Plan of Allocation shall be conclusive against all Authorized Claimants. No Person shall have any claim based on distributions made substantially in accordance with the Stipulation and the Settlement contained therein, the Plan of Allocation, or further order(s) of the Court against Lead Counsel, Plaintiffs, Settlement Class Members, the Claims Administrator, Defendants and the Released Parties (defined below), or any person designated by Lead Counsel. All members of the Settlement Class who fail to timely submit an acceptable Proof of Claim Form by the deadline set by the Court, or such other deadline as may be ordered by the Court, or otherwise allowed, shall be forever barred from receiving any payments pursuant to the Settlement, but will in all other respects be subject to and bound by the terms of the Settlement, including the release of the Released Claims.
55. The Court has reserved jurisdiction to allow, disallow, or adjust on equitable grounds the claim of any member of the Settlement Class.

⁶ The *Face Value at applicable purchase or sale date* is equal to the original face value of the Certificates or the purchased times the *Mortgage Factor* on the purchase or sale date, respectively. *Cumulative Principal Distributions* between the purchase and sale date are calculated based on the change in the *Distribution Factor* between the purchase date and the sale date times the original face value of the Certificates purchased and sold.

56. The Plan of Allocation set forth herein is the proposed plan submitted by Lead Plaintiff and Lead Counsel for the Court's approval. The Court may approve this plan as proposed or it may modify it without further notice to the Settlement Class.

WHAT RIGHTS AM I GIVING UP BY AGREEING TO THE SETTLEMENT?

57. Essentially, by agreeing to the Settlement, you will be giving up your right to sue the Defendants for the wrongdoing alleged in this Action.
58. More specifically, if the Settlement is approved, the Court will enter a judgment (the "Judgment"). The Judgment will dismiss with prejudice the claims in the Action and will provide that Plaintiffs shall have, and all other Settlement Class Members shall be deemed to have and by operation of the Judgment shall have—on behalf of themselves and each of their respective heirs, executors, trustees, administrators, predecessors, successors and assigns, whether or not such Person submits a Proof of Claim form—fully, finally and forever waived, released, discharged and dismissed each and every Released Claim against each and every Released Party, with prejudice and on the merits, and without costs to any party.
59. "Released Claims" means any and all claims (including "Unknown Claims," as defined below), demands, rights, liabilities, and causes of action of every nature and description, known or unknown, suspected or unsuspected, contingent or non-contingent, matured or unmatured, whether or not concealed or hidden, which now exist, or heretofore have existed, or can, shall or may exist, whether arising under federal, state, common or foreign law or at equity, that Plaintiffs or any Settlement Class Member (a) asserted in this Action, or (b) could have asserted in the Action or in any other proceeding or forum arising from or related in any way to the Offerings, the Certificates or to the acts, failures to act, transactions, facts, events, matters, disclosures, statements, occurrences, representations, or omissions asserted or that could have been asserted in the Action against any Released Party; provided, however, that "Released Claims" shall not include a claim, if any, filed in court prior to December 20, 2016, solely and exclusively to the extent such claim asserted contractual repurchase rights with respect to any residential mortgage loan included in any of the Offerings.
60. "Unknown Claims" means any and all Released Claims that Plaintiffs and/or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, which if known by him, her or it might have affected his, her or its settlement with and release of the Released Parties, or might have affected his, her or its decision not to object to this Settlement or not exclude himself, herself or itself from the Settlement Class.
61. "Released Party" and "Released Parties" means (i) each Defendant and his, her or its parents, subsidiaries, and affiliates and all of their respective past, current, and future respective directors, officers, employees, partners, insurers, co-insurers, reinsurers, agents, controlling shareholders, shareholders, attorneys, accountants, auditors, advisors, investment advisors, personal or legal representatives, predecessors, successors, divisions, joint ventures, assigns, spouses, heirs, related or affiliated entities, and (ii) any entity in which any Defendant has a controlling interest, and all of their respective property.
62. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Plaintiffs expressly waive, and each Settlement Class Member shall be deemed to have waived, and by operation of the Judgment shall have expressly waived, to the fullest extent permitted by law, the provisions, rights and benefits of California Civil Code § 1542, and of any U.S. federal or state law, or principle of common law or the law of any foreign jurisdiction, that is similar, comparable, or equivalent to Section 1542 of the California Civil Code, which provides, in relevant part:
- A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.
63. Plaintiffs and other Settlement Class Members, or certain of them, may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but Plaintiffs and the Settlement Class Members, and each of them, upon the Effective Date, by operation of the Judgment shall have fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, that now exist or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, claims relating to conduct that is negligent, reckless, intentional, with

