

ResCap Liquidating Trust

Unaudited Condensed Consolidated Financial Statements
as of and for the Period Ended September 30, 2014

ResCap Liquidating Trust

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Condensed Consolidated Statement of Net Assets in Liquidation

(Liquidation Basis - unaudited)

In thousands (except unit and per unit)

Assets:	September 30, 2014	December 17, 2013
Cash and cash equivalents	\$ 266,612	\$ 1,499,041
Restricted cash	390,192	178,439
Mortgage loans	273,742	503,757
Mortgage servicing rights	115	15,744
Servicer advances	53,160	100,135
Other receivables	32,751	2,196,194
Other assets	11,806	32,967
Costs to sell assets	(1,823)	(9,043)
Total assets	\$ 1,026,555	\$ 4,517,234
Liabilities:		
Claims and settlements	\$ 109,252	\$ 1,707,241
Estimated costs to operate the Trust	286,998	294,392
Liability for undistributed funds	218,336	-
Total liabilities	\$ 614,586	\$ 2,001,633
Net assets in liquidation	\$ 411,969	\$ 2,515,601
Total units authorized	100,000,000	100,000,000
Net assets per authorized unit	\$ 4.12	\$ 25.16

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

(Liquidation Basis - unaudited)

In thousands (except per unit)

	Quarter Ended September 30, 2014	Inception to Date September 30, 2014
Net assets in liquidation, beginning of period	\$ 578,552	\$ 2,515,601
Net realized gain on assets	4,493	13,930
Decrease in asset valuation	(23,779)	(29,070)
Net decrease in asset values	(19,286)	(15,140)
Decrease in claims and settlement expense	(6,778)	(23,508)
Increase in estimated costs to operate the Trust	4,075	82,000
Net increase (decrease) in liabilities	(2,703)	58,492
Total decrease in net assets	(16,583)	(73,632)
Other items:		
Declared distributions	150,000	2,030,000
Net assets in liquidation, September 30, 2014	\$ 411,969	\$ 411,969
Per unit information:		
	\$ per Unit	\$ per Unit
Net assets per unit, beginning of period	\$ 5.79	\$ 25.16
Decrease in net assets per unit	(0.17)	(0.74)
Declared distribution per unit	(1.50)	(20.30)
Net assets per unit, September 30, 2014	\$ 4.12	\$ 4.12

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The ResCap Liquidating Trust's (the "Trust") accounting and reporting policies conform to accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect changes in net assets during the reporting period. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes.

The Condensed Consolidated Financial Statements as of and for the period ended September 30, 2014 are unaudited but reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the interim period presented. The Condensed Consolidated Statement of Changes in Net Assets in Liquidation includes the period from December 17, 2013 ("Effective Date") through September 30, 2014. These financial statements should be read in conjunction with the consolidated financial statements and the notes contained therein for the period ended March 31, 2014.

The Condensed Consolidated Financial Statements include the accounts of the Trust and its majority-owned subsidiaries after eliminating all significant intercompany balances and transactions. The majority owned subsidiaries include Cap Re of Vermont, LLC, ("Cap Re"), a captive reinsurance company, ResCap Securities Holding Co, and other domestic and foreign subsidiaries. Minority interests owned by the Trust are shown as an equity investment.

All assets held in bailment for the benefit of the Trust, are included in the Condensed Consolidated Financial Statements. Assets held in bailment totaled \$53.8 million and \$2.3 billion at September 30, 2014 and December 17, 2013, respectively. Remaining assets held in bailment will be transferred to the Trust when operationally feasible.

Recently Issued Accounting Standards

Receivables – Troubled Debt Restructuring by Creditors: Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (ASU 2014-14)

In August 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-14. This ASU is intended to provide guidance on how to classify and measure certain government-guaranteed mortgage loans upon foreclosure. The amendments require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. ASU 2014-14 is effective for annual accounting periods ending after December 15, 2015, and interim periods beginning after December 15, 2015. An entity can elect a modified retrospective transition method or a prospective transition method. Adoption is not expected to have a material effect on our consolidated financial condition.

Receivables – Troubled Debt Restructuring by Creditors: Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (ASU 2014-04)

In January 2014, FASB issued ASU 2014-04. This ASU is intended to clarify when an in substance repossession or foreclosure occurs, and when a mortgage loan should be derecognized and the real

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estate property recognized. The ASU also requires an additional disclosure related to residential real estate in the process of foreclosure. ASU 2014-04 is effective for annual accounting periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. An entity can elect a modified retrospective transition method or a prospective transition method. Adoption is not expected to have a material effect on our consolidated financial condition.

