

KRAMER LEVIN NAFTALIS & FRANKEL LLP
Kenneth H. Eckstein
Douglas H. Mannal
Joseph A. Shifer
1177 Avenue of the Americas
New York, New York 10036
Telephone: (212) 715-9100
Facsimile: (212) 715-8000

Counsel for the ResCap Liquidating Trust

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)
) Case No. 12-12020 (MG)
)
RESIDENTIAL CAPITAL, LLC, et al.,) Chapter 11
)
Debtors.) Jointly Administered
)

**TWENTY-SECOND POST-CONFIRMATION STATUS
REPORT OF THE RESCAP LIQUIDATING TRUST**

The ResCap Liquidating Trust (the “**Liquidating Trust**”), as successor in interest to the debtors (collectively, the “**Debtors**”) in the above-captioned cases (the “**Chapter 11 Cases**”), hereby submits this post-confirmation status report for the annual period ending on December 31, 2019 as well as the quarterly period ending on March 31, 2020 (the “**Reporting Period**”), and respectfully represents as follows:

STATUS REPORT

1. On December 11, 2013, the Court entered the *Order Confirming Second Amended Joint Chapter 11 Plan Proposed by Residential Capital, LLC et al. and the Official Committee of Unsecured Creditors* (the “**Confirmation Order**”) [Docket No. 6065] approving the terms of the Chapter 11 plan, as amended (the “**Plan**”), filed in these Chapter 11 Cases [Docket No. 6065-1].¹

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.



2. On December 17, 2013, the Effective Date of the Plan occurred (the “**Effective Date**”), and the Liquidating Trust was established [Docket No. 6137]. Pursuant to the Plan, the Liquidating Trust was established to wind down the affairs of the Debtors. *See* Plan, Art. VI.

3. On August 13, 2014, the Liquidating Trust filed an application for entry of a post-confirmation order (the “**Post-Confirmation Order**”) [Docket No. 7385]. On August 26, 2014, the Court entered an amended Post-Confirmation Order [Docket No. 7431]. Pursuant to the Post-Confirmation Order, the Liquidating Trust is required to file quarterly and annual status reports detailing the actions taken by the Liquidating Trust and the progress made toward the consummation of the Plan.

4. Attached hereto as **Exhibit A** is a copy of the Liquidating Trust’s consolidated financial statements and letters to beneficiaries (collectively, the “**Financial Statements**”) detailing the Liquidating Trust’s activity during the Reporting Period. The Financial Statements have been posted to the Liquidating Trust’s website at <http://rescapliquidatingtrust.com>.

NOTICE

5. Notice of this Status Report has been provided to the parties identified on the Special Service List and General Service List, as those terms are defined in the Notice, Case Management, and Administrative Procedures approved by the Court [Docket No. 141], including the Office of the U.S. Trustee for the Southern District of New York.

Dated: May 13, 2020
New York, New York

KRAMER LEVIN NAFTALIS & FRANKEL LLP

/s/ Joseph A. Shifer
Kenneth H. Eckstein
Douglas H. Mannal
Joseph A. Shifer
1177 Avenue of the Americas
New York, New York 10036
Telephone: (212) 715-9100
Facsimile: (212) 715-8000

Counsel for the ResCap Liquidating Trust

Exhibit A

ResCap Liquidating Trust

ResCap Liquidating Trust

**Consolidated Financial Statements
as of and for the Period Ended December 31, 2019
(Unaudited)**

ResCap Liquidating Trust

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ResCap Liquidating Trust

Consolidated Statement of Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

Assets:	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 100,869	\$ 146,942
Restricted cash	3,496	12,907
Mortgage assets	2,416	13,532
Other receivables	-	26,804
Other assets	730	1,321
Total assets	107,511	201,506
Liabilities:		
DOJ/AG consent settlement	-	9,444
Estimated costs to operate Trust	78,246	110,282
Liability for undistributed funds	229	204
Total liabilities	78,475	119,930
Net Assets in Liquidation	\$ 29,036	\$ 81,576
Total units in the Trust	98,859,354	98,859,354
Net assets per authorized unit	\$ 0.29	\$ 0.83

