EXHIBIT 3

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

THE BANK OF NEW YORK MELLON, solely in its capacity as SECURITIES ADMINISTRATOR FOR J.P. MORGAN MORTGAGE ACQUISITION TRUST, SERIES 2006- WMC2, Plaintiff, v. WMC MORTGAGE, LLC, as successor-by-merger-to WMC MORTGAGE CORP.; J.P. MORGAN MORTGAGE ACQUISITION CORPORATION; and J.P. MORGAN CHASE BANK, N.A., Defendants.	Index No. 653831/2013 Plaintiff designates New York County as the place of trial. Venue is proper in this County pursuant to CPLR § 503.

COMPLAINT

The Bank of New York Mellon (the "Securities Administrator" or "Plaintiff"), solely in its capacity as Securities Administrator for J.P. Morgan Mortgage Acquisition Trust, Series 2006-WMC2 (the "Trust"), through its attorneys, McKool Smith, P.C., brings this complaint against WMC Mortgage, LLC ("WMC"), as successor-in-interest to WMC Mortgage Corporation, J.P. Morgan Mortgage Acquisition Corporation ("JPMAC"), and J.P. Morgan Chase Bank, N.A. ("JPM Bank," and together with JPMAC and WMC, the "Defendants") at the direction of certain holders of certificates issued by the Trust. Except as otherwise indicated as to its own actions and conduct, the Securities Administrator alleges upon information and belief as follows:

NATURE OF THE ACTION

1. This action arises out of Defendants' failure to honor their contractual obligations to the Trust, as well as breaches of their representations and warranties and servicing obligations.

2. The Trust was formed as part of an approximately $1.275 billion residential mortgage securitization sold by JPMAC and serviced by JPM Bank. The 6,510 mortgage loans included in the Trust (the "Mortgage Loans" or "Loans") are primarily one to four-family, fixed and adjustable-rate mortgage loans secured by first or second liens on residential properties. The mortgage loans were originally owned by WMC and in connection with the securitization of the loans WMC made numerous representations and warranties relating to the nature and quality of the Mortgage Loans. JPMAC also made certain representations and warranties with respect to the nature and quality of the mortgage loans. Independent of their representations and warranties, WMC and JPMAC also took upon themselves certain repurchase, indemnification and notice obligations, which they now refuse to fulfill and which form the basis for this Complaint. Similarly, JPM Bank took upon itself certain notice obligations that it failed to fulfill, which also form the basis of this Complaint.

3. The Mortgage Loans are held by the Trustee for the benefit of the holders of Certificates issued by the Trust (the "Certificateholders"). The Mortgage Loans were (and remain) the sole source of income from which the Trust makes payments to Certificateholders.

4. In connection with the mortgage securitization, WMC agreed to act as the "Originator" and JPMAC agreed to act as the "Seller," and in those roles they entered into a series of agreements by which they made many specific representations and warranties for the benefit of the Trust about the nature and quality of the mortgage loans in the Trust. These representations and warranties relate to, among other things, the ability of the borrower to make his or her monthly mortgage payment and the security of the collateral supporting the loan.

5. Highlighting the critical importance of these representations and warranties, JPMAC and WMC promised to quickly cure any breach of these representations and warranties

that materially and adversely affected the value of any Mortgage Loan or the interest of Certificateholders in the Loans.[1] Specifically, as Originator, WMC took upon itself the independent obligation to repurchase from the Trust, within 60 days of either its discovery or its receipt of notice of any mortgage loan in breach of a representation or warranty that "materially and adversely affects the value of a Mortgage Loan or the Mortgage Loans or the interest of the Purchaser therein." Mortgage Loan Sale and Interim Servicing Agreement, dated July 1, 2005 ("MLSA") § 7.03. JPMAC took upon itself a similar repurchase obligation in connection with its role as Seller with respect to the representations and warranties it made in that role. Pooling and Servicing Agreement dated as of June 1, 2007 (amended on July 31, 2007) ("PSA") § 2.03(a)(ii). Moreover, JPMAC promised to repurchase any breaching Mortgage Loans to the extent WMC failed to do so. PSA §2.03(a)(i).

6. This obligation to cure or repurchase was not contingent on any action by any other party or the receipt of any additional information. Each Defendant had an independent obligation to notify the Trustee and other parties of Loans that breached representations and warranties, and WMC and JPMAC each had an independent obligation to cure or repurchase the affected Loan when they became aware of a breach of a representation and warranty. In essence, Certificateholders assumed the risk that there might be defaults on Mortgage Loans that conformed to JPMAC's and WMC's representations and warranties, but JPMAC and WMC assumed the risk that Mortgage Loans would fail to meet those representations and warranties.

7. In addition to undertaking its repurchase obligation, WMC also agreed in the MLSA to promptly reimburse, among others, the Securities Administrator for, among other things, "any costs and expenses resulting from any claim, demand, defense or assertion arising

[1] If the breach was discovered within the first two years after the Trust was created, WMC or JPM, as applicable, could also replace the defective loan with one that complied with the representations and warranties. This option is thus no longer available, since the Closing Date was June 28, 2007.

from or relating to, a breach of [its] representations and warranties contained in this Agreement." MLSA § 7.03.

8. By notices sent on June 7, 2012, January 28, 2013, and November 5, 2013, the Securities Administrator notified WMC and JPMAC that, in total, over 1,593 Mortgage Loans breached one or more of WMC's and/or JPMAC's representations and warranties in a manner that materially and adversely affects the value of the Mortgage Loans and the interests of Certificateholders therein. The notices set forth the details of these breaches on a loan-by-loan basis and demanded that WMC or JPMAC repurchase the breaching loans in compliance with their contractual obligations.

9. A subset of those 1,593 breaching Loans had been identified by a forensic review of information, including the original loan documentation created or obtained by WMC, reviewed by WMC when it serviced the Loans, reviewed by JPMAC when it purchased the Loans, and reviewed by JPM Bank as it serviced the Loans. That forensic review of 500 Mortgage Loans (the "Loan Review") revealed that 477 of those Mortgage Loans—***95.8% percent of the loans reviewed***—breached one or more of JPMAC's and WMC's representations and warranties in a manner that materially and adversely affected the value of those Loans and the interests of Certificateholders therein.

10. In each instance, Plaintiff notified WMC and JPMAC of these breaches, which included a detailed description of the basis for each breach. The Securities Administrator requested that JPMAC or WMC either cure the breaches or repurchase the defective Mortgage Loans as they had promised. More than ninety days have passed since the Securities Administrator's first and second notices and repurchase demands, but both WMC and JPMAC have failed to cure a single breach or repurchase a single Mortgage Loan. Instead, each has

responded with boilerplate demands for additional information not required under the agreements they signed. Plaintiff, therefore, anticipates that both WMC and JPMAC will fail to cure any breaches or repurchase any Mortgage Loans identified in its third notice.

11. Upon information and belief, WMC, through its origination and initial servicing of the Mortgage Loans, JPMAC, through its control over the underwriter who conducted the due diligence of the Mortgage Loans, and JPM Bank through its servicing of the Mortgage Loans, discovered breaches of JPMAC's and WMC's representations and warranties. Upon discovery of a breach, WMC, JPMAC and/or JPM Bank were each also required to (a) notify each other and the Securities Administrator and/or the Trustee of the breaches discovered and (b) cause WMC or JPMAC, as applicable, to cure the defect within ninety days of notification. PSA § 2.03. Upon information and belief, WMC, JPMAC and JPM Bank failed to notify anyone of breaching Mortgage Loans; WMC, JPMAC and JPM Bank failed to cause any responsible party to cure any breaches of Mortgage Representations; and WMC and JPMAC failed to cure or repurchase any defective loans.

12. Furthermore, both WMC and JPMAC have refused to honor their indemnification obligations and have even refused to acknowledge that the detailed breach notices and thousands of pages of information that the Securities Administrator provided to Defendants triggered their cure or repurchase obligations.

13. The Security Administrator's notices were not JPMAC's first indication that the Mortgage Loans contained material breaches. JPMAC's routine practice was to conduct due diligence on each mortgage pool it intended to securitize by having a third party review a sample of the mortgage loans to determine whether they complied with, among other things, the loan originators' underwriting guidelines. Clayton Holdings, one of JPMAC's third-party due

diligence firms, revealed to the Financial Crisis Inquiry Commission that at least 27 percent of the mortgage loans it reviewed for JPMAC failed to comply with underwriting guidelines. ***Yet JPMAC securitized 51 percent of those defective loans anyway.*** JPMAC engaged in this conduct during the same time in which it purchased and securitized the Mortgage Loans. Accordingly, JPMAC's own due diligence should have led it to discover breaches with respect to a substantial number of the Mortgage Loans.

14. Clayton Holdings' testimony to the Financial Crisis Inquiry Commission is consistent with the Department of Justice's ("DOJ") recent findings about JPMAC's conduct. The DOJ's inquiry included a review of its practices with respect to ***this Trust***. The DOJ found that JPMAC "waived" a number of loans into JPMAC's inventory of loans for securitization, despite the fact that the vendor concluded that the loan did not comply with underwriting guidelines and was without sufficient compensating factors to justify the loan, including in certain instances because material documents were missing from the loan file being reviewed.

15. JPMAC selected the loans to include in the Trust and chose the servicer of the loans and the parties to administer the Trust. It had far more information about the Mortgage Loans than any other transaction party. JPMAC had regular contact, and a direct contractual relationship, with the company that originated and/or sold the Mortgage Loans to it. Moreover, as part of its purchase, JPMAC had access to the documentation supporting each Mortgage Loan (the "Loan File"), which typically included the borrower's loan application, credit report, income, asset and employment verifications, disclosures and an appraisal of the subject property. JPMAC therefore selected the Mortgage Loans to place in the Trust with full access to detailed information on each one, and thus had full ability to ensure that its representations and warranties were accurate.