or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Plaintiffs acknowledge, and the Settlement Class Members by law and operation of the Judgment shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Claims was separately bargained for and was a material element of the Settlement.

WHAT PAYMENT ARE THE ATTORNEYS FOR THE CLASS SEEKING? HOW WILL THE LAWYERS BE PAID?

64. Lead Counsel has not received any payment for its services in pursuing claims against Defendants on behalf of the Settlement Class, nor has Lead Counsel been reimbursed for its out-of-pocket expenses. Before final approval of the Settlement, Lead Counsel intends to apply to the Court for an award of attorneys’ fees from the Settlement Fund in an amount not to exceed 28% of the Settlement Fund (or \$46,200,000.00), net of Court-approved Litigation Expenses, plus interest at the same rate and for the same time period as earned by the Settlement Fund. At the same time, Lead Counsel also intends to apply for the reimbursement of certain Litigation Expenses in an amount not to exceed \$3,500,000.00, plus interest at the same rate and for the same time period as earned by the Settlement Fund. Litigation Expenses may include reimbursements for, among other things, lost wages and litigation related expenses of Lead Plaintiff in accordance with 15 U.S.C. § 77z-1(a)(4). The sums approved by the Court will be paid from the Settlement Fund. Members of the Settlement Class are not personally liable for the payment of these sums.
65. Defendants take no position on the request by Lead Counsel for attorneys’ fees and reimbursement of Litigation Expenses or on the allocation of attorneys’ fees and expenses among counsel representing the Settlement Class.

HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

66. If you purchased Certificates described above, and you are not excluded by the definition of the Settlement Class and you do not timely exclude yourself from the Settlement Class in the manner provided in this notice, then you are a member of the Settlement Class and you will be bound by the proposed Settlement if the Court approves it, and by any judgment or determination of the Court affecting the Settlement Class. If you are a member of the Settlement Class, you must submit a Proof of Claim Form and supporting documentation to establish your entitlement to share in the Settlement. A Proof of Claim Form is included with this Notice, or you may go to the website maintained by the Claims Administrator for the Settlement to request that a Proof of Claim Form be mailed to you. The website is www.NovaStarMBSSettlement.com. You may also request a Proof of Claim Form by calling toll-free 844-304-3488 or emailing info@NovaStarMBSSettlement.com. Copies of the Proof of Claim Form can also be downloaded from Lead Counsel’s website at www.CohenMilstein.com. Those who exclude themselves from the Settlement Class, and those who do not submit timely and valid Proof of Claim Forms with adequate supporting documentation will not be eligible to share in the Settlement. Please retain all records of your ownership of, or transactions in the Certificates, as they may be needed to document your claim.
67. As a Settlement Class Member, you are represented by Lead Plaintiff and Lead Counsel unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file a notice of appearance on your behalf and must serve copies of his or her notice of appearance on the attorneys listed in the section below entitled, “When and Where Will the Court Decide Whether to Approve the Settlement?”
68. If you do not wish to remain a Settlement Class Member, you may exclude yourself from the Settlement Class by following the instructions in the section below entitled, “What If I Do Not Want To Be A Part Of The Settlement? How Do I Exclude Myself?”
69. If you wish to object to the Settlement or any of its terms, the proposed Plan of Allocation, or Lead Counsel’s application for attorneys’ fees and reimbursement of Litigation Expenses, and if you do not exclude yourself from the Settlement Class, you may present your objections by following the instructions in the section below entitled, “When and Where Will the Court Decide Whether to Approve the Settlement?”

