

# ResCap Liquidating Trust

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**Condensed Consolidated Financial Statements  
as of and for the Period Ended March 31, 2020  
(Unaudited)**

# ResCap Liquidating Trust

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## Condensed Consolidated Statement of Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

<b>Assets:</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Cash and cash equivalents	\$ 92,535	\$ 100,869
Restricted cash	3,504	3,496
Mortgage assets	1,940	2,416
Other assets	747	730
Other receivables	14	-
<b>Total assets</b>	<b>98,740</b>	<b>107,511</b>
<b>Liabilities:</b>		
Estimated costs to operate Trust	67,035	78,246
Liability for undistributed funds	229	229
<b>Total liabilities</b>	<b>67,264</b>	<b>78,475</b>
<b>Net Assets in Liquidation</b>	<b>\$ 31,476</b>	<b>\$ 29,036</b>
Total units in the Trust	98,859,354	98,859,354
Net assets per authorized unit	\$ 0.32	\$ 0.29

The Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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## Condensed Consolidated Statement of Cash Receipts and Disbursements

(Unaudited)

In thousands

	Quarter ended March 31, 2020	Year to date ended March 31, 2020	Effective Date through March 31, 2020
<b>Receipts</b>			
Receipts on assets held for sale	\$ 482	\$ 482	\$ 642,091
Litigation / claim recoveries	1,875	1,875	1,259,962
Other receipts	790	790	166,350
Plan settlements	-	-	2,100,000
Total receipts	3,147	3,147	4,168,403
<b>Disbursements</b>			
Claims and settlement	-	-	(1,642,074)
DOJ / AG consent settlement	(1)	(1)	(88,212)
Costs to operate the Trust	(11,472)	(11,472)	(679,293)
Total disbursements	(11,473)	(11,473)	(2,409,579)
<b>Distributions</b>			
Declared distribution	-	-	(3,370,000)
Recaptured distribution	-	-	29,506
Change in undistributed funds	-	-	229
Total distributions	-	-	(3,340,265)
<b>Net cash flow</b>	(8,326)	(8,326)	(1,581,441)
<b>Cash and restricted cash, beginning of period</b>	104,365	104,365	1,677,480
<b>Cash and restricted cash, March 31, 2020</b>	\$ 96,039	\$ 96,039	\$ 96,039

The Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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## Condensed Consolidated Statement of Changes in Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

	Quarter to date ended March 31, 2020	Year to date ended March 31, 2020	Effective Date through March 31, 2020
<b>Net cash flow</b>	\$ (8,326)	\$ (8,326)	\$ (1,581,441)
Other non-cash changes:			
Increase (decrease) in asset value assumptions	45	45	(54,985)
(Increase) decrease in costs to operate the Trust	(247)	(247)	(540,226)
(Increase) decrease in DOJ/AG consent settlement	(1)	(1)	(7,551)
Basis of assets/liabilities liquidated/resolved	10,969	10,969	(299,693)
(Increase) decrease in distributions held for Beneficiaries	-	-	(229)
<b>Total non-cash changes</b>	<b>10,766</b>	<b>10,766</b>	<b>(902,684)</b>
<b>Total increase (decrease) in net assets</b>	<b>2,440</b>	<b>2,440</b>	<b>(2,484,125)</b>
<b>Net assets in liquidation, beginning of period</b>	<b>29,036</b>	<b>29,036</b>	<b>2,515,601</b>
<b>Net assets in liquidation, March 31, 2020</b>	<b>\$ 31,476</b>	<b>\$ 31,476</b>	<b>\$ 31,476</b>

### Per unit information:

	\$ per Unit	\$ per Unit	\$ per Unit
<b>Net assets per unit, beginning of period</b>	\$ 0.29	\$ 0.29	\$ 25.16
Impact of cancelled units on beginning balance	-	-	0.29
<b>Revised beginning of period balance</b>	<b>0.29</b>	<b>0.29</b>	<b>25.45</b>
Recognition of cancelled unit prior period distributions	-	-	-
Increase in net assets per unit	0.03	0.03	8.66
Declared distributions per unit	-	-	(33.79)
<b>Net asset per unit, March 31, 2020</b>	<b>\$ 0.32</b>	<b>\$ 0.32</b>	<b>\$ 0.32</b>

The Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

### 1. Description of Business and Basis of Presentation

The ResCap Liquidating Trust (“Trust”) was formed in connection with the Plan of Reorganization under chapter 11 of the United States Bankruptcy Code (“Plan”) in the bankruptcy case of Residential Capital, LLC (“ResCap”). The Plan became effective on December 17, 2013 (“Effective Date”).

Units of beneficial interest (“Units”) were issued by the Trust. The Units entitle their holders (“Beneficiaries”) to receive a proportionate amount of cash distributions (“Declared Distributions”) made by the Trust.

#### Basis of Presentation

The unaudited Condensed Consolidated Financial Statements (the “Statements”) reflect the accounts of the Trust and subsidiaries after eliminating all significant intercompany balances and transactions. The Statements reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the periods presented. The Statements have not been prepared in accordance with generally accepted accounting principles; rather they have been prepared using a liquidation basis of accounting, which the Trust considers an appropriate basis of accounting at this time. The assets are stated at their estimated net realizable value, which is the amount of cash into which an asset is expected to be converted during the liquidation period. The Trust also accrues costs that it expects to incur through the end of its liquidation. The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated. The Trust does not accrue contingent costs.

These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2019.

### 2. Restricted Cash

Restricted cash is comprised of the following (in \$000's):

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Servicer Escrow	\$ 3,275	\$ 3,267
Distributions held for Beneficiaries	229	229
Total restricted cash	<u>\$ 3,504</u>	<u>\$ 3,496</u>

The Servicer Escrow restricted cash includes a \$1.0 million liquidity escrow that will be released to the Trust 60 days post termination of the servicer contract, and an additional \$2.3 million supporting servicer potential incentive payable. The incentive payable balance is valued at \$1.2 million as of March 31, 2020. Any restricted cash not utilized for the incentive will be released to the Trust 60 days post termination of the servicer contract.

