

MEMORANDUM

August 23, 2011

To: File No. S7-08-10

From: Scott H. Kimpel
Office of Commissioner Troy A. Paredes

Re: Asset-Backed Securities

On August 23, 2011, Commissioner Troy A. Paredes and Scott H. Kimpel, Counsel to the Commissioner, met with Kevin McCarthy, Antoine Hatoun and George Jigarjian, Intex Solutions Inc.; Joshua Katin, Buckley Sandler; and Brad Bondi, Cadwalader. The participants discussed the Commission's proposed rules concerning asset-backed securities, including the proposed waterfall program. The Intex representatives presented the attached handout.

Attachment

WHICH IS MORE TRANSPARENT?

THIS SECTION OF A WATERFALL FROM A PROSPECTUS ...

(iii) to pay principal to the Class A, Class M-1, Class M-2, Class B-1 and Class B-2 Notes, sequentially, in that order, in an aggregate amount equal to the Principal Payment Amount for such Payment Date, and in each case until the respective Note Principal Balance of such Class has been reduced to zero;

“Principal Payment Amount” means, with respect to any Payment Date, the portion of the Available Payment Amount for such Payment Date that is allocable to principal collections on the Contracts received during the related Remittance Period.

... OR ITS EQUIVALENT PYTHON COMPUTER PROGRAM?

```
def calc_pda_amounts( distrib_amt, tranche_cfs, period ) :
```

```
    pda_amounts = {}
```

```
    pda_amounts['A'] = min( distrib_amt, tranche_cfs['A','balance',period-1] )
```

```
    pda_amounts['M1'] = min( distrib_amt - pda_amounts['A'], tranche_cfs['M1','balance',period-1] )
```

```
    pda_amounts['M2'] = min( distrib_amt - pda_amounts['A'] - pda_amounts['M1'], tranche_cfs['M2','balance',period-1] )
```

```
    pda_amounts['B1'] = min( distrib_amt - pda_amounts['A'] - pda_amounts['M1'] - pda_amounts['M2'], tranche_cfs['B1','balance',period-1] )
```

```
    pda_amounts['B2'] = min( distrib_amt - pda_amounts['A'] - pda_amounts['M1'] - pda_amounts['M2'] - pda_amounts['B1'], tranche_cfs['B2','balance',period-1] )
```

```
    return ( pda_amounts )
```

```
def pay_principal ( bucket_bal, tranche_cfs, tranche_name, period, pda_amounts ) :
```

```
    pay Princ_amt = min( bucket_bal, pda_amounts[tranche_name] )
```

```
    tranche_cfs[tranche_name,'princ_paid',period] = pay Princ_amt
```

```
    tranche_cfs[tranche_name,'princ_short',period] = max( 0, pda_amounts[tranche_name] - tranche_cfs[tranche_name,'princ_paid',period] )
```

```
    bucket_bal = max( 0, bucket_bal - pay Princ_amt )
```

```
    tranche_cfs[tranche_name,'balance',period] = tranche_cfs[tranche_name,'balance',period-1] - pay Princ_amt
```

```
    return ( bucket_bal, tranche_cfs )
```

MAIN SECTION

```
pda_amounts = calc_pda_amounts( distrib_amt, tranche_cfs, period )
```

```
( root_cash, tranche_cfs ) = pay_principal( root_cash, tranche_cfs, 'A', period, pda_amounts )
```

```
( root_cash, tranche_cfs ) = pay_principal( root_cash, tranche_cfs, 'M1', period, pda_amounts )
```

```
( root_cash, tranche_cfs ) = pay_principal( root_cash, tranche_cfs, 'M2', period, pda_amounts )
```

```
( root_cash, tranche_cfs ) = pay_principal( root_cash, tranche_cfs, 'B1', period, pda_amounts )
```

```
( root_cash, tranche_cfs ) = pay_principal( root_cash, tranche_cfs, 'B2', period, pda_amounts )
```