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

ResCap Liquidating Trust

Consolidated Statement of Cash Receipts and Disbursements

(Unaudited)

In thousands

Receipts	Quarter ended December 31, 2019	Year to date ended December 31, 2019	Effective Date through December 31, 2019
Receipts on assets held for sale	\$ 1,086	\$ 9,393	\$ 641,609
Litigation / claim recoveries	2,801	79,659	1,258,087
Other receipts	572	6,527	165,561
Plan settlements	-	-	2,100,000
Total receipts	4,459	95,579	4,165,257
Disbursements			
Claims and settlement	-	-	(1,642,074)
DOJ / AG consent settlement	-	(65)	(88,211)
Costs to operate the Trust	(10,426)	(51,023)	(667,822)
Total disbursements	(10,426)	(51,088)	(2,398,107)
Distributions			
Declared distribution	-	(100,000)	(3,370,000)
Recaptured distribution	-	-	29,506
Change in undistributed funds	5	25	229
Total distributions	5	(99,975)	(3,340,265)
Net cash flow	(5,962)	(55,484)	(1,573,115)
Cash and restricted cash, beginning of period	110,327	159,849	1,677,480
Cash and restricted cash, December 31, 2019	\$ 104,365	\$ 104,365	\$ 104,365

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

ResCap Liquidating Trust

Consolidated Statement of Changes in Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

	Quarter to date ended December 31, 2019	Year to date ended December 31, 2019	Effective Date through December 31, 2019
Net cash flow	\$ (5,962)	\$ (55,484)	\$ (1,573,115)
Other non-cash changes:			
Increase (decrease) in asset value assumptions	(344)	(2,411)	(55,030)
(Increase) decrease in costs to operate the Trust	(8,163)	(19,270)	(539,979)
(Increase) decrease in DOJ/AG consent settlement	-	9,379	(7,550)
Basis of assets/liabilities liquidated/resolved	6,969	15,271	(310,662)
(Increase) decrease in distributions held for Beneficiaries	(5)	(25)	(229)
Total non-cash changes	(1,543)	2,944	(913,450)
Total increase (decrease) in net assets	(7,505)	(52,540)	(2,486,565)
Net assets in liquidation, beginning of period	36,541	81,576	2,515,601
Net assets in liquidation, December 31, 2019	\$ 29,036	\$ 29,036	\$ 29,036
Per unit information:			
	\$ per Unit	\$ per Unit	\$ per Unit
Net assets per unit, beginning of period	\$ 0.37	\$ 0.83	\$ 25.16
Impact of cancelled units on beginning balance	-	-	0.29
Revised beginning of period balance	0.37	0.83	25.45
Recognition of cancelled unit prior period distributions	-	-	-
Increase in net assets per unit	(0.08)	0.47	8.63
Declared distributions per unit	-	(1.01)	(33.79)
Net asset per unit, December 31, 2019	\$ 0.29	\$ 0.29	\$ 0.29

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

ResCap Liquidating Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Description of Business and Basis of Presentation

The ResCap Liquidating Trust ("Trust") was formed in connection with the Plan of Reorganization under chapter 11 of the United States Bankruptcy Code ("Plan") in the bankruptcy case of Residential Capital, LLC ("ResCap"). The Plan became effective on December 17, 2013 ("Effective Date").

Units of beneficial interest ("Units") were issued by the Trust. The Units entitle their holders ("Beneficiaries") to receive a proportionate amount of cash distributions ("Declared Distributions") made by the Trust.

Basis of Presentation

The unaudited Consolidated Financial Statements (the "Statements") reflect the accounts of the Trust and subsidiaries after eliminating all significant intercompany balances and transactions. The Statements reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the periods presented. The Statements have not been prepared in accordance with generally accepted accounting principles; rather they have been prepared using a liquidation basis of accounting, which the Trust considers an appropriate basis of accounting at this time. The assets are stated at their estimated net realizable value, which is the amount of cash into which an asset is expected to be converted during the liquidation period. The Trust also accrues costs that it expects to incur through the end of its liquidation. The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated. The Trust does not accrue contingent costs.

