

# ResCap Liquidating Trust

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**Consolidated Financial Statements  
as of and for the Period Ended December 31, 2018  
(Unaudited)**

# ResCap Liquidating Trust

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## Consolidated Statement of Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

<b>Assets:</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Cash and cash equivalents	\$ 146,942	\$ 231,332
Restricted cash	12,907	16,343
Mortgage assets	13,532	52,480
Other receivables	26,804	21,630
Other assets	1,321	7,053
<b>Total assets</b>	<b>201,506</b>	<b>328,838</b>
<b>Liabilities:</b>		
Claims and settlements	-	7
DOJ/AG consent settlement	9,444	12,563
Estimated costs to operate Trust	110,282	192,174
Liability for undistributed funds	204	1,082
<b>Total liabilities</b>	<b>119,930</b>	<b>205,826</b>
<b>Net Assets in Liquidation</b>	<b>\$ 81,576</b>	<b>\$ 123,012</b>
Total units in the Trust	<u>98,859,354</u>	<u>98,891,323</u>
Net assets per authorized unit	<u>\$ 0.83</u>	<u>\$ 1.24</u>

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

# ResCap Liquidating Trust

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## Consolidated Statement of Cash Receipts and Disbursements

(Unaudited)

In thousands

	Quarter ended December 31, 2018	Year-to-date ended December 31, 2018	Effective Date through December 31, 2018
<b>Receipts</b>			
Receipts on mortgage assets	\$ 22,414	\$ 53,199	\$ 632,216
Litigation/claim recoveries	49,368	398,069	1,178,429
Other receipts	8,462	46,996	159,032
Plan settlements	-	-	2,100,000
Total receipts	80,244	498,264	4,069,677
<b>Disbursements</b>			
Claims and settlements	-	(19)	(1,642,074)
DOJ/AG consent settlement	(225)	(3,119)	(88,146)
Costs to operate the Trust	(29,960)	(132,976)	(616,798)
Declared distributions	(100,000)	(450,000)	(3,270,000)
Recaptured distribution	-	902	29,506
Change in undistributed funds	9	(878)	204
Total disbursements	(130,176)	(586,090)	(5,587,308)
<b>Net cash flow</b>	(49,932)	(87,826)	(1,517,631)
<b>Cash and restricted cash, beginning of period</b>	209,781	247,675	1,677,480
<b>Cash and restricted cash, December 31, 2018</b>	\$ 159,849	\$ 159,849	\$ 159,849

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 (except per unit)

	Quarter ended December 31, 2018	Year-to-date ended December 31, 2018	Effective Date through December 31, 2018
<b>Net cash flow</b>	\$ (49,932)	\$ (87,826)	\$ (1,517,631)
Other non-cash changes:			
Increase (decrease) in asset value assumptions	(2,136)	4,842	(52,620)
(Increase) in costs to operate the Trust	(11,696)	(51,129)	(520,709)
(Increase) in DOJ/AG consent settlement	-	-	(16,929)
Basis of assets/liabilities liquidated/resolved	22,965	91,800	(325,932)
(Increase) decrease in distributions held for Beneficiaries	(9)	877	(204)
Total non-cash changes	9,124	46,390	(916,394)
Total increase (decrease) in net assets	(40,808)	(41,436)	(2,434,025)
<b>Net assets in liquidation, beginning of period</b>	122,384	123,012	2,515,601
<b>Net assets in liquidation, December 31, 2018</b>	\$ 81,576	\$ 81,576	\$ 81,576

### Per unit information:

	\$ per Unit	\$ per Unit	\$ per Unit
<b>Net assets per unit, beginning of period</b>	\$ 1.24	\$ 1.24	\$ 25.16
Impact of cancelled units on beginning balance	0	0	0.29
<b>Revised beginning of period balance</b>	1.24	1.24	25.45
Recognition of cancelled unit prior period distributions	-	0.01	-
Increase in net assets per unit	0.60	4.13	8.16
Declared distributions per unit	(1.01)	(4.55)	(32.78)
<b>Net asset per unit, December 31, 2018</b>	\$ 0.83	\$ 0.83	\$ 0.83

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

# ResCap Liquidating Trust

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

### 1. Description of Business

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”) and 50 of its direct and indirect subsidiaries (collectively, the “Debtors”). The Plan was confirmed by the bankruptcy court on December 11, 2013 and became effective on December 17, 2013 (“Effective Date”).

