

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

SACO I Trust 2006-5, issuer of the SACO I TRUST
2006-5 MORTGAGE-BACKED CERTIFICATES,
SERIES 2006-5

Plaintiff,

-against-

EMC MORTGAGE LLC (formerly known as EMC
Mortgage Corporation) and JPMORGAN CHASE &
CO.,

Defendants.

Index No. _____

SUMMONS WITH NOTICE

Plaintiff designates New York
County as the place of trial.

The basis for venue is CPLR
§503(a) & (c) as Defendants are
domestic corporations authorized
to transact business in New York
and their principal New York
offices are in New York County.

TO THE ABOVE NAMED DEFENDANTS:

PLEASE TAKE NOTICE THAT YOU ARE HEREBY SUMMONED and required to
serve upon Plaintiff's attorneys, at the address stated below, a notice of appearance or a demand
for a complaint, within twenty (20) days after the service of this Summons, exclusive of the day
of service, or within thirty (30) days after the service is complete if this Summons is not
personally delivered to you within the State of New York. In case of your failure to appear or
answer, judgment will be taken against you by default for the relief demanded herein.

This Court has personal jurisdiction over this proceeding pursuant to CPLR §§ 301 and
302 because EMC Mortgage LLC ("EMC") transacts business in New York and JP Morgan
Chase & Co. ("JPMC"), as successor-in-interest to EMC, has its principal place of business in
New York City. Additionally, the Trust (as defined below) was formed under New York law
pursuant to a Pooling and Servicing Agreement, dated as of April 1, 2006 (the "PSA"), by and
among Bear Stearns Asset Backed Securities I LLC, as Depositor, EMC Mortgage Corporation,

as Sponsor and Company, U.S. Bank National Association (“U.S. Bank”), as Master Servicer and Securities Administrator (successor in such capacities to Bank of America, National Association, successor by merger to LaSalle Bank, National Association), and Citibank, National Association, as Trustee (the “Trustee”), which contains a New York choice of law provision.

Venue is proper in this Court pursuant to CPLR § 503(a) and (c) because the Master Servicer has an office in New York County, and because EMC and JPMC are domestic corporations authorized to transact business in New York and JPMC’s principal New York office is located in New York County.

NOTICE:

This is an action for specific performance, declaratory judgment and other relief against defendants EMC and JPMC¹ based on breaches of certain terms and conditions of the PSA, under which EMC sold a pool of residential mortgage loans (the “Loans”) to a securitization trust, formed under the PSA as a common law trust, called SACO I Trust 2006-5 (“SACO 2006-5,” “Trust”). The Trust financed the purchase of residential mortgage loans (“Loans”) by issuing SACO I Trust 2006-5 Mortgage-Backed Certificates, Series 2006-5 (“Certificates”) that were to be repaid, with interest, from the cash flows generated from the Loans. The Trust owned 13,156 Loans as of April 28, 2006, the Closing Date of the PSA, and issued approximately

¹ JPMC is successor in interest to EMC based on JPMC’s merger with the Bear Stearns Companies (“Bear Stearns”) in or around May 2008. Defendant EMC was, at the time of that merger (and at the time of the events set forth in this notice and summons), a wholly-owned subsidiary of Bear Stearns. As a result of the merger, EMC became a wholly-owned subsidiary of JPMC. JPMC is also the sole owner of JPMorgan Chase Bank, N.A. (“JPMorgan Chase Bank”). On or around March 31, 2011, EMC converted from a Delaware Corporation to a Delaware Limited Liability Company to become EMC Mortgage LLC. JPMorgan Chase Bank acquired all or substantially all of EMC’s assets and succeeded to EMC’s business on or about April 1, 2011. JPMorgan Chase Bank and EMC both remain wholly owned subsidiaries of JPMC.

\$667,251,000 million in Certificates.² This trust has already suffered \$355,926,906 in losses to date. The Plaintiff has been informed by certain investors who are owners of Certificates (the “Certificateholders”) of numerous breaches of representations and warranties made by EMC that relate to the quality of the Loans. EMC has failed to cure those breaches or repurchase the Loans, as it is obligated to do pursuant to the terms of the PSA. By this action, Plaintiff seeks to enforce its contractual rights against EMC.

Plaintiff, the Trust, by U.S. Bank, not individually but solely as Master Servicer under the PSA (in such capacity, the “Master Servicer”), as directed by the Certificateholders, asserts causes of action against Defendants EMC and JPMC for breach of contract arising from EMC’s failure to comply with the terms of the PSA and the Mortgage Loan Purchase Agreement (“MLPA”), dated April 28, 2006, between EMC Mortgage Corporation, as Mortgage Loan Seller and Sponsor, and Bear Stearns Asset Backed Securities I, LLC, as Purchaser.

In connection with the sale of the Loans to the Trust, EMC made numerous representations and warranties in the MLPA vouching for the credit quality and other characteristics of the Loans (the “Mortgage Loan Representations”). *See, e.g.*, MLPA Section 7. EMC remade and restated each of the Mortgage Loan Representations made in Section 7 of the MLPA in Section 2.03(c)(vii) of the PSA. EMC made additional general representations and warranties in both the PSA and the MLPA as the Sponsor of the Loans. *See, e.g.*, PSA Section 2.03(c) and MLPA Section 8.

