

# ResCap Liquidating Trust

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Unaudited Condensed Consolidated Financial Statements  
as of and for the Period Ended June 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:	June 30, 2014	December 17, 2013
Cash and cash equivalents	\$ 311,802	\$ 1,499,041
Restricted cash	243,858	178,439
Mortgage loans	409,794	503,757
Mortgage servicing rights	157	15,744
Servicer advances	58,155	100,135
Other receivables	53,921	2,196,194
Other assets	11,335	32,967
Costs to sell assets	(721)	(9,043)
<b>Total assets</b>	<b>\$ 1,088,301</b>	<b>\$ 4,517,234</b>
Liabilities:		
Claims and settlements	\$ 121,046	\$ 1,707,241
Estimated costs to operate the Trust	320,230	294,392
Liability for undistributed funds	68,473	-
<b>Total liabilities</b>	<b>\$ 509,749</b>	<b>\$ 2,001,633</b>
<b>Net assets in liquidation</b>	<b>\$ 578,552</b>	<b>\$ 2,515,601</b>
<b>Total units authorized</b>	<b>100,000,000</b>	<b>100,000,000</b>
<b>Net assets per authorized unit</b>	<b>\$ 5.79</b>	<b>\$ 25.16</b>

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 June 30, 2014	Inception to Date June 30, 2014
Net assets in liquidation, beginning of period	\$ 707,478	\$ 2,515,601
Net realized gain on assets	10,147	9,437
Decrease in asset valuation	(14,226)	(5,292)
Net increase (decrease) in asset values	(4,079)	4,145
Decrease in claims and settlement expense	(13,336)	(16,731)
Increase in estimated costs to operate the Trust	23,183	77,925
Net increase in liabilities	9,847	61,194
Total decrease in net assets	(13,926)	(57,049)
Other items:		
Declared distributions	(115,000)	(1,880,000)
Net assets in liquidation, June 30, 2014	\$ 578,552	\$ 578,552
Per unit information:		
	\$ per Unit	\$ per Unit
Net assets per unit, beginning of period	\$ 7.07	\$ 25.16
Increase(decrease) in net assets per unit	(0.13)	(0.57)
Declared distribution per unit	(1.15)	(18.80)
Net assets per unit, June 30, 2014	\$ 5.79	\$ 5.79

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 June 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 June 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 \$83.6 million and \$2.3 billion at June 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: Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (ASU 2014-04)

In January 2014, the Financial Accounting Standards Board (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 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 accounting periods beginning after December 15, 2014, and an entity can elect a retrospective transition method or a prospective transition method. Adoption is not expected to have a material effect on our consolidated financial condition or results of operations.

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## 2. Mortgage Loans

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

	June 30, 2014		December 17, 2013	
	Unpaid Principal Balance	Liquidation Value	Unpaid Principal Balance	Liquidation Value
Government-insured loans:				
FHA mortgage loans	\$ 402,109	\$ 363,510	\$ 437,902	\$ 409,997
VA mortgage loans	61,251	37,593	70,802	46,399
Non-insured mortgage loans	25,124	8,691	83,950	47,361
Total mortgage loans	\$ 488,484	\$ 409,794	\$ 592,654	\$ 503,757

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.

During the quarter ended June 30, 2014, the Trust also collapsed the GMACM Mortgage Loan Trust 2010-1 securitization. The Trust was the sole owner of outstanding certificates in the securitization, and provided the securitization trust direction to collapse the securitization. The Trust exchanged in kind ownership of the subordinate certificate for the remaining mortgage loans and real estate owned ("REO"), which resulted in the trading security being removed from other assets and an addition to FHA/VA mortgage loans in the amount of \$16.6 million as of June 30, 2014.

## 3. Changes in Net Assets

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

	Quarter Ended June 30, 2014	Inception to Date June 30, 2014
Net realized gain on assets	\$ 10,147	\$ 9,437
Decrease in asset valuation	(14,226)	(5,292)
Net increase (decrease) in asset values	(4,079)	4,145
Decrease in claims and settlement expense	(13,336)	(16,731)
Increase in estimated costs to operate the Trust	23,183	77,925
Net increase in liabilities	9,847	61,194
Total decrease in net assets (prior to distributions)	\$ (13,926)	\$ (57,049)

For the three months ended June 30, 2014:

