EXHIBIT 1

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VIA ECF AND HAND DELIVERY

Justice Marcy S. Friedman, Part 60
New York State Supreme Court
60 Centre Street, Courtroom 248
New York, New York 10007

Re: ***In the Matter of U.S. Bank Nat'l Ass'n, et al.,***
N.Y. Sup. Ct. No. 652382/2014 (Friedman, J.)

Dear Justice Friedman:

We represent Intervenor-Respondents QVT Fund V LP, QVT Fund IV LP and Quintessence Fund L.P. (collectively, the "QVT Funds") in the above-referenced proceeding and write to set forth the bases for the QVT Funds' proposed motion for partial summary judgment. Pursuant to Your Honor's instructions during the February 23, 2015 conference call, U.S. Bank National Association ("U.S. Bank") and counsel for the supporting investors join in this letter and set forth their respective positions with respect to the QVT Funds' proposed motion.

The QVT Funds' Proposed Motion for Summary Judgment

The QVT Funds seek leave to file a motion for partial summary judgment with respect to the Proposed Settlement for JPMAC 2006-WMC1, which is one of the Accepting Trusts at issue in this proceeding and is the only Accepting Trust with respect to which the QVT Funds are asserting an objection. U.S. Bank is the Trustee for JPMAC 2006-WMC1. As of the August 1, 2014 deadline for accepting or rejecting the Proposed Settlement, the QVT Funds collectively owned approximately 27.62% of all the outstanding securities issued in JPMAC 2006-WMC1 (and 34.75% of the Group 2 Certificates).[1]

After careful consideration, the QVT Funds determined that the Proposed Settlement was not in the best interests of investors in JPMAC 2006-WMC1. Although the total settlement compensation offered by JPMorgan reflects approximately 7.1% of losses projected for the trusts in the aggregate (itself an unreasonably low figure), the settlement payment to investors in JPMAC 2006-WMC1 is subject to a massive, unjustifiable 90% discount (the "Haircut") and, according to the Trustees' expert, reflects only *0.8%* of the more than $393 million in lifetime losses to the trust – the quantitative

[1] JPMAC 2006-WMC1 issued different classes of securities backed by different groups of mortgage loans. The Proposed Settlement permits U.S. Bank to accept or reject on a trust by trust or loan group by loan group basis, and U.S. Bank has purported to consider the Proposed Settlement on that basis. Moreover, U.S. Bank owes distinct duties to certificateholders with respect to each separate trust pursuant to separate PSAs. Accordingly, U.S. Bank's argument that the QVT Funds' motion with respect to JPMAC 2006-WMC1 is not logically distinct and severable from the remainder of the case is unfounded.

equivalent of a rounding error. In return for this nominal recovery, the Proposed Settlement would release JPMorgan of all future liability and leave investors in JPMAC 2006-WMC1 without a remedy for the remaining $390 million in losses.

The QVT Funds made repeated attempts to obtain some explanation from U.S. Bank for this massive Haircut but U.S. Bank refused (or was unable) to provide any information. Nor do the Trustees' expert reports provide a reason for the Haircut or any evidence that U.S. Bank or its experts even considered the reasonableness or fairness of the discount to investors in JPMAC 2006-WMC1. Annexed hereto as Exhibit 1 is a series of correspondence with U.S. Bank through which the QVT Funds communicated their objections to the Proposed Settlement and tried unsuccessfully to obtain information from U.S. Bank. There simply is no reasonable justification for the massive discount, which renders the settlement payment to JPMAC 2006-WMC1 utterly inadequate, particularly in comparison to the settlement proceeds to be paid to other trusts.

On June 23, 2014, the QVT Funds exercised their power under Section 8.02(a)(iii) and (v) of the Pooling and Servicing Agreement for JPMAC 2006-WMC1 (the "PSA") (annexed hereto as Exhibit 2), as holders of 25% or more of the securities issued by the Trust, to direct U.S. Bank to reject the Proposed Settlement. In subsequent communications with U.S. Bank, the QVT Funds offered to provide a "reasonable indemnity" to U.S. Bank for its costs and potential liabilities incurred in complying with the direction as provided by the PSA. U.S. Bank, however, demanded onerous and unreasonable indemnity terms, including a demand that the QVT Funds deposit cash collateral upfront in an amount equal to the settlement allocation that JPMAC 2006-WMC1 would have received in the Proposed Settlement plus additional amounts "based on other relevant considerations." The QVT Funds refused to give in to U.S. Bank's unreasonable demands but nevertheless made clear it would provide a *reasonable* indemnity. On July 29, 2014, the QVT Funds sent a further letter to U.S. Bank reiterating their direction to reject the Proposed Settlement and obtain a fair deal for the JPMAC 2006-WMC1. Rather than engage in further discussions, U.S. Bank ignored QVT's direction and purported to accept the settlement on behalf of JPMAC 2006-WMC1, in violation of its obligations under the PSA and outside the scope of its delegated powers. *See generally* Restatement (Second) of Trusts § 185 ("If under the terms of the trust a person has power to control the action of the trustee in certain respects, the trustee is under a duty to act in accordance with the exercise of such power. . .").[2]

