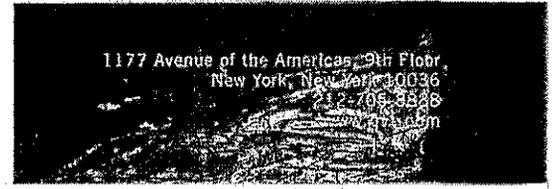


# **EXHIBIT 7**



**QVT**  
QVT Financial LP



June 23, 2014

U.S. Bank National Association, as Trustee  
One Federal Street, 3<sup>rd</sup> Floor  
Boston, MA 02110  
Attn: James H. Byrnes  
By Email: [james.byrnes@usbank.com](mailto: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 trust<sup>1</sup>. 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 held<sup>2</sup> that "JPMAC issued a warranty tantamount to WMC's" and "As written, JPMAC warranted the loan tapes' truth".

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

<sup>2</sup> 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 assumption<sup>3</sup>. 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 inspected<sup>4</sup>. 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%<sup>5</sup> 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,

---

<sup>3</sup> 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%".

<sup>4</sup> 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.

<sup>5</sup> 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](mailto:dagus@bnymellon.com)  
[jpm.settlement.investor.inquiries@usbank.com](mailto:jpm.settlement.investor.inquiries@usbank.com)  
[ericataggart@quinnemanuel.com](mailto:ericataggart@quinnemanuel.com)