WHAT IF I DO NOT WANT TO BE A PART OF THE SETTLEMENT? HOW DO I EXCLUDE MYSELF?

70. Each Settlement Class Member will be bound by all determinations and judgments in this lawsuit, including those concerning the Settlement, whether favorable or unfavorable, unless such person or entity mails, by First-Class Mail (or its equivalent outside the U.S.), or otherwise delivers a written Request for Exclusion

from the Settlement Class, addressed to NovaStar MBS Settlement Administrator, P.O. Box 4098, Portland, OR 97208-4098. The exclusion request must be received no later than August 16, 2017. Each Request for Exclusion must clearly indicate the name, address and telephone number of the person seeking exclusion, that the sender requests to be excluded from the Settlement Class in the case styled *New Jersey Carpenters Health Fund v. NovaStar Mortgage, Inc., et al.*, Case No. 08-cv-5310 (S.D.N.Y.) (DAB), and must be signed by such person. Such persons requesting exclusion are also directed to provide the following information: (i) the identity and original face value of Certificates purchased (or otherwise acquired) or sold; (ii) the prices or other consideration paid or received for such Certificates; (iii) the date of each purchase or sale transaction; and (iv) proper evidence of the transactions. Requests for exclusion will not be valid if they do not include the information set forth above and are not received within the time stated above, unless the Court otherwise determines.

71. If a person or entity requests to be excluded from the Settlement Class, that person or entity will not receive any benefit provided for in the Stipulation.

**WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT?
DO I HAVE TO COME TO THE HEARING?
MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?**

72. If you do not wish to object in person to the proposed Settlement and/or the application for reimbursement of litigation expenses, you do not need to attend the Final Approval Hearing. You can object to or participate in the Settlement without attending the Final Approval Hearing.
73. The Final Approval Hearing will be held on September 13, 2017, at 2:30 P.M., before the Honorable Deborah A. Batts at the United States District Court for the Southern District of New York, 500 Pearl Street, Courtroom 24B, New York, New York 10007. The Court reserves the right to approve the Settlement, the Plan of Allocation or the request for attorneys' fees and reimbursement of Litigation Expenses at or after the Final Approval Hearing without further notice to the members of the Settlement Class.
74. Any Settlement Class Member who does not request exclusion in accordance with ¶¶ 70–71 above may object to the Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses. Objections or oppositions must be in writing. You must file any written objection or opposition, together with copies of all other supporting papers and briefs, with the Clerk's Office at the United States District Court for the Southern District of New York at the address set forth below on or before August 30, 2017. You must also serve the papers on Lead Counsel for the Settlement Class and counsel for the Defendants at the addresses set forth below so that the papers are *received* on or before August 30, 2017.

Clerk's Office
UNITED STATES DISTRICT
COURT FOR THE SOUTHERN
DISTRICT OF NEW YORK
500 Pearl Street
New York, New York 10007

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SUTCLIFFE LLP
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405 Howard Street
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Steven J. Fink
51 West 52nd Street
New York, NY 10019

75. Any objection must include: (a) the full name, address, and phone number of the objecting Settlement Class Member; (b) a list and documentation evidencing all of the Settlement Class Member's transactions involving the Certificates, including brokerage confirmation receipts or other competent documentary evidence of such transactions, including the amount and date of each purchase or sale and the prices paid and/or received; (c) a written statement of all grounds for the objection accompanied by any legal support for the objection; (d) copies of any papers, briefs or other documents upon which the objection is based; (e) a list of all persons who will be

called to testify in support of the objection; (f) a statement of whether the objector intends to appear at the Final Approval Hearing; (g) a list of other cases in which the objector or the objector's counsel have appeared either as settlement objectors or as counsel for objectors in the preceding five years; and (h) the objector's signature, even if represented by counsel. Persons who intend to object to the Settlement, the Plan of Allocation and/or to Lead Counsel's application for an award of attorneys' fees and reimbursement of Litigation Expenses, and who desire to present evidence at the Final Approval Hearing, must include in their written objections the exhibits they intend to introduce into evidence at the Final Approval Hearing.