In special proceedings, such as this Article 77 proceeding, Section 409 of the CPLR provides that "[t]he court *shall* make a summary determination upon the pleadings, papers and admissions to the extent that no triable issues of fact are raised." CPLR § 409(b) (emphasis added). In its motion, the QVT Funds will demonstrate that there are no triable issues of fact with respect to QVT Funds' proposed motion, which is supported by the terms of the PSA, blackletter trust law, and the undisputed factual record.[3] In addition, the issues raised by the QVT Funds' proposed motion are narrow and

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[2] U.S. Bank and the QVT Funds agreed to delay negotiation of indemnity terms until after the Trustees released their expert reports, which was not until July 22, 2014 – only nine days before the deadline for accepting or rejecting the Proposed Settlement. Although U.S. Bank promised to email the QVT Funds when the expert reports would be available, it did not do so. The QVT Funds first earned of the reports a week later, at which point U.S. Bank refused to engage. U.S. Bank cannot rely on its own failure to negotiate reasonable indemnity terms to excuse its refusal to follow the QVT Funds' direction because "[a] party cannot prevent the fulfillment of a contractual condition and then argue failure of that condition as a defense to a claim that it breached the contract." *RSB Bedford Assoc., LLC v Ricky's Williamsburg, Inc.*, 91 A.D.3d 16, 23, 933 N.Y.S.2d 3, 12 (1st Dep't 2011).

[3] It is obviously not possible to set forth the full factual background or grounds for the QVT Funds' motion in this short submission. U.S. Bank's invitation to the Court to pre-judge the merits of the motion without the benefit of a full summary judgment record is inappropriate.

discreet from the larger issues in dispute with respect to the remaining Accepting Trusts, and, if granted, would resolve the QVT Funds' interest in this proceeding. Prompt adjudication of this issue also would permit U.S. Bank, with the QVT Funds' support, to proceed forthwith with litigation against JPMorgan Chase to obtain a fair recovery for the QVT Funds and other investors in JPMAC 2006-WMC1.

U.S. Bank's Statement

QVT claims it is entitled to move for partial summary judgment under CPLR 409(b) in this special proceeding. The law is clear that "[t]he standards of summary judgment applied to actions should also be applied by the court to proceedings governed by CPLR 409 (subd. [b])." *Port of N.Y. Auth. v. 62 Cortlandt St. Realty Co.*, 18 N.Y.2d 250, 255 (1966). CPLR 3212 sets forth the summary judgment standards in New York, and under CPLR 3212(e), a summary judgment "may not be fragmented and granted on a part of a single cause of action where an issue is not logically severable, i.e., when fragmentation is not feasible." *Bednark v. New York City Tr. Auth.,* 2014 NY Slip Op 51700(U), 2014 N.Y. Misc. LEXIS 5138, at *10 (Sup. Ct. NY County Nov. 25, 2014) *quoting Nixon Gear & Mach. Co. v. Nixon Gear. Inc.*, 447 N.Y.S.2d 779, 781 (4th Dep't 1982). QVT's proposed motion for partial summary judgment would violate this rule.