16. By contrast, the Certificateholders' primary, if not exclusive, source of information about the Mortgage Loans was JPMAC. They had no means to verify the accuracy of information they received from JPMAC, and thus relied upon JPMAC's and WMC's representations and warranties and its promise to cure or repurchase defective Mortgage Loans. Indeed, the closing of the transaction ***was expressly conditioned*** on JPMAC's and WMC's representations and warranties being true and correct. The risk that these representations and warranties were inaccurate or incomplete was allocated in its entirety to JPMAC and WMC through its cure or repurchase obligations.

17. Without JPMAC's and WMC's representations and warranties—and their accompanying promise to cure or repurchase when such representations and warranties are breached—investors would not have been as able to evaluate the risk they were taking on, and thus would have been less willing to invest in Certificates backed by the Mortgage Loans. Without willing investors, the Defendants and their affiliates would not have received the substantial fees and other compensation flowing to it from this transaction.

18. JPMAC's decision to include no fewer than 1,593 Mortgage Loans that materially breached JPMAC's and WMC's representations and warranties, coupled with the subsequent failure by JPMAC and WMC to cure or repurchase those Loans, fundamentally altered the transaction contemplated by the parties in the agreements governing the Trust. The sheer number of defective loans sold to the Trust far exceeds the reasonable expectations of the parties. While the cure/repurchase mechanism provided a safety valve for a handful of mistakes, it was not a license for JPMAC to securitize thousands of defective Mortgage Loans. The nature and extent of these breaches further destroyed the economic rationale for the transaction, which was intended to create Certificates backed by a pool of mortgage loans with understandable and

disclosed risks. As a result of JPMAC's actions, the mortgage pool backing the Certificates was a significantly riskier investment than the Trust and Certificateholders bargained for.

19. Separately, the Trusts also assert claims against JPM Bank, as Servicer. JPM Bank modified at least 992 delinquent Mortgage Loans in the Trust. During the modification process, JPM Bank must have examined the loan files and in the process and therefore discovered breaches of representations and warranties in the loan pools. Moreover, upon information and belief, JPM Bank discovered breaches of representations and warranties during servicing of the Loans, particularly with respect to servicing Loans that were in default. However, despite its discovery of breaches, JPM Bank, as Servicer has never notified the Trustee or Securities Administrator of any such breaches.

20. Defendants' failure to provide notice of breaches they previously discovered, and JPMAC and WMC's refusal to cure or repurchase the identified Mortgage Loans (identified either through notice from the Securities Administrator or Defendants' own knowledge) entitle the Trust to an award of damages and/or specific performance to compel JPMAC and/or WMC to repurchase the Mortgage Loans for which they received notice, as well as for any other Mortgage Loans that JPMAC and/or WMC knows or has reason to know contain similar breaches.

PARTIES

21. The Bank of New York Mellon is a banking corporation organized and existing under the laws of the State of New York. The Bank of New York Mellon serves as Securities Administrator of the Trust pursuant to the PSA, to which the parties are J.P. Morgan Acceptance Corporation I, as Depositor, The Bank of New York Mellon, as successor-in-trust to JPM Bank, as Securities Administrator, JPMAC, as Seller, JPM Bank, as Servicer, U.S. Bank National

Association, as Trustee ("Trustee") and Pentalpha Surveillance LLC, as Trust Oversight Manager.[2]

22. The Bank of New York Mellon's main office is located at One Wall Street, New York, NY 10286. The Bank of New York Mellon brings this action solely in its capacity as Securities Administrator of the Trust, and not in its individual capacity.[3]

23. WMC is a limited liability company organized under the laws of the State of Delaware, with offices in Woodland Hills, California. WMC is the successor entity to WMC Mortgage Corp., which originated residential home mortgage loans. WMC Mortgage Corp. was the Seller of the Mortgage Loans under the MLSA.[4] WMC has acknowledged service of the Summons with Notice.

24. Defendant JPMAC is a Delaware corporation whose registered agent for service of process is located in Wilmington, Delaware. JPMAC was the Purchaser of the Mortgage Loans under the MLSA and was the Seller and sponsor under the PSA. JPMAC has acknowledged service of the Summons with Notice.

25. JPM Bank is a national banking association with its main office located in Columbus, Ohio. JPM Bank has acknowledged service of the Summons with Notice.

[2] A copy of the PSA is attached hereto as Exhibit 1.

[3] The interests and rights of the Securities Administrator to the Mortgage Loans, as well as to the representations, warranties and obligations of Defendants, as contained in the Governing Documents (as defined herein), are specifically provided for in the Governing Documents as described in this Complaint. In particular, Section 2.02 of the PSA states that "[e]nforcement of each Mortgage Loan Purchase Agreement or this Agreement against the Originator or the Seller, respectively, shall be effected by the Securities Administrator on behalf of the Trustee." Pursuant to Sections 2.03(a)(i) and (ii) of the PSA, the Securities Administrator has the right to enforce the representations and warranties and repurchase obligations on behalf of the Trustee.

[4] A true and correct copy of the MLSA is attached hereto as Exhibit 2.

JURISDICTION AND VENUE

26. This Court has jurisdiction over this matter pursuant to CPLR §§ 301 and 302 because Defendants: (i) either transact business in New York, have an office in New York, or have a principal place of business in New York, and (ii) the transactions giving rise to Plaintiff's claims took place within the state of New York. In addition, the PSA and MLSA governing the Trust and the transactions at issue contain New York choice of law provisions.

27. Venue is proper in this County pursuant to CPLR § 503(a) because the Securities Administrator's principal place of business is in this County.

FACTUAL ALLEGATIONS

I. THE JPMAC 2006-WMC2 SECURITIZATION

28. This case concerns mortgage-backed pass-through certificates, more commonly known as residential mortgage-backed securities. Asset-backed securitizations distribute risk by pooling cash-producing assets such as mortgage loans, and issuing securities backed by that pool of assets. The most common form of securitization of mortgage loans involves the creation of a trust to which a seller entity sells a portfolio of mortgage loans. The transfer of assets to a trust is typically a two-step process: "the financial assets are transferred by the seller first to an intermediate entity, often a limited purpose entity created by the seller . . . and commonly called a depositor, and then the depositor will transfer the assets to the [trust] for the particular asset-backed transaction." Asset-Backed Securities, Securities Act Release No. 33-8518, Exchange Act Release No. 34-50905, 84 SEC Docket 1624 (Dec. 22, 2004).

29. After receiving a pool of mortgage loans, the trust issues securities, known as certificates, using the pool of loans as collateral. Investors in the certificates acquire certain rights related to the Mortgage Loans, including rights to the income flowing from the mortgages

(primarily borrowers' payments of principal and interest).

30. Generally speaking, the entity that makes residential mortgage loans to homeowners is called the "originator" of the loans. The process by which the originator decides whether to make a particular loan is known as the "underwriting" of the loan. The general purpose of underwriting is to ensure that loans are made only to borrowers of sufficient credit standing to repay them, and that the loans are made only against sufficient collateral. In the loan underwriting process, the originator applies underwriting guidelines to assess the creditworthiness of the borrowers and the sufficiency of the collateral, i.e., the value of the home. The originator of the loans sells a pool of loans (directly or indirectly) to a special-purpose entity known as a "depositor," which then places the mortgage loans into a trust. Generally speaking, the loans are directly or indirectly purchased from the originator using funds raised by the selling of residential mortgage backed securities ("RMBS"), which, depending on the structure of the transaction, take the form of notes or certificates, to investors.

31. In or about 2006, JPMAC purchased approximately 6,510 residential Mortgage Loans with a total principal balance of approximately $1.275 billion from WMC pursuant to the MLSA. JPMAC securitized the Mortgage Loans in part by selling the Mortgage Loans, and assigning all of its rights under the MLSA, to the Depositor pursuant to an Assignment and Assumption and Recognition Agreement, dated as of June 1, 2006 (the "AARA"). The Depositor, in turn, sold all of its rights, title and interests in the Mortgage Loans, the AARA and the MLSA to the Trust pursuant to the PSA. (The PSA, MLSA, and AARA are collectively referred to herein as the "Governing Documents".) The Trust then issued residential mortgage-backed securities, also known as "Certificates," backed by the Mortgage Loans. The securitization closed on June 28, 2006 (the "Closing Date").

32. By purchasing RMBS, the investors in the Trust acquired the right to receive monies from the cash flows of the underlying Mortgage Loans or their proceeds (including, without limitation, by way of example, loan principal and interest, the proceeds from the liquidation of loan collateral, and/or the proceeds from repurchased Mortgage Loans). These cash flows were to be paid to the RMBS investors pursuant to a contractually specified distribution plan and schedule.

33. The representations and warranties that were made with respect to the Mortgage Loans are material terms of the MLSA and the PSA and those representations and warranties, therefore, are inextricably intertwined with the likelihood that Certificateholders will be paid.

34. The Mortgage Loans were divided into two groups, labeled "Group 1" and "Group 2." All of the mortgage loans in the securitization were originated or owned by WMC. The cash flows from the Loans in each Loan Group were directed primarily toward specific classes of Certificates.

35. Under the terms of the PSA, the Securities Administrator, in its own capacity and as assignee, may enforce the Defendants' obligations under the PSA and MLSA, including without limitation WMC's and JPMAC's obligations to repurchase Mortgage Loans.