Cash and Cash Equivalents, and Restricted Cash

Cash and cash equivalents include cash on hand and short term and governmental money market funds. Restricted cash consists of cash that is restricted for specific purposes and is not generally available to the Trust.

Mortgage Assets

Mortgage assets include mortgage loans, servicer advances, interest income, real estate owned, trading securities, and costs to sell assets.

Mortgage Loans

Mortgage loans consist primarily of mortgage insurance claims. As a result of borrower default or contractual delinquency triggers, certain mortgage loans ultimately become mortgage insurance claims for reimbursement from the Federal Housing Association ("FHA") or Veterans Administration ("VA") for eligible mortgage loan principal, interest, and servicing advances.

The value of mortgage loans is determined by modeling the net present value of the cash flows expected to be received over the life of the loan. The timing of the insurance reimbursement process and the reimbursement policies of the government agencies, as well as the delinquency, aging of the loans, non-accrual or foreclosure status of the loans, and disposition strategy all contribute to the underlying assumptions estimating cash flows. Assets targeted for sale are modeled to sales price.

Servicer Advances

The Trust is required, from time to time, to make certain servicer advances on loans that it owns. These servicer advances are for property taxes and insurance premiums ("Escrow") and for default and

ResCap Liquidating Trust

property maintenance payments (“Corporate”). Servicer Advances are modeled based on the net present value of the expected recovery of the advance either through borrower repayment, collection from government agencies on insured loans or sale to a third party.

Trading Securities

Trading securities include residual certificates from mortgage loan securitizations, and are valued based on the net present value of the modeled future cash flows of the security. Assets targeted for sale are modeled to sales price.

Interest Receivables

Interest receivables generally arise from interest payments on mortgage loans. All future estimated interest income is capitalized and is valued based on the asset management strategies and net present value of the modeled cash flows of the underlying assets.

Real Estate Owned

Real estate owned from loan foreclosures (“REO”) are classified as REO when physical possession of the collateral is taken. REOs are carried at their liquidation value and are held in a subsidiary whose stock is owned by the Trust.

Costs to Sell Assets

Lifetime costs to sell assets are estimated based on the asset disposition strategy and are recorded as a contra asset within mortgage assets.

Affirmative Recoveries

The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated.

Estimated Costs to Operate the Trust

The Trust accrues for all costs it expects to incur during its lifetime based on approved strategic assumptions and the Trust’s current estimates. These costs are estimated based on asset resolution strategies and modeled wind-down expenses of the Trust’s operations and are recorded as liabilities.

The estimated future legal cost includes current pre-trial, trial, and potential appeal costs for the pending cases. Actual future costs could vary significantly depending upon a wide variety of factors due to the uncertainties inherent in complex litigation. On a periodic basis, the Trust evaluates such estimates to take into consideration the overall status of the litigation and any material changes in circumstances or factors affecting the litigation, including but not limited to updated scheduling of the cases, discovery, settlements, and other factors that may affect such estimates. The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated. See Note 6 Commitments and Contingencies for a discussion related to the HLC verdict. The Trust does not accrue contingent costs.

Income Taxes

The Trust is a Grantor Trust, treated as a flow-through entity for U.S. federal and state income tax purposes. The Trust is not subject to U.S. federal or state income taxes; therefore, no accrual for these taxes is made. The Trust files a Federal return and multiple state returns and all tax periods since the Trust’s Effective Date remain open for examination.

ResCap Liquidating Trust

As a flow-through entity, all income and expense flows through to the Beneficiaries to be reported on their respective income tax returns. Certain income items, including the Trust's litigation and similar recoveries 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).

ResCap Securities Holdings Co, a wholly owned subsidiary which owns REO property, is subject to U.S. federal, state or foreign income taxes.

All estimated taxes to be paid are included in estimated costs to operate the Trust. Any tax filing interest and penalties incurred by the Trust's subsidiaries will be recognized as estimated costs to operate the Trust in the period incurred.