Units of beneficial interest (“Units”) were issued by the Trust to holders of allowed general unsecured claims (“Allowed Claims”) against the Debtors, other than holders of general unsecured claims in classes for which the Plan prescribes payments of cash. The Units entitle their holders (“Beneficiaries”) to receive a proportionate amount of cash distributions (“Declared Distributions”) made by the Trust.

The Consolidated Financial Statements include the accounts of the Trust and its majority-owned subsidiaries after eliminating all significant intercompany balances and transactions. The Consolidated Financial Statements as of and for the period ended December 31, 2018, are unaudited and reflect all adjustments that are, in management’s opinion, necessary for the fair presentation of the results for the periods presented.

### Basis of Presentation and Significant Accounting Policies

#### Basis of Presentation

The Consolidated Financial Statements (the “Consolidated Financial 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. Assets are also established for future income expected to be earned by the Trust. The Trust also accrues costs that it expects to incur through the end of its liquidation.

#### 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.

#### Mortgage Assets

Mortgage assets include mortgage loans, servicer advances, interest income, real estate owned, trading securities, and costs to sell assets.

##### Mortgage Loans

Mortgage loans consist primarily of mortgage insurance claims. As a result of borrower default or contractual delinquency triggers, certain mortgage loans ultimately become mortgage insurance claims for reimbursement from the Federal Housing Association (“FHA”) or Veterans Administration (“VA”) for eligible mortgage loan principal, interest, and servicing advances.

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The value of mortgage loans is determined by modeling the net present value of the cash flows expected to be received over the life of the loan. The timing of the insurance reimbursement process and the reimbursement policies of the government agencies, as well as the delinquency, aging of the loans, non-accrual or foreclosure status of the loans, and disposition strategy all contribute to the underlying assumptions estimating cash flows. Assets targeted for sale are modeled to sales price.

## Servicer Advances

The Trust is required, from time to time, to make certain servicer advances on loans that it owns. These servicer advances are for property taxes and insurance premiums (“Escrow”) and for default and property maintenance payments (“Corporate”). Servicer Advances are modeled based on the net present value of the expected recovery of the advance either through borrower repayment, collection from government agencies on insured loans or sale to a third party.

## Trading Securities

Trading securities include residual certificates from mortgage loan securitizations, and are valued based on the net present value of the modeled future cash flows of the security. Assets targeted for sale are modeled to sales price.

## Interest Receivables

Interest receivables generally arise from interest payments on mortgage loans. All future estimated interest income is capitalized and is valued based on the asset management strategies and net present value of the modeled cash flows of the underlying assets.

## Real Estate Owned

Real estate owned from loan foreclosures (“REO”) are classified as REO when physical possession of the collateral is taken. REOs are carried at their liquidation value and are held in a subsidiary whose stock is owned by the Trust.

## Costs to Sell Assets

Lifetime costs to sell assets are estimated based on the asset disposition strategy and are recorded as a contra asset within mortgage assets.

## 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 and modeled wind-down expenses of the Trust’s operations and are recorded as liabilities.

The estimated future legal costs represent current pre-trial, trial, and potential appeal costs for the pending correspondent 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

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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. See Note 7 Commitments and Contingencies for a discussion related to the HLC verdict. The Trust does not accrue contingent costs.

## 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 and all tax periods since the Trust's Effective Date remain open for examination.

As a flow-through entity, all income and expense flows through to the Beneficiaries to be reported on their respective income tax returns. Certain income items, including the Trust's litigation and similar recoveries and certain miscellaneous other income may be treated as US Source Income for non-United States Beneficiaries subject to withholding at a 30% rate (or lower applicable treaty rate).