II. THE PARTIES' CONTRACTUAL OBLIGATIONS

36. Both WMC and JPMAC made certain representations and warranties in the securitization documents with respect to the Mortgage Loans. Through such representations and warranties, WMC and JPMAC promised that the Mortgage Loans met certain requirements, such as (i) credit quality thresholds regarding the borrowers' ability to repay their loans on time and in full, (ii) origination in compliance with legal requirements, and (iii) that the documentation required to issue (and enforce) the Mortgage Loans was complete. Without these assurances,

backed by WMC's and JPMAC's obligation to repurchase loans that breached its representations and warranties, it is unlikely that JPMAC could have sold the Mortgage Loans to the Trust (or sold the Certificates to investors), or at the very least, could not have sold them for as high a price.

A. WMC's Representations and Warranties

37. The MLSA contains a series of representations and warranties that WMC, as Originator, made to JPMAC, its successors and its assignees (the "WMC Representations"). MLSA §§ 7.01 and 7.02. The WMC Representations are contained in Sections 7.01 and 7.02 of the MLSA and include over 60 specific representations and warranties concerning the nature, characteristics, history and quality of the Mortgage Loans and the mortgage loan files ultimately deposited in the Trust. The WMC Representations relate to, among other things, the ability of the borrower to make his or her monthly mortgage payment and the security of the collateral supporting the loan.

38. The WMC Representations are too numerous to set forth in their entirety here but are incorporated herein by reference. By way of example, they include, without limitation, that:

(i) in connection with each Mortgage Loan, no fraud, misrepresentation or similar occurrence has taken place on the part of any person involved in the origination of the loan;

(ii) there was no default, breach, violation or event of acceleration existing under the mortgage or the mortgage note;

(iii) the information set forth on the Mortgage Loan Schedule was true, correct and complete in all material respects;

(iv) the origination practices used by the Seller and the collection and servicing practices used by the Servicer 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;

(v) all requirements of any federal, state or local law applicable to the origination and

servicing of the Mortgage Loans have been complied with;

(vi) each Mortgage Loan was underwritten in accordance with the underwriting guidelines in effect at the time of origination;

(vii) the consideration received by WMC under the MLSA constitutes fair consideration and reasonably equivalent value for the Mortgage Loans; and

(viii) no statement, report, or other document furnished or to be furnished pursuant to the MLSA contained any untrue statement of fact or omits to state a fact necessary to make the statements contained therein not misleading.

See, e.g., MLSA § 7.01(a), (f), (1), (dd), (hh), (ii); MLSA § 7.02(j), (m).

39. Pursuant to the terms of the Governing Documents, the Securities Administrator succeeded to the rights under the MLSA to rely upon and enforce the WMC Representations on behalf of the Trustee. Specifically, the MLSA provides that:

> This Agreement shall bind and inure to the benefit of and be enforceable by the initial Purchaser, the Seller, and the Servicer, and the respective successors and assigns of the initial Purchaser, the Seller, and the Servicer. The initial Purchaser and any subsequent Purchasers may assign this Agreement in whole or in part to any Person to whom and Mortgage Loan is transferred pursuant to a sale or financing.

MLSA § 30.

40. Pursuant to the AARA, JPMAC agreed that it "grants, transfers and assigns to [the Depositor] all of the right, title and interest of [JPMAC], as purchaser, in, to and under" the MLSA as it pertains to the Mortgage Loans. AARA § a.

41. Additionally, in the AARA, WMC agreed that, except with respect to certain specific representations and warranties which were made as of the Servicing Transfer Date, it "shall be deemed to have restated and remade each representation and warranty of [WMC] set forth in the Mortgage Loan Sale and Interim Servicing Agreement as of the date hereof…." AARA § b.

42. WMC also agreed that "upon execution of this Agreement, [the Depositor] shall

be entitled to all rights of the "Purchaser" under the Mortgage Loan Sale and Interim Servicing Agreement with regard to the Mortgage Loans, and all representations warranties and covenants by [WMC] as the "Seller" thereunder (including the representations and warranties as restated in the preceding paragraph)." AARA § c.

43. Pursuant to the PSA, the Depositor assigned its rights under the AARA and MLSA to the Trustee for the benefit of the Trust. PSA § 2.01(a). Specifically, the PSA provides in relevant part that:

> The Depositor, concurrently with the execution and delivery hereof, does hereby establish the Trust and transfer, assign, set over and otherwise convey to the Trustee without recourse for the benefit of the Certificateholders all the right, title and interest of the Depositor, including any security interest therein for the benefit of the Depositor, in and to the Mortgage Loans identified on the Mortgage Loan Schedule, the rights of the Depositor under the [Assignment Agreement] and the [MLSA] and all other assets included or to be included in the Trust Fund.

PSA § 2.01(a).

44. The PSA further provides that "[e]nforcement of each [MLSA] or this Agreement against [WMC] or [JPMAC], respectively, shall be effected by the Securities Administrator on behalf of the Trustee. PSA § 2.02.

45. WMC's Representations were, and remain, material to the Trust and the Certificateholders. Indeed, Section 8 of the MLSA expressly makes the accuracy of WMC's representations and warranties a condition to the closing of the transaction: "The closing shall be subject to each of the following conditions: (a) all of the representations and warranties of the Seller and the Servicer under this Agreement shall be true and correct in all material respects as of the related Closing Date and no event shall have occurred which, with notice or the passage of time, would constitute a default under this [MLSA]." MLSA § 8.

B. JPMAC's Representations and Warranties

46. JPMAC also made its own representations and warranties in the PSA concerning the characteristics of the loans it received from WMC (the "JPMAC Representations" and, together with the WMC Representations, the "Representations and Warranties"). PSA § 2.06(v). The JPMAC Representations include, without limitation, the following:

(i) There is no default, breach, violation or event of acceleration existing under the Mortgage or the Mortgage Note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration. PSA § 2.06(i)(iii)(iv)(v) (citing MLSA § 7.02(l));

(ii) The Mortgage has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the Mortgaged Property has not been released from the lien of the Mortgage, in whole or in part, nor has any instrument been executed that would effect any such satisfaction, cancellation, subordination, rescission or release. PSA § 2.06(i)(iv)(v) (citing MLSA § 7.02(s)); and

(iii) The information set forth in the Mortgage Loan Schedule[5] is complete, true and correct. PSA § 2.06(i)(ii)(iii) (citing MLSA § 7.02(a)).

47. The JPMAC Representations are set forth in their entirety in the PSA.

C. The Parties' Notice Obligations

48. Section 7.03 of the MLSA states that "[u]pon discovery ***by the Seller, the Servicer or the Purchaser*** of a breach of any of the foregoing representations and warranties which materially and adversely affects the value of the Mortgage Loans or the interest of the Purchaser therein (or which materially and adversely affects the interest of the Purchaser in or the value of the related Mortgage Loan in the case of a representation and warranty relating to a particular Mortgage Loan), the party discovering such breach shall give prompt written notice to

[5] The Mortgage Loan Schedule ("MLS") is a document JPMAC prepared and includes information that is important to Certificateholders, such as the balance remaining on a property's senior lien, the original appraisal value of the property, whether the loan is a balloon loan, the loan's current interest rate, the borrower's debt-to-income ratio, the borrower's monthly income and FICO score, whether the property is a primary residence, second home or investment property, the original balance of the loan, the original LTV ratio, property type descriptions, and purchase price. The MLS is typically the Certificateholders' primary, if not sole, means of obtaining this type of information on a loan-by-loan basis.

the others." (Emphasis added.)

49. The PSA assigns all of the Depositor's rights under the MLSA to the Trustee and conveys all right, title and interest in the Mortgage Loans to the Trustee for the benefit of the Certificateholders. PSA § 2.01. Similarly to the MLSA, the PSA provides that upon any party's discovery of a breach, that party must notify the other parties. Specifically, the PSA provides in relevant part that:

> "Upon discovery by ***any of the parties hereto*** [which include JPMAC and JPM Bank] or receipt of notice by a Responsible Officer in the Corporate Trust Office of the Trustee or the Securities Administrator of any materially defective document in, or that a document is missing from, the Mortgage File or of the breach by [WMC] 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, ***such party*** or the Trustee ***shall promptly notify the Seller***, the Servicer and the Securities Administrator (if such discovering party is not the Securities Administrator) of such defect, missing document or breach and ***such party*** or the Securities Administrator on behalf of the Trustee ***shall cause*** [WMC] to deliver such missing document or cure such defect or breach."

PSA § 2.03(a)(i) (emphasis added).

50. The PSA contains a similar notice requirement with respect to breaches of the JPMAC Representations. PSA § 2.03(a)(ii).

51. Therefore, summarily, upon discovery of a breach by WMC, JPMAC and/or JPM Bank (as Servicer and a party to the PSA), the party discovering such breach was required to (a) notify each other and the Securities Administrator and/or the Trustee of the breaches discovered and (b) cause WMC or JPMAC, as applicable, to cure the defect within ninety days of notification. PSA § 2.03.

D. The Repurchase Obligations

1. WMC's Repurchase Obligation

52. As Originator, WMC assumed the continuing and independent obligation to cure, repurchase or substitute any Mortgage Loan that is in breach of a representation or warranty that "materially and adversely affects the value of a Mortgage Loan or the interest of the Purchaser therein" (the "WMC Repurchase Obligation"). MLSA § 7.03.

53. Furthermore, with respect to a number of the WMC Representations, it was agreed that "any breach of this representation shall be [automatically] deemed to materially and adversely affect the value of the Mortgage Loan and shall require a repurchase of the affected Mortgage Loan." *See* MLSA §§ 7.01(gg), (qq), (ww), (xx), (zz), (aaa), (mmm), and (qqq).

