ResCap Liquidating Trust May 3, 2017 Distribution

General Overview

On May 3, 2017, the ResCap Liquidating Trust (the "Trust") announced a distribution of $2.00 per unit on June 2, 2017, to unitholders ("Beneficiaries") of record on May 18, 2017. The Trust has recognized significant income through litigation and similar type recoveries since its last distribution in March 2015. All of the income included in this distribution is deemed United States source income that is subject to tax withholding ("US Source Income") for non-United States Beneficiaries. The distribution does not include any US sourced dividend income. Although withholding of taxes related to this US Source Income is required at the time of receipt by the Trust, the Trust does not have the necessary information concerning the identity of and tax status of its Beneficiaries to withhold taxes on this income when received. As such, the withholding of taxes related to this income received by the Trust is only possible at the time of distribution by the Trust to Beneficiaries via a United States broker or other nominees. The June 2, 2017, distribution represents the first opportunity for tax withholding on this US Source Income received since March, 2015. Beneficiaries should consult their broker or nominee to ensure withholding is properly completed. The Trust expects future distributions will be deemed US Source Income to the extent of litigation recoveries by the Trust that had not previously been subject to withholding when distributed. The composition of future distributions will be communicated to Beneficiaries.

The Trust is treated as a grantor trust for United States federal and state income tax purposes. As such, the Trust itself is not subject to federal or state income tax. Instead, Beneficiaries are considered the grantors of the Trust and are treated for income tax purposes as if they hold a direct interest in an allocable pro rata share of each asset and liability of the Trust. In addition, each Beneficiary is treated for income tax purposes as recognizing an allocable portion of each tax item of Trust income and deduction ("Tax Items") as if the Beneficiary recognized the Tax Items directly, regardless of whether the Beneficiary received a cash distribution.

The Trust's Tax Items are determined with respect to Beneficiaries that acquired their units in the initial distribution as of December 17 2013. Each Trust Beneficiary has unique tax attributes which will determine the Beneficiary's United States tax reporting obligations and related tax liability, if any, related to its allocable share of Trust Tax Items as well as Trust distributions.

FAQS

The following are specific questions and answers that may be helpful when considering the tax consequences of the distribution.

Question:

<u>TRUST TAX REPORTING</u>: When and how does the Trust report Trust Tax Items to the Beneficiaries?

Answer:

Consistent with the Trust Agreement and in accordance with applicable law, the Trust provides Beneficiaries with tax information on an annual basis in connection with the Trust's filing of its annual tax returns. The Trust is not required to provide Beneficiaries with an IRS Form K-1 or Form 1099. The Trust provides Beneficiary Information for U.S. Federal and State Income Tax Purposes and a Tax Worksheet for Beneficiaries, via postings on the Trust's website, www.rescapliquidatingtrust.com. The Tax Worksheet for Beneficiaries provides the Trust's Tax Items by type, on both a per Unit and an aggregate basis. The Trust does not provide tax advice. Each Beneficiary has unique tax attributes and should seek advice from its own tax advisor as to the tax characterization and reporting of its portion of the Trust's Tax Items and as well as the tax reporting of Trust distributions received.

Question:

<u>TRUST TAX ITEMS:</u> What types of Tax Items does the Trust receive?

Answer:

The Trust's Tax Items may include capital gain or loss, ordinary income (including interest income, litigation recoveries, client recoveries, restitution, and miscellaneous other income) and general and administrative expenses. The Trust does not believe that it has recognized any income that would constitute trade or business income (or unrelated business taxable income or income that is effectively connected to the conduct of a trade or business in the United States, though such characterizations may depend in part on each Beneficiary's unique tax attributes).

Question:

<u>SUBJECT TO WITHHOLDING</u>: Are any of the Trust Tax Items subject to withholding for non-United States Beneficiaries?

Answer:

The Trust's litigation recoveries, client recoveries, restitution 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). As indicated above, the June 2, 2017, distribution will consist entirely of income subject to withholding.

Question:

<u>WITHHOLDING DETERMINATION FOR DISTRIBUTIONS</u>: How does the Trust determine the portion of each distribution that is subject to tax withholding for non-United States Beneficiaries?

Answer:

As indicated above, 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. 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).

Question:

<u>TAX WITHHOLDING:</u> If the Trust does not withhold any required tax, how is any required tax withholding effected?

Answer:

The Trust will distribute the gross amount of the distribution to brokers (through DTC) and anticipates that any required tax withholding will be effected by United States brokers (or other nominees). Each Beneficiary has unique tax attributes and should seek advice from its own tax advisor as to the tax treatment and reporting of Trust distributions received.

Question:

<u>WITHHOLDING REFUNDS</u>: If tax has been withheld from a distribution to a Beneficiary, can a refund of the withheld tax be obtained and if so, how?

Answer:

If tax had been withheld from a distribution to a Beneficiary who believes that it is not subject to United States federal income tax or that the tax withheld is in excess of its United States federal income tax liability, the Beneficiary may be able to file a timely United States tax return to request a refund for any withholding tax in excess of its United States federal income tax liability.

Question:

<u>TAX BASIS OF UNITS FOR INITIAL HOLDERS</u>: How does a Beneficiary who acquired its Units **as of** December 17, 2013, determine its Trust Unit tax basis, and how would a Trust distribution affect its Trust Unit tax basis?

Answer:

As indicated above, each Beneficiary is treated as owning an allocable pro rata share of each asset of the Trust. Generally, for a Beneficiary that acquired its units from the Trust in the initial distribution as of December 17, 2013, the tax basis of the Beneficiary's units, and thus the Beneficiary's tax basis in its share of the Trust's assets, would be the value of the units received upon that initial distribution, increased or decreased by the Beneficiary's allocable share of the Trust's Tax Items and distributions (which are reported by the Trust and available on its website under the heading "financial and tax information"), regardless of whether the Trust's Tax Items were reported to the Beneficiaries as Income. The Trust's Tax Items are determined with respect to Beneficiaries that acquired their units in the initial distribution. Each Trust Beneficiary has unique tax attributes which will determine the Beneficiary's United States tax reporting obligations and related tax liability, if any, related to its allocable share of Trust Tax Items as well as Trust distributions.

Question:

<u>TAX BASIS OF UNITS FOR SUBSEQUENT HOLDERS</u>: How does a Beneficiary who acquired its Units **after** December 17, 2013, determine its Trust Unit tax basis, and how would a Trust distribution affect its Trust Unit tax basis?

Answer:

A Beneficiary that did not acquire its units from the Trust in the initial distribution as of December 17, 2013, may have a tax basis in its units (and therefore a tax basis in the Trust assets attributable to such units) that differs from the tax basis of a unit acquired from the Trust as of December 17, 2013. Such difference may affect the Beneficiary's taxable income and loss from holding Trust units, which may differ from the Tax Items as determined and reported by the Trust. For additional information, see FAQs "How could the basis of a Beneficiary's Units that were not acquired from the Trust in the initial distribution as of December 17, 2013, differ from the basis in Units that a Beneficiary acquired from the Trust in the initial distribution as of December 17, 2013?" and "What effect could this have on the Beneficiary's share of the Trust's income and loss?" Each Trust Beneficiary has unique tax attributes which will determine the Beneficiary's United States tax reporting obligations and related tax liability, if any, related to its allocable share of Trust Tax Items as well as Trust distributions.