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## 3. Mortgage Assets

Mortgage assets are comprised of the following (in \$000's):

	March 31, 2020		December 31, 2019	
	Gross Balance	Carry Value	Gross Balance	Carry Value
Mortgage insurance claims (FHA/VA)	\$ 4,800	\$ 1,905	\$ 8,573	\$ 2,092
Non-insured mortgage loans	1,959	-	1,952	-
Real estate owned	516	35	1,499	324
Trading Securities	142	-	153	-
Total mortgage assets	\$ 7,417	\$ 1,940	\$ 12,177	\$ 2,416

The remaining Mortgage insurance FHA claims have a carrying value of \$1.9 million representing the Trust's future expected recovery value. The resolution timelines are subject to asset specific hurdles, including final title approval from HUD, filing documentation for expense claims, and HUD review and approval. We understand that HUD continues to process claims during the Covid-19 pandemic; however, slightly longer processing timeframes may be experienced.

The Trust is actively working on options to dispose of the final real estate owned assets with carrying value of \$0.04 million. The Trust carrying values reflect the net present value of the estimated cash flow. Because of the uncertainties associated with estimating the amounts, timing and likelihood of possible outcomes, actual results could differ from the Trust's estimates.

## 4. Other Assets

Other assets is comprised of the following (in \$000's):

	March 31, 2020		December 31, 2019	
Investment in stock	\$	711	\$	711
Other assets		36		19
Total other assets	\$	747	\$	730

## 5. Estimated Costs to Operate the Trust

Estimated costs to operate the Trust are comprised of the following (in \$000's):

	March 31, 2020			December 31, 2019
	Accrued	Future	Total	Total
Professional fees (legal, expert, other professional costs)	\$ 8,766	\$ 42,261	\$ 51,027	\$ 57,572
Compensation	915	5,716	6,631	8,844
Document management	1,617	1,491	3,108	5,134
Information technology	35	2,445	2,480	2,887
Other operating costs	2,219	1,570	3,789	3,809
Total costs to operate the Trust	\$ 13,552	\$ 53,483	\$ 67,035	\$ 78,246

The estimated cost to operate the Trust is \$67.0 million reflecting a net decrease of \$11.2 million from the prior quarter. Of the total \$67.0 million, there is \$13.5 million of expenses that have been incurred but not yet paid

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(\$8.8 million professional fees, and \$4.7 million other operating costs) and \$53.5 million of expected future costs for April 2020 through December 2021. Of the future \$53.5 million cost, \$32.2 million supports the on-going RMBS litigation and insurance recovery case pending in Bankruptcy Court, SDNY and \$21.3 million represents contractual obligations and the future costs for the operations and winddown of the Trust.

## 6. Commitments and Contingencies

### *Litigation*

From time to time claims may be asserted against the Trust. At this time, the Trust cannot estimate the possible financial effect of these claims.

### *Affirmative Matters*

The Trust is pursuing various affirmative matters. These include:

- There is one pending indemnity claim against Primary Residential Mortgage, Inc., which was tried in Minnesota Federal Court in a bench trial that concluded on March 13, 2020. The parties submitted findings of fact and conclusions of law to the Court in April 2020 and a decision is pending.

On June 21, 2019, The Court issued an order awarding the Trust a total of \$68.5 million dollars against Home Loan Center Inc. (“HLC”). On July 19, 2019, HLC filed an appeal of the order to the 8<sup>th</sup> circuit Court of Appeals. On July 21, 2019, HLC filed Chapter 11 in the Northern District of California (Case 19-51455). On July 31, 2019, the Trust filed a motion to convert the case to a Chapter 7. The jury verdict is now stayed with the filing of HLC bankruptcy. The Trust has filed a case against LendingTree LLC (“Lending Tree”) alleging, among other allegations, that LendingTree assumed the HLC liability. Lending Tree filed a motion to dismiss certain counts which the Court denied. Lending Tree has appealed the denial of the motion to dismiss to the 8th circuit. Discovery is proceeding. The Lending Tree case is set to be trial ready in December 2020. Per the Trust’s accounting policy, the Trust has not recorded the judgment in these Condensed Consolidated Financial Statements.

- Insurance Recovery Action. The Trust has an adversary proceeding case pending in the U.S. Bankruptcy Court for the Southern District of New York, Drennen, et al., and ResCap Liquidating Trust v. Certain Underwriters at Lloyd’s, London, et al., Adv. Case No. 15-01025-shl. In December 2019, the Bankruptcy Court issued a partial Summary judgement in favor of the Trust. The Trust’s claim is in excess of \$40 million, exclusive of interest and fees. Per the Trust’s accounting policy, the Trust has not recorded this estimate in these Condensed Consolidated Financial Statements.
- Reservation of rights. The Trust has reserved its rights with respect to other affirmative claims it may bring in the future.

At this time, the Trust cannot predict the outcome of these matters or estimate the possible financial effect of these matters on the Condensed Consolidated Financial Statements, and as such, neither contingent gains nor any contingent costs to pursue these matters are currently recorded.

Since the Effective Date, through March 31, 2020 and excluding subsequent events, the Trust settled a total of \$1,257.9 million in affirmative matters including \$1,205.3 million in Correspondent Litigation, \$9.7 million in International, and \$42.9 million in other matters.



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## **7. Subsequent Events**

Events subsequent to March 31, 2020 were evaluated through May 12, 2020, the date on which these Condensed Consolidated Financial Statements were issued.