54. The MLSA explicitly provides that causes of action against WMC for breaches of the WMC Representations "accrue upon (i) discovery of such breach by the Purchaser or notice thereof by the Seller or the Servicer to Purchaser, (ii) failure by the Seller or the Servicer, as applicable, to cure such breach, repurchase such Mortgage Loan as specified above, substitute a Substitute Mortgage Loan for such Mortgage Loan as specified above and/or indemnify the Purchaser, *and* (iii) demand upon the Seller or the Servicer, as applicable, by the Purchaser for compliance with the terms of this Agreement." MLSA § 7.03 (emphasis added).

55. If WMC does not comply with its WMC Repurchase Obligation within a period of ninety days from the date of when it was notified of a breach, then, subject to certain requirements in Article VIII of the PSA, the Securities Administrator shall enforce the obligations of WMC under the Governing Documents to repurchase such Mortgage Loan from the Trust Fund.

2. JPMAC's Repurchase Obligation

56. JPMAC, as Seller, agreed in two distinct ways to assume the risk that any of the Mortgage Loans fail to comply with Representations and Warranties.

57. First, JPMAC agreed that "in the event that [WMC] shall fail to cure the applicable breach or repurchase a Mortgage Loan in accordance with [§ 2.03(a)(i)] [JPMAC] shall do so." PSA § 2.03(a)(i). In other words, if a Mortgage Loan breached a WMC Representation, and WMC failed to repurchase that Loan, JPMAC agreed to repurchase that Loan. PSA §2.03(a)(i); MLSA § 7.03.

58. Second, independent of WMC's Representations and WMC's Repurchase Obligation, JPMAC, as Seller, also agreed to repurchase Mortgage Loans that breach the JPMAC Representations where such breaches materially and adversely affect the value of any Mortgage Loan or the interest of the Certificateholders therein (the "JPMAC Repurchase Obligation" and, together with the WMC Repurchase Obligation, the "Repurchase Obligations"). PSA § 2.03(a)(ii).

59. Consistent with the clear allocation of risk between the Trust and JPMAC, the PSA requires JPMAC to repurchase defective Mortgage Loans regardless of whether JPMAC was aware of the breach at the time the representations and warranties were made—even with respect to representations and warranties made to the best of JPMAC's knowledge.[6]

60. The WMC and JPMAC Repurchase Obligations require WMC and JPMAC to

[6] In that regard, the PSA provides:

> Upon discovery by any of the parties hereto or receipt of notice by a Responsible Officer in the Corporate Trust Office of the Trustee of any breach by the Seller of any representation, warranty or covenant made by the Seller in Section 2.06 in respect of any Mortgage Loan that materially adversely affects the value of such Mortgage Loan or the interest therein of the Certificateholders (in the case of any such representation or warranty made to the knowledge or the best of knowledge of the Seller as to which the Seller has no knowledge, without regard to the Seller's lack of knowledge with respect to the substance of such representation or warranty being inaccurate at the time it was made), such party or the Trustee shall promptly notify the Seller and the Servicer of such breach and cause the Seller to cure such breach within 90 days from the date the Seller was notified of such breach. PSA § 2.03(a)(ii).

repurchase the affected Mortgage Loans pursuant to the Governing Documents. WMC and JPMAC additionally agreed in the Governing Documents to pay the Trust's costs and expenses, including attorney's fees, resulting from a breach of a representation and warranty.

3. Cure or Repurchase Protocol is an Integral Part of the Securitization

61. JPMAC's and WMC's cure or repurchase obligation were central to the securitization of the Mortgage Loans because they (i) incentivized WMC and JPMAC to ensure that only loans where prudent lending practices were employed in the origination were included in the Trust and (ii) allocated the risk of poor lending practices to the entities best able to detect and prevent them—WMC and/or JPMAC.

62. Mortgage securitization can remove these incentives toward prudent lending. In the securitization context, originators earn a profit from the immediate sale of the loan rather than from the borrower's payments over the life of the loan. Traditionally, loan originators financed their mortgage business through customer deposits, retained ownership of the loans they originated, and directly received mortgage payments from borrowers. They earned a profit based on the spread between the interest they received on the loans and the interest they paid on their depository accounts. When an originator held a mortgage through the term of the loan, it alone bore the risk of loss if the borrower defaulted and the value of the collateral was insufficient to repay the loan. As a result, originators had strong economic incentives to apply prudent underwriting standards to verify borrower creditworthiness. However, once the loans are sold, the credit risk on those loans shifts to investors. For this reason, the more loans an originator issues, the more product it has to sell and the more profit it can generate, while at the same time avoiding the credit risk inherent in holding the loan. Thus, rather than being a key component of profitability, underwriting guidelines and other credit criteria act as a constraint on

profitability, because they restrict a lender from issuing more loans to less creditworthy borrowers. By undercutting or ignoring those credit criteria, the lender can originate more loans.

63. Relatedly, if a sponsor purchases loans to hold on its books as investments, the risk of default will loom large in its decision to issue or purchase the loans. But because sellers like JPMAC in securitizations like the Trust acquire loans solely to sell and securitize them, their primary focus shifts to increasing volume, even at the expense of credit quality. As such, they have little stake in the performance or quality of the loans because they pass the risk of default on to the securitization trust, and ultimately, to its investors. Thus they have little incentive to carefully scrutinize the loans they acquire. As long as the lender sells the loan, it does not take on additional risk by originating riskier loans — it just makes more money.

64. The cure/repurchase mechanism provides an essential deterrent to such misconduct. It is intended to ensure that originators and sellers such as JPMAC and WMC adhere to prudent lending practices. If a seller is faced with the risk that it will be forced to repurchase a materially deficient loan, the seller should have the necessary incentive to ensure that its representations and warranties are accurate. And because the seller is in the best position to verify the quality of the loans it intends to securitize, allocating the risk of deficiencies in the loans to the seller is appropriate and reasonable.

E. WMC's Indemnification Obligation

65. Independent of its Repurchase Obligations, WMC is obligated to indemnify the Securities Administrator and Trust for any expenses incurred in enforcing the rights of the Trust against the Defendants (the "Indemnification Obligations").

66. Specifically, Section 7.03 of the MLSA provides that "[i]n addition to such cure, repurchase and substitution obligations, [WMC] shall indemnify the Purchaser and hold it

harmless against any out-of-pocket losses, penalties, fines, forfeitures, reasonable and necessary legal fees (including, without limitation, legal fees incurred in connection with the enforcement of [WMC's] indemnification obligation under this Subsection 7.03) and related costs, judgments and other costs and expenses resulting from any claim, demand, defense or assertion arising from or relating to, a breach of the [WMC] representations and warranties contained in this Agreement."

67. WMC's indemnity obligation is further reflected in the price at which WMC is to repurchase noncompliant Mortgage Loans. That price specifically was defined to include "all reasonable and customary costs and expenses, including reasonable attorneys' fees incurred by Purchaser, to effect repurchases." MLSA § 1.01.

III. THE MORTGAGE LOANS FAILED TO COMPLY WITH THE REPRESENTATIONS AND WARRANTIES

68. In addition to a review of publicly available data for all of the Loans, which revealed breaches in more than 1,000 Mortgage Loans, a full forensic review of the credit, collateral and compliance components of the loan files for 500 Mortgage Loans (together, the "Loan Review"), was conducted. The full forensic review of the Mortgage Loan files, which compared the Mortgage Loans against the representations and warranties (including, without limitation, by examining the underwriting parameters and standards in place at the time of origination in order to see if the Mortgage Loans conformed to the representations and warranties contained in the MLSA), is also known as a "re-underwriting" because, among other things, it repeats the loan underwriting exercise the loan originator was supposed to conduct prior to issuing the loan.

69. The Loan Review did not reveal merely that *some* Mortgage Loans breached the Representations and Warranties; it revealed rather that the vast majority of Loans did so. Of the

500 Mortgage Loans reviewed, 477 Mortgage Loans – ***95.8 percent*** – of the Mortgage Loans reviewed contained at least one breach that had a material and adverse impact on the Mortgage Loan or the Certificateholders' interests therein.[7] These breaches included such fundamental issues as misrepresentations of the borrower's income, employment and/or debt obligations, violations of underwriting guidelines without any compensating factors, incorrect calculations of debt and debt-to-income ratios, excessive loan-to-value ratios, violation of applicable laws, and significant inaccuracies in the Mortgage Loan Schedule.

70. These breaches materially and adversely affected the value of the Mortgage Loans and the interests of Certificateholders by, among other things, concealing the heightened risks inherent in the loans. Among other things, a borrower's income and other debt obligations are primary factors used to assess whether the borrower is able to repay a loan. Indeed, the ratio of monthly debt payments to monthly income (also known as the debt-to-income or "DTI" ratio) is a primary criterion in the underwriting process. Loan-to-value ("LTV") and combined loan-to-value ("CLTV") ratios are both key criteria for assessing the likelihood that a borrower will repay a loan, and are useful for determining the ability of the owner of the loan to recover against the subject property in the event foreclosure is necessary. The CLTV ratio reflects the percentage of the property's value covered by the Mortgage Loan as combined with any other loans on the property. For example, a 75% CLTV ratio means that all mortgages on the property equals 75% of the property's value, and the borrower owns the remaining 25% in value as equity. That 25% equity provides the borrower with an important incentive not to default (and potentially lose his/her equity in the property) and also acts as security in the event a borrower is unable to pay. The higher the CLTV ratio, the higher the risk that the Trust will be unable to

[7] The 479 Mortgage Loans found to have breaches had a total principal balance at securitization of approximately $185 million. To date, the Trust has suffered realized losses for those Mortgage Loans alone in excess of $122 million.

recover the full value of the loan through foreclosure.