2. Restricted Cash

Restricted cash is comprised of the following (in \$000's):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
DOJ/AG consent settlement reserve	\$ -	\$ 9,444
Servicer Escrow	3,267	3,259
Distributions held for Beneficiaries	229	204
Total restricted cash	<u>\$ 3,496</u>	<u>\$ 12,907</u>

3. Mortgage Assets

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

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Gross Balance</u>	<u>Carry Value</u>	<u>Gross Balance</u>	<u>Carry Value</u>
Mortgage insurance claims (FHA/VA)	\$ 8,573	\$ 2,092	\$ 33,623	\$ 12,219
Non-insured mortgage loans	1,952	-	1,926	-
Real estate owned	1,499	324	1,854	1,313
Trading Securities	153	-	217	-
Total mortgage assets	<u>\$ 12,177</u>	<u>\$ 2,416</u>	<u>\$ 37,620</u>	<u>\$ 13,532</u>

Mortgage insurance claims gross balances are mainly comprised of \$2.2 million of mortgage principal and \$6.3 million of servicing advances. The Trust is actively marketing all real estate owned assets. The Trust carrying value reflects the net present value of the cash flows expected to be received over the lifetime of the mortgage assets. Because of the uncertainties associated with estimating the amounts, timing and likelihood of possible outcomes, actual results could differ from the Trust's estimates.

Mortgage Insurance Claims resolution timelines are subject to asset specific hurdles, including but not limited to eviction, litigation, property preservation work to place the property in conveyable condition, and HUD review and approval. During this period, the Trust will continue to advance property related expenses (e.g. legal, taxes, preservation) which are subject to curtailment by HUD.

ResCap Liquidating Trust

4. Other Receivables

Other receivables is comprised of the following (in \$000's):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Affirmative Matters, net	\$ -	\$ 25,157
Other Receivables	-	1,647
Total other receivables	<u>\$ -</u>	<u>\$ 26,804</u>

5. Estimated Costs to Operate the Trust

Estimated costs to operate the Trust are comprised of the following (in \$000's):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Professional fees (legal, expert, other professional costs)	\$ 57,572	\$ 76,161
Compensation	8,844	12,223
Document management	5,134	11,719
Information technology	2,887	4,089
Other operating costs	3,809	6,090
Total costs to operate the Trust	<u>\$ 78,246</u>	<u>\$ 110,282</u>

The estimated cost to operate the Trust is \$78.2 million reflecting a net decrease of \$2.6 million from the prior quarter. Of the total \$78.2 million, there is \$16.3 million of expenses that have been incurred but not yet paid (\$8.1 million professional fees, \$2.4 million compensation and \$5.8 million other operating costs) and \$61.9 million of expected future costs for January 2020 through December 2021. Of the future \$61.9 million cost, \$38.2 million supports the on-going RMBS litigation and insurance recovery case pending in Bankruptcy Court, SDNY and \$23.7 million represents contractual obligations and the future costs for the operations and winddown of the Trust.

6. Commitments and Contingencies

Litigation

From time to time claims may be asserted against the Trust. At this time, the Trust cannot estimate the possible financial effect of these claims.

Affirmative Matters

The Trust is pursuing various affirmative matters. These include:

- Indemnity claims (the "Correspondent Litigation") against correspondent lenders that sold loans to Residential Funding Company LLC ("RFC") (a subsidiary of ResCap) have been brought in various court jurisdictions, seeking recovery of liabilities and losses that RFC incurred by virtue of its purchase from the defendants of residential mortgage loans that breached the defendants' representations and warranties through litigation and non-litigation processes.

On June 21, 2019, The Court issued an order awarding the Trust a total of \$68.5 million dollars against Home Loan Center Inc. ("HLC"). On July 19, 2019, HLC filed an appeal of the order to the 8th circuit Court of Appeals. On July 21, 2019, HLC filed Chapter 11 in the Northern District of California (Case 19-51455). On July 31, 2019, the Trust filed a motion to convert the case to a Chapter 7. The jury verdict is now stayed with the filing of HLC bankruptcy. The Trust has filed a case against LendingTree LLC alleging,

ResCap Liquidating Trust

among other allegations, that LendingTree assumed the HLC liability. Per the Trust's accounting policy the Trust has not recorded the judgment in these Consolidated Financial Statements.

The Trust's trial against Primary Residential Mortgage, Inc. began February 10, 2020 and is currently underway as of the date of this letter.