In this Article 77 proceeding, the Trustees[4] seek a declaratory judgment that their "acceptance of the Settlement on behalf of each of the Accepting Trusts [including JPMAC 2006-WMC1] comports with all applicable duties under the Governing Agreements and any other applicable law." (First Amended Petition, ¶ 77.) As the First Department just held, a trustee's decision to accept a settlement must be affirmed unless the trustee's conduct constituted an abuse of discretion. *In re The Bank of New York Mellon, et al.*, Order and Judgment at 9, Index No. 651786/2011 (1st Dep't March 5, 2015). Thus, if the Court allows QVT to file its motion for partial summary judgment, it will have to determine whether U.S. Bank abused its discretion in accepting the Settlement on behalf of JPMAC 2006-WMC1, which is precisely the same determination the Court will have to make at the hearing with regard to all of the other Accepting Trusts and Trustees.[5] Contrary to QVT's contention therefore, JPMAC 2006-WMC1 is not logically severable from the other Accepting Trusts. *See Bednark*, 2014 N.Y. Misc. LEXIS 5138 at *10. For this reason, the Court should deny QVT's request to file its proposed motion for partial summary judgment.

Even if QVT's motion for partial summary judgment would not run afoul of CPLR 3212(e), moreover, the Court should nonetheless deny QVT leave to file it because QVT has failed to show that no "triable issues of fact are raised." CPLR 409(b); *see also* CPLR 3212(b). QVT argues that pursuant to PSA § 8.02 (a)(iii) and (v), U.S. Bank was obligated to follow QVT's purported direction to reject the Settlement for JPMAC 2006-WMC1. However, the PSA did not obligate U.S. Bank to follow *any* direction to reject the Settlement from certificateholders (*see, e.g.,* §§ 8.01 and 11.03 ("no one or more Holders of Certificates shall have any right in any manner whatsoever by virtue of any provision of this Agreement to affect, disturb or prejudice the rights of the Holders of any other of such

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[4] Capitalized terms not defined herein shall have the same meaning ascribed to them in the First Amended Petition, filed on October 2, 2014 or in the Trustees' Omnibus Response to Objections filed on December 3, 2014.

[5] QVT also objects to the Settlement for the same reasons as the other Objectors, namely that the settlement payment is too low in light of other settlements and re-underwriting data from other cases, that the allocation formula is unfair, that certificateholders have viable claims they could have pursued against JPM, and that the Trustee has not demonstrated that it considered the "fairness of the settlement." *See* QVT Funds Objection at 4-6; *see also* Ambac Objection at 9; DW Funds Objection at 5; FHLBB Objection at 5; NCUA Objection at 5, 7; W&L Objection at 2; Triaxx Objection at 2-6. This is a further reason for not breaking out JPMAC 2006-WMC1 from all of the other trusts.

Certificates . . . ."), and certainly not one that that was unaccompanied by an "offer[] to [U.S Bank] [of] reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred" by following such a direction.[6] *See* PSA § 8.02 (a)(iii); *see also* PSA § 8.02 (a)(v) (before following direction of certificateholders "the Trustee may require reasonable indemnity satisfactory to it. . . ."). QVT cannot show that it made such an offer.

Although QVT argues that it "offered to provide a 'reasonably indemnity,'" the evidence is overwhelmingly to the contrary. On June 23, 2014, QVT presented U.S. Bank with a purported "direction" to reject the Proposed Settlement on behalf of JPMAC 2006-WMC1. However, QVT made no mention of an indemnity in connection with this direction and instead only suggested that QVT "*may be willing* to provide [a] direction and indemnity" in connection with a "loan file review." (emphasis added). On July 10, 2014, U.S. Bank sent QVT a proposed direction and indemnity agreement satisfactory to U.S. Bank. In response, QVT criticized these terms as being unreasonable, but took no further action and never even provided a counterproposal for consideration by U.S. Bank. Instead, QVT suggested that, in the event the financial advisors recommended acceptance for this trust, that U.S. Bank should let it know and the parties could "*attempt to agree* on a reasonable indemnity at that point." (emphasis added).

On July 22, 2014, U.S. Bank informed its certificateholders that its financial advisors recommended acceptance of the Settlement for JPMAC 2006-WMC1, in part because they concluded the trust's Representation and Warranty Claims were likely barred by the applicable statute of limitations, and, separately, that claims related to mortgage loan servicing likely did not exceed the consideration the trust would receive under the Settlement. Thereafter, on July 29, 2014, QVT sent another letter to U.S. Bank reiterating its purported "direction" to reject the Settlement for JPMAC 2006-WMC1. But again QVT made no mention of an indemnity, much less offered a reasonable indemnity satisfactory to U.S. Bank. Accordingly, on July 31, 2014, U.S. Bank again informed QVT that "as previously communicated on numerous occasions, [U.S. Bank] will not follow the 'direction' referred to in the July 29, 2014 letter . . . in the absence of a reasonable indemnity satisfactory to the Trustee." The next morning, QVT stated yet again via email that the form indemnity was "unreasonable," but once again offered no alternative form nor a willingness to negotiate on the terms of U.S. Bank's proposed indemnity. Later that day, U.S. Bank followed the recommendation of its financial advisor and accepted the Settlement for this JPMAC 2006-WMC1.