71. Inaccurate LTV, CLTV and DTI ratios further create material inaccuracies in the Mortgage Loan Schedule ("MLS"). The MLS often is a critical source of information regarding key characteristics of the Mortgage Loans, and is used by both credit rating agencies and potential investors to assess the risks in the mortgage pool (and thus in the Certificates). Because neither potential investors nor rating agencies have access to the underlying Loan Files prior to purchasing Certificates, they have no way to verify that the information on the MLS is correct. They must instead rely upon the sponsor's representation and warranty that the MLS is correct in all material respects.

72. Occupancy status also directly impacts the risk profile of the loan because a borrower is much less likely to default on a mortgage secured by her primary residence than she is on a loan secured by a second home or investment property. Likewise, accurate information concerning a borrower's cash and other assets is important in assessing risk because these assets provide an alternative source of loan repayment in the event a borrower loses her job.

73. Finally, Mortgage Loans with missing documentation or that fail to comply with applicable law can, among other things, be more difficult to enforce against the borrower and/or subject property, and may be more difficult and expensive to service. The lack of documentation also makes it much more difficult to determine if the Mortgage Loan has the characteristics represented by WMC and JPMAC. For example, Regulation X requires that a final HUD-1 form be delivered at the closing of a mortgage loan transaction. A HUD-1 is needed to assure the seller's concession limits are met, hazard insurance policy is paid, earnest money funds are given credit and correct amounts are funded. When a HUD-1 is not in the loan file, the transaction is in question of meeting all requirements. Additionally, appraisals are generally required to be in

loan files because one of the purposes of underwriting is to establish the adequacy of the collateral for an investment quality loan, which requires an accurate assessment of the current fair market value of the property. If the loan file does not contain the appraisal, then it is likely such assessment was not properly made.

74. The defective Mortgage Loans in the Trust at issue here often contain breaches of more than one representation and warranty, further increasing the risk to Certificateholders and decreasing the value of the Loans. The following examples are illustrative:

- Loan xxxx7231: This loan was originated in 2006 under a Limited Documentation Loan Program with an original principal balance of $388,000. The borrower was approved using monthly income of $11,050. According to the loan application, the borrower earned $6,800 per month as a "sales manager" with the employer stated on the application, and an additional monthly income of $4,250 as a "sales representative." However, according to the 2006 tax returns located in the Loan File, the borrower was actually employed as a member of the clergy, with a monthly income of only $1,200. The borrower also provided twelve months of bank statements to support the alleged income, but the bank statements were from a joint account. The lender should thus have attributed, at most, only half of the total deposits, or $5,953.51, to the borrower, in which case the borrower would not have qualified for the loan. In fact, the borrower's total assets were even less than that amount – while the borrower submitted a bank statement reflecting an ending balance of $38,022.33 to support the stated income, a re-verification of assets with the subject bank indicated that the actual balance in the account on the date in question was $-70.03. The borrower's employment, income and assets were thus misrepresented. The borrower also failed to disclose all mortgage obligations as required by the applicable underwriting guidelines. A property and credit records search determined that the borrower had one undisclosed mortgage in the amount of $260,000. This additional mortgage increased the borrower's monthly debt obligation by $1,558.83, which severely decreased the borrower's ability to repay the subject loan. Moreover, based on the borrower's actual monthly income and debt obligations, the borrower's DTI ratio was 539.73%, which far exceeded the underwriting guideline cap of 55%.

- Loan xxxx0433: This loan was originated in 2006 under a Limited Documentation Loan Program with an original principal balance of $440,000. The loan application stated that the borrower was employed as a "quality control supervisor" earning $11,056 per month. The borrower submitted 12 months of bank statements to support this income, however, a review of the bank statements reflected discrepancies in their font size and appearance. A re-verification of assets with the bank in question confirmed that the balance reflected on the statements had been altered, and that the borrower's actual balance as of the date of the statements was $229.50, not $16,229.50. The Loan File also contained evidence indicating that the borrower's employment had been misrepresented. The verification of employment contained in the Loan File indicated that the borrower was employed as a "medical assembly worker" rather than a quality control supervisor, yet there was no indication in the Loan File that the lender addressed this discrepancy. A re-verification of employment confirmed that the borrower was employed as a "medical assembler." Thus the borrower's assets and employment, and likely his income, were misrepresented.

- Loan xxxx2587: This loan was originated in 2006 under a Limited Documentation Loan Program with an original principal balance of $1,051,650. The loan application indicated that the borrower was self-employed as a "chief executive officer" earning $198,435 per month. The underwriting guidelines for the lender's Limited Documentation program required the lender to obtain bank statements to support this income, however, there was no evidence in the Loan File that the lender obtained the required documentation. The underwriting requirements further required the lender to obtain documentation to support the borrower's self-employment, however there was no verification of self-employment in the Loan File. The borrower's subsequent bankruptcy filing indicated that the borrower's actual annual income in 2006 was $22,474, or $1,872.83 per month. Based on the borrower's actual monthly income and debt obligations, the borrower's DTI ratio was 801%, which far exceeded the underwriting guideline cap of 45%. The underwriting guidelines further required that the lender obtain verification of the borrower's current mortgage history, however the Loan File contained no documentation to support such verification. The Loan File was also missing the initial and final loan applications, a flood certification, and evidence that the lender obtained a hazard insurance policy on the subject property, all of which were required by the applicable underwriting guidelines. Finally, the warranties (and the underwriting guidelines) required loans to comply with all federal, state and local regulatory requirements and to maintain a final Truth-in-Lending Act ("TILA") disclosure and right of rescission notice in the Loan File. Despite these requirements, the TILA disclosure and right of rescission notice were missing from the Loan File.

- Loan xxxx2446: This loan was originated in 2006 under a Stated Income Loan Program with an original principal balance of $420,000. The loan application indicated that the borrower was self-employed as the "owner" of the business listed on the loan application and earned a monthly income of $10,800. The

underwriting guidelines required the lender to obtain documentation supporting the borrower's self-employment; however the Loan File did not contain any evidence that the borrower was self-employed. According to the borrower's subsequent bankruptcy filing, the borrower did not earn any income in 2006. The borrower's income was thus misrepresented (and it is likely that his employment status was, as well). The underwriting guidelines further required that the lender obtain verification of the borrower's rental history for the preceding twelve months, however the Loan File did not contain a verification of rent for the borrower. The Loan File was also missing the required credit report, flood certification, and evidence that a hazard insurance policy had been obtained.

IV. WMC'S AND JPMAC'S SUBSEQUENT BREACH OF THEIR CURE OR REPURCHASE OBLIGATION IN RESPONSE TO NOTICE FROM THE SECURITIES ADMINISTRATOR

75. On May 24, 2012, certain Certificateholders provided notice with respect to 637 Mortgage Loans to the Trustee, Securities Administrator, JPMAC, and GE Capital Services, as successor in interest to WMC. On June 7, 2012, the Securities Administrator promptly sent notice of these breaches to WMC and JPMAC (the "First Breach Notice"). On January 22, 2013, the Certificateholders sent another notice with respect to 714 Mortgage Loans to the Trustee, Securities Administrator, WMC and JPMAC. On January 28, 2013, the Securities Administrator promptly sent notice of these breaches to WMC and JPMAC (the "Second Breach Notice"). On October 31, 2013, the Certificateholders sent an additional notice with respect to 479 Mortgage Loans to the Trustee, Securities Administrator, WMC and JPMAC. On November 6, 2013, the Securities Administrator promptly sent notice of these breaches to WMC and JPMAC (the "Third Breach Notice") (collectively, the "Breach Notices"). The Breach Notices attached voluminous reports detailing every breach found with regard to 1,593 defective Mortgage Loans, including both (i) the specific representation and warranties breached for each Mortgage Loan and (ii) a detailed narrative description of the facts establishing each breach. The Breach Notices requested that WMC and JPMAC cure the identified breaches or repurchase the defective Mortgage Loans.

76. The Third Breach Notice was based upon the Loan Review, which entailed a review of hundreds of thousands of pages of information both publicly available and found in the Mortgage Loan files. The Loan Review revealed detailed, loan-by-loan bases for demanding repurchase of the loans.

77. The breach rate reflected in the Loan Review is substantial; the vast majority of loans reviewed were found by the forensic review firm to be in breach. Such a breach rate would suggest systemic problems in WMC's underwriting process such that the remainder of the Loans in the Trust may reasonably be expected to have experienced a high breach rate.

A. WMC's Responses to the Breach Notices

78. WMC responded to the First Breach Notice on July 30, 2012, with a blanket assertion that it could not repurchase even a single Loan, and indeed, had not even been put on notice with respect thereto, because the Breach Notice did not provide "adequate information to assess whether the allegations set forth in the Repurchase Requests satisfy the requirements of Section 7.03 of the MLSA." WMC requested additional information that the Securities Administrator was not required to provide, and that, in many cases, was either wholly irrelevant to WMC's cure or repurchase obligation (*e.g.*, "the identity of the party who prepared the Retro AVM and all communications with that party"), or was information that JPMAC, as Sponsor, or its affiliate JPM Bank, as Servicer, should have had in their possession already (*e.g.*, "the loan payment history and servicing comments" for each Mortgage Loan).

79. WMC responded to the Second Breach Notice on March 26, 2013. WMC again categorically refused to repurchase a single Mortgage Loan.

80. While WMC has not yet responded to the Third Breach Notice, WMC's responses to the First and Second Breach Notices indicate that WMC has no intention of complying with its

Repurchase Obligation with respect to any Mortgage Loans identified, whether identified in the Third Breach Notice or otherwise.

81. The PSA required WMC to attempt to cure the identified breaches within ninety days of receiving notice from the Securities Administrator and, if it could not cure the breaches, to repurchase the affected Mortgage Loans. WMC has failed either to cure or to repurchase a single such Loan.