- Insurance Recovery Action. The Trust has an adversary proceeding case pending in the U.S. Bankruptcy Court for the Southern District of New York, Drennen, et al., and ResCap Liquidating Trust v. Certain Underwriters at Lloyd's, London, et al., Adv. Case No. 15-01025-shl. In December 2019, the Bankruptcy Court issued a partial Summary judgement in favor of the Trust.
- 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 matters or estimate the possible financial effect of these matters on the Consolidated Financial Statements, and as such, neither contingent gains nor any contingent costs to pursue these matters are currently recorded.

Since the Effective Date, through December 31, 2019 and excluding subsequent events, the Trust settled a total of \$1,257.9 million in affirmative matters including \$1,205.3 million in Correspondent Litigation, \$9.7 million in International, and \$42.9 million in other matters.

7. Subsequent Events

Events subsequent to December 31, 2019 were evaluated through February 26, 2020, the date on which these Consolidated Financial Statements were issued.

RESCAP

LIQUIDATING TRUST

ResCap Liquidating Trust

Q4 2019 Beneficiary Letter



February 26, 2020

LIQUIDATING TRUST

Dear Beneficiaries:

The Trust has made significant progress in reducing the correspondent cases to just one case, and substantially liquidated the mortgage portfolio. Some key highlights of the successful quarter are outlined below.

On June 21, 2019, the Court issued an order awarding the Trust a total of \$68.5 million dollars against Home Loan Center Inc. ("HLC"). On July 19, 2019, HLC filed an appeal of the order to the 8th circuit Court of Appeals. On July 21, 2019, HLC filed Chapter 11 in the Northern District of California (Case 19-51455). The case has now been converted to a Chapter 7. The jury verdict is now stayed with the filing of the HLC Bankruptcy. The Trust has filed suit against LendingTree LLC alleging, among other allegations, that LendingTree assumed the HLC liability. Per the Trust's accounting policy, the Trust has not recorded the HLC judgments in these Condensed Consolidated Financial Statements.

As of the date of this letter, the Trust is engaged in a bench trial against Primary Residential Mortgage, Inc in Federal District Court in Minnesota.

The ResCap Liquidating Trust has settlements totaling approximately \$1.2 billion since the inception of the Trust through December 31, 2019. The Trust has an insurance recovery action pending in the U.S. Bankruptcy Court for the Southern District of New York. In December 2019, the Bankruptcy Court issued a partial Summary judgement in favor of the Trust.

In the Q4 2019 financial statements, carrying value for the mortgage loan portfolio of \$2.4 million represents the Trust's future expected recovery based on the current path for disposition, including the payment of claims filed from HUD and the sale of REOs. As of the date of this letter, all loans have been conveyed to HUD and there are 2 REOs remaining. Timing of full recovery of the claims is based on the timing of HUD's review and concurrence with the claims filed.

The Administrative Set Aside of \$78.2 million reflects the extension of the Trust through December 2021 to support the continuing work with the correspondent RMBS litigation, insurance adversary action and final wind down actions. Of the total Administrative Set Aside expense, there is \$16.3 million of expenses incurred but not yet paid and \$61.9 million of expected future costs for January 2020 forward. Of the future \$61.9 million cost, \$38.2 million supports the on-going RMBS and other litigation and \$23.7 million represents contractual obligations and the future costs for the operations and winddown of the Trust.

To aid Beneficiaries in their tax reporting, the Trust is providing a year-end Tax Information Letter and tax information. The Tax Information Letter is being distributed along with this quarterly Beneficiary Letter. State Tax information will be posted at a later date and a notice will be filed.

RESCAP

LIQUIDATING TRUST

The Trust's year end 2019 financial report and certain tax information have been posted on our website at <http://www.rescapliquidatingtrust.com/#financial-statements>.

