

EXHIBIT 1



1177 Avenue of the Americas, 9th Floor
New York, New York 10036
212.705.8869
www.qvt.com

January 10, 2014

U.S. Bank National Association, as Trustee
Attn: James H. Byrnes
One Federal Street, 3rd Floor
Boston, MA 02110
By Email: james.byrnes@usbank.com

Dear James:

Funds under our management are holders of 2 senior tranches in the JPMAC 2006-WMC1 trust and 2 senior tranches in the JPMAC 2006-WMC3 trust. Our holdings total 21.3%¹ and 5.2%², respectively, of each current trust balance. We are writing to you as the Trustee in order to express our disapproval of the proposed RMBS Trust Settlement Agreement ("JPM RMBS Agreement") for these trusts. Not only is the payment in aggregate (across all trusts) comparatively low, but, more importantly, the payments on the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 trusts (and other "JPMorgan Trusts" like it) are subject to a 90% haircut. In our view, the proposed consideration – 10% of an already low figure – is grossly inadequate in light of the broad releases which the Trustee must then grant JPMorgan in respect of its mortgage repurchase obligations. We believe that the Trustee should therefore reject the settlement on these trusts.

The JPM RMBS Agreement is the second multi-trust agreement focused on settling representation and warranty claims initiated by Gibbs and Bruns and certain Institutional Investors. The JPM RMBS Agreement follows the Bank of America/Countrywide Settlement Agreement ("Countrywide Agreement") in seeking relief for losses to trusts resulting from breaches of representations and warranties contained in the Governing Agreements of covered trusts. In both cases, an aggregate settlement amount is allocated to different trusts in proportion to the past and future losses projected for each trust. In the JPM RMBS Agreement, Section 3.05 allocates the Settlement Payment on the basis of Net Losses, with haircuts for losses on loans originated by certain non-JPMorgan affiliated originators.

The Aggregate Payment is Too Low

It is natural, therefore, to compare the amounts proposed in the JPM RMBS Agreement with those agreed to in the earlier Countrywide Agreement. There, a settlement amount of \$8.5 billion was applied to 530 trusts, with a projected total loss of \$80.8 billion, or a loss payout of 10.5%³. In this case, the proposed \$4.5 billion payment corresponds to \$67.1 billion of loss, or a loss payout of 6.7%⁴. Using the same loss percentage as in the Countrywide Agreement would increase the payment to more than \$7 billion.

¹ As of 1/10/2014 this includes 29,850,000 (Original Face) JPMAC 2006-WMC1 A4 (46626LHT0) and 26,000,000 (Original Face) JPMAC 2006-WMC1 A5 (46626LHU7).

² As of 1/10/2014 this includes 12,832,040 (Original Face) JPMAC 2006-WMC3 A3 (46629KAD1) and 7,718,000 (Original Face) JPMAC 2006-WMC3 A5 (46629KAF6).

³ This uses the loss calculations provided by Bloomberg in their BOAS function (dividing BBG Settle Amt by the sum of Historical Loss + Projected Loss).

⁴ The estimate of 67.1B of current and future losses is from Barclays published research in "Securitized Products Weekly," 11/22/2013 page 26. This includes total losses for all deals, regardless of whether they have loans originated by Selected Third Party Originators.

Furthermore, the negotiated settlement amount in the Countrywide Agreement incorporated a discount for Bank of America's defenses related to Countrywide's limited net worth and the issue of successor liability. Capstone Advisory Group estimated Countrywide's net worth to be a maximum of \$4.8 billion⁵, significantly less than the settlement amount. Bank of America further claimed that it was not liable as a successor. Bank of New York Mellon admitted that it considered both of these issues when evaluating the ultimate settlement amount. US Bank, as Trustee, does not face these issues in the proposed JPM RMBS Agreement. JPMorgan has no such defenses in the case of the settled trusts, and – contrary to the proposed JPM RMBS Agreement – one would expect a larger aggregate payment, as a percentage of current and future losses, than in the Countrywide Agreement.

The Allocation Formula is Unfair to The JPMAC 2006-WMC1 and JPMAC 2006-WMC3 Trusts
Additionally, the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 trusts are severely penalized in the allocation formula prescribed in Section 3.05 of the JPM RMBS Agreement. Because 100% of their collateral was originated by WMC Mortgage Corp (a "Select Third Party Originator" (as defined in the JPM RMBS Agreement)), the deals are subject to an adjustment that credits these trusts with only 10% of losses for the purpose of allocating settlement proceeds (based on loss) across all deals in the settlement. Presumably, this heavy discount assumes that trusts with Select Third Party Originators will be able to successfully enforce repurchase claims against the underlying originators. Under the terms of the PSAs, however, virtually all of the same claims can be enforced against JP Morgan. Effectively, JPMorgan seems to be attempting to rid itself of its contractual obligations to enforce and backstop the Originator's obligations at an incredibly low price.

In Section 3.02 (iii) of the JPM RMBS Agreement, JPMorgan seeks a release for "(iii) any alleged obligation of any JPMorgan entity to enforce claims for breaches of representations or warranties against the originator of a Mortgage Loan (Including but not limited to any demands already made by the Accepting Trustees or any Investors of the Settlement Trusts)". However, in the Pooling and Servicing Agreement for JPMAC 2006-WMC1 (the "PSA")⁶, JPMorgan offers very strong protections in the event of breaches of representations and warranties covered by the Originator.