B. JPMAC's Responses to the Breach Notices

82. JPMAC did not respond to the First Breach Notice after it was sent by the Securities Administrator. However, JPMAC did previously respond to the substance of the First Breach Notice when it responded to a letter sent by certain Certificateholders on May 7, 2012. Specifically, on May 10, 2012, JPMAC asserted, in direct contradiction of the express terms of the PSA, that it had no liability for breaches of WMC's Representations. JPMAC also claimed that the notice was insufficient to constitute notice of any breach because it "does not and cannot demonstrate that your assumptions are correct, particularly as we are not privy to the source documents, assumptions, methods and margins for error that inform that analysis."[8]

83. JPMAC responded to the Second Breach Notice on February 26, 2013. Once again, JPMAC argued that it had no liability for the breaches of WMC's Representations, and claimed that "the result of the 'forensic analyses' purported to have been undertaken do not and cannot demonstrate to [JPMAC] that any allegations are correct, particularly as the Letters' authors have declined to disclose to us the source documents, methods and margins for error that inform the supposed analysis." JPMAC has yet to respond to the Third Breach Notice.

84. The PSA required WMC and JPMAC to attempt to cure the identified breaches

[8] JPMAC further denied that the notice triggered its obligations under the PSA on the grounds that only parties to the PSA, and not Certificateholders, could give notice pursuant to the PSA of breaches of representation and warranties.

within ninety days of receiving notice from the Securities Administrator and, if they could not cure the breaches, to repurchase the affected Mortgage Loans. WMC and JPMAC's opportunity to cure the Mortgage Loans included in the First and Second Breach Notices expired on September 5, 2012 and April 28, 2013, respectively. Moreover, given that WMC failed to timely cure or repurchase any Mortgage Loans, JPMAC was obligated to do so. Nonetheless, JPMAC has failed to cure or repurchase a single Loan.

C. WMC and JPMAC's Failures to Cure Or Repurchase a Single Loan

85. WMC and JPMAC have neither repurchased nor cured a single Loan in response to the Breach Notices.

86. The Securities Administrator, Trust and its investors have incurred legal fees, costs and other expenses resulting from WMC and JPMAC's breaches of the Representations and Warranties and their breach of the Repurchase Obligations. The Securities Administrator expects such expenses to continue to accrue for so long as WMC and JPMAC remain in breach of their obligations. Accordingly, the Indemnification Obligation has both matured and continues to accrue with respect to existing and future claims.

87. Furthermore, given their improper refusal to comply with their obligations with respect to the First Breach Notice and Second Breach Notice, it is reasonable to assume that WMC and JPMAC have repudiated their obligations under the agreements and will fail to abide by their obligations with respect to the Third Breach Notice, as well as any subsequent notices from the Securities Administrator (or any other party).

V. DEFENDANTS' KNOWLEDGE OF THE BREACHES

88. WMC and JPMAC discovered (or should have discovered) the widespread breaches in the Mortgage Loans at the time both entities made their respective representations

and warranties in the MLSA and PSA. WMC originated or purchased the Mortgage Loans and performed underwriting with respect thereto, generating or obtaining in the process the Loan File for each Mortgage Loan. WMC further serviced the Mortgage Loans for a period of time, during which it would have learned additional information about them. JPMAC purchased the Mortgage Loans from WMC and selected them for securitization, a process which required it to have access to the Loan File for each Mortgage Loan in its possession and perform due diligence thereon. Moreover, prior to making its representations and warranties, JPMAC performed its own comprehensive re-underwriting on large numbers of mortgage loans it intended to securitize, which almost certainly included a sample of the Mortgage Loans.

89. Similarly, JPM Bank also discovered (or should have discovered) the widespread breaches of Representations and Warranties Mortgage Loans while it was servicing the mortgage loans.

A. WMC had Knowledge of Material Breaches Prior to Making the WMC Representations

90. As Originator, WMC was responsible for underwriting and issuing the Mortgage Loans and, in the course of doing so, was charged with assuring the loans' compliance with the WMC Representations. As Originator, WMC had notice of breaches of the WMC Representations because WMC created or approved the loan documentation contained in the Mortgage Loan files and knowingly approved and originated the Loans based thereon.

91. Generally, WMC knew of the breaches of the WMC Representations before receiving the Breach Notices because, as Originator, WMC not only created the Mortgage Loan Files, but also would have reviewed them after issuing the Loans. In accordance with industry standards, such review did not just involve an in-house review of the loan applications and supporting documents for completeness, consistency, reasonability, and compliance with the

stated guidelines, but it also likely involved post-closing quality-control audits, and other procedures performed for the stated purpose of, among other things, catching the types of errors uncovered by the forensic loan reviews described in the Breach Notices.

92. Based on news articles concerning WMC, WMC's internal quality-control processes existed and, in fact, caught the problems with respect to the Mortgage Loans, such as the ones that are identified in the Breach Notices. For example, CBS News reported that WMC's management ignored employees who reported widespread fraud in the company's mortgage underwriting business. *See* Investigation: How lending industry ignored risks, CBS MoneyWatch (Jan. 9, 2012), available at http://www.cbsnews.com/8301-505123_162-57353837/investigation-how-lending-industry- ignored-risks/.

B. JPMAC had knowledge of Material Breaches Prior to Making the JPMAC Representations

93. Before purchasing loans from WMC, and prior to making the JPMAC Representations, JPMAC conducted its own comprehensive re-underwriting of a sample of the Mortgage Loans to: (1) confirm that the mortgage loans were originated consistent with specific origination guidelines provided by the seller, (2) confirm the mortgage loans were originated in compliance with Federal, State, and local laws, rules, and regulations, and (3) confirm that the property collateral had the value represented in the appraisal at the time of origination.

94. According to an investigation of JPMAC's securitization practices that was conducted by the Department of Justice ("DOJ"), **which specifically included an investigation into practices relating to this Trust**, JPMAC contracted with industry leading third party due diligence vendors, including Clayton Holdings, Inc., to re-underwrite the loans it was purchasing

from loan originators.[9] The DOJ described this due diligence as follows:

> The vendors assigned one of three grades to each of the loans they reviewed. An Event 1 grade meant that the loan complied with underwriting guidelines. An Event 2 meant that the loans did not comply with underwriting guidelines, but had sufficient compensating factors to justify the extension of credit. An Event 3 meant that the vendor concluded that the loan did not comply with underwriting guidelines and was without sufficient compensating factors to justify the loan, including in certain instance because material documents were missing from the loan file being reviewed. [JPMAC] reviewed loans scored Event 3 by the vendors and made the final determination regarding each loan's score. Event 3 loans that could not be cured were at times referred to by due diligence personnel at [JPMAC] as "rejects." [JPMAC] personnel then made the final purchase decisions.

(*Id*. at 3-4.)

95. The DOJ reported that, from January 2006 through September 2007, in the course of JPMAC's acquisition of certain pools of mortgage loans for subsequent securitization, JPMAC's due diligence vendors graded numerous loans in the samples as Event 3's, which meant that, in the vendors' judgment, the loans must be rejected because they neither complied with the originators' underwriting guidelines nor had sufficient compensating factors to justify a deviation from those guidelines. (*Id*. at 4.) The exceptions identified by the third-party diligence vendors included, among other things, loans with excessive loan-to-value ratios (some over 100 percent); excessive debt-to-income ratios; inadequate or missing documentation of income, assets, and rental/mortgage history; stated incomes that the vendors concluded were unreasonable; and missing appraisals or appraisals that varied from the estimates obtained in the diligence process by an amount greater than JPMAC's fifteen percent established tolerance. The vendors communicated this information to JPMAC. (*Id*.)

96. The DOJ found that JPMAC directed a number of the uncured Event 3 loans be

[9] *See* Statement of Facts at 2 n.2, 3, available at http://www.justice.gov/iso/opa/resources/943201311191510319906 22.pdf.

"waived" into the pools facilitating the purchase of loan pools, which then went into JPMAC's inventory for securitization. (*Id.*) In addition to waiving in Event 3 loans on a case-by-case basis, JPMAC due diligence managers also ordered "bulk" waivers by directing vendors to override certain exceptions JPMAC's due diligence managers deemed acceptable across all Event 3 loans with the same exceptions in a pool. (*Id.*) JPMAC's due diligence managers ordered these "bulk waivers" without analyzing these loans on a case-by-case basis. (*Id.*) The due diligence managers sometimes directed these bulk waivers shortly before closing the purchase of a pool. (*Id.*) Further, even though the percentage of Event 3 loans in the random samples indicated that the un-sampled portion of a pool contained additional loans with the same defects, JPMAC purchased and securitized the loan pools without reviewing and eliminating those loans from the un-sampled portions of the pools. (*Id*. at 4-5.)

97. Clayton Holdings, one of the third-party due diligence firms JPMAC utilized, revealed to the United States Congress' Congressional Oversight Panel on the mortgage crisis that at least 27 percent of the mortgage loans it reviewed for JPMAC failed to comply with underwriting guidelines.[10] Yet JPMAC knowingly securitized 51 percent of those defective loans anyway. (*Id.*) JPMAC engaged in this conduct during the same time in which it purchased and securitized the Mortgage Loans.

98. According to the DOJ, JPMAC also performed a valuation review during the course of its due diligence process. JPMAC hired third-party valuation firms to test the appraised value of the mortgaged properties through a variety of data points, including (1) automated valuation models, (2) desk reviews of the appraisals by licensed appraisers, and (3) broker price opinions. After reviewing the relevant data, the valuation firm would provide a

[10] *See* The Financial Crisis Inquiry Report at 167, available at http://fcic-static.law.stanford.edu/cdn_media/fcic-reports/fcic_final_report_full.pdf.