2. Mortgage Loans

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

	September 30, 2014		December 17, 2013	
	Unpaid Principal Balance	Liquidation Value	Unpaid Principal Balance	Liquidation Value
Government-insured loans:				
FHA mortgage loans	\$ 269,007	\$ 227,984	\$ 437,902	\$ 409,997
VA mortgage loans	57,749	38,163	70,802	46,399
Non-insured mortgage loans	22,777	7,595	83,950	47,361
Total mortgage loans	\$ 349,533	\$ 273,742	\$ 592,654	\$ 503,757

During the quarter ended September 30, 2014, the Trust sold government insured mortgage loans with an unpaid principal balance of \$110.7 million and received \$104.1 million in proceeds, with a holdback of \$.9 million.

Inception to date, the Trust sold non-insured mortgage loans with an unpaid principal balance of \$57.3 million and received \$43.3 million in proceeds, and sold government insured mortgage loans with an unpaid principal balance of \$110.7 million and received \$104.1 million in proceeds, with a holdback of \$.9 million. The Trust also collapsed the GMACM Mortgage Loan Trust 2010-1 securitization and exchanged its outstanding certificate for the remaining mortgage loans and real estate owned ("REO"), which resulted in the certificate being removed from other assets and an addition to FHA/VA mortgage loans in the amount of \$16.6 million.

3. Changes in Net Assets

Change in net assets in liquidation prior to distributions is as follows (in \$000's):

	Quarter Ended September 30, 2014	Inception to Date September 30, 2014
Net realized gain on assets	\$ 4,493	\$ 13,930
Decrease in asset valuation	(23,779)	(29,070)
Net decrease in asset values	(19,286)	(15,140)
Decrease in claims and settlement expense	(6,778)	(23,508)
Increase in estimated costs to operate the Trust	4,075	82,000
Net increase (decrease) in liabilities	(2,703)	58,492
Total decrease in net assets (prior to distributions)	\$ (16,583)	\$ (73,632)

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For the three months ended September 30, 2014:

- The net decrease in asset values was primarily due to a change in disposition strategy to pursue additional bulk loan sales.
- The decrease in claims and settlement expense was driven by a favorable resolution of matters related to international subsidiaries.
- The increase in estimated costs to operate the Trust was driven by increased regulatory and compliance costs and increased technology costs related to litigation offset in part by lower asset management costs and lower tax liabilities.

For the period since inception ended September 30, 2014:

- The net decrease in asset values was primarily due to a change in disposition strategy to pursue additional bulk loan sales, offset in part by affirmative litigation settlements.
- The decrease in claims and settlement expense was driven by reduced loss assumptions for CapRe and reduced professional fee administrative claims.
- The increase in estimated costs to operate the Trust was driven primarily by increased regulatory and compliance costs and increased legal professional fees.

4. Distributions to Beneficiaries

During the quarter ended September 30, 2014, the Trust declared a cash distribution of \$1.50 per unit of beneficial interest ("Unit") to holders of such Units ("Beneficiaries") of record as of October 2, 2014. The distribution payment date is October 17, 2014 and a liability was established for the distribution at September 30, 2014.

Releases to Beneficiaries represent distribution of Units and cash for certain Beneficiaries who provided the necessary information to the Trust. Distributions on Allowed Claims represents Units and related cash released from the Disputed Claims Reserve ("DCR") for claims that became allowed ("Allowed Claims") between December 17 and August 19, 2014, and includes Units and cash designated as Distributions Held for Beneficiaries, pending receipt of certain information from the holders.

For three months ended September 30, 2014

<u>Units</u>	Units			Total Distribution
	Distributed to Beneficiaries	Units Held by DCR	Units Held for Beneficiaries	
Balance, June 30, 2014	96,357,391	3,606,818	35,791	100,000,000
Declared Distribution	-	-	-	-
Releases to Beneficiaries	7,698	-	(7,698)	-
Distributions on Allowed Claims	-	(18,051)	18,051	-
Balance, September 30, 2014	96,365,089	3,588,767	46,144	100,000,000
<u>Cash (in thousands)</u>	Distributions			Total Distribution
	Distributed to Beneficiaries	Distributions Held by DCR	Held for Beneficiaries	
Balance, June 30, 2014	\$ 1,811,527	\$ 67,808	\$ 665	\$ 1,880,000
Declared Distribution	-	-	150,000	150,000
Releases to Beneficiaries	137	-	(137)	-
Distributions on Allowed Claims	-	(339)	339	-
Balance, September 30, 2014	\$ 1,811,664	\$ 67,469	\$ 150,867	\$ 2,030,000

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Since inception ended September 30, 2014