Though WMC Mortgage Corp is the Originator for the collateral, a JPMorgan affiliate serves as Depositor, Seller, Securities Administrator, and Servicer in both deals. As stated in Section 2.03(a)(i) of the PSA, upon discovery "of the breach by the Originator of any representation, warranty or covenant under the Mortgage Loan Purchase Agreement or the Assignment and Assumption Agreement in respect of any Mortgage Loan that materially adversely affects the value of such Mortgage Loan or the interest therein of the Certificateholders", J.P. Morgan Acceptance Corporation⁷ backstops the Originator's repurchase obligations: "In the event that the Originator shall fail to cure the applicable breach or repurchase a Mortgage Loan in accordance with the preceding sentence, the Depositor shall do so"⁸. Further, in Section 2.06 of the PSA, the Seller (JPMorgan) "represents, warrants and covenants" that many of the representations in Schedule 4 (Mortgage Loan Representations and Warranties) that

⁵ As detailed in The Bank of New York Mellon's Brief in Support of the Settlement (NYSCEF DOC. NO. 750, page 26), dated 5/3/2013.

⁶ The Pooling and Servicing Agreement for JPMAC 2006-WMC3 offers the same protections as those in JPMAC 2006-WMC1, but the JPMAC 2006-WMC1 is referenced for convenience.

⁷ In the JPMAC 2006-WMC3 deal, it is the Seller, J.P. Morgan Mortgage Acquisition Corp., that provides the representation.

⁸ Section 2.03(a)(i).

were made by the Originator are true. The section concludes "If the substance of the representations and warranties referred to in clauses (i), (ii), (iii), (iv) and (v) above are determined to have been breached, then the Seller will perform the remedy specified in Section 2.03 herein". This list of 68 representations and warranties includes the following, all of which are regularly cited as relevant breaches in other mortgage putback cases:

(s) Appraisal. The Mortgage File contains an appraisal of the related Mortgaged Property in a form acceptable to Fannie Mae and such appraisal complies with the requirements of FIRREA and was made and signed, prior to the approval of the Mortgage Loan application, by a Qualified Appraiser, who had no interest, direct or indirect in the Mortgaged Property or in any loan made on the security thereof, whose compensation is not affected by the approval or disapproval of the Mortgage Loan. Each appraiser and appraisal of the Mortgage Loan was made in accordance with the Seller's Underwriting Guidelines (as in effect at the time such Mortgage Loan was originated) and the relevant provisions of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

(aa) Mortgage File. With respect to each Mortgage Loan, the Seller is in possession of a complete Mortgage File except for the documents which have been delivered to the Purchaser or the Custodian or which have been submitted for recording and not yet returned.

(dd) Underwriting Guidelines. The Mortgage Loan was underwritten in accordance with the Underwriting Guidelines in effect at the time of origination. No representations have been made to a Mortgagor that are inconsistent with the mortgage instruments used.

(hh) No Fraud. No fraud, misrepresentation or similar occurrence with respect to the Mortgage Loan has taken place on the part of the Seller, the Servicer or any other party involved in the origination of the Mortgage Loan or in the application of any insurance in relation to such Mortgage Loan, including without limitation the Mortgagor, any appraiser, any builder or developer. The documents, instruments and agreements submitted for loan underwriting were not falsified and contain no untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the information and statements therein not misleading in light of the circumstances in which they were made. The Seller has reviewed all of the documents constituting the Servicing File and has made such inquiries as it deems necessary to make and confirm the accuracy of the representations set forth herein.

(ii) Origination Practices. The origination practices used by the Seller and the collection and servicing practices used by the Servicer with respect to each Mortgage Loan have been in all respects legal and customary in the nonprime mortgage origination and servicing industry and the collection and servicing practices used by the Servicer have been consistent with Customary Servicing Procedures.

(ddd) LTV and CLTV Limit. No Mortgage Loan had an LTV or a CLTV in excess of 100% at origination.

WMC Mortgage Corp was acquired by GE Consumer Finance on June 14, 2004, as stated in the deal prospectus. However, as Deutsche Bank National Trust Company as Trustee for MSAC 2007-HE6 states in its complaint against WMC Mortgage L.L.C. as successor-by-merger to WMC Mortgage Corp. and General Electric Capital Corporation, "GE Capital's restructuring and reorganization of WMC resulted in

the ostensible transfer of WMC's repurchase and indemnification obligations to the new, undercapitalized WMC Mortgage, L.L.C.⁹. Given the thin capitalization of WMC Mortgage L.L.C. and the consequent reliance on GE Capital's willingness to bear responsibility for WMC's repurchase obligations, it would be premature to absolve JPMorgan from its obligations before first pursuing claims against WMC Mortgage Corp and GE Capital. This is especially true in light of the small settlement consideration contemplated in the JPM RMBS Agreement. As the language clearly states in the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 PSAs, if the Originator fails to satisfy any of its repurchase obligations, JPMorgan is required to do so.

Moreover, you likely are aware of the recent decision by the New York Supreme Court, Appellate Division, in *ACE Securities Corp. v. DB Structured Products, Inc.* ("*Ace v. DB*"), regarding the statute of limitations for RMBS repurchase claims. If repurchase claims against the Originator are deemed to be untimely under New York law, then the trust will have received only 10% of its pro rata share of losses paid under the JPM RMBS Agreement, but will have no recourse against the Originator for the balance of its losses.

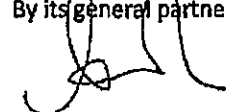
The *Ace v. DB* decision also provides an additional basis for direct claims by the trust against JPMorgan that would be released in the JPM RMBS Agreement and for which the trust should be compensated. Section 2.03(a)(1) of the PSA obligates JPMorgan, as Securities Administrator, to enforce, on behalf of the Trustee and the trust, the Originator's repurchase obligations for documentation defects and breaches of representations and warranties. JPMorgan has failed to do so. If repurchase claims against the Originator are deemed to be untimely under New York law, JPMorgan, as Securities Administrator, is directly liable to the trust for its failure to enforce the trust's repurchase rights on a timely basis. JPMorgan's liability to the trust for such failure is equal to 100% of the damages that should and would have been recovered from the Originator.

