

ResCap Liquidating Trust

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

ResCap Liquidating Trust

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ResCap Liquidating Trust

Consolidated Statement of Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

| Assets: | March 31, 2018 | December 31, 2017 |
|-----------------------------------|-----------------------|--------------------------|
| Cash and cash equivalents | \$ 240,365 | \$ 231,332 |
| Restricted cash | 14,637 | 16,343 |
| Mortgage assets | 41,225 | 52,480 |
| Other receivables | 9,137 | 21,630 |
| Other assets | 6,812 | 7,053 |
| Total assets | 312,176 | 328,838 |
| Liabilities: | | |
| Claims and settlements | - | 7 |
| DOJ/AG consent settlement | 11,624 | 12,563 |
| Estimated costs to operate Trust | 159,428 | 192,174 |
| Liability for undistributed funds | 180 | 1,082 |
| Total liabilities | 171,232 | 205,826 |
| Net Assets in Liquidation | \$ 140,944 | \$ 123,012 |
| Total units in the Trust | <u>98,859,354</u> | <u>98,891,323</u> |
| Net assets per authorized unit | <u>\$ 1.43</u> | <u>\$ 1.24</u> |

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

ResCap Liquidating Trust

Consolidated Statement of Cash Receipts and Disbursements

(Unaudited)

In thousands

| | Quarter ended March 31, 2018 | Effective Date through March 31, 2018 |
|--|---------------------------------|--|
| Receipts | | |
| Receipts on mortgage assets | \$ 10,903 | \$ 589,920 |
| Litigation/claim recoveries | 30,498 | 810,857 |
| Other receipts | 1,011 | 113,048 |
| Plan settlements | - | 2,100,000 |
| Total receipts | 42,412 | 3,613,825 |
| Disbursements | | |
| Claims and settlements | (3) | (1,642,057) |
| DOJ/AG consent settlement | (939) | (85,966) |
| Costs to operate the Trust | (34,143) | (517,966) |
| Declared distributions | - | (2,820,000) |
| Recaptured distribution | 902 | 29,506 |
| Change in undistributed funds | (902) | 180 |
| Total disbursements | (35,085) | (5,036,303) |
| Net cash flow | 7,327 | (1,422,478) |
| Cash and restricted cash, beginning of period | 247,675 | 1,677,480 |
| Cash and restricted cash, March 31, 2018 | \$ 255,002 | \$ 255,002 |

The Notes to Condensed 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 March 31, 2018 | Effective Date through March 31, 2018 |
|---|---------------------------------|--|
| Net cash flow | \$ 7,327 | \$ (1,422,478) |
| Other non-cash changes: | | |
| Increase in asset value assumptions | 18,127 | 46,471 |
| (Increase) in costs to operate the Trust | (1,372) | (470,952) |
| (Increase) in DOJ/AG consent settlement | - | (16,929) |
| Basis of assets/liabilities liquidated/resolved | (7,052) | (510,589) |
| (Increase) decrease in distributions held for Beneficiaries | 902 | (180) |
| Total non-cash changes | 10,605 | (952,179) |
| Total Increase (decrease) in net assets | 17,932 | (2,374,657) |
| Net assets in liquidation, beginning of period | 123,012 | 2,515,601 |
| Net assets in liquidation, March 31, 2018 | \$ 140,944 | \$ 140,944 |

Per unit information:

| | \$ per Unit | \$ per Unit |
|--|-------------|-------------|
| Net assets per unit, beginning of period | \$ 1.24 | \$ 25.16 |
| Impact of cancelled units on beginning balance | - | 0.29 |
| Revised beginning of period balance | 1.24 | 25.45 |
| Recognition of cancelled unit prior period distributions | 0.01 | - |
| Increase in net assets per unit | 0.18 | 4.21 |
| Declared distributions per unit | - | (28.23) |
| Net asset per unit, March 31, 2018 | \$ 1.43 | \$ 1.43 |

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

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 Condensed Consolidated Financial Statements include the accounts of the Trust and its majority-owned subsidiaries after eliminating all significant intercompany balances and transactions. The Condensed Consolidated Financial Statements as of and for the period ended March 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. These Condensed Consolidated Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements.

Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The Condensed Consolidated Financial Statements (the “Condensed 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, 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

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claims for reimbursement from the Federal Housing Association (“FHA”) or Veterans Administration (“VA”) for eligible mortgage loan principal, interest, and servicing advances.

Non-insured mortgage loans consist primarily of certain additional borrower advances on home equity line of credit loans (“HELOC”) excluded from securitizations when a rapid amortization event occurred.

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 delinquency, aging of the loans, non-accrual or foreclosure status of the loans, disposition strategy and the timing of the insurance reimbursement process and the reimbursement policies of the government agencies, 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 or on loans where it retains the servicing rights. 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.

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 estimates through mid-year 2019 including trial costs for certain of the pending correspondent cases. No legal costs are included for periods beyond 2018 other than the assumed trial costs for a limited number of defendants and costs associated with certain cases filed in

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in 2017. 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.

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).

The consolidated subsidiaries are wholly owned by the Trust, including those that may own REO. These subsidiaries are 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):

| | March 31, 2018 | December 31, 2017 |
|--------------------------------------|-----------------------|--------------------------|
| DOJ/AG consent settlement reserve | \$ 11,624 | \$ 12,563 |
| Servicer Escrow | 2,833 | 2,691 |
| Distributions held for Beneficiaries | 180 | 726 |
| Other (APSC and DCR) | - | 363 |
| Total restricted cash | <u>\$ 14,637</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.