Through the Mortgage Loan Representations, EMC represented, among other things, that its Loans met certain credit quality thresholds to support the borrowers’ ability to repay their

² Of the Loans remaining in the Trust, nearly 14% are currently delinquent, representing a loan balance of \$10,292,043 million.

Loans on time and in full, that the Loans were originated in compliance with legal requirements, and that EMC had the documentation required to issue the Loans. For example, EMC represented that the information set forth in the Mortgage Loan Schedule on the Closing Date was “true and correct.” MLPA Section 7(a). Additionally, EMC stated that “each Mortgage Loan was originated in accordance with the underwriting guidelines of the related originator.” MLPA Section 7(t). EMC further agreed to repurchase any Loans that breached the Mortgage Loan Representations, where the breaches materially and adversely affect the value of the Loans or the interest therein of the Trust and/or the certificateholders (“Repurchase Obligations”). PSA Section 2.03(d). EMC also agreed to pay any legal fees and other expenses, losses, damages, and liabilities incurred by the Trust in enforcing these Repurchase Obligations. PSA Section 2.03(d).

Because the Loans in the Trust have experienced a high number of delinquencies and defaults, the Plaintiff has been directed by the Certificateholders to conduct an investigation to determine whether the Mortgage Loan Representations accurately described the Loans when they were sold to the Trust. At the direction of the Certificateholders, the Trustee and U.S. Bank acting as Securities Administrator, have requested loan origination files from EMC pursuant to applicable provisions of the PSA; but, EMC has yet to provide any of the loan origination files. The Certificateholders expect that once those files are made available for analysis, they will indicate many breaches of the Mortgage Loan Representations.

A portion of the Mortgage Loan Representations were false when made with respect to a significant number of the Loans. For instance, EMC represented:

- that all information included in the Mortgage Loan Schedule would be “true and correct in all material respects.” See MLPA § 7(a). However, the Certificateholders’ investigation demonstrates that a significant number of Loans

in the pool had combined loan-to-value ratios in excess of 100%, which is a clear breach of MLPA § 7(a);

- that no loan in the Trust would be in monetary default and no material event existed at the time of closing that would constitute a default, breach or event of acceleration. *See* MLPA §7(d). However, the Certificateholders' investigation demonstrates that at least 820 Loans were in monetary default, which is a breach of PSA § 2.03(vii) and MLPA § 7(d);
- that no loan in the Trust could be considered a "high cost loan" or "covered loan". *See* MLPA § 7(s). However, the Certificateholders' investigation demonstrates that EMC placed at least 357 such Loans in the Trust. These 357 Loans would be in breach of PSA § 2.03(vii) and MLPA § 7(s).

EMC's pervasive breaches of its Mortgage Loan Representations have had a material adverse effect on the Trust and its certificateholders.

Thus far, EMC has been notified of breaches in 1,917 Loans, and has been requested to cure those breaches or repurchase the defective Loans, as it is required to do pursuant to the terms of the PSA.³ EMC has failed to cure a single breach or repurchase a single Loan. EMC's breaches of the Mortgage Loan Representations and failure to comply with its express contractual Repurchase Obligations have caused over \$355,929,906 in damages to the Trust and its certificateholders.

At the direction of the Certificateholders and pursuant to the terms of the PSA, the Trust is suing in order to compel EMC to repurchase or otherwise cure the defective Loans wrongfully included in the Trust.

Specifically, Plaintiff seeks enforcement of the PSA and MLPA and a judgment declaring that EMC has materially breached their terms. The relief Plaintiff seeks includes:

- Specific performance of EMC's contractual Repurchase Obligations;


³ The directing Certificateholder sent such notices to EMC on October 12, 2011, February 7, 2012.

- Compensatory Damages resulting from EMC's breach of its contractual obligations;
- In the alternative, an award of damages in an amount to be proved at trial;
- Declaratory judgment that EMC must comply with its obligations to repurchase the Loans for which breaches have thus far been identified, as well as any additional Loans that Plaintiff determines are breaching Loans;
- Reimbursement of costs and expenses of maintaining this action on behalf of the Trust, and of undertaking and carrying out investigation of breaches of Loans in the Trust, including costs of Loan file production;
- The production of all loan origination files that are the subject of outstanding requests; and
- An award of such other and further relief as the Court may deem just and proper.

YOU ARE HEREBY NOTIFIED that on your failure to appear or answer, a judgment will be entered against you by default (a) requiring specific performance of your Repurchase Obligations and compensatory damages for your breach of your contractual obligations in an amount to be determined at trial, but at least \$293 million plus interest at the rate prescribed by law; (b) declaring that you have materially breached the PSA and MLPA; and (c) the costs of this action, including attorneys' fees.

DATED: New York, New York
May 25, 2012

QUINN EMANUEL URQUHART &
SULLIVAN, LLP

By: 
Philippe Z. Selendy
Adam Abensohn

51 Madison Avenue, 22nd Floor
New York, New York 10010-1601
(212) 849-7000