ResCap Securities Holdings Co, a wholly owned subsidiary which owns REO property, is subject to U.S. federal, state or foreign income taxes.

All estimated taxes to be paid are included in estimated costs to operate the Trust. Any tax filing interest and penalties incurred by the Trust's subsidiaries will be recognized as estimated costs to operate the Trust in the period incurred.

## 2. Restricted Cash

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
DOJ/AG consent settlement reserve	\$ 9,444	\$ 12,563
Servicer Escrow	3,259	2,691
Distributions held for Beneficiaries	204	726
Other (APSC and DCR)	-	363
Total restricted cash	<u>\$ 12,907</u>	<u>\$ 16,343</u>

The DOJ/AG Consent Settlement restricted cash reserve was originally funded to satisfy obligations under the DOJ/AG Consent Settlement. The reserve must maintain a minimum balance of the lesser of \$20.0 million or the remaining liability under the DOJ/AG Consent Settlement. See Note 7 Commitments and Contingencies for further information regarding the liability.

Activity related to the DOJ/AG Consent Settlement restricted cash reserve is as follows (in \$000's):

	<b>Quarter ended December 31, 2018</b>	<b>Year-to-date ended December 31, 2018</b>	<b>Effective Date through December 31, 2018</b>
Balance, beginning of period	\$ 9,669	\$ 12,563	\$ 55,000
Additions		-	23,530
Releases / Payments	(225)	(3,119)	(69,086)
Balance, December 31, 2018	<u>\$ 9,444</u>	<u>\$ 9,444</u>	<u>\$ 9,444</u>



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## 3. Mortgage Assets

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

	December 31, 2018		December 31, 2017	
	Gross Balance	Carrying Value	Gross Balance	Carrying Value
Mortgage loans	\$ 11,652	\$ 8,241	\$ 48,464	\$ 36,379
Servicing advances	23,384	3,465	36,053	11,170
Trading Securities	217	-	-	-
Interest receivable	513	513	2,131	2,131
Real estate owned	1,854	1,313	3,490	2,800
Total mortgage assets	\$ 37,620	\$ 13,532	\$ 90,138	\$ 52,480

The Trust's carrying value of mortgage assets uses internal models to determine the cash flows expected to be received over the life of the loan. The Trust's recovery estimates and assumptions are based on loan level attributes including, but not limited to, delinquency status, aging, and claim versus loan status. The Trust carrying value reflects the net present value of the cash flows expected to be received over the lifetime of the mortgage assets. Because of the uncertainties associated with estimating the amounts, timing and likelihood of possible outcomes, actual results could differ from the Trust's estimates.

Mortgage assets are comprised of the following material sub-portfolios.

	December 31, 2018		December 31, 2017	
	Gross Balance	Carry Value	Gross Balance	Carry Value
Mortgage insurance claims (FHA/VA)	\$ 33,623	\$ 12,219	\$ 77,739	\$ 47,247
Non-insured mortgage loans	1,926	-	8,909	2,433
Trading Securities	217	-	-	-
Real estate owned	1,854	1,313	3,490	2,800
Total mortgage assets	\$ 37,620	\$ 13,532	\$ 90,138	\$ 52,480

Mortgage Insurance Claims can experience on average resolution timelines of 6 months – 3 years from the loan liquidation event (e.g. foreclosure, short sale, HUD reconveyance). Resolution timelines are subject to asset specific hurdles, including but not limited to eviction, litigation, property preservation work to place the property in conveyable condition, and HUD review and approval. During this period, the Trust will continue to advance property related expenses (e.g. legal, taxes, preservation) which are subject to curtailment by HUD. At December 31, 2018, 100% of the mortgage insurance claims were aged over 18 months.

The Trust is actively marketing all real estate owned assets.

