

## RESCAP

### LIQUIDATING TRUST

May 9, 2014

Dear Beneficiaries:

On behalf of the Board of Trustees and all of the dedicated employees of the ResCap Liquidating Trust, we are pleased to be furnishing our first quarterly report.

The Trust was formed in connection with the confirmed Plan of Reorganization of Residential Capital, LLC and 50 of its direct and indirect subsidiaries in their Chapter 11 bankruptcy case. The purposes of the Trust are to receive and distribute the assets of the bankruptcy case; resolve remaining disputed claims; pursue causes of action on behalf of the estates of the debtors in the bankruptcy case; and wind down the affairs of these debtors. The net assets of the Trust available for distribution, after paying priority claims and reserving for the payment of the expenses of the Trust, will be paid, as the Trust's remaining assets are monetized, pro rata to the holders of the Units, who are the Beneficiaries of the Trust.

#### The First Quarter Report

The Plan of Reorganization became effective on December 17, 2013. On this date assets were transferred to the Trust from the debtors, and the Trust began substantive operations. The Trust's first quarterly report covers the period from the effective date through March 31, 2014. It is being posted with this letter to the Trust's website at <http://rescapliquidatingtrust.com/financialtaxinformation.aspx>.

The financial statements included in the report are unaudited and have been prepared using liquidation basis of accounting, in accordance with GAAP. These statements differ significantly from statements that are prepared for entities that are a going concern. We recommend carefully reviewing the accompanying notes, which are an integral part of the statements, and among other things, describe the liquidation basis of accounting.

As required by the Liquidating Trust Agreement that governs the Trust, the quarterly report includes certain supplementary schedules that provide detail on the activity with respect to certain Trust accounts.

We have also included a Statement of Receipts and Disbursements, and a Roll Forward of the Statement of Net Assets from the effective date through March 31, 2014. Our objective has been to provide Beneficiaries with a clear and more natural understanding of the Trust's sources and uses of cash during the covered period, and how the assets of the Trust have been affected by its activity since inception.

#### The Initial Distribution

Beginning on December 27, 2013, the Trust made a distribution of more than 99% of the authorized Units, including approximately 3.6% of the Units that were placed in the Disputed Claims Reserve. The few remaining Units are being held pending receipt of information required for distribution. Together with the Units, we declared a distribution to Beneficiaries of \$1.765 billion.

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The Trust expects to make a second distribution in respect of the Units in June 2014. The Trust intends to announce a record and distribution date, and the amount of the distribution, by a press release and a notice posted to the Trust website.

#### Activity During the Period

Despite the complexity of the Chapter 11 case, with significant litigation and a contested confirmation hearing, we are pleased to report that the Trust was fully functional on the Effective Date of the Plan on December 17, 2013, and no longer requires any further support from Ally Financial, the former parent of the debtors. As of March 31, the Trust's personnel consist of 100 employees and 27 contractors in our offices in Bloomington, MN and Fort Washington, PA.

Our objective is to prudently monetize the assets of the Trust and to control our costs, in order to expeditiously maximize the distributions to Beneficiaries, to the extent reasonably possible. Our activity during the period covered by the Trust's first quarterly report was, and going forward continues to be, directed towards this goal.

In addition to the initial distributions, the following are highlights of the Trust's activities since the effective date:

#### *Operational Activity*

- We retained the necessary employees and professional resources for the operation of the Trust, on terms that we believe are cost effective and incentivize performance.
- We continued to manage and liquidate our significant loan portfolio, pursuing claims where warranted and making required loan modifications.
- We developed the format and infrastructure for timely reporting on the Trust's financial activity, as required under the Liquidating Trust Agreement.
- We completed the IT infrastructure separation from Ally Financial and from Ocwen Loan Servicing and migrated numerous systems and applications and vast amounts of data related to the debtors' businesses to the Trust's IT infrastructure vendor.
- We established and posted the initial valuation of the Trust's assets for tax purposes.
- We continued compliance with the obligations of the debtors to the Office of Mortgage Servicing Oversight (OMSO) and otherwise under the DOJAG Settlement, to which the Trust succeeded on the effective date.
- We began pursuing affirmative litigation claims, to which the Trust succeeded from the debtors.