In summary, we believe that the terms of the settlement proposal are insufficient and unduly prejudicial to the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 trusts. We would instruct that you do not vote in favor of the JPM RMBS Agreement in its current form, and would be happy to discuss this with you in more detail and hear your thoughts on the matter. In that regard, please contact us at (212) 705-8800 or by email at arthur.chu@qvt.com.

We request that you keep this analysis confidential and not disclose it to third parties, other than your professional advisors, without our express written consent.

Sincerely,

QVT Financial LP
By its general partner, QVT Financial GP LLC



Arthur Chu, Managing Member

cc: Elizabeth Taraila

⁹ Case 3:13-cv-01347-SRU #88, Filed in United States District Court District of Connecticut, 9/13/2013.



1177 Avenue of the Americas, 2th Floor
New York, New York 10036
212-705-2888
www.qvt.com

April 11, 2014

U.S. Bank National Association, as Trustee
Attn: James H. Byrnes
One Federal Street, 3rd Floor
Boston, MA 02110
By Email: james.byrnes@usbank.com

Dear James:

Three months ago we wrote to you expressing our dissatisfaction with JP Morgan's proposed RMBS Trust Settlement Agreement (the "JPM RMBS Agreement") in our letter dated January 10, 2014. We have attempted to discuss these concerns with you over the past three months, but to date, you have not engaged us in any discussion. We explained why the aggregate payment (across all trusts) is too low and, more importantly, that the allocation to our holdings in the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 trusts is particularly inequitable in light of the 90% haircut contemplated for third party originated loans. The recently announced Citigroup RMBS Trust Settlement Agreement¹ (the "Citigroup RMBS Agreement") only reinforces our position and we think it is important that our opinions be heard.

The Citigroup RMBS Agreement proposes a higher settlement amount as a percentage of total losses than the JPM RMBS Agreement. Additionally, while many of the Citigroup trusts consist of loans originated by third party originators, there is no comparable Selected Third Party Originator discount in the Citigroup RMBS Agreement. And unlike the language in the JPMAC 2006-WMC1 (and JPMAC 2006-WMC3) Pooling and Servicing Agreement (the "JPMAC PSA"), Citigroup does not appear to offer backstops on Originator failures to cure or repurchase. Yet JP Morgan seeks a complete release from these liabilities at a 90% discount whereas Citigroup applies no discount.

The Citigroup Payment is Larger as a % of Aggregate Losses

In our January letter we contrasted the Countrywide Agreement's 10.5% loss payout with the 6.7% payout in the JPM RMBS Agreement. We pointed out that the Countrywide Agreement incorporated discounts for Bank of America's defenses related to Countrywide's limited net worth and the issue of successor liability. Research analysts have recently estimated the loss payout in the Citigroup RMBS Agreement to be in the range of 7.3%-8.0%². Unlike the JPM RMBS Agreement where the release included all servicing claims in addition to the representation and warranty claims, Section 3.02 of the Citigroup RMBS Agreement reads: "Except as it pertains to alleged failures to provide notice of representation and warranty violations, this agreement shall not release or affect any Master Servicer or Servicer obligations under any of the Governing Agreements that pertain to the servicing of Mortgage Loans held by the Trusts." Citigroup was the Master Servicer on less than half the trusts and was a Servicer on a small minority.

The Citigroup Settlement Does Not Have Arbitrary Third Party Haircuts

The Citigroup RMBS Agreement does not include any haircuts for trusts with loans originated by Selected Third Party Originators, in contrast to the allocation formula prescribed in the JPM RMBS

¹ Dated April 7, 2014 between Citigroup, the "institutional investors" and upon acceptance, the Accepting Trustees of 68 CMLTI trusts.

² E.g., Amherst [4/8/2014]: 7.9%, Barclays [4/7/2014]: 7.4%, Credit Suisse [4/7/2014]: 8.0%, Morgan Stanley [4/8/2014]: 7.3%, Nomura [4/7/2014]: 7.6%.

Agreement: This is the case even for trusts that seem to have fewer liabilities for Citigroup than JP Morgan is assuming in the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 trusts. As an example, we compare below the language found in the Pooling and Servicing Agreement for one of the trusts covered by the Citigroup RMBS Agreement, the CMLTI 2005-OPT1 (the "CMLTI PSA"³) to the JPMAC PSA:

In both PSAs, Section 2.03 discusses the Repurchase or Substitution of Mortgage Loans by the Originator, the Seller or the Depositor⁴. In the case of the JPMAC PSA, Section 2.03(a)(i) has language: "In the event that the Originator shall fail to cure the applicable breach or repurchase a Mortgage Loan in accordance with the preceding sentence, the Depositor shall do so [emphasis added]". In this instance, the Depositor is JP Morgan and the Originator is WMC Mortgage Corp.; that is, JP Morgan assumes the repurchase obligation if WMC fails to repurchases defective loans. In the CMLTI PSA, there is no such language. Instead, Section 2.03(a) of the CMLTI PSA reads: "... and if the Originator or the Seller, as applicable, does not deliver such missing document or cure such defect or breach in all material respects during such period, the Servicer, to the extent it is not the Originator, the Seller or an Affiliate of the Seller, and otherwise the Trustee, in accordance with Section 3.02(b), shall enforce the obligations of the Originator or the Seller, as applicable, under the Mortgage Loan Purchase Agreement to repurchase such Mortgage Loan from REMIC I at the Purchase Price ...". Option One Mortgage Corporation is the Originator and Servicer, Citigroup is the Seller and Deutsche Bank National Trust Company is the Trustee. It is the obligation of the Servicer (or Trustee, if the Servicer is either the Seller or Originator) to determine the responsible party and there is no explicit Seller backstop.