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 Ray

Liquidating Trust Manager

ResCap Liquidating Trust

ResCap Liquidating Trust

**Condensed Consolidated Financial Statements
as of and for the Period Ended March 31, 2020
(Unaudited)**

ResCap Liquidating Trust

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ResCap Liquidating Trust

Condensed Consolidated Statement of Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

Assets:	March 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 92,535	\$ 100,869
Restricted cash	3,504	3,496
Mortgage assets	1,940	2,416
Other assets	747	730
Other receivables	14	-
Total assets	98,740	107,511
Liabilities:		
Estimated costs to operate Trust	67,035	78,246
Liability for undistributed funds	229	229
Total liabilities	67,264	78,475
Net Assets in Liquidation	\$ 31,476	\$ 29,036
Total units in the Trust	98,859,354	98,859,354
Net assets per authorized unit	\$ 0.32	\$ 0.29

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

ResCap Liquidating Trust

Condensed Consolidated Statement of Cash Receipts and Disbursements

(Unaudited)

In thousands

Receipts	Quarter ended March 31, 2020	Year to date ended March 31, 2020	Effective Date through March 31, 2020
Receipts on assets held for sale	\$ 482	\$ 482	\$ 642,091
Litigation / claim recoveries	1,875	1,875	1,259,962
Other receipts	790	790	166,350
Plan settlements	-	-	2,100,000
Total receipts	3,147	3,147	4,168,403
Disbursements			
Claims and settlement	-	-	(1,642,074)
DOJ / AG consent settlement	(1)	(1)	(88,212)
Costs to operate the Trust	(11,472)	(11,472)	(679,293)
Total disbursements	(11,473)	(11,473)	(2,409,579)
Distributions			
Declared distribution	-	-	(3,370,000)
Recaptured distribution	-	-	29,506
Change in undistributed funds	-	-	229
Total distributions	-	-	(3,340,265)
Net cash flow	(8,326)	(8,326)	(1,581,441)
Cash and restricted cash, beginning of period	104,365	104,365	1,677,480
Cash and restricted cash, March 31, 2020	\$ 96,039	\$ 96,039	\$ 96,039

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

ResCap Liquidating Trust

Condensed Consolidated Statement of Changes in Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

	Quarter to date ended March 31, 2020	Year to date ended March 31, 2020	Effective Date through March 31, 2020
Net cash flow	\$ (8,326)	\$ (8,326)	\$ (1,581,441)
Other non-cash changes:			
Increase (decrease) in asset value assumptions	45	45	(54,985)
(Increase) decrease in costs to operate the Trust	(247)	(247)	(540,226)
(Increase) decrease in DOJ/AG consent settlement	(1)	(1)	(7,551)
Basis of assets/liabilities liquidated/resolved	10,969	10,969	(299,693)
(Increase) decrease in distributions held for Beneficiaries	-	-	(229)
Total non-cash changes	10,766	10,766	(902,684)
Total increase (decrease) in net assets	2,440	2,440	(2,484,125)
Net assets in liquidation, beginning of period	29,036	29,036	2,515,601
Net assets in liquidation, March 31, 2020	\$ 31,476	\$ 31,476	\$ 31,476

Per unit information:

	\$ per Unit	\$ per Unit	\$ per Unit
Net assets per unit, beginning of period	\$ 0.29	\$ 0.29	\$ 25.16
Impact of cancelled units on beginning balance	-	-	0.29
Revised beginning of period balance	0.29	0.29	25.45
Recognition of cancelled unit prior period distributions	-	-	-
Increase in net assets per unit	0.03	0.03	8.66
Declared distributions per unit	-	-	(33.79)
Net asset per unit, March 31, 2020	\$ 0.32	\$ 0.32	\$ 0.32

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

ResCap Liquidating Trust

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Description of Business and Basis of Presentation

The ResCap Liquidating Trust (“Trust”) was formed in connection with the Plan of Reorganization under chapter 11 of the United States Bankruptcy Code (“Plan”) in the bankruptcy case of Residential Capital, LLC (“ResCap”). The Plan became effective on December 17, 2013 (“Effective Date”).

Units of beneficial interest (“Units”) were issued by the Trust. The Units entitle their holders (“Beneficiaries”) to receive a proportionate amount of cash distributions (“Declared Distributions”) made by the Trust.