#### *Monetization Activity*

- We reached agreements with Ally Financial and certain of its insurers, allowing the Trust to collect on its \$150.0 million receivable from Ally in the second quarter of 2014.
- We marketed a portfolio of 410 non-government loans that were sold in the second quarter of 2014 for proceeds of approximately \$43.6 million including an amount of \$0.3 million in escrow.

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- We continue to engage in the marketing of 897 FHA loans, with a potential closing in the third quarter of 2014.
- We sold certain master servicing rights and servicing advances, originally excluded from the sales during the bankruptcy, for \$45.1 million net of cure costs and received additional payments on sales that were made prior to the Effective Date of \$15.9 million.
- We received a return of capital of approximately \$ 27.8 million from GMAC Residential Funding of Canada, Limited.

#### *Other Activity*

- We settled 237 disputed claims originally asserted at \$29.26 million with an allowed amount of \$1.2 million.
- We installed an "FHA Trustee" under the Liquidating Trust Agreement and obtained the approval of the FHA to transfer to the Trust the FHA loans held by certain of the debtors.

#### Challenges and Outlook

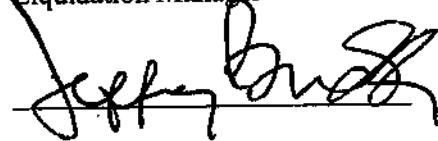
The Trust faces certain challenges. For example, we are seeking to accelerate insurance claim recoveries on FHA loans which have thus far this year been lagging, we are dealing with certain administrative and priority claims that are higher than expected and we will be required to expend resources to respond to a document subpoena of the US Attorney's Office of Southern District of California related to the debtors' RMBS activity. However, with the experienced oversight of the Liquidating Trust Board and the skill and dedication of the staff of the Trust, we are confident of achieving our primary objective of reasonably maximizing recoveries for Beneficiaries.

We intend to keep you updated on our progress through the Trust's quarterly financial reports and letters to Beneficiaries.

Sincerely,

Quest Turnaround Advisors, LLC

Liquidation Manager



Jeffrey A. Brodsky  
Member

# **ResCap Liquidating Trust**

## **Supplemental Schedules to the Unaudited Consolidated Financial Statements**

**Including schedules pursuant to Section 7.6 (b) of the  
Liquidating Trust Agreement**

# ResCap Liquidating Trust

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## 1. Trust Asset Dispositions

During the period, the Trust liquidated the following assets:

- During the period ended March 31, 2014, the Trust received \$1.976 billion of Ally's contribution under the Plan. In April 2014, the remaining \$124.0 million of Ally's obligation was received.
- Certain MSR and Servicer Advances originally excluded from the Section 363 Sales were sold during the period, providing \$14.0 million and \$37.3 million of sales proceeds, respectively, less cure costs of \$6.2 million.

The Trust had \$1.3 billion assets remaining as of March 31, 2014.

## 2. Distributions to Beneficiaries

On December 27, 2013, the Trust commenced distributing Units to holders of Allowed claims who provided the required documentation and an initial cash distribution of \$17.65 per Unit as follows:

	<b>Units</b>	<b>Amount (in \$000's)</b>
Distribution to Beneficiaries	96,329,687	\$ 1,700,219
Distribution to the DCR	3,619,088	-
Cash	-	38,877
Other receivables	-	25,000
Distribution held for Beneficiaries	51,225	904
Declared distribution	100,000,000	\$ 1,765,000

Distributions to the DCR and held for Beneficiaries are included in restricted cash and other receivables in the Consolidated Financial Statements.

## 3. Administrative Expenses Set Aside

The Administrative Expenses Set Aside was established to hold cash or other assets set aside for the payment of expenses for the operations of the Trust. The amount may increase over time, at the direction of the Board, to reserve for future operating expenses.

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

	<b>Amount</b>
Balance, December 17, 2013	\$ -
Additions – cash	195,571
Additions – other receivables	50,000
Withdrawals	-
Balance, March 31, 2014	\$ 245,571

The Administrative Expenses Set Aside is included in cash and other receivables in the Consolidated Financial Statements.

# ResCap Liquidating Trust

## 4. APSC Claims Reserve

Activity related to the APSC Claims Reserve is as follows (in \$000's):

	<u>Amount</u>
Balance, December 17, 2013	\$ -
Additions – cash / assets	28,315
Withdrawals – Allowed Claims	(108)
Balance, March 31, 2014	<u>\$ 28,207</u>

These amounts are included in restricted cash in the Consolidated Financial Statements.

