

LIQUIDATING TRUST

Dear Beneficiaries:

We continue to focus on maximizing returns to Beneficiaries through the continued prosecution of our correspondent litigation and managing the timely and efficient wind down of the remaining Trust assets and activities.

RECENT HIGHLIGHTS OF THE TRUST'S ACTIVITIES

On June 2, 2017, the Trust distributed \$2.00 per Unit for a total distribution of \$200 million, with a declaration date of May 3, 2017 and a record date of May 18, 2017. On August 2, 2017, the Trust declared an additional cash distribution of \$1.50 per Unit for a total distribution of \$150 million, with a record date of August 17, 2017 and a distribution date of September 1, 2017.

As of June 30, 2017, the Trust was successful in wrapping up its presence in Canada with the final dissolution of Residential Finance of Canada.

In Q2 2017, the Trust entered into two of three agreements to terminate the CapRe Reinsurance Agreements. The termination of the remaining agreement is pending regulatory review and approval. Upon dissolution of the entity, approximately \$26 million will be transferred from CapRe to the Trust.

At the end of Q2 2017 the net assets of the Trust were \$170 million, a reduction from Q1 net assets of \$335 million. The decrease is driven by the \$200 million distribution offset by added value of litigation settlements in the second quarter.

CORRESPONDENT LENDER LITIGATION

As of the date of this letter, the Trust is litigating 27 cases against correspondent lenders of Residential Funding Company LLC, for indemnity and breach of contract, which are pending in Federal District Court in Minnesota and Federal Bankruptcy Court for the Southern District of New York.

Since March 31, 2017, the Trust settled 9 correspondent litigation cases for an aggregate amount of \$154.4 million. The Trust has reached settlements totaling approximately \$573.4 million since the inception of the Trust.

The correspondent litigation is now in the expert report phase which will be substantially complete by the end of 2017. During early 2018, summary judgment and other pre-trial motions will be filed, followed by the first trial expected in mid 2018.

RESCAP

LIQUIDATING TRUST

ASSETS

The Trust continues to work with LoanCare and HUD to pursue claim recoveries with respect to our remaining insured loan portfolio and the sale of our Real Estate Owned (REO) properties and Securities. As of June 30, 2017, our remaining gross balances on mortgage assets totaled \$125.0 million with a carrying value of \$47.1 million.

CLAIMS

The Trust entered into a stipulation with The Royal Bank of Scotland (RBS) to resolve its outstanding claims. We continue to work with the two remaining claimants for final resolution of the claims reserved for in the Disputed Claims Reserve.

REGULATORY

The Trust's remaining obligation with regard to the DOJ settlement is to work with and monitor Rust Consulting to ensure required SCRA remediation activities are conducted as appropriate. A specific restricted cash account with an outstanding balance of \$14.6 million at June 30, 2017 will be utilized for all future liabilities related to remediation obligation to the service members and costs for professionals such as Rust Consulting. Obligation of the Trust for the SCRA work and outreach efforts will continue through October 2018.

ADMINISTRATIVE EXPENSES SET ASIDE

The Administrative Expenses Set Aside holds cash and other assets for the payment of Trust operating expenses. As of June 30, 2017, the Administrative Expenses Set Aside of \$222.7 million consisted of \$50.9 million in cash and \$171.8 million in pledged proceeds from future asset sales and/or recoveries.

Activity related to the Administrative Expenses Set Aside is as follows (in \$000's):

| | QUARTER ENDED JUNE 30, 2017 |
|-----------------------------------|--|
| Balance, Beginning of period | \$ 250,135 |
| • Additions - cash | 128 |
| • Withdrawals - cash | - |
| • Reductions – pledged recoveries | (27,562) |
| Balance, June 30, 2017 | <u>\$ 222,701</u> |

TAX INFORMATION

The Trust recognizes litigation settlements and similar type recoveries received as ordinary income. As a flow-through entity, this ordinary income received by the Trust flows through to the Beneficiaries to be reported on their respective income tax returns. The Trust does not believe that such ordinary income would constitute trade or business income but may be treated as United States source income that is subject to withholding for non-United States Beneficiaries at a 30% rate (or lower applicable treaty rate).

The Trust does not have the necessary information concerning the identity of and tax status of its Beneficiaries to withhold any required tax when it receives Income. Therefore, tax withholding is determined at the time of any distributions from the Trust. The Trust treats all distributions as first sourced to US Source Income, to the extent not reported to Beneficiaries as part of prior Trust distributions. Once all cumulative US Source Income has been distributed to Beneficiaries, the Trust treats any additional distributions as amounts not subject to withholding (though such characterization may depend in part on each Beneficiary's unique tax attributes).

To aid Beneficiaries in their tax reporting, the Trust is providing a quarterly Tax Information Letter and estimated quarterly tax information. The Tax Information Letter is being distributed along with this quarterly Beneficiary Letter.

The Trust's second quarter 2017 financial report and certain tax information have been posted on our website at <http://www.rescapliquidatingtrust.com/#financial-statements>.

The Board and management of the Trust continue to work diligently towards the goal of maximizing value for Beneficiaries in the most efficient manner possible. We look forward to reporting on the results of our efforts.

Sincerely,



JOHN RAY

Liquidating Trust Manager