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## 4. Other Receivables

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

	December 31, 2018	December 31, 2017
Affirmative Matters, net	\$ 25,157	\$ 21,520
Other Receivables	1,647	110
Total other receivables	<u>\$ 26,804</u>	<u>\$ 21,630</u>

The majority of other receivables is related to \$25.2 million of affirmative litigation settlements not yet received by the end of the fourth quarter. See Note 7 Commitments and Contingencies for further information on affirmative matters.

## 5. Estimated Costs to Operate the Trust

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

	December 31, 2018	December 31, 2017
Professional fees (legal, expert, other professional costs)	\$ 76,161	\$ 140,584
Compensation	12,223	20,161
Document management	11,719	12,029
Information technology	4,089	7,663
Other operating costs	6,090	11,737
Total costs to operate the Trust	<u>\$ 110,282</u>	<u>\$ 192,174</u>

The estimated cost to operate the Trust of \$110.3 million includes \$20.9 million of expenses that have been incurred but not yet paid. The net amount of \$89.4 million includes \$53.0 million of reserves to pay future costs of the RMBS correspondent litigation. The remaining \$36.4 million consists of contractually based costs, including severance, compensation, data storage, and other expenses expected to be incurred and paid to operate and be compliant with management of the Trust and is not solely dependent upon the number of RMBS cases pending.

## 6. Distributions to Beneficiaries

Distributions on Allowed Claims include Units and cash designated as Distributions Held for Beneficiaries pending receipt of certain information from the holders.

	Quarter ended December 31, 2018			
Units	Distributed to Beneficiaries	Held by DCR	Held for Beneficiaries	Total Distribution
Balance, beginning of period	98,853,808	-	5,546	98,859,354
Declared distribution	-	-	-	-
Releases to Beneficiaries	-	-	-	-
Distributions on Allowed Claims	-	-	-	-
Cancellation of Units	-	-	-	-
Balance, December 31, 2018	<u>98,853,808</u>	<u>-</u>	<u>5,546</u>	<u>98,859,354</u>

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## Quarter ended December 31, 2018

	<b>Distributed to Beneficiaries</b>	<b>Held by DCR</b>	<b>Held for Beneficiaries</b>	<b>Total Distribution</b>
<u>Cash (in 000's)</u>				
Balance, beginning of period	\$ 3,140,299	\$ -	\$ 195	\$ 3,140,494
Declared distribution	99,991	-	9	100,000
Releases to Beneficiaries	-	-	-	-
Distributions on Allowed Claims	-	-	-	-
Release of distribution	-	-	-	-
Balance, December 31, 2018	\$ 3,240,290	\$ -	\$ 204	\$ 3,240,494

## Year-to-date ended December 31, 2018

	<b>Distributed to Beneficiaries</b>	<b>Held by DCR</b>	<b>Held for Beneficiaries</b>	<b>Total Distribution</b>
<u>Units</u>				
Balance, beginning of period	98,853,365	12,582	25,376	98,891,323
Declared distribution	-	-	-	-
Releases to Beneficiaries	443	-	(443)	-
Distributions on Allowed Claims	-	-	-	-
Cancellation of Units	-	(12,582)	(19,387)	(31,969)
Balance, December 31, 2018	98,853,808	-	5,546	98,859,354

## Year-to-date ended December 31, 2018

	<b>Distributed to Beneficiaries</b>	<b>Held by DCR</b>	<b>Held for Beneficiaries</b>	<b>Total Distribution</b>
<u>Cash (in 000's)</u>				
Balance, beginning of period	\$ 2,790,314	\$ 356	\$ 726	\$ 2,791,396
Declared distribution	449,963	-	37	450,000
Releases to Beneficiaries	13	-	(13)	-
Distributions on Allowed Claims	-	-	-	-
Release of distribution	-	(356)	(546)	(902)
Balance, December 31, 2018	\$ 3,240,290	\$ -	\$ 204	\$ 3,240,494