- The net decrease in asset values was driven by a decrease in overall serviced assets valuation offset by foreign affirmative litigation settlements
- The decrease in claims and settlements was driven by reduced loss assumptions for CapRe and reduced professional fee administrative claims

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- The increase in estimated costs to operate the Trust was driven by increased regulatory and compliance costs, increased professional fees, increased compensation, offset by decreased other liabilities

For the period since inception ended June 30, 2014:

- The net increase in asset values was driven by foreign affirmative litigation settlements and other miscellaneous asset increases, offset by a decrease in overall serviced assets valuation
- The decrease in claims and settlements 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 by increased regulatory and compliance costs, increased legal professional fees, offset by decreased other liabilities

#### 4. Distributions to Beneficiaries

During the quarter ended June 30, 2014, the Trust declared and paid a cash distribution of \$1.15 per unit of beneficial interest ("Unit") to holders of such Units ("Beneficiaries") of record as of May 20, 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 May 1, 2014, and includes Units and cash designated as Distributions Held for Beneficiaries, pending receipt of certain information from the holders.

For three months ended June 30, 2014

<u>Units</u>	Units			Total Distribution
	Distributed to Beneficiaries	Units Held by DCR	Units Held for Beneficiaries	
Balance, March 31, 2014	96,329,687	3,619,088	51,225	100,000,000
Additional Distribution	-	-	-	-
Releases to Beneficiaries	22,668	-	(22,668)	-
Distributions on Allowed Claims	5,036	(12,270)	7,234	-
Balance, June 30, 2014	96,357,391	3,606,818	35,791	100,000,000
<u>Cash (in thousands)</u>	Distributions			Total Distribution
	Distributed to Beneficiaries	Distributions Held by DCR	Held for Beneficiaries	
Balance, March 31, 2014	\$ 1,700,219	\$ 63,877	\$ 904	\$ 1,765,000
Additional Distribution	110,811	4,148	41	115,000
Releases to Beneficiaries	408	-	(408)	-
Distributions on Allowed Claims	89	(217)	128	-
Balance, June 30, 2014	\$ 1,811,527	\$ 67,808	\$ 665	\$ 1,880,000

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Since inception ended June 30, 2014

Units	Units			Total Distribution
	Distributed to Beneficiaries	Units Held By DCR	Units Held for Beneficiaries	
Balance, December 17, 2013	-	-	-	-
Declared Distributions	96,329,687	3,619,088	51,225	100,000,000
Releases to Beneficiaries	22,668	-	(22,668)	-
Distributions on Allowed Claims	5,036	(12,270)	7,234	-
Balance, June 30, 2014	96,357,391	3,606,818	35,791	100,000,000

  

Cash (in thousands)	Distributions			Total Distribution
	Distributed to Beneficiaries	Distributions Held by DCR	Held for Beneficiaries	
Balance, December 17, 2013	\$ -	\$ -	\$ -	\$ -
Declared Distributions	1,881,030	68,025	945	1,880,000
Releases to Beneficiaries	408	-	(408)	-
Distributions on Allowed Claims	89	(217)	128	-
Balance, June 30, 2014	\$ 1,811,527	\$ 67,808	\$ 665	\$ 1,880,000

## 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 \$66.3 million and \$62.0 million as of June 30, 2014 and December 17, 2013, respectively. The increase in liability was driven by increased costs from OMSO and higher remediation reserves due to new calculation guidance from the DOJ during the quarter ended June 30, 2014.

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 June 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 as of June 30, 2014, pending final court approval.

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In April 2014, the bankruptcy court issued an opinion granting a creditor/lender's motion for default interest and counsel fees and expenses related to a ResCap contract. This facility was repaid during the bankruptcy period. This matter was settled for \$5.3 million in May 2014.

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. At the end of the first quarter, there were 73 matters outstanding. During the quarter, 11 new matters were filed and one matter was settled. As of June 30, 2014, there were 83 total filed cases outstanding and tolling agreements with seven other correspondent lenders.
- Claims pursuant to transactions with foreign subsidiaries. During the quarter, 3 matters were settled. 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.
- 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. Subsequent Events

Events subsequent to June 30, 2014 were evaluated through August 11, 2014, the date on which these Condensed Consolidated Financial Statements were issued.

On July 28, 2014, the Trust sold government-insured mortgage loans and received \$104.1 million in proceeds, with a holdback of \$.9 million.

The Trust settled four claims against correspondent lenders after June 30, 2014.