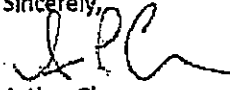
Another difference can be found in Section 2.06 of the JPMAC PSA, entitled Representations and Warranties as to the Mortgage Loans. There, the Seller (JPMorgan) "represents, warrants and covenants" that many of the representations in Schedule 4 (Mortgage Loan Representations and Warranties) that were made by the Originator are true. The section concludes "If the substance of the representations and warranties referred to in clauses (i), (ii), (iii), (iv) and (v) above are determined to have been breached, then the Seller will perform the remedy specified in Section 2.03 herein". This list of 68 representations and warranties includes relevant breaches that are regularly cited in other mortgage putback cases, including appraisal, mortgage file, underwriting guidelines, no fraud, origination guidelines and LTV limits. The CMLTI PSA has no corresponding section.

In summary, the details of the latest Citigroup RMBS Agreement clearly support our position that the terms of the JPM RMBS Agreement are insufficient and unduly prejudicial to the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 trusts. We reiterate our instruction that you do not vote in favor of the JPM RMBS Agreement in its current form and are eager to discuss our concerns with you in more detail. We understand that Erica Taggart from Quinn Emanuel, who serves as our counsel in other matters, has reached out to US Bank through Jones Day to facilitate a discussion. Feel free to coordinate with her to arrange a call or meeting so that we can have a chance to engage directly with the Trustee on these important issues. Alternatively, you can contact us directly at (212) 705-8800 or by email at arthur.chu@qvt.com.

³ <http://www.sec.gov/Archives/edgar/data/1316935/000088237705000377/d266700.txt>

⁴ In the CMLTI PSA the section is entitled "Repurchase or Substitution of Mortgage Loans by the Originator or Seller".

Sincerely,



Arthur Chu
QVT Financial LP

cc: Elizabeth Taralla
cc: Erica Taggart
cc: Matt Martel

JONES DAY

100 HIGH STREET • BOSTON, MASSACHUSETTS 02110.1781
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Direct Number: (617) 449-6923
mmarta@jonesday.com

April 25, 2014

BY EMAIL AND FIRST CLASS MAIL

QVT Financial LP
Attn: QVT Financial GP LLC, c/o Arthur Chu
1177 Avenue of the Americas, 9th Floor
New York, New York 10036

Re: Proposed Settlement Agreement

Dear Mr. Chu:

Reference is made to that certain RMBS Trust Settlement Agreement, dated November 15, 2013, by and among JPMorgan Chase & Co. and its direct and indirect subsidiaries and the investment advisors and investors party thereto (the "Proposed Settlement Agreement").

As we discussed with Joel Wollman by telephone on April 22, 2014, U.S. Bank National Association, in its capacity as trustee (the "Trustee") of the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 residential mortgage-backed securitization trusts (the "Subject Trusts"), is in receipt of your letters dated January 10, 2014 and April 11, 2014 (collectively, the "QVT Letters") concerning the Proposed Settlement Agreement as it relates to the Subject Trusts. In addition, on April 17, 2014, the Trustee received information concerning holdings in the Subject Trusts of funds under QVT Financial LP's management. The Trustee is in the process of reviewing this holdings information.

As of the date of this letter, the Trustee has not made any determination on behalf of any trust regarding the advisability of entering into the Proposed Settlement Agreement. For information and updates with respect to the Proposed Settlement Agreement, investors should refer to <http://www.rmbstrusteesettlement.com/index.php>.

Certain of the expert advisors retained to assist the Trustee and the other trustees evaluating the Proposed Settlement Agreement have requested copies of all pertinent written correspondence received from investors. As we explained to Mr. Wollman during our call on Tuesday afternoon, to date, the Trustee has delivered copies of the QVT Letters to such experts after redacting the holdings amounts stated therein as well as indicia concerning your firm's identity, including your personal identity. In addition, we will relay to these experts the matters

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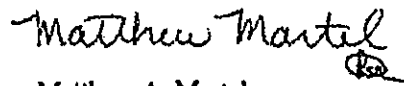
JONES DAY

QVT Financial LP
April 25, 2014
Page 2

raised by Mr. Wollman during our call. These experts have also requested disclosure of the identity and holdings amounts of investors that contact the Trustee concerning the Proposed Settlement Agreement, to more fully assist the experts with their analyses. Please confirm whether your clients will authorize the Trustee to release such information to the experts.

Finally, the experts have also requested copies of the analyst reports referred to in the second footnote set forth in your April 11, 2014 letter. Please provide us with copies of these reports to the extent you wish the experts to consider them in connection with their evaluation.

Very truly yours,

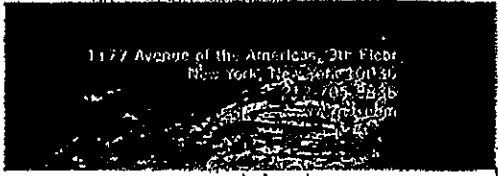


Matthew A. Martel

cc: Joel Wollman, QVT Financial LP



QVT
QVT Financial LP



June 23, 2014

U.S. Bank National Association, as Trustee
One Federal Street, 3rd Floor
Boston, MA 02110
Attn: James H. Byrnes
By Email: james.byrnes@usbank.com

Dear James:

We are writing in response to the Notice Regarding Ongoing Review of Proposed Settlement Agreement with J.P. Morgan Chase & Co., dated April 29, 2014 (the "April Notice"). The April Notice invited certificateholders wishing to provide a direction to contact the RMBS Trustees. We have sent prior letters expressing our dissatisfaction with the settlement terms. We have detailed the reasons why the settlement is too low on the Selected Third Party Originator trusts in particular, and why JP Morgan should not be absolved of their putback liabilities on these trusts for such little consideration. As such, we reiterate our direction in this letter for U.S. Bank, National Association ("U.S. Bank") to reject JP Morgan's proposed RMBS Trust Settlement Agreement (the "JPM RMBS Agreement") in the case of JPMAC 2006-WMC1 and JPMAC 2006-WMC3.