## Effective Date through December 31, 2018

	<b>Distributed to Beneficiaries</b>	<b>Held by DCR</b>	<b>Held for Beneficiaries</b>	<b>Total Distribution</b>
<u>Units</u>				
Balance, beginning of period	-	-	-	-
Declared distribution	96,329,687	3,619,088	51,225	100,000,000
Releases to Beneficiaries	328,240	(443)	(327,797)	-
Distributions on Allowed Claims	2,195,881	(2,497,386)	301,505	-
Cancellation of Units	-	(1,121,259)	(19,387)	(1,140,646)
Balance, December 31, 2018	98,853,808	-	5,546	98,859,354

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	Effective Date through December 31, 2018			
	Distributed to Beneficiaries	Held by DCR	Held for Beneficiaries	Total Distribution
Cash (in 000's)				
Balance, beginning of period	\$ -	\$ -	\$ -	\$ -
Declared distribution	3,183,983	84,730	1,287	3,270,000
Releases to Beneficiaries	7,120	-	(7,120)	-
Distributions on Allowed Claims	49,187	(55,770)	6,583	-
Release of distribution	-	(28,960)	(546)	(29,506)
Balance, December 31, 2018	\$ 3,240,290	\$ -	\$ 204	\$ 3,240,494

## 7. Commitments and Contingencies

### *DOJ/AG Consent Settlement*

On February 9, 2012, Ally Financial, Inc., ResCap and certain of ResCap's subsidiaries reached an agreement in principle with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions ("DOJ/AG Consent Settlement") which was subsequently filed as a consent judgment in the US District Court. On and after the Effective Date, the Trust must continue to perform the remaining obligations under the DOJ/AG Consent Settlement.

The Trust estimated and established a liability for its DOJ/Consent Settlement obligations and related costs and expenses of \$9.4 million and \$12.6 million as of December 31, 2018, and December 31, 2017, respectively.

### *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:

- Indemnity and breach of contract claims (the "Correspondent Litigation") against correspondent lenders that sold loans to Residential Funding Company LLC ("RFC") (a subsidiary of ResCap) have been brought in various court jurisdictions, seeking recovery of liabilities and losses that RFC incurred by virtue of its purchase from the defendants of residential mortgage loans that breached the defendants' representations and warranties through litigation and non-litigation processes.

During the quarter ended December 31, 2018, the Trust settled and recognized a total of \$70.2 million. The agreements provide for the full and final resolution of any pending or future litigation against the correspondents and a mutual release of all claims relating to residential mortgage loans that the correspondents sold to RFC.

In November, the jury reached a verdict in favor of the Trust in the litigation against Home Loan Center Inc., awarding the Trust \$28.7 million. Additionally, the Trust filed motions to recover interest, fees and costs in the amount of \$42.4 million associated with the Home Loan Center case, which motions will be heard by the court in February 2019. The Trust expects a final order related to the verdict and rulings on the motion for interest, fees and costs in the first quarter of

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2019, and has not reflected the verdict, or the interest, fees and costs in these Consolidated Financial Statements.

- Other affirmative matters. The Trust is party to certain other affirmative matters, including an action against certain insurers for failure to cover certain settlement costs.

During the quarter, the Trust settled other affirmative matters totaling \$2.1 million.

- 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 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 December 31, 2018 and excluding subsequent events, the Trust settled a total of \$1,208.4 million in affirmative matters including \$1,155.8 million in Correspondent Litigation, \$9.7 million in International, and \$42.9 million in other matters. Of the total, \$25.2 million has not yet been received and is recorded in Other Receivables, net of a reserve for uncollectible amounts.

### **8. Subsequent Events**

Events subsequent to December 31, 2018 were evaluated through February 26, 2019, the date on which these Consolidated Financial Statements were issued.

Subsequent to December 31, 2018, the Trust settled with additional parties in the Correspondent Litigation for a total of \$51.7 million.

On February 26, 2019, the Trust declared a cash distribution of \$0.7586 per Unit for a total distribution of \$75 million, with a record date of March 8, 2019 and a distribution date of March 25, 2019.