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

| | Quarter ended March 31, 2018 |
|------------------------------|---|
| Balance, beginning of period | \$ 12,563 |
| Additions | - |
| Releases / Payments | (939) |
| Balance, March 31, 2018 | <u>\$ 11,624</u> |

3. Mortgage Assets

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

| | March 31, 2018 | | December 31, 2017 | |
|-----------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| | Gross Balance | Carrying Value | Gross Balance | Carrying Value |
| Mortgage loans | \$ 36,833 | \$ 28,197 | \$ 48,464 | \$ 36,379 |
| Servicing advances | 33,674 | 10,926 | 36,053 | 11,170 |
| Interest receivable | 1,702 | 1,702 | 2,131 | 2,131 |
| Real estate owned | 877 | 400 | 3,490 | 2,800 |
| Total mortgage assets | <u>\$ 73,086</u> | <u>\$ 41,225</u> | <u>\$ 90,138</u> | <u>\$ 52,480</u> |

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.

| | March 31, 2018 | | December 31, 2017 | |
|------------------------------------|-----------------------|--------------------|--------------------------|--------------------|
| | Gross Balance | Carry Value | Gross Balance | Carry Value |
| Mortgage insurance claims (FHA/VA) | \$ 68,320 | \$ 39,538 | \$ 77,739 | \$ 47,247 |
| Non-insured mortgage loans | 3,889 | 1,287 | 8,909 | 2,433 |
| Real estate owned | 877 | 400 | 3,490 | 2,800 |
| Total mortgage assets | <u>\$ 73,086</u> | <u>\$ 41,225</u> | <u>\$ 90,138</u> | <u>\$ 52,480</u> |

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 March 31, 2018, approximately 79% of the Mortgage Insurance Claims were aged over 18 months.

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Non-Insured Mortgage Loans includes \$1.5 million of HELOC loans. New principal advances on all the HELOC loans have been frozen and the portfolio of assets is in run-off, on average from 1.5% - 3% monthly.

The Trust is actively marketing all Real Estate Owned assets.

4. Other Receivables

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

| | March 31, 2018 | December 31, 2017 |
|--------------------------|-----------------------|--------------------------|
| Affirmative Matters, net | \$ 9,027 | \$ 21,520 |
| Other Receivables | 110 | 110 |
| Total other receivables | <u>\$ 9,137</u> | <u>\$ 21,630</u> |

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):

| | March 31, 2018 | December 31, 2017 |
|----------------------------------|-----------------------|--------------------------|
| Professional fees | \$ 121,273 | \$ 140,584 |
| Compensation | 13,720 | 20,161 |
| Document management | 12,293 | 12,029 |
| Information technology | 6,204 | 7,663 |
| Other operating costs | 5,938 | 11,737 |
| Total costs to operate the Trust | <u>\$ 159,428</u> | <u>\$ 192,174</u> |

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 March 31, 2018 | | | |
|---------------------------------|---|------------------------|-----------------------------------|-------------------------------|
| | Distributed to Beneficiaries | Held by DCR | Held for Beneficiaries | Total Distribution |
| <u>Units</u> | | | | |
| Balance, beginning of period | 98,853,365 | 12,582 | 25,376 | 98,891,323 |
| Declared distribution | - | - | - | - |
| Releases to Beneficiaries | - | - | - | - |
| Distributions on Allowed Claims | - | - | - | - |
| Cancellation of Units | - | (12,582) | (19,387) | (31,969) |
| Balance, March 31, 2018 | <u>98,853,365</u> | <u>-</u> | <u>5,989</u> | <u>98,859,354</u> |

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| | Quarter ended March 31, 2018 | | | |
|---------------------------------|------------------------------|-------------|------------------------|--------------------|
| | Distributed to Beneficiaries | Held by DCR | Held for Beneficiaries | Total Distribution |
| Cash (in 000's) | | | | |
| Balance, beginning of period | \$ 2,790,314 | \$ 356 | \$ 726 | \$ 2,791,396 |
| Declared distribution | - | - | - | - |
| Releases to Beneficiaries | - | - | - | - |
| Distributions on Allowed Claims | - | - | - | - |
| Release of distribution | - | (356) | (546) | (902) |
| Balance, March 31, 2018 | \$ 2,790,314 | \$ - | \$ 180 | \$ 2,790,494 |

As of March 30, 2018, the Trust cancelled 31,969 Units which included 12,582 that were remaining in the DCR and an additional 19,387 Units held for beneficiaries and as a result, the Trust released the liability for previously declared distributions of \$28.23 per Unit.

All DCR claims have been resolved and the DCR was dissolved as of March 30, 2018.

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 \$11.6 million and \$12.6 million as of March 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 March 31, 2018, the Trust settled and recognized a total of \$15.9 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.

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- 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 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, 2018 and excluding subsequent events, the Trust settled a total of \$824.5 million in affirmative matters including \$775.6 million in Correspondent Litigation, \$9.7 million in International, and \$39.2 million in other matters. Of the total, \$15.7 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 March 31, 2018 were evaluated through May 10, 2018, the date on which these Condensed Consolidated Financial Statements were issued.

Subsequent to March 31, 2018, the Trust entered into a settlement agreement with Equifirst Corp. and EFC Holding Corp., and the Trust agreed to settle in principle with BMO Harris Bank, N.A. as successor to Amerus and M&I Bank, FSB, Decision One Mortgage Corp, LLC and HSBC Finance Corp. and HSBC Mortgage Corp. Settlement funds have not been received with respect to any subsequently settled cases as of the date hereof. In addition, the Trust settled with additional parties in other affirmative matters for a total of \$0.3 million.