## 5. DOJ/AG Settlement Cash Reserve

Activity related to the DOJ/AG Settlement Cash Reserve is as follows (in \$000's):

	<u>Amount</u>
Balance, December 17, 2013	\$ 55,000
Additions	-
Releases / Payments	(6,659)
Balance, March 31, 2014	<u>\$ 48,341</u>

These amounts are included in restricted cash in the Consolidated Financial Statements.

## 6. Disputed Claims

Activity related to disputed claims during the period is as follows (in \$000's):

	<u>Allowed</u>	<u>Disallowed</u>	<u>Disputed</u>
Balance, December 17, 2013	-	-	\$ -
Amounts established during the period	-	-	382,332
Allowed Claims, in whole or in part	\$ 1,163	\$ 4,911	(6,074)
Disallowed Claims	-	22,344	(22,344)
Reclassified to Convenience Claims	-	-	(844)
Balance, March 31, 2014			<u>\$ 353,070</u>

Distributions of Units will be made to holders of Allowed Claims based on the following issuance ratios:

- For holders of claims against the ResCap Debtors: 0.014305344 Units per dollar of Allowed claim;
- For holders of claims against the GMACM Debtors: 0.011848742 Units per dollar of Allowed claim;
- For holders of claims against the RFC Debtors: 0.003528361 Units per dollar of Allowed claim.

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## 7. Disputed Claim Reserve

Activity related to DCR during the period is as follows:

	Units	Amount (in \$000's)
Balance, December 17, 2013	-	\$ -
Distributions received	3,619,088	-
Cash	-	38,877
Other receivables	-	25,000
Distributions Made – Allowed Claims	-	-
Cancelled units / release of cash	-	-
Balance, March 31, 2014	3,619,088	\$ 63,877

The DCR is included in restricted cash and other receivables in the Consolidated Financial Statements.

Units in the DCR will be cancelled at the discretion of the Board and any remaining cash or non-cash assets will be added to the Administrative Expenses Set Aside or be made available for distribution to all Beneficiaries.

# ResCap Liquidating Trust

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## 8. Statement of Receipts and Disbursements

	Period Ended March 31, 2014 (in \$000's)
<b>Cash and Restricted Cash, December 17, 2013</b>	\$ 1,677,480
<b>Ally Contributions</b>	1,976,000
Junior Secured Notes Settlement	(1,247,507)
New Jersey Carpenters Settlement	(100,000)
Borrowers Trust and Expenses	(60,800)
FHFA Settlement	(24,000)
All Other, net	(10,242)
<b>Effective Date Disbursements</b>	<b>(1,442,549)</b>
<b>Initial Distribution (A)</b>	<b>(1,700,219)</b>
Sales of MSR and Advances	61,021
Government Insured Loans	38,855
International Funds	18,365
Non-government Insured Loans	4,463
All Other Recoveries	6,624
<b>Normal Course Asset Recoveries</b>	<b>129,328</b>
Compensation and Benefits	(4,756)
Regulatory and Compliance	(5,022)
Professional Fees	(1,319)
Other Expenses	(3,588)
<b>Operating Expenses</b>	<b>(14,685)</b>
<b>Payment of APSC and Other Administrative Claims</b>	<b>(91,074)</b>
<b>Cash and Restricted Cash, March 31, 2014</b>	<b>\$ 534,281</b>

(A) Declared Initial Distribution was \$1.765B, \$63.9M of which was distributed to the Disputed Claims Reserve. In addition, \$0.9M was held on behalf of beneficiaries, retained by the Trust and classified as restricted cash.



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## 9. Roll-forward of the Statement of Net Assets in Liquidation