It is clear from the correspondence that QVT offered U.S. Bank no indemnity in connection with QVT's purported direction to reject the Settlement for JPMAC 2006-WMC1.[7] At the very least, whether QVT offered to provide a reasonable indemnity is an issue of fact that prevents partial summary judgment.[8] For this reason also, QVT should not be permitted to file its proposed motion for partial summary judgment.

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[6] Importantly, QVT never directed U.S. Bank to litigate claims in connection with JPMAC 2006-WMC1, nor is U.S. Bank aware of QVT providing any such direction and indemnity to the Securities Administrator, which is the party designated in the PSA to litigate such claims. (*See* PSA §§ 2.02, 2.03.)

[7] QVT argues that US Bank cannot "rely on its own failure to negotiate reasonable indemnity terms to excuse its refusal to follow the QVT Funds' direction." But the evidence is clear that it was QVT who failed to negotiate after receiving U.S. Bank's proposed indemnity.

[8] In addition, whether U.S. Bank's proposed form of indemnity was reasonable is also a question of fact.

The Institutional Investors' Statement

By its proposed summary judgment motion, QVT seeks to exclude a single trust (the "Trust") from the settlement. The Institutional Investors have significant holdings in the Trust, they support the settlement, and they oppose QVT's effort to deny them, and other certificateholders in the Trust, of the benefits of the settlement.

The trustee for the Trust, US Bank, made the judgment that entering into the settlement was in best interest of all certificateholders. An important component of that decision was the opinion of US Bank's legal adviser (retired Appellate Division Justice Anthony Carpinello) that the statute of limitations for repurchase claims by the Trust against JPMorgan had already expired, meaning that if US Bank rejected the settlement, the most likely outcome would be that the Trust, and its certificateholders, would receive nothing.

Thus, what QVT, a minority certificateholder, asked US Bank to do was walk away from a valuable "bird in the hand" settlement, in order to chase "two in the bush" through litigation that US Bank had been advised would likely yield nothing. Having failed in that effort, QVT now asks this Court to rule as a matter of law that the governing documents for the Trust gave QVT the right, as a minority certificateholder, to require US Bank to ignore its own (and its advisers') considered judgment, and irrationally reject the settlement in favor of a losing litigation strategy. QVT's claim is meritless, and attempting to litigate it now will result only in unnecessary delay.

As explained in US Bank's submission, QVT has not identified any provision of the governing agreements that empowered it to force US Bank to disregard its own judgment and instead embark on an irrational course of action that was contrary to the interests of certificateholders. Moreover, even under QVT's reading of the agreement, it was required to "have offered to the Trustee reasonable security or indemnity satisfactory to it," as a precondition to QVT's claimed right to countermand US Bank's judgment. However, as QVT's submission makes clear, a dispute exists between US Bank and QVT on whether QVT ever offered any indemnity, much less one that was reasonably satisfactory to US Bank. Thus, even under QVT's incorrect reading of the agreement (whereby QVT claims the right to override the trustee and impose its will on an overwhelming (75%) majority of other certificateholders in the Trust, including the Institutional Investors), no summary judgment could be granted because a fact issue would exist as to whether QVT ever actually offered an indemnity, and if it did, whether US Bank unreasonably refused to accept the indemnity as adequate.

The Institutional Investors oppose QVT's effort to unnecessarily delay this proceeding, prejudice their interests, and misuse the Court's scarce time and resources, by attempting to force resolution of individual objections to the settlement in a piecemeal fashion. To the extent that the issue raised by QVT has any relevance to the issues before the Court, it should be decided with all other objections, at the final hearing of this matter.

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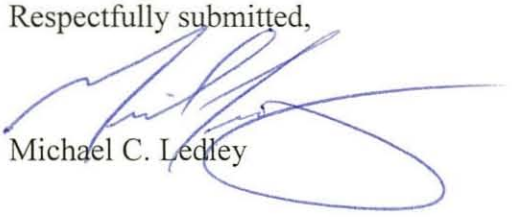
Respectfully submitted,



Michael C. Ledley

cc: Counsel of Record (via ECF)