"final recommendation of value." JPMAC had a "tolerance" of 15 percent in the valuation review, meaning that JPMAC would routinely accept loans for securitization, including those with loan-to-value ratios as high as 100 percent, when the valuation firm's "final recommendation of value" was up to 15 percent under the appraised value. In the same marketing communications described above, JPMAC salespeople disclosed that its property valuation review involved an "[a]utomated review of appraisals, with secondary reviews undertaken for any loans outside of tolerance." JPMAC did not disclose that its "tolerance" was 15 percent.

99. Thus, JPMAC's own due diligence led it to discover – or should have led it to discover – breaches of JPMAC's and/or WMC's Representations with respect to the Mortgage Loans. JPMAC, however, failed to notify any of the requisite parties under the governing agreement of the breaches of Representations and Warranties.

C. JPM Bank had Knowledge of Material Breaches as Servicer of the Trust

100. In its role as Servicer, JPM Bank was required to notify the Trustee if it discovered "any breach by [WMC/JPMAC] of a representation, warranty or covenant made by [WMC/JPMAC] in respect of any Mortgage Loans that materially adversely affect the value of such Mortgage Loan or the interest therein of the Certificateholders…." PSA §§ 2.03(a)(i), (a)(ii).

101. JPM Bank, as Servicer of the Mortgage Loans, modified mortgages in certain instances involving borrowers who were unable to make loan payments. JPM Bank likely became aware of breaches of representations and warranties that materially adversely affect the value of the related Mortgage Loan and the interests of the Certificateholders during servicing, particularly including but not limited to when it was servicing loans that were in default and/or

when it performed loan modifications for Mortgage Loans in the Trust—a process in which the lender and the borrower agree to modify the terms of a Mortgage Loan. This process involves scrutinizing the underlying origination and servicing files and any supplemental information provided by the borrower to assess the borrower's ability to repay.

102. Since the closing of the securitizations, JPM Bank has modified at least 922 Mortgage Loans in the Trust. It is unlikely that JPM Bank could have modified these Mortgage Loans without becoming aware of breaches.

103. In sum, JPMAC, JPM Bank and WMC had a duty and were the parties best equipped to detect and report breaches of the Representations and Warranties to the Trustee and the Securities Administrator. No other party to the transaction was similarly situated.

104. Nonetheless, neither JPMAC, nor JPM Bank, nor WMC notified the Trustee or the Securities Administrator of the breaches they detected or should have detected, some of which were identified in the Breach Notices. *See SEC v. J.P. Morgan Securities LLC et al.*, No. 12-01862 (Dist. D.C. 2012).

105. WMC's, JPMAC's, and JPM Bank's failures to notify the Trustee of the breaches they discovered or should have discovered, at the very least, grossly negligent and constitute separate and independent breaches of the PSA and MLSA.

FIRST CAUSE OF ACTION

Against WMC
Breach and Anticipatory Breach of Contract: Breaches of Representations and Warranties and Failure to Repurchase Mortgage Loans

106. Plaintiff incorporates by reference the allegations in all preceding paragraphs as if they were fully set forth herein.

107. The MLSA is a valid and enforceable agreement to which WMC is a party.

108. As part of the MLSA, WMC made the WMC Representations regarding the Mortgage Loans. The WMC Representations were made by WMC for the benefit, *inter alia*, of the Certificateholders.

109. WMC has breached the WMC Representations as set forth in the Breach Notices.

110. The Securities Administrator and the Trustee have performed all of their obligations under the Governing Documents and have not breached any obligation or excused the performance by WMC of any of its obligations under these agreements.

111. In particular, the Securities Administrator delivered the Breach Notices to WMC. More than ninety days have passed since the Trust notified WMC of its breaches of WMC Representations with respect to the First and Second Breach Notices.

112. WMC's responses to the First and Second Breach Notices have unequivocally indicated that it will not cure or repurchase Mortgage Loans in the Trust. WMC has thus repudiated its contractual obligation to do so, and it would be futile for the Securities Administrator to notify WMC of any additional breaches or made any additional repurchase demands.

113. WMC's responses to the First and Second Breach Notices and its resulting repudiation of its obligations to repurchase are indicative of its anticipatory repudiation of the Third Breach Notice and all future additional breach notices and/or repurchase demands. Accordingly, WMC has anticipatorily breached its obligations under the Governing Agreements.

114. As a result of WMC's breaches of the WMC Representations, the Trust has suffered and continues to suffer significant damages.

SECOND CAUSE OF ACTION

Against WMC
Breach and Anticipatory Breach of Contract:
Specific Performance for Failure to Repurchase Mortgage Loans

115. Plaintiff incorporates by reference the allegations in all preceding paragraphs as if they were fully set forth herein.

116. The MLSA is a valid, enforceable agreement to which WMC is a party. The PSA is a valid and enforceable agreement related to, and executed contemporaneously with, the MLSA.

117. WMC has breached its WMC Repurchase Obligation by failing to cure the breaches of the WMC Representations identified in the Breach Notices in all material respects or repurchase the Mortgage Loans at the specified Purchase Price.

118. The Securities Administrator and Trustee have performed all of their obligations under the Governing Documents and have not breached any obligation or excused the performance by WMC of any of its obligations under these agreements.

119. In particular, the Securities Administrator delivered the Breach Notices to WMC. More than ninety days have passed since the Trust notified WMC of its breaches of WMC Representations with respect to the First and Second Breach Notices.

120. WMC's responses to the First and Second Breach Notices have unequivocally indicated that it will not cure or repurchase Mortgage Loans in the Trust. WMC has thus repudiated its contractual obligation to do so, and it would be futile for the Securities Administrator to notify WMC of any additional breaches or made any additional repurchase demands.

121. WMC's responses to the First and Second Breach Notices and its resulting

repudiation of its obligations to repurchase are indicative of its anticipatory repudiation of the Third Breach Notice and all future additional breach notices and/or repurchase demands. Accordingly, WMC has anticipatorily breached its obligations under the Governing Agreements.

122. As a result of WMC's breach of its WMC Repurchase Obligation, the Trust has suffered and continues to suffer significant damages.

123. The Trust is therefore entitled to an order that WMC must specifically perform its obligations under the PSA – specifically, that it must repurchase all Mortgage Loans breaching the WMC Representations, both those listed in the Breach Notices and those identified in the future; or, in the alternative, receive damages in amount to be determined at trial.

THIRD CAUSE OF ACTION

Against JPMAC
Breach and Anticipatory Breach of Contract:
Breach of Representations and Warranties and Failure to Repurchase Mortgage Loans

124. Plaintiff incorporates by reference the allegations in all preceding paragraphs as if they were fully set forth herein.

125. As part of the PSA, JPMAC made the JPMAC Representations regarding the Mortgage Loans. The JPMAC Representations were made by JPMAC for the benefit, *inter alia*, of the Certificateholders.

126. JPMAC has breached the JPMAC Representations as set forth in the Breach Notices.

127. The Securities Administrator and the Trustee have performed all of their obligations under the Governing Documents and have not breached any obligation or excused the performance by JPMAC of any of its obligations under these agreements. In particular, the Securities Administrator delivered the Breach Notices to JPMAC. More than ninety days have

passed since the Trust notified JPMAC of its breaches of JPMAC Representations with respect to the First and Second Breach Notices.

128. JPMAC's responses to the First and Second Breach Notices have unequivocally indicated that it will not cure or repurchase Mortgage Loans in the Trust. JPMAC has thus repudiated its contractual obligation to do so, and it would be futile for the Securities Administrator to notify WMC of any additional breaches or made any additional repurchase demands.

129. JPMAC's responses to the First and Second Breach Notices and its resulting repudiation of its obligations to repurchase are indicative of its anticipatory repudiation of the Third Breach Notice and all future additional breach notices and/or repurchase demands. Accordingly, JPMAC has anticipatorily breached its obligations under the Governing Agreements.

130. The Trust has been damaged by JPMAC's breaches of the JPMAC Representations and continues to suffer significant damages.

FOURTH CAUSE OF ACTION

Against JPMAC
Breach and Anticipatory Breach of Contract:
Specific Performance for Failure to Repurchase Mortgage Loans

131. Plaintiff incorporates by reference the allegations in all preceding paragraphs as if they were fully set forth herein.

132. The PSA requires JPMAC to repurchase any Mortgage Loan within 90 days of discovery or notice of a breach of the JPMAC Representations if that breach has not been cured by JPMAC and materially adversely affects the value of such Mortgage Loan or the interest therein of the Certificateholders.

133. In addition, the PSA requires that, to the extent WMC fails to repurchase Mortgage Loans that breach the WMC Representations, JPMAC shall do so.

134. The Securities Administrator and the Trustee have performed all of their obligations under the Governing Documents and have not breached any obligation or excused the performance by WMC of any of its obligations under these agreements.

135. In particular, the Securities Administrator delivered the Breach Notices to JPMAC. More than ninety days have passed since the Trust notified WMC and JPMAC of their breaches of Representations and Warranties with respect to the First and Second Breach Notices.

136. WMC's and JPMAC's responses to the First and Second Breach Notices have unequivocally indicated that they will not repurchase Mortgage Loans in the Trust. WMC and JPMAC have thus repudiated their contractual obligations to do so, and it would be futile for the Securities Administrator to notify WMC or JPMAC of any additional breaches or made any additional repurchase demands.

137. JPMAC's responses to the First and Second Breach Notices and its resulting repudiation of its obligations to repurchase are indicative of its anticipatory repudiation of the Third Breach Notice and all future additional breach notices and/or repurchase demands. Accordingly, JPMAC has anticipatorily breached its obligations under the Governing Agreements.