We have already provided direction (as part of a larger group) in the JPMAC 2006-WMC3 trust¹. Though our funds represent a smaller proportion of the outstanding bonds in the JPMAC 2006-WMC1 trust, similar logic applies here: we believe that there are many courses of action that U.S. Bank and The Bank of New York Mellon ("BNYM") could pursue that are preferable to accepting the nominal settlement proceeds currently proposed. The options range from a more equitable reallocation of settlement proceeds between trusts to a proper litigation initiative.

At a Minimum, the Third Party Origination Discount is Unfairly Punitive

In our earlier letters we have discussed how the JPM RMBS Agreement provides for a lower payment as a percent of aggregate losses than both the Countrywide and Citigroup agreements. It is unclear why bondholders in aggregate should be forced to accept this lower settlement payment, but this proposed settlement is unique in its application of a discount for certain trusts that contain third party originated loans. This is presumably based on the theory that the trust can pursue recoveries from these originators. However, as U.S. Bank and BNYM are likely aware, a court has recently held² that "JPMMAC issued a warranty tantamount to WMC's" and "As written, JPMMAC warranted the loan tapes' truth".

¹ Letter dated May 23, 2014. A copy of the letter is attached for your reference.

² Bank of New York Mellon v. WMC Mortgage, No. 654464/2012, 2013. This case concerns JPMAC 2006-WMC4, though JP Morgan made a similar representation and warranty in the PSA for JPMAC 2006-WMC1 and JPMAC 2006-WMC3.

As a consequence, applying the 90% discount to these trusts improperly penalizes these trusts relative to the other trusts in the settlement.

There is no reason why the JPMAC 2006-WMC1 or JPMAC 2006-WMC3 trusts should accept such a steep discount relative to the other trusts in the settlement. U.S. Bank and BNYM have a duty to evaluate the settlement with respect to each individual trust. As such, we do not believe it is possible to justify such a steep discount for these trusts given the language of the PSA and the aforementioned court ruling. We highly doubt that the RMBS Trustees would accept a blanket settlement amount of .60% of losses for all covered trusts, and consequently U.S. Bank should not accept that amount for these particular trusts.

JP Morgan is implicitly assigning a very high probability of recovery from WMC in proposing such a steep discount. Given WMC's refusal to pay on its historical putback requests, we strongly disagree with this assumption³. A 90% discount does not reflect JP Morgan's potential liability and so the settlement should be rejected.

BNYM Has Enough Evidence Already to Pursue Recoveries from JP Morgan

We believe that there is enough evidence for BNYM to begin initiation of putback requests on its own. The statement of facts that was released as part of the \$13 billion global settlement entered into by JP Morgan, the DOJ and federal and state entities, details considerable evidence of JP Morgan's widespread breach of representations and warranties. Additionally, the JPMAC 2006-WMC2, WMC3, and WMC4 trusts have all already initiated putback requests and the JPMAC 2006-WMC4 is in the midst of active litigation.

All of the JPMAC 2006-WMC deals reference the same "Mortgage Loan Purchase Agreement", which is the mortgage loan sale and interim servicing agreement dated as of July 1, 2005, between WMC Mortgage Corp. and J.P. Morgan Mortgage Acquisition Corp., regarding the sale of the Mortgage Loans to the Seller. In the case of JPMAC 2006-WMC4, material breaches were found in 840 of the 848 loan files that were delivered and inspected⁴. This represents a 99% breach rate. Given the similarity of the underlying collateral, there is strong reason to suspect that the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 deals have material breaches and should be reviewed.

Recently, we have acquired additional bonds in the JPMAC 2006-WMC1 deal and now have the requisite 25%⁵ of Voting Rights necessary to instruct the Trustee. If U.S. Bank and BNYM are unwilling to conduct loan file review on their own even in the face of considerable evidence of breaches, QVT may be willing to provide such direction and indemnity. In order to make this decision, we reiterate our request for information about the tolling status for JPMAC 2006-WMC1 and would like to know what, if anything,

³ Mark Begor of GE Capital stated on their December 7, 2010 Conference Call: "If you've seen some of our results you know that we refute every loan, and we've had a success rate of defending that claim in GE's favor at well over 80%, close to 84%".

⁴ Breaches were reported in 493 of 498 loan files reported in September 18, 2012 letter and 347 of 350 in a November 30, 2012 letter.

⁵ As of 6/10/2014, 45,850,000 Original Face of JPMAC 2006-WMC1 A4 (46626LHT0) and 26,000,000 Original Face of JPMAC 2006-WMC1 A5 (46626LHU7).

U.S. Bank and BNYM have done to date with respect to loan file review and putbacks in this deal. While we await your reply and consider our options, we do not want to forfeit the opportunity to pursue a more meaningful recovery, which would result from this trust's acceptance of the settlement. As such, we direct you to reject the JPM RMBS Agreement for JPMAC 2006-WMC1 (and JPMAC 2006-WMC3) and provide us with the information we request to determine how best to move forward.

Sincerely,



Arthur Chu
QVT Financial LP

cc: dagus@bnymellon.com
jpm.settlement.investor.inquiries@usbank.com
ericataggart@quinnemanuel.com

Would you be available anytime before noon? If that's not possible we can do 2:30 as a fallback.