	Period Ended March 31, 2014 (in \$000's)					March 31, 2014
	December 17, 2013	Cash Activity	Accrued Distributions	Assumption Changes	Other Valuation Changes	
<b>Assets:</b>						
Cash	\$ 1,499,041	\$ (1,187,035)		\$ -	\$ -	\$ 312,006
Restricted Cash	178,439	43,833		-	3	222,275
Mortgage Loans	503,757	(33,684)		7,088	(3,735)	473,426
MSR	15,744	(15,111)		547	337	1,517
Interest Receivable	27,916	(4,519)		-	1,576	24,973
Servicer Advances	100,135	(37,244)		(890)	1,172	63,173
Other Receivables	2,168,278	(2,021,381)		-	432	147,329
Other Assets	32,967	(5,564)		344	1,606	29,353
Costs to Sell Assets	(9,043)	6,364		(485)	(212)	(3,376)
<b>Total Assets</b>	<b>4,517,234</b>	<b>(3,254,341)</b>		<b>6,604</b>	<b>1,179</b>	<b>1,270,676</b>
<b>Liabilities:</b>						
Claims & Settlements	1,707,241	(1,523,380)		(3,395)	-	180,466
Asset Management	8,178	(2,598)		870	-	6,450
Regulatory & Compliance	61,997	(5,022)		709	-	57,684
Compensation	57,766	(4,756)		(1,898)	-	51,112
Professional Fees	50,883	(16,944)		54,745	-	88,684
Other Operating Costs	115,568	(1,422)		(125)	-	114,021
Liability for Undistributed Funds	-	-	64,781	-	-	64,781
<b>Total Liabilities</b>	<b>2,001,633</b>	<b>(1,554,122)</b>	<b>64,781</b>	<b>50,906</b>	<b>-</b>	<b>563,198</b>
<b>Net Assets</b>	<b>\$ 2,515,601</b>	<b>\$ (1,700,219)</b>	<b>\$ (64,781)</b>	<b>\$ (44,302)</b>	<b>\$ 1,179</b>	<b>\$ 707,478</b>
		<i>Accrued Distributions</i>	<i>(64,781)</i>			
		<i>Total Initial Distribution</i>	<i>\$ (1,765,000)</i>			

### Summary of Significant Roll-Forward Items

- **Restricted Cash**
  - Establishment of restricted cash reserves of \$82.0M for the DCR, professional fees, APSC and undistributed funds
  - Release of \$21.2M of Ally related restricted cash
  - Utilization of \$6.6M in DOJ/AG related cash to cover Q1 expenses
  - Pursuant to the terms of the Asset Purchase Agreement with Walter Investments, there was a release of \$4.4M of funds held in escrow
- **Mortgage Loans**
  - Recoveries of \$33.7M in Q1 comprised of \$31.4M in FHA/VA claims and \$2.3M of other normal course recoveries were realized
  - \$7.1M increase in valuation of future recoveries related to assumption or model changes
  - Other valuations impact of \$(3.7)M driven by Q1 loan write-offs and underlying performance of loans (e.g. DQ HELOC loans valued lower than current)

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- **MSR**
  - Recoveries of \$15.1M in Q1 primarily from the sale of Syncora and Impac MSRs
- **Interest Receivable**
  - Recoveries of \$4.5M in Q1 from normal course interest recoveries
- **Servicer Advances**
  - Recoveries of \$37.3M in Q1, proceeds from the Syncora and Impac Advance sales
- **Other Receivables**
  - Recoveries of \$2,021M in Q1, driven by \$1,976M of the Ally settlement, \$18.2M in recoveries related to the true-up of the pre-effective MSR sales, \$18.2M in recoveries related to international receivables, \$2.0M in client recoveries, \$3.4M recovered on Ally receivables and \$3.6M in recovery of other receivables
- **Other Assets**
  - Recoveries of \$5.6M in Q1 driven by normal course recoveries on Securities
- **Costs to Sell Assets**
  - Expense of \$6.4M in Q1 as a result of the cure payments and loan transfer costs related to Syncora and Impac sales
- **Claims & Settlements**
  - Settlements \$1,432.3M in Q1 (JSN, NJ Carpenters, Borrowers Trust and FHFA)
  - \$86.3M in pre-effective other administrative claims paid
  - Reserves were reduced by \$4.8M reduction in Cap Re and International entities as a result of Q1 activity. This activity would include insurance losses paid.
  - Reserves decreased as a result of approximately \$8M in reduced reorganizational professional fees due to negotiated invoice reductions with certain vendors partially offset by an increase of settlement expenses related to the Citi defaulted interest litigation
- **Operating Expenses**
  - Incurred and paid \$30.7M in Trust operating costs in Q1 and also increased future operating expenses of the Trust primarily related to an increase in ordinary course professionals (OCP).
- **Liability for Undistributed Funds**
  - A liability of \$64.8 million was established in connection with i) distributions related to Units held in the DCR and ii) distributions held for Beneficiaries still in the process of providing information needed to be issued their Units.