Basis of Presentation

The unaudited Condensed Consolidated Financial Statements (the “Statements”) reflect the accounts of the Trust and subsidiaries after eliminating all significant intercompany balances and transactions. The Statements reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the periods presented. The Statements have not been prepared in accordance with generally accepted accounting principles; rather they have been prepared using a liquidation basis of accounting, which the Trust considers an appropriate basis of accounting at this time. The assets are stated at their estimated net realizable value, which is the amount of cash into which an asset is expected to be converted during the liquidation period. The Trust also accrues costs that it expects to incur through the end of its liquidation. The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated. The Trust does not accrue contingent costs.

These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2019.

2. Restricted Cash

Restricted cash is comprised of the following (in \$000's):

	March 31, 2020	December 31, 2019
Servicer Escrow	\$ 3,275	\$ 3,267
Distributions held for Beneficiaries	229	229
Total restricted cash	<u>\$ 3,504</u>	<u>\$ 3,496</u>

The Servicer Escrow restricted cash includes a \$1.0 million liquidity escrow that will be released to the Trust 60 days post termination of the servicer contract, and an additional \$2.3 million supporting servicer potential incentive payable. The incentive payable balance is valued at \$1.2 million as of March 31, 2020. Any restricted cash not utilized for the incentive will be released to the Trust 60 days post termination of the servicer contract.

ResCap Liquidating Trust

3. Mortgage Assets

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

	March 31, 2020		December 31, 2019	
	Gross Balance	Carry Value	Gross Balance	Carry Value
Mortgage insurance claims (FHA/VA)	\$ 4,800	\$ 1,905	\$ 8,573	\$ 2,092
Non-insured mortgage loans	1,959	-	1,952	-
Real estate owned	516	35	1,499	324
Trading Securities	142	-	153	-
Total mortgage assets	\$ 7,417	\$ 1,940	\$ 12,177	\$ 2,416

The remaining Mortgage insurance FHA claims have a carrying value of \$1.9 million representing the Trust's future expected recovery value. The resolution timelines are subject to asset specific hurdles, including final title approval from HUD, filing documentation for expense claims, and HUD review and approval. We understand that HUD continues to process claims during the Covid-19 pandemic; however, slightly longer processing timeframes may be experienced.

The Trust is actively working on options to dispose of the final real estate owned assets with carrying value of \$0.04 million. The Trust carrying values reflect the net present value of the estimated cash flow. Because of the uncertainties associated with estimating the amounts, timing and likelihood of possible outcomes, actual results could differ from the Trust's estimates.

4. Other Assets

Other assets is comprised of the following (in \$000's):

	March 31, 2020	December 31, 2019
Investment in stock	\$ 711	\$ 711
Other assets	36	19
Total other assets	\$ 747	\$ 730

5. Estimated Costs to Operate the Trust

Estimated costs to operate the Trust are comprised of the following (in \$000's):

	March 31, 2020			December 31, 2019
	Accrued	Future	Total	Total
Professional fees (legal, expert, other professional costs)	\$ 8,766	\$ 42,261	\$ 51,027	\$ 57,572
Compensation	915	5,716	6,631	8,844
Document management	1,617	1,491	3,108	5,134
Information technology	35	2,445	2,480	2,887
Other operating costs	2,219	1,570	3,789	3,809
Total costs to operate the Trust	\$ 13,552	\$ 53,483	\$ 67,035	\$ 78,246

The estimated cost to operate the Trust is \$67.0 million reflecting a net decrease of \$11.2 million from the prior quarter. Of the total \$67.0 million, there is \$13.5 million of expenses that have been incurred but not yet paid

ResCap Liquidating Trust

(\$8.8 million professional fees, and \$4.7 million other operating costs) and \$53.5 million of expected future costs for April 2020 through December 2021. Of the future \$53.5 million cost, \$32.2 million supports the on-going RMBS litigation and insurance recovery case pending in Bankruptcy Court, SDNY and \$21.3 million represents contractual obligations and the future costs for the operations and winddown of the Trust.

6. Commitments and Contingencies

Litigation

From time to time claims may be asserted against the Trust. At this time, the Trust cannot estimate the possible financial effect of these claims.

Affirmative Matters

The Trust is pursuing various affirmative matters. These include:

- There is one pending indemnity claim against Primary Residential Mortgage, Inc., which was tried in Minnesota Federal Court in a bench trial that concluded on March 13, 2020. The parties submitted findings of fact and conclusions of law to the Court in April 2020 and a decision is pending.