From: james.byrnesh@usbank.com [mailto:james.byrnesh@usbank.com] **On Behalf Of**
JPM.Settlement.Investor.Inquiries@usbank.com

Sent: Tuesday, July 15, 2014 2:59 PM

To: Joel Wollman

Cc: Arthur Chu; Erica Taggart; 'JPM.Settlement.Investor.Inquiries@usbank.com'; kkollmeyer@jonesday.com; Michael Gat

Subject: RE: Direction for JPMAC 2006-WMC1

Joel:

Are you available for a call tomorrow afternoon at 2: 30 PM EDT ?

Jim

From: Joel Wollman <Joel.Wollman@qvt.com>
To: "JPM.Settlement.Investor.Inquiries@usbank.com" <JPM.Settlement.Investor.Inquiries@usbank.com>,
Cc: Arthur Chu <Arthur.Chu@qvt.com>, kkollmeyer@jonesday.com <kkollmeyer@jonesday.com>, Michael Gat <Michael.Gat@qvt.com>, Erica Taggart <ericataggart@quinnemanuel.com>
Date: 07/10/2014 11:28 AM
Subject: RE: Direction for JPMAC 2006-WMC1

Jim,

We don't understand why you would require a D&I from us in the event that the experts suggest rejecting the settlement. We would assume that if this were the recommendation, you would simply reject on your own. In the event that the experts do recommend accepting, the terms in Form B seem unreasonable; the amount of the indemnity and attempts to expand trustee rights while limiting certificateholder rights are not reasonable. We maintain that the amount of the settlement for these trusts is too low and reiterate our recommendation that a loan review is in order. In the event that the experts do decide to accept, please let us know and we can attempt to agree on a reasonable indemnity at that point.

Joel

From: james.byrnesh@usbank.com [mailto:james.byrnesh@usbank.com] **On Behalf Of**
JPM.Settlement.Investor.Inquiries@usbank.com

Sent: Thursday, July 10, 2014 9:06 AM

To: Joel Wollman

Cc: Arthur Chu; 'JPM.Settlement.Investor.Inquiries@usbank.com'; kkollmeyer@jonesday.com; Michael Gat

Subject: RE: Direction for JPMAC 2006-WMC1

Dear Joel,

As discussed, attached is the direction and indemnity agreement that will be required for an investor to direct US Bank as Trustee to reject the proposed JPM Settlement Agreement as it relates to a particular trust. As more fully described in prior notices to holders, the RMBS Trustees have retained expert advisors to evaluate the proposed settlement. Because we have not yet received the final expert evaluations, I now attach two forms of direction and indemnity agreement. Opt-out Form A will be required to direct the Trustee in the event a

rejection of the offered JPM Settlement Agreement on behalf of a particular trust is recommended by the retained experts. In the alternative, Opt-out Form B will be required to direct the Trustee in the event an acceptance of the offered JPM Settlement Agreement on behalf of the trust is recommended by the retained experts. Please note that the required funded indemnity amount for Opt-out Form B will be an amount equal to the settlement allocation that the trust would have received upon acceptance of the proposed JPM Settlement Agreement plus an amount based on other relevant considerations. The trust-by-trust settlement allocations will be posted to <http://www.rmbstrusteesettlement.com/index.php> in the near future. Also, should you wish to direct the Trustee to accept the offered JPM Settlement Agreement on behalf of a trust, please let us know.

We expect that the final expert evaluations and our determination as to the reasonableness of such evaluations will be completed within the next week. Please look for updates with respect to the matters addressed herein at <http://www.rmbstrusteesettlement.com/index.php>. As a reminder, these agreements are highly confidential.

Jim

From: Joel Wollman <Joel.Wollman@qvt.com>
To: "JPM.Settlement.Investor.Inquiries@usbank.com" <JPM.Settlement.Investor.Inquiries@usbank.com>,
Cc: Arthur Chu <Arthur.Chu@qvt.com>, Michael Gat <Michael.Gat@qvt.com>, "kkollmeyer@jonesday.com" <kkollmeyer@jonesday.com>
Date: 07/09/2014 09:38 AM
Subject: RE: Direction for JPMAC 2006-WMC1

We agree not to share the contents of the D&I externally and will just review it internally and with outside counsel.

Thank you,
Joel

From: james.byrnes@usbank.com [mailto:james.byrnes@usbank.com] **On Behalf Of**
JPM.Settlement.Investor.Inquiries@usbank.com
Sent: Tuesday, July 08, 2014 4:44 PM
To: Joel Wollman
Cc: Arthur Chu; JPM.Settlement.Investor.Inquiries@usbank.com; Michael Gat; kkollmeyer@jonesday.com
Subject: Re: Direction for JPMAC 2006-WMC1

Dear Joel,

We are prepared to share with you the direction and indemnity agreement that will be required for an investor to direct USB to reject the JPM Settlement Agreement as it relates to *JPMAC 2006 WMC1*, *JPMAC 2006-WMC3*. As noted in our April 29, 2014 notice to holders, we ask that you agree to treat this agreement as highly confidential and only share it with your representatives with a need to know such information who are also subject to confidentiality arrangements. Please reply to this email confirming your agreement with respect to the confidential nature and treatment of the agreement.

Thank you for your patience regarding this matter.

