

# ResCap Liquidating Trust

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**Condensed Consolidated Financial Statements  
as of and for the Period Ended September 30, 2019  
(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>September 30, 2019</b>	<b>December 31, 2018</b>
Cash and cash equivalents	\$ 106,852	\$ 146,942
Restricted cash	3,475	12,907
Mortgage assets	3,896	13,532
Other receivables	2,319	26,804
Other assets	1,033	1,321
<b>Total assets</b>	<b>117,575</b>	<b>201,506</b>
<b>Liabilities:</b>		
DOJ/AG consent settlement	-	9,444
Estimated costs to operate Trust	80,810	110,282
Liability for undistributed funds	224	204
<b>Total liabilities</b>	<b>81,034</b>	<b>119,930</b>
<b>Net Assets in Liquidation</b>	<b>\$ 36,541</b>	<b>\$ 81,576</b>
Total units in the Trust	98,859,354	98,859,354
Net assets per authorized unit	\$ 0.37	\$ 0.83

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 September 30, 2019	Year to date ended September 30, 2019	Effective Date through September 30, 2019
<b>Receipts</b>			
Receipts on assets held for sale	\$ 4,522	\$ 8,306	\$ 640,523
Litigation / claim recoveries	183	76,858	1,255,286
Other receipts	2,247	5,956	164,988
Plan settlements	-	-	2,100,000
Total receipts	6,952	91,120	4,160,797
<b>Disbursements</b>			
Claims and settlement	-	-	(1,642,074)
DOJ / AG consent settlement	1	(65)	(88,211)
Costs to operate the Trust	(8,318)	(40,596)	(657,395)
Total disbursements	(8,317)	(40,661)	(2,387,680)
<b>Distributions</b>			
Declared distribution	-	(100,000)	(3,370,000)
Recaptured distribution	-	-	29,506
Change in undistributed funds	-	19	224
Total distributions	-	(99,981)	(3,340,270)
<b>Net cash flow</b>	(1,365)	(49,522)	(1,567,153)
<b>Cash and restricted cash, beginning of period</b>	111,692	159,849	1,677,480
<b>Cash and restricted cash, September 30, 2019</b>	\$ 110,327	\$ 110,327	\$ 110,327

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 September 30, 2019	Year to date ended September 30, 2019	Effective Date through September 30, 2019
<b>Net cash flow</b>	\$ (1,365)	\$ (49,522)	\$ (1,567,153)
Other non-cash changes:			
Increase (decrease) in asset value assumptions	241	(2,066)	(54,686)
(Increase) decrease in costs to operate the Trust	518	(11,107)	(531,816)
(Increase) decrease in DOJ/AG consent settlement	1	9,379	(7,550)
Basis of assets/liabilities liquidated/resolved	4,415	8,300	(317,631)
(Increase) decrease in distributions held for Beneficiaries	-	(19)	(224)
Total non-cash changes	5,175	4,487	(911,907)
Total increase (decrease) in net assets	3,810	(45,035)	(2,479,060)
<b>Net assets in liquidation, beginning of period</b>	32,731	81,576	2,515,601
<b>Net assets in liquidation, September 30, 2019</b>	<b>\$ 36,541</b>	<b>\$ 36,541</b>	<b>\$ 36,541</b>

### Per unit information:

	\$ per Unit	\$ per Unit	\$ per Unit
<b>Net assets per unit, beginning of period</b>	\$ 0.33	\$ 0.83	\$ 25.16
Impact of cancelled units on beginning balance	-	-	0.29
<b>Revised beginning of period balance</b>	0.33	0.83	25.45
Recognition of cancelled unit prior period distributions	-	-	-
Increase in net assets per unit	0.04	0.55	8.71
Declared distributions per unit	-	(1.01)	(33.79)
<b>Net asset per unit, September 30, 2019</b>	<b>\$ 0.37</b>	<b>\$ 0.37</b>	<b>\$ 0.37</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, 2018.

### 2. Restricted Cash

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
DOJ/AG consent settlement reserve	\$ -	\$ 9,444
Servicer Escrow	3,251	3,259
Distributions held for Beneficiaries	224	204
Total restricted cash	<u>\$ 3,475</u>	<u>\$ 12,907</u>

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## 3. Mortgage Assets

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

	September 30, 2019		December 31, 2018	
	Gross Balance	Carry Value	Gross Balance	Carry Value
Mortgage insurance claims (FHA/VA)	\$ 10,839	\$ 3,529	\$ 33,623	\$ 12,219
Non-insured mortgage loans	1,944	-	1,926	-
Real estate owned	1,421	367	1,854	1,313
Trading Securities	178	-	217	-
Total mortgage assets	\$ 14,382	\$ 3,896	\$ 37,620	\$ 13,532

Mortgage insurance claims gross balances are mainly comprised of \$2.8 million of mortgage principal and \$7.9 million of servicing advances. The Trust is actively marketing all real estate owned assets. 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 Insurance Claims 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.

## 4. Other Receivables

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

	September 30, 2019	December 31, 2018
Affirmative Matters, net	\$ 2,300	\$ 25,157
Other Receivables	19	1,647
Total other receivables	\$ 2,319	\$ 26,804

## 5. Estimated Costs to Operate the Trust

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

	September 30, 2019	December 31, 2018
Professional fees (legal, expert, other professional costs)	\$ 45,012	\$ 76,161
Compensation	8,122	12,223
Document management	14,044	11,719
Information technology	5,973	4,089
Other operating costs	7,659	6,090
Total costs to operate the Trust	\$ 80,810	\$ 110,282

The estimated cost to operate the Trust is \$80.8 million reflecting a net decrease of \$8.8 million from the prior quarter. Of the total \$80.8 million, there is \$13.3 million of expenses that have been incurred but not yet paid (\$9.1 million professional fees, \$1.7 million compensation and \$2.5 million other operating costs) and \$67.5

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million of expected future costs for October 2019 through May 2021. Of the future \$67.5 million cost, \$29.1 million supports the on-going RMBS litigation and \$38.4 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:

- 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.

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 alleging, among other allegations, that LendingTree assumed the HLC liability. Per the Trust’s accounting policy the Trust has not recorded the judgment in these Condensed Consolidated Financial Statements.

During the quarter ended September 30, 2019, the Trust settled and recognized a total of \$2.3 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.

One case is set for trial in early 2020.

- 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.
- 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 September 30, 2019 and excluding subsequent events, the Trust settled a total of \$1,262.4 million in affirmative matters including \$1,209.8 million in Correspondent Litigation, \$9.7 million in International, and \$42.9 million in other matters. Of the total, \$2.3 million has not yet been received and is recorded in Other Receivables, net of a reserve for uncollectible amounts.

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## **7. Subsequent Events**

Events subsequent to September 30, 2019 were evaluated through November 6, 2019, the date on which these Condensed Consolidated Financial Statements were issued. Subsequent to September 30, 2019, cash related to the \$2.3 million outstanding receivable was collected.