76. You may not object to the Settlement, or any aspect of it, if you are not a member of the Settlement Class or if you excluded yourself from the Settlement Class.
77. If you wish to be heard orally at the Final Approval Hearing in opposition to the approval of the Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses, and if you have filed and served a timely written objection as described above, you also must notify the above counsel on or before August 30, 2017, concerning your intention to appear. Persons who intend to object and desire to present evidence at the Final Approval Hearing must include in their written objections, the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing.
78. You may file a written objection without having to appear at the Final Approval Hearing. You may not appear at the Final Approval Hearing to present your objection, however, unless you first filed and served a written objection in accordance with the procedures described above, unless the Court orders otherwise.
79. You are not required to hire an attorney to represent you in making written objections or in appearing at the Final Approval Hearing. If you decide to hire an attorney, which will be at your own expense, however, he or she must file a notice of appearance with the Court and serve it on Lead Counsel so that the notice is received on or before August 30, 2017.
80. If you object to the Settlement, the Plan of Allocation and/or Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses, or otherwise request to be heard at the Final Approval Hearing in the manner stated above, you are submitting to the jurisdiction of the Court with respect to the subject matter of the Settlement, including, but not limited to, the release of the Released Claims contained in the Judgment. If the Court overrules your objection and approves the Settlement or the part of the Settlement to which you have objected, you only will potentially share in the Net Settlement Fund if you file a Proof of Claim Form in the manner stated in ¶ 66 above and the Claims Administrator approves your claim.
81. The Settlement Hearing may be adjourned by the Court without further written notice to the Settlement Class. If you intend to attend the Final Approval Hearing, you should confirm the date and time with Lead Counsel.

Unless the Court orders otherwise, any Settlement Class Member who does not object in the manner described above will be deemed to have waived any objection and will be forever foreclosed from making any objection to the proposed Settlement or Lead Counsel's request for reimbursement of expenses. Settlement Class Members do not need to appear at the hearing or take any other action to indicate their approval.

WHAT IF I BOUGHT CERTIFICATES ON SOMEONE ELSE'S BEHALF?

82. If you purchased or otherwise acquired the Certificates for the beneficial interest of a person or organization other than yourself, you must either (i) send a copy of this Notice to the beneficial owner of such Certificates, postmarked no later than fourteen (14) days after you receive this Notice, or (ii) provide to NovaStar MBS Settlement Administrator, P.O. Box 4098, Portland, OR 97208-4098, the names and addresses of such persons no later than fourteen (14) days after you receive this Notice. If you choose the second option, the Claims Administrator will send a copy of the Notice to the beneficial owner(s). Upon full compliance with these directions, such nominees may seek reimbursement of their reasonable expenses actually incurred, by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice may also be obtained by calling Lead Counsel at (212) 838-7797 and may be downloaded from the settlement website, www.NovaStarMBSSettlement.com or from Lead Counsel's website, www.CohenMilstein.com.

CAN I SEE THE COURT FILE? WHO SHOULD I CONTACT IF I HAVE QUESTIONS?

83. This Notice contains only a summary of the terms of the proposed Settlement. More detailed information about the matters involved in the Action is available at www.NovaStarMBSSettlement.com, including, among other documents, copies of the Stipulation and the Third Amended Complaint. All inquiries concerning this Notice should be directed to:

NOVASTAR MBS SETTLEMENT ADMINISTRATOR
P.O. Box 4098
Portland, OR 97208-4098
Toll-Free: (844) 304-3488
info@NovaStarMBSSettlement.com

OR

Joel P. Laitman
Christopher Lometti, Esq.
Michael Eisenkraft, Esq.
Kenneth M. Rehns, Esq.
COHEN MILSTEIN SELLERS & TOLL PLLC
88 Pine Street, 14th Floor
New York, NY 10005
(212) 838-7797
jlaitman@CohenMilstein.com
clometti@CohenMilstein.com
meisenkraft@CohenMilstein.com
krehns@CohenMilstein.com

Lead Counsel

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT
REGARDING THIS NOTICE.**

Dated: May 30, 2017

By Order of the Clerk of Court
United States District Court
for the Southern District of New York