Jim

From: Joel Wollman <Joel.Wollman@qvt.com>
To: "james.byrnes@usbank.com"; "james.byrnes@usbank.com"; "dagus@bnymcinn.com" <dagus@bnymellon.com>,
"JPM.Settlement.Investor.Inquiries@usbank.com" <JPM.Settlement.Investor.Inquiries@usbank.com>, Erica Taggart <ericataggart@ouinnemanuel.com>,
Cc: Arthur Chu <Arthur.Chu@qvt.com>, Michael Gat <Michael.Gat@qvt.com>
Date: 06/23/2014 03:33 PM
Subject: Direction for JPMAC 2006-WMC1

Jim,

Please find the attached letter regarding our position in JPMAC 2006-WMC1 along with our updated holdings information.

We would appreciate it if you could please confirm receipt of this letter and let us know when we can expect to hear back from you to discuss this in more detail.

Thank you,
Joel Wollman

QVT Financial[attachment "JPMAC 2006-WMC1 6-23-2014.pdf" deleted by James H Byrnes/MA/USB] [attachment "QVT JPMAC 2006-WMC1 Holdings.pdf" deleted by James H Byrnes/MA/USB] [attachment "(Executed) JPMAC 2006-WMC3 5-23-14.pdf" deleted by James H Byrnes/MA/USB]

U.S. BANCORP made the following annotations

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U.S. BANCORP made the following annotations

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U.S. BANCORP made the following annotations

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U.S. BANCORP made the following annotations

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1177 Avenue of the Americas, 8th Floor
New York, New York 10036
212-765-8288
www.qvt.com

July 29, 2014

U.S. Bank National Association, as Trustee
One Federal Street, 3rd Floor
Boston, MA 02110
Attn: James H. Byrnes
By Email: james.byrnes@usbank.com

Dear James:

We have recently reviewed the Expert Reports published to the JPMorgan Chase & Co. RMBS Settlement Offer website. It appears that the experts are suggesting that JP Morgan's proposed RMBS Trust Settlement Agreement (the "JPM RMBS Agreement") be accepted by the majority of trusts. In particular, JPMAC 2006-WMC1 is included in this list of trusts that are advised to accept the JPM RMBS Agreement. Having reviewed the logic behind this recommendation, we disagree with the conclusions of the experts and reiterate our direction that U.S. Bank, National Association ("U.S. Bank") reject the JPM RMBS Agreement in the case of JPMAC 2006-WMC1.

As we have stressed in the past, under the JPM RMBS Agreement, not only are bondholders in aggregate settling for a lower payment as a percentage of losses than in either the Countrywide or Citibank agreements, but this proposed settlement is unique in its application of a discount for certain trusts that contain third party originated loans; JPMAC 2006-WMC1 being one such trust. The discount is massive as it reduces the allowable losses by 90%. Whereas the experts opine on possible reasons for the aggregate "haircut" relative to other large settlements, they are conspicuously silent in justifying the punitive treatment of third party originated loans. Instead, the little attention that is paid to these loans in the expert review suggests substantial liability for JP Morgan.

It is puzzling to us why a feature unique to this settlement that results in a dramatic reduction in settlement proceeds to certain trusts receives such little focus in the expert review. The only meaningful discussion of the topic was Professor Alan Schwartz's answer to Question 1: "For the JPMORGAN Trusts identified in Exhibit A to the proposed settlement agreement under what circumstances can the trustees bring a claim for loan repurchase against JPMC rather than against the loan originator(s)?" The short answer provided was, "The Agreements require the 'Seller' -- JPMC -- either to repurchase loans in its own capacity or to repurchase loans when the Originator is primarily obligated to repurchase but does not. The Trustee can bring a claim for loan repurchase against JPMC in either capacity: as primary obligor or as guarantor of the relevant Originator's obligations".¹ Professor Schwartz concludes his explanation with the statement, "The Trustee need not make a demand on an Originator to cure before claiming against the Seller."²

¹ Expert Witness Report of Alan Schwartz, 3.1, page 2

² Expert Witness Report of Alan Schwartz, 3.1, Paragraph 18, page 6

The answer above does not appear consistent with a 90% haircut for a trust where JP Morgan makes explicit representations with respect to the curing of breaches/repurchase of mortgage loans (Section 2.03) and explicit representations regarding the accuracy of loan information (Section 2.06). We highlighted the strength of this language in our April 11, 2014 letter, and Professor Schwartz's answer appears consistent with our understanding.

It is clear to us that US Bank does not have a good faith basis for accepting the 90% haircut for the Third Party Originated Trusts generally or JPMAC 2006-WMC1 in particular. In hundreds of pages of expert analysis, there is no discussion – none – as to why the Third Party Originated Trusts should have any haircut, much less a punitive 90% haircut, compared to the other trusts. To the contrary, the only analysis observed on the issue – that of Professor Schwartz – confirms that JP Morgan, as seller, has the full obligation to repurchase defective loans, and, moreover, that the Trustee does not need to claim against the originator in order to enforce JP Morgan's obligation. Should the Trustee accept this haircut, we believe it would be in breach of its duties to bondholders and we would seek further discussions as required.

We reiterate our direction to reject this settlement and direct U.S. Bank to obtain a fair deal for JPMAC 2006-WMC1 with respect to the other trusts in the JPM RMBS Agreement.

Sincerely,



Arthur Chu
QVT Financial LP

cc: dagus@bnymellon.com
jpm.settlement.investor.inquiries@usbank.com
ericataggart@quinnemanuel.com

JONES DAY

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DIRECT NUMBER: (617) 449-6901
JSCONVERS@JONESDAY.COM

July 31, 2014

BY EMAIL AND FIRST CLASS MAIL

Arthur Chu
QVT Financial LP
1177 Avenue of the Americas, 9th Floor
New York, New York 10036

Re: Proposed Settlement Agreement

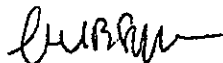
Dear Mr. Chu:

Reference is made to that certain RMBS Trust Settlement Agreement, dated November 15, 2013, by and among JPMorgan Chase & Co. and its direct and indirect subsidiaries and the investment advisors and investors party thereto (the "Proposed Settlement Agreement").

