

LIQUIDATING TRUST

Dear Beneficiaries:

We continue to focus on maximizing returns to Beneficiaries through continued prosecution of our correspondent litigation and managing the timely and efficient wind down of the remaining Trust assets and activities.

Recent Highlights of the Trust's Activities

Since July 1, 2016, the Trust settled 15 cases and generated litigation settlements of \$70.3 million. The Trust has reached settlements totaling approximately \$192.5 million between January 1 and November 9, 2016 and \$236.9 million since the inception of the Trust, including two settlements completed after the end of the third quarter 2016 in the amount of \$7.1 million.

As of September 30th, Net Assets for the Trust were \$281.6 million, an increase year-to-date 2016 of \$152.5 million.

Correspondent Lender Litigation

As of the date of this letter, the Trust is litigating 33 cases against correspondent lenders of Residential Funding Company LLC, for indemnity and breach of contract, which are pending in Federal District Court in Minnesota, Minnesota State Court and Federal Bankruptcy Court for the Southern District of New York. We completed the court ordered mediations of the cases that are pending in Federal and State courts in Minnesota.

The Trust continues to engage in pre-trial discovery, including document and data production, re-underwriting and other pre-trial investigation and preparation work in the pending correspondent lender cases.

Assets

The servicing transfer of approximately \$300 million of gross mortgage assets to LoanCare, LLC occurred on November 1, 2016. Working in conjunction with LoanCare, we continue to optimize the disposition of the mortgage assets to maximize recoveries. As of the end of the third quarter 2016, our remaining mortgage assets totaled \$311.3 million.

Cap Re of Vermont, LLC

During the third quarter of 2016, Cap Re of Vermont, LLC (“CapRe”), one of the Trust’s non-Debtor subsidiaries, terminated its reinsurance agreement with Radian Guaranty Inc. The termination allowed for the release of \$22.7 million to CapRe. CapRe subsequently remitted \$18.6 million of the cash to the Trust in repayment of intercompany debt.

Other Claims

We continue to make progress resolving complex claims that have been reserved for in the Disputed Claims Reserve, reducing the number of active claims by 16 in the third quarter, from 51 to 35. We are in the process of reconciling the remaining claims and have been in contact with all of the claimants to work toward a final resolution. One Administrative Priority, Secured, and Convenience claims remains open.

Regulatory

The Trust, as successor to the Debtors in the Bankruptcy case, is party to a settlement with the Department of Justice (“DOJ”) and has recently completed its requirements review of mortgage loans for potential violations under the Servicemembers Civil Relief Act (“SCRA”). This review has resulted in an increase to the forecasted reserve of \$4.7 million. PricewaterhouseCoopers, who acted as the Trust’s consultant performing and verifying the loan reviews, and the DOJ both provided sign-off on the testing results. The final loan population went to Rust Consulting in October 2016 to begin the remediation activity which, based upon DOJ requirements, we anticipate could take up to two years to complete.

Administrative Expenses Set Aside

The Administrative Expenses Set Aside holds cash and other assets for the payment of Trust operating expenses. As of September 30, 2016, the Administrative Expenses Set Aside of \$190.5 million consisted of \$50.6 million in cash and \$140.0 million in pledged proceeds from future asset sales and/or recoveries.

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

	Quarter ended September 30, 2016
Balance, June 30, 2016	\$ 211,439
• Additions - cash	51
• Withdrawals - pledged proceeds from future asset sales and/or recoveries	(20,982)
• Withdrawals - cash	-
Balance, September 30, 2016	<u>\$ 190,508</u>

The Board determined that we would not make any distribution to our Beneficiaries during the third quarter 2016. In accordance with the Liquidating Trust Agreement, we will review this again in the fourth quarter.

The Trust's third quarter 2016 financial report has been posted on our website at <http://rescapliquidatingtrust.com/financialtaxinformation.aspx>.

The Board and management of the Trust continue to work diligently towards the goal of maximizing value for Beneficiaries in the most efficient manner possible. We look forward to reporting on the results of our efforts.

Sincerely,



John S. Dubel

Liquidating Trust Manager