

ResCap Liquidating Trust

**Condensed Consolidated Financial Statements
as of and for the Period Ended September 30, 2020
(Unaudited)**

ResCap Liquidating Trust

Condensed Consolidated Statement of Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

Assets:	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 98,052	\$ 100,869
Restricted cash	3,517	3,496
Mortgage assets	1,707	2,416
Other assets	6,425	730
Total assets	109,701	107,511
Liabilities:		
Estimated costs to operate Trust	56,030	78,246
Liability for undistributed funds	232	229
Total liabilities	56,262	78,475
Net assets in liquidation	\$ 53,439	\$ 29,036
Total units in the Trust	98,859,354	98,859,354
Net assets per authorized unit	\$ 0.54	\$ 0.29

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

ResCap Liquidating Trust

Condensed Consolidated Statement of Changes in Net Assets in Liquidation

(Unaudited)

In thousands

	Quarter to date ended September 30, 2020	Year to date Ended September 30, 2020	Effective Date through September 30, 2020
Receipts			
Receipts on assets held for sale	\$ 741	\$ 1,314	\$ 642,923
Litigation / claim recoveries	52,095	53,970	1,312,057
Other receipts	122	4,352	169,913
Plan settlements	-	-	2,100,000
Total receipts	52,958	59,636	4,224,893
Disbursements			
Claims and settlement	-	-	(1,642,074)
DOJ / AG consent settlement	9	10	(88,201)
Costs to operate the Trust	(7,914)	(26,845)	(694,666)
Total disbursements	(7,905)	(26,835)	(2,424,941)
Distributions			
Total distributions	(35,597)	(35,597)	(3,375,862)
Net cash flow	9,456	(2,796)	(1,575,910)
Other non-cash changes affecting:			
Increase (decrease) in asset value assumptions	-	4	(55,026)
(Increase) decrease in costs to operate the Trust	57	(4,574)	(544,553)
(Increase) decrease in DOJ/AG consent settlement	-	(1)	(7,551)
Basis of assets/liabilities liquidated/resolved	(44,471)	31,773	(278,890)
(Increase) decrease in distributions held for Beneficiaries	(3)	(3)	(232)
Total non-cash changes	(44,417)	27,199	(886,252)
Total increase (decrease) in net assets	(34,961)	24,403	(2,462,162)
Net assets in liquidation, beginning of period	88,400	29,036	2,515,601
Net assets in liquidation, end of period	\$ 53,439	\$ 53,439	\$ 53,439

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”) 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.

These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2019.

2. Assets

	<u>September 30, 2020</u>	<u>December 2019</u>
Cash and cash equivalents	\$ 98,052	\$ 100,869
Restricted cash	3,517	3,496
Mortgage assets	1,707	2,416
Other Assets	6,425	730
Total assets	<u>\$ 109,701</u>	<u>\$ 107,511</u>

Restricted cash includes a \$1.0 million liquidity escrow that will be released to the Trust 60 days post termination of the servicer contract, and an additional \$2.3 million supporting servicer potential incentive payable. The incentive payable balance is valued at \$1.2 million as of September 30, 2020. Any restricted cash not utilized for the incentive will be released to the Trust 60 days post termination of the servicer contract.

The remaining Mortgage assets have a carrying value of \$1.7 million representing the Trust’s future expected recovery value. The resolution timelines are subject to asset specific hurdles, including final title approval from HUD, filing documentation for expense claims, and HUD review and approval.

Other assets includes primarily the receivable from a litigation settlement. The Trust records and values affirmative settlements or judgments when realized and collectability is reasonably anticipated.

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3. Estimated Costs to Operate the Trust

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

	September 30, 2020			December 31, 2019	
	Accrued	Future	Total	Total	
Professional fees (legal, expert, other professional costs)	\$ 8,350	\$ 33,853	\$ 42,202	\$	57,572
Compensation	2,355	5,110	7,465		8,844
Document management	9	960	969		5,134
Information technology	56	1,944	2,000		2,887
Other operating costs	1,130	2,263	3,394		3,809
Total costs to operate the Trust	\$ 11,900	\$ 44,130	\$ 56,030	\$	78,246

The estimated cost to operate the Trust is \$56.0 million including \$11.9 million of expenses that have been incurred but not yet paid (\$8.3 million professional fees, and \$3.6 million other operating costs) and \$44.1 million of expected future costs for October 2020 through June 2022. Of the future \$44.1 million cost, \$15.7 million supports the on-going RMBS litigation and insurance recovery case pending in Bankruptcy Court, SDNY and \$28.4 million represents contractual obligations and the future costs for the operations and winddown of the Trust. The Trust does not accrue contingent costs.

4. Commitments and Contingencies

Affirmative Matters

The Trust is pursuing various affirmative matters. These include:

- There is one pending indemnity claim against Primary Residential Mortgage, Inc., 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 Primary Residential Mortgage Inc. Subsequent to the judgment, the trust filed a motion for an additional \$15.5 million for attorney fees, costs and pre-judgment interest in the same matter and is pending a ruling on the matter.
- 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-shl. In December 2019, the Bankruptcy Court issued a partial Summary judgment in favor of the Trust. The Trust's claim is approximately \$40 million, exclusive of interest and fees. Per the Trust's accounting policy, the Trust has not recorded this estimate in these Condensed Consolidated Financial Statements.
- 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.

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5. Subsequent Events

Events subsequent to September 30, 2020 were evaluated through, November 10, 2020, the date on which these Condensed Consolidated Financial Statements were issued. Subsequent to September 30, 2020, the remaining receivable for \$6.4 million was received.