On June 21, 2019, The Court issued an order awarding the Trust a total of \$68.5 million dollars against Home Loan Center Inc. ("HLC"). On July 19, 2019, HLC filed an appeal of the order to the 8th circuit Court of Appeals. On July 21, 2019, HLC filed Chapter 11 in the Northern District of California (Case 19-51455). On July 31, 2019, the Trust filed a motion to convert the case to a Chapter 7. The jury verdict is now stayed with the filing of HLC bankruptcy. The Trust has filed a case against LendingTree LLC ("Lending Tree") alleging, among other allegations, that LendingTree assumed the HLC liability. Lending Tree filed a motion to dismiss certain counts which the Court denied. Lending Tree has appealed the denial of the motion to dismiss to the 8th circuit. Discovery is proceeding. The Lending Tree case is set to be trial ready in December 2020. Per the Trust's accounting policy, the Trust has not recorded the judgment in these Condensed Consolidated Financial Statements.

- Insurance Recovery Action. The Trust has an adversary proceeding case pending in the U.S. Bankruptcy Court for the Southern District of New York, Drennen, et al., and ResCap Liquidating Trust v. Certain Underwriters at Lloyd's, London, et al., Adv. Case No. 15-01025-shl. In December 2019, the Bankruptcy Court issued a partial Summary judgement in favor of the Trust. The Trust's claim is in excess of \$40 million, exclusive of interest and fees. Per the Trust's accounting policy, the Trust has not recorded this estimate in these Condensed Consolidated Financial Statements.
- 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 matters 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.

Since the Effective Date, through March 31, 2020 and excluding subsequent events, the Trust settled a total of \$1,257.9 million in affirmative matters including \$1,205.3 million in Correspondent Litigation, \$9.7 million in International, and \$42.9 million in other matters.

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7. Subsequent Events

Events subsequent to March 31, 2020 were evaluated through May 12, 2020, the date on which these Condensed Consolidated Financial Statements were issued.

RESCAP

LIQUIDATING TRUST

ResCap Liquidating Trust

Q1 2020 Beneficiary Letter



May 12, 2020

LIQUIDATING TRUST

Dear Beneficiaries:

Here are the highlights of the first quarter.

The Trust concluded its bench trial against Primary Residential Mortgage, Inc in Federal District Court in Minnesota at the end of Q1 2020 and is awaiting a decision from the Court.

As previously disclosed, the Trust has filed suit against LendingTree, LLC in Federal District Court in Minnesota alleging, among other allegations, that LendingTree assumed the liability of Home Loan Center Inc. ("HLC") against whom the Trust had received a judgment in 2019. Following the judgment, HLC filed bankruptcy which is currently pending as a Chapter 7 in the Northern District of California. In the first quarter, motions to dismiss the complaint filed by LendingTree were denied. LendingTree has appealed the denial of the motion to dismiss related to jurisdiction and such appeal is pending in the 8th circuit. Discovery is proceeding in the District Court and a trial is currently set for December 2020. On May 11, 2020, the Trust filed a motion for summary judgment.

Finally, the Trust was awarded partial summary judgment in its insurance recovery action pending in the U.S. Bankruptcy Court for the Southern District of New York. Discovery is now underway and the Trust expects to file additional summary judgment motions.

The Administrative Set Aside of \$53.4 million (net of costs incurred but not yet paid) reflects the extension of the Trust through December 2021 to support the continuing work with the correspondent RMBS litigation, insurance adversary action, and final wind down actions. A breakdown of the costs is shown in the accompanying financial statements.

To aid Beneficiaries in their tax reporting, the Trust is providing a quarterly Tax Information Letter and estimated quarterly tax information. The Tax Information Letter is being distributed along with this quarterly Beneficiary Letter. The Trust's first quarter 2020 financial report and certain tax information have been posted on our website at <http://www.rescapliquidatingtrust.com/#financial-statements>.

The Trust continues 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,

A handwritten signature in black ink, appearing to read "John Ray".

John Ray

Liquidating Trust Manager