138. JPMAC has failed to cure or repurchase any Mortgage Loans identified in the Breach Notices as being in breach of the JPMAC Representations, in violation of its contractual duties. JPMAC further breached its obligations under the PSA by not repurchasing the defective Mortgage Loans that WMC has failed to repurchase.

139. The Trust has been further damaged by JPMAC's failure to repurchase those

Mortgage Loans that breach WMC Representations but that WMC has failed to repurchase. JPMAC's breaches materially and adversely affect the value of the Mortgage Loans and the interests of the Certificateholders.

140. The Trust is therefore entitled to an order that JPMAC must specifically perform its obligations under the PSA – specifically, that it must repurchase (i) all Mortgage Loans breaching the JPMAC Representations, both those listed in the Breach Notices and those identified in the future, and (ii) all Mortgage Loans breaching the WMC Representations, both those listed in the Breach Notices and those identified in the future, which WMC fails to repurchase.

FIFTH CAUSE OF ACTION

Against WMC, JPMAC, and JPM Bank
Breach of Contract: Failure to Notify

141. Plaintiff incorporates by reference the allegations in all preceding paragraphs as if they were fully set forth herein.

142. The Governing Documents impose continuing and independent duties upon WMC, JPMAC and JPM Bank to provide notices of breaches of Representations and Warranties to the other parties.

143. Section 7.03 of the MLSA requires WMC to notify the Securities Administrator of any breach of the WMC Representations that materially and adversely affects the value of the Mortgage Loan or the interests of the Trustee or Certificateholders therein promptly upon its discovery of such breach.

144. Section 2.03(a) of the PSA required JPMAC and JPM Bank to give prompt written notice to the Trust upon discovery that any Mortgage Loan breached representations and warranties.

145. WMC, as Originator, JPMAC, as Seller, and JPM Bank, as the Servicer of the Mortgage Loans, were the parties that had a duty to and were best equipped to detect and report breaches of the Representations and Warranties to the Securities Administrator and/or Trustee. No other party to the transaction had access to this information.

146. As Originator, WMC was charged with assuring the loans' compliance with the WMC Representations. As Originator, WMC had notice of breaches of the WMC Representations because WMC created or approved the loan documentation contained in the Mortgage Loan files. Thus, during its due diligence and/or origination of the Mortgage Loans, WMC discovered or should have discovered that certain of the Mortgage Loans breached the WMC Representations. Moreover, WMC further discovered or should have discovered that certain of the Mortgage Loans breached the WMC Representations when it was the servicer.

147. Based on the due diligence it conducted on at least sample of the Mortgage Loans, JPMAC also discovered or should have discovered that the Mortgage Loans breached the Representations and Warranties.

148. Based upon its servicing of the Mortgage Loans, including its modification of more than 900 Mortgage Loans, JPM Bank, discovered or should have discovered that Mortgage Loans in the Trust breached Representations and Warranties.

149. WMC, JPMAC and JPM Bank failed to notify the Securities Administrator and/or the Trustee of the breaches of Representations and Warranties that they discovered or should have discovered.

150. WMC's, JPMAC's, and JPM Bank's failures to notify breached their obligations under the Governing Documents.

151. The Securities Administrator and Trustee have performed all of their obligations

under the Governing Documents and have not breached any of their obligations under these agreements.

152. The Trust has been damaged by the failure of WMC, JPMAC, and JPM Bank to notify the Trustee and/or Securities Administrator of breaches of Representations and Warranties.

153. Each Defendant should be required to specifically perform its obligations under the PSA and give prompt written notice to the Trust of breaches already discovered and those that are discovered in the future. WMC, JPMAC and JPM Bank also should be required to pay the Trust damages caused by their failure to notify the Trustee of any breaches of representations and warranties.

SIXTH CAUSE OF ACTION

Against WMC
Breach of Contract: Failure to Indemnify

154. Plaintiff incorporates by reference the allegations in all preceding paragraphs as if they were fully set forth herein.

155. The Securities Administrator, Trust, and its investors have incurred legal fees, costs, and other expenses resulting from WMC's and JPMAC's breaches of the Representations and Warranties and their breaches of their Repurchase Obligations.

156. The Securities Administrator expects such expenses to continue to accrue for so long as WMC and JPMAC remain in breach of their obligations. Accordingly, the Indemnification Obligation has both matured and continues to accrue with respect to existing future claims.

157. WMC has breached its Indemnification Obligation by failing to indemnify the Securities Administrator and the Trusts for the expenses incurred by the Securities Administrator

in connection with the enforcement of the Representations and Warranties and the Repurchase Obligations.

158. The Securities Administrator and Trustee have performed all of their obligations under the Governing Documents and have not breached any obligation or excused the performance by WMC of any of its obligations under these agreements.

159. As a direct and proximate cause of WMC's breaches of its Indemnification Obligation, the Securities Administrator and the Trust have suffered and continue to suffer significant damages.

SEVENTH CAUSE OF ACTION

Against WMC, JPMAC and JPM Bank
Declaratory Judgment

160. Plaintiff incorporates by reference the allegations in all preceding paragraphs as if they were fully set forth herein.

161. The Governing Documents are valid and enforceable agreements that give rise to certain rights and obligations on the part of WMC, JPMAC and WMC, including the Repurchase Obligations and/or obligations to notify of breaches of Representations and Warranties.

162. The Securities Administrator has performed all conditions, covenants and promises required on its part to be performed under the Governing Documents.

163. The Securities Administrator has provided WMC and JPMAC with Breach Notices sufficient to trigger their Repurchase Obligations.

164. WMC and JPMAC deny that the Breach Notices constitute notice sufficient to trigger their Repurchase Obligations.

165. The Defendants further likely deny that they have failed to properly provide the notice required under the Governing Documents regarding breaches of Representations and

Warranties.

166. The Securities Administrator is the party charged with enforcing the Repurchase Obligations under the Governing Documents.

167. An actual case and controversy exists between the Securities Administrator and WMC and JPMAC with respect to whether the Breach Notices or similar notices are sufficient to trigger their Repurchase Obligations. The Securities Administrator is therefore entitled to an order declaring that Defendants are required to comply with their notice and/or Repurchase Obligations with respect to: (i) the Mortgage Loans identified to date in the Breach Notices as breaching the Representations and Warranties, (ii) Mortgage Loans that remain to be identified in subsequent repurchase demands as the Mortgage Loan files are examined further for breaches of Representations and Warranties, and (iii) Mortgage Loans that Defendants know or have reason to know contain breaches of Representations and Warranties that materially and adversely affect the value of the Mortgage Loans or the interests of the Certificateholders therein.

EIGHTH CAUSE OF ACTION

Against JPMAC
Breach of the Implied Covenant of Good Faith and Fair Dealing

168. Plaintiff incorporates by reference the allegations in all preceding paragraphs as if they were fully set forth herein.

169. On June 8, 2006, JPMAC issued a Prospectus Supplement relating to the securitization of the Trust to inform potential Certificateholders regarding the securitization. This Prospectus Supplement included a "Description of The Mortgage Pool" that described the Mortgage Loans that JPMAC intended to include in the Trust. This "Description of The Mortgage Pool" included a multitude of Loan characteristics that also constitute Representations and Warranties.

170. By describing these characteristics and by including the Representations and Warranties in the Governing Documents, JPMAC breached the implied covenant of good faith and fair dealing, which required JPMAC to make a good faith effort to sell loans that complied with the Representations and Warranties.

171. However, as is described above, and as is evidenced by the sheer number of Mortgage Loans that breach Representations and Warranties, JPMAC failed to use good faith efforts to include Mortgage Loans in the Mortgage Pool that complied with the Representations and Warranties.

172. JPMAC has, therefore, breached the implied covenant of good faith and fair dealing.

173. As a result of JPMAC's breaches of the implied covenant of good faith and fair dealing, the Trust has suffered and continues to suffer significant damages.

DEMAND FOR RELIEF

WHEREFORE, the Securities Administrator respectfully requests that this Court enter judgment in its favor against Defendants and enter an order:

(a) Awarding damages in an amount to be determined at trial but in an amount that is not less than $600 million;

(b) Ordering specific performance that WMC and/or JPMAC be required to repurchase all Mortgage Loans identified in the Breach Notices and any additional Mortgage Loans that breaches the Representations and Warranties;

(c) Ordering specific performance that WMC and/or JPMAC be required to repurchase all Mortgage Loans that are hereinafter identified as breaching

the Representations and Warranties;

(d) Awarding pre-and post-judgment interest, costs of suit, and attorneys' fees;

(e) Declaring that the Breach Notices triggered the Repurchase Obligations;

(f) Declaring that notice similar to the kind provided in the Breach Notices would suffice to trigger the Repurchase Obligations with respect to any future breaches of Representations and Warranties identified;

(g) Declaring that the Repurchase Obligations have been triggered with respect to any Mortgage Loans that WMC or JPMAC know or have reason to know contain breaches of Representations and Warranties that materially and adversely affect the value of the Mortgage Loans or the interests of the Certificateholders therein;

(h) Declaring that JPM Bank is required, in connection with servicing delinquent Mortgage Loans, review the Loan Files and notify the parties to the PSA of any breaches of Representations and Warranties; and

(i) All such other relief to which the Plaintiff is entitled under law or in equity.

Dated: December 23, 2013

Respectfully Submitted,

MCKOOL SMITH, P.C.

By: 

Gayle R. Klein
Robert W. Scheef
Courtney B. Statfeld

One Bryant Park, 47th Floor
New York, NY 10036
gklein@mckoolsmith.com
rsheef@mckoolsmith.com
cstatefeld@mckoolsmith.com
(t) (212) 402-9400
(f) (212) 402-9444

Attorneys for Plaintiff