

# ResCap Liquidating Trust

---

**Consolidated Financial Statements  
as of and for the Period Ended December 31, 2022  
(Unaudited)**

# ResCap Liquidating Trust

---

## Consolidated Statement of Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

<b>Assets:</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash and cash equivalents	\$ 80,330	\$ 86,827
Restricted cash	-	3,306
Other assets	-	273
<b>Total assets</b>	<b>80,330</b>	<b>90,406</b>
<b>Liabilities:</b>		
Estimated costs to operate Trust	32,530	37,830
<b>Total liabilities</b>	<b>32,530</b>	<b>37,830</b>
<b>Net assets in liquidation</b>	<b>\$ 47,800</b>	<b>\$ 52,576</b>
Total units in the Trust	<u>98,853,649</u>	<u>98,853,649</u>
Net assets per authorized unit	<u>\$ 0.48</u>	<u>\$ 0.53</u>

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

# ResCap Liquidating Trust

## Consolidated Statement of Changes in Net Assets in Liquidation

(Unaudited)

In thousands

	Quarter to date ended December 31, 2022	Year to date Ended December 31, 2022	Effective Date through December 31, 2022
<b>Receipts</b>			
Receipts on assets held for sale	\$ 11	\$ 107	\$ 645,856
Litigation / claim recoveries	-	-	1,318,462
Other receipts	572	1,336	172,467
Plan settlements	-	-	2,100,000
Total receipts	583	1,443	4,236,785
<b>Disbursements</b>			
Claims and settlement	-	-	(1,642,074)
DOJ / AG consent settlement	-	-	(88,201)
Costs to operate the Trust	(1,823)	(11,247)	(727,799)
Total disbursements	(1,823)	(11,247)	(2,458,074)
<b>Distributions</b>			
Total distributions	-	-	(3,375,862)
<b>Net cash flow</b>	(1,240)	(9,804)	(1,597,151)
<b>Other non-cash changes affecting:</b>			
Increase (decrease) in asset value assumptions	-	-	(55,026)
(Increase) decrease in costs to operate the Trust	(10)	(5,949)	(554,177)
(Increase) decrease in DOJ/AG consent settlement	-	-	(7,551)
Basis of assets/liabilities liquidated/resolved	1,823	10,977	(253,896)
(Increase) decrease in distributions held for Beneficiaries	-	-	-
Total non-cash changes	1,813	5,028	(870,650)
Total increase (decrease) in net assets	573	(4,776)	(2,467,801)
<b>Net assets in liquidation, beginning of period</b>	<b>47,227</b>	<b>52,576</b>	<b>2,515,601</b>
<b>Net assets in liquidation, end of period</b>	<b>\$ 47,800</b>	<b>\$ 47,800</b>	<b>\$ 47,800</b>

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

# ResCap Liquidating Trust

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

### 1. Description of Business and Significant Accounting Policies

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 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 currently accrues costs through June 30, 2024, however, the prosecution of the remaining litigation discussed below, and the corresponding timeline for resolving such litigation through trial or appeals may cause the Trust to be further extended beyond June 30, 2024 resulting in an increase to future accrued costs for such extended periods and a corresponding reduction in cash available. The Trust will record and value affirmative settlements or judgements when realized and collectability is reasonably anticipated. The Trust does not accrue contingent costs.

#### Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on hand and short term and governmental money market funds. Restricted cash consists of cash that is restricted for specific purposes and is not generally available to the Trust.

#### Affirmative Recoveries

The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated.

#### Estimated Costs to Operate the Trust

The Trust accrues for all costs it expects to incur during its lifetime based on approved strategic assumptions and the Trust’s current estimates. These costs are estimated based on asset resolution strategies, litigation timelines and modeled wind-down expenses of the Trust’s operations and are recorded as liabilities.

The estimated future legal cost includes current pre-trial, trial, and potential appeal costs for the pending cases. Actual future costs could vary significantly depending upon a wide variety of factors due to the uncertainties inherent in complex litigation. On a periodic basis, the Trust evaluates such estimates to take into consideration the overall status of the litigation and any material changes in circumstances or factors affecting the litigation, including but not limited to updated scheduling of the cases, discovery, settlements, and other factors that may affect such estimates. The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated. The Trust does not accrue contingent costs.

# ResCap Liquidating Trust

---

## Income Taxes

The Trust is a Grantor Trust, treated as a flow-through entity for U.S. federal and state income tax purposes. The Trust is not subject to U.S. federal or state income taxes; therefore, no accrual for these taxes is made. The Trust files a federal return and multiple state returns. While there are no ongoing examinations, the federal returns dating to the 2019 calendar year remain open. State returns generally remain open for either three or four years after filing.

## 2. Estimated Costs to Operate the Trust

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

	December 31, 2022			December 31, 2021	
	Accrued	Future	Total	Total	
Professional fees (legal, expert, other professional costs)	\$ 7,223	\$ 22,841	\$ 30,064	\$	32,538
Compensation	375	-	375		375
Document management	-	135	135		775
Information technology	-	982	982		1,632
Other operating costs	-	974	974		2,510
Total costs to operate the Trust	\$ 7,598	\$ 24,932	\$ 32,530	\$	37,830

The estimated cost to operate the Trust is \$32.5 million including \$7.6 million of expenses that have been incurred but not yet paid (\$7.2 million professional fees, and \$.4 million other operating costs) and \$24.9 million of expected future costs for the period January 2023 through June 2024. Of the future \$24.9 million cost, \$11.1 million supports the on-going insurance recovery case pending in the Bankruptcy Court, SDNY and RMBS litigation and \$13.8 million represents existing contractual obligations and the future costs for the operations and wind-down of the Trust.

## 3. Commitments and Contingencies

### *Affirmative Matters*

The Trust is pursuing various affirmative matters. These include:

Indemnity Claim Action - There is one pending indemnity claim against Primary Residential Mortgage, Inc., ("PRMI") which was tried in Minnesota Federal Court in a bench trial. In August 2020, the Federal District Court in Minnesota entered a judgment of \$5.4 million in favor of the Trust in the matter of PRMI. In April 2021, the Federal District Court in Minnesota granted the Trust \$16.6 million in attorney fees, costs, pre-judgment interest and post judgment interest on the award plus pre-award interest increasing the total award to \$22.0 million. PRMI appealed the decision to the United States Court of Appeals for the 8<sup>th</sup> Circuit and posted the requisite appeal bond which stays the enforcement of the award pending the appeal. On February 2, 2023, the 8th Circuit Court affirmed the District Court decision except with respect to interest for the time period between the initial judgment and final judgment in the approximate amount of \$522,000 to which the 8th Circuit Court vacated the

## ResCap Liquidating Trust

---

judgment and remanded to the District Court for recalculation at a lower interest rate. Additionally, the Trust will be seeking costs incurred related to the appeal in an amount to be determined.

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-dsj. In December 2019, the Bankruptcy Court issued a partial Summary judgment in favor of the Trust. The Trust's claim is approximately \$73.0 million, exclusive of interest and fees. At the end of 2022, the Court issued a decision on the summary judgment motions and ruled in the Trust's favor on all major issues.

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

### **4. Subsequent Events**

Events subsequent to December 31, 2022 were evaluated through February 14, 2023, the date on which these Consolidated Financial Statements were issued. On February 2, 2023, the 8<sup>th</sup> Circuit Court of Appeals issued their decision in the PRMI litigation in favor of the Trust. On February 2, 2023, the Bankruptcy Court in the District of Delaware issued their Order for distribution in the WL Homes bankruptcy approving final distribution of \$2,670,747 to the Trust.