U.S. Bank National Association, in its capacity as trustee (the "Trustee") of the JPMAC 2006-WMC1 residential mortgage-backed securitization trust (the "Subject Trust"), hereby confirms receipt of your letter dated July 29, 2014 (the "July 29, 2014 Letter") concerning the Proposed Settlement Agreement as it relates to the Subject Trust.

The Trustee rejects your assertions regarding a trustee's rights or obligations in connection with evaluating the Proposed Settlement Agreement as without basis in fact or law. In addition, as previously communicated on numerous occasions, the Trustee will not follow the "direction" referred to in the July 29, 2014 letter concerning the Proposed Settlement Agreement as it relates to the Subject Trust in the absence of a reasonable indemnity satisfactory to the Trustee. Your firm has provided such an indemnity in connection with the Proposed Settlement Agreement as it relates to JPMAC 2006-WMC3, but has declined to do so with respect to any "direction" concerning the Subject Trust. Accordingly, your references to a "direction" with respect to the Subject Trust are inaccurate.

Very truly yours,



Joseph B. Sconyers

Redacted for Privilege

From: Arthur Chu
Sent: Friday, August 01, 2014 6:52 PM
To: 'Joseph B Sconyers'
Subject: RE: Letter dated July 31, 2014

Dear Mr. Conyers:

So that there is no doubt, it is our position – and, we believe, it would be the position of any reasonable third party who examines the record – that a statement that “we disagree with your assertions”, without any articulation of the reasons for disagreement, is not sufficient to prove that the Trustee had a good faith basis for accepting the Settlement. If it is the view of the Trustee that saying “we disagree” is sufficient justification, we are confident that this view will not withstand even the most cursory examination.

Equally, your characterization of our communication as a set of “assertions” ignores the main point of our email, in which we clearly posed two questions. The first question simply asks the Trustee to provide the text in the expert testimony that supports its position. It would be simple to deliver this over email. The second question asks the Trustee to give its own basis for accepting the 90% haircut. Presumably, the Trustee has carefully studied this issue, and it should not be difficult to succinctly explain this basis; we are not asking for the comprehensive legal analysis, but rather simply for the Trustee to communicate the essential principles. No such principles have been articulated to date, despite our repeated requests for them.

Finally, while we would be pleased to make ourselves available for a call as early as Monday – or, if the Trustee insists, even as early as this weekend – it is clearly the case that the Trustee can first answer our questions below in writing. If the Trustee is unwilling to do so, it would evidence a troubling lack of conviction in its own position. As bondholders, we have clearly articulated the basis of our position, in writing, numerous times with the Trustee. If the Trustee indeed believes that it is acting in our best interest – as it is plainly bound to do – and not simply avoiding the creation of any documents related to its position, it should simply respond to our email with the answers to our questions.

Very truly yours,

Arthur Chu

From: Joseph B Sconyers [<mailto:jsconyers@jonesday.com>]
Sent: Friday, August 01, 2014 6:25 PM

To: Arthur Chu
Subject: RE: Letter dated July 31, 2014

Dear Mr. Chu,

We disagree with your assertions below. If you'd like to discuss these matters further, please let us know when you're available for a call.

Thanks.

Joseph B. Sconyers
Associate
JONES DAY® - One Firm Worldwide™
100 High Street, 21st Floor
Boston, Massachusetts 02110-1781
Office +1.617.449.6901

From: Arthur Chu <Arthur.Chu@qvt.com>
To: 'Joseph B Sconyers' <jsconvers@jonesday.com>,
Date: 08/01/2014 10:48 AM
Subject: RE: Letter dated July 31, 2014

Dear Mr. Sconyers:

We received your letter of 31 July 2014 (at approximately 11:07 PM). As I indicated in my voicemail of 11:55PM, we disagree with the points made in your letter.

First, as regards the indemnity, as we stated in our July 10 correspondence (via email) with Jim Byrnes, the form indemnity that you provided for trusts with expert acceptance is unreasonable. It is plainly unreasonable for the Trustee to require (or even expect) that we would sign such a coercive agreement.

Second, quite apart from whether any indemnity has been provided, your letter again fails to give the Trustee's reasons (what you might call the "basis in fact or law") for accepting the 90% settlement haircut for our trust. We have sent numerous letters explaining the logic behind our objections to this haircut. In these same letters, we have repeatedly asked for an explanation for the logic behind the 90% haircut. To date, the Trustee has refused to provide any such explanation. For avoidance of doubt, your vague statement that "the Trustee rejects your assertions regarding a trustee's rights or obligations in connection with evaluating the Proposed Settlement Agreement as to without basis in fact or law" does not suffice: it gives no positive justification for any haircut, much less a quantitative analysis as to why a 90% haircut is acceptable. We therefore ask -- for the final time -- that the Trustee show us (i) the relevant text in the expert testimony for a 90% discount for third party originated loans and (ii) the Trustee's own analysis as to why it believes a 90% haircut is in the best interest of the trusts. We emphasize that the Trustee should be willing and able to articulate this logic, whether or not we provide an indemnity. Absent such analysis, we view the acceptance of the settlement as bad faith and reserve all of our rights in the matter.

Arthur Chu
Managing Member
QVT Financial LP
212-705-8800

From: Joseph B Sconyers [mailto:jsconvers@jonesday.com]
Sent: Thursday, July 31, 2014 11:07 PM
To: Arthur Chu
Subject: Letter dated July 31, 2014

Please see the attached letter dated July 31, 2014.

Joseph B. Sconyers
Associate

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