<u>Units</u>	Units Distributed to Beneficiaries	Units Held By DCR	Units Held for Beneficiaries	Total Distribution
Balance, December 17, 2013	-	-	-	-
Declared Distribution	96,329,687	3,619,088	51,225	100,000,000
Releases to Beneficiaries	30,366	-	(30,366)	-
Distributions on Allowed Claims	5,036	(30,321)	25,285	-
Balance, September 30, 2014	<u>96,365,089</u>	<u>3,588,767</u>	<u>46,144</u>	<u>100,000,000</u>

<u>Cash (in thousands)</u>	Distributed to Beneficiaries	Distributions Held by DCR	Distributions Held for Beneficiaries	Total Distribution
Balance, December 17, 2013	\$ -	\$ -	\$ -	\$ -
Declared Distribution	1,811,030	68,025	150,945	2,030,000
Releases to Beneficiaries	545	-	(545)	-
Distributions on Allowed Claims	89	(556)	467	-
Balance, September 30, 2014	<u>\$ 1,811,664</u>	<u>\$ 67,469</u>	<u>\$ 150,867</u>	<u>\$ 2,030,000</u>

5. Commitments and Contingencies

Regulatory and Compliance

On February 12, 2012, Ally Financial, Inc., Residential Capital, LLC ("ResCap") and certain of ResCap's subsidiaries reached an agreement in principle with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions ("DOJ/AG Settlement") which was subsequently filed as a consent judgment in the US District Court. On and after the Effective Date, the Trust must continue to perform the remaining obligations under the DOJ / AG Settlement, other than certain obligations assumed by the purchasers of ResCap's mortgage servicing rights in the sales that occurred during the chapter 11 cases pursuant to section 363 of the United States Bankruptcy Code (the "Section 363 Sales"). Under the terms of the DOJ/AG Settlement, the Trust is obligated for certain Office of Mortgage Settlement Oversight ("OMSO") costs related to the purchasers in the Section 363 Sales.

The Trust estimated and established a liability for its DOJ/AG Settlement obligations and related costs and expenses of \$63.2 million and \$62.0 million as of September 30, 2014 and December 17, 2013, respectively.

A DOJ/AG Settlement restricted cash reserve was originally funded to satisfy obligations under the DOJ/AG Settlement. This restricted cash reserve has a balance of \$42.0 million and \$55.0 million as of September 30, 2014 and December 17, 2013, respectively. The Trust's liability for such obligations is not limited by the reserve balance. The reserve must maintain a minimum balance of \$20.0 million until April 5, 2016, at which time the reserve can be reduced in accordance with a prescribed formula.

Litigation

Cap Re reached a settlement in the first quarter of 2014 with respect to certain insurance litigation for \$6.25 million, which was paid into escrow in the second quarter of 2014, pending final court approval.

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In April 2014, the bankruptcy court issued an opinion granting a creditor's motion for default interest, counsel fees and expenses, and entered a judgment in favor of the creditor in the amount of \$5.3 million. The Trust appealed the opinion and judgment in May 2014. In October 2014, the Trust reached a settlement of the appeal with the creditor.

In August 2014, the Trust entered into settlement agreements with certain investment funds, which resolved all outstanding (and potential future) claims with those funds. The Trust recognized a gain of \$7.7 million related to this settlement.

Additional claims have been asserted against the Trust. At this time, the Trust cannot estimate the possible financial effect of these claims.

Affirmative Litigation

The Trust is pursuing various affirmative litigation matters. These include:

- Claims against correspondent lenders that sold already-closed loans to certain subsidiaries of ResCap for contractual breaches of warranties and indemnification. During the third quarter, no new matters were filed and 4 matters were settled. As of September 30, 2014, there were 79 total filed cases outstanding and tolling agreements with eight other correspondent lenders. One matter was dismissed after September 30, 2014.
- Claims pursuant to transactions with foreign subsidiaries. Inception to date, 3 matters were settled, with no new matters settled during the quarter ended September 30, 2014. All proceeds are expected to be received and held by the subsidiary or its parent, RFC Foreign Equity Holdings, until such time as determined by the Liquidating Trust Board of Trustees to be transferred to the Trust.
- Other affirmative litigation matters. The Trust is also party to certain other affirmative litigation, principally in adversary proceedings before the bankruptcy court seeking avoidance of transfers made to creditors prior to the commencement of the bankruptcy.
- 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 litigations 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.

6. Related Party Transactions

The Trust received \$2.8 million as payment against receivable balances from certain affiliates as of September 30, 2014.

7. Subsequent Events

Events subsequent to September 30, 2014 were evaluated through November 7, 2014, the date on which these Condensed Consolidated Financial Statements were issued.

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The Trust sold government-insured mortgage loans and received \$7.2 million in proceeds, with a holdback of \$.2 million.

One additional affirmative litigation matter related to foreign subsidiaries was settled after September 30, 2014.