

## Tax Information Letter

As of June 30, 2017

### 2017 ESTIMATED TAX ITEMS

Beginning with this Tax Information Letter, the ResCap Liquidating Trust (the "Trust") will provide quarterly information relating to the Trust's estimated items of Trust income and deduction ("Tax Items") to aid unitholders ("Beneficiaries") with their tax planning and interim tax reporting requirements. This Tax Information Letter reflects the allocation by Unit of *estimated* Tax Items through June 30, 2017, using the accrual method of accounting and includes the per Unit amount of distributions made by the Trust through June 30, 2017.

In general, a Beneficiary that held all of its Units from January 1, 2017, through June 30, 2017, would calculate its allocable share of each Tax Item by multiplying the number of Units held by the Beneficiary by the Tax Item amount per Unit. Beneficiaries that acquired Units after January 1, 2017, or that sold Units before June 30, 2017, may have a different calculation. All Beneficiaries should seek advice from their own tax advisors.

A Beneficiary's taxable income depends in part on the Beneficiary's tax basis in its Units and thus its indirect tax basis in the Trust's assets (which Unit tax basis information the Trust does not have); a Beneficiary that did not acquire its Units from the Trust as of December 17, 2013, may have a different tax basis in its share of the Trust's assets than the tax basis used to determine the Tax Items set forth below.

### Estimated Tax Worksheet for U.S. Federal Income Tax Purposes for Year to Date 2017\*

		Q1 2017 Amount per Unit	Q2 2017 Amount per Unit	YTD 2017 Amount per Unit
A.	Interest Income	0.03150493	0.03518941	0.06669434
B.	Net Short-term Capital Gains/(Losses)	(0.00046640)	(0.02310812)	(0.02357452)
C.	Net Long-term Capital Gains/(Losses)	(0.01869510)	(0.23545529)	(0.25415039)
D.	Net Section 1231 Losses	-	-	-
E.	Other Income: Miscellaneous	-	-	-
F.	Other Income: Litigation recoveries <sup>1</sup>	0.23962012	0.36284311	0.60246323
G.	Other income: Release of administrative reserves	-	-	-
H.	Cancellation of Debt Income	-	-	-
I.	Nondeductible Expenses	-	-	-
j	General and Administrative Expenses – Misc. deductions subject to 2% limitation	(0.30705040)	(0.35623124)	(0.66328164)
K.	Distributions	0	2.00	2.00

\* Note state information will be provided only on an annual basis.

<sup>1</sup> Considered US Source Income and may be subject to withholding for non US Beneficiaries.

The second quarter estimated Tax Items include the results of the Trust's sale of a portion of its mortgage loan portfolio. For financial reporting purposes the loan sale resulted in a gain, however, for tax purposes, the loan sale resulted in an estimated loss of approximately \$18 million. The difference between the financial



reporting gain and the tax loss is due to tax basis differences which occurred subsequent to the inception of the Trust, related to cumulative mortgage loan valuation adjustments recorded for financial reporting purposes to reflect changes in asset values.

The 2017 Trust estimated Tax Items above will be finalized upon the posting of the final 2017 Trust Beneficiary Tax Worksheet to the Trust website in March 2018.

### **2017 DISTRIBUTIONS**

On May 3, 2017, the Trust announced a distribution of \$2.00 per Unit on June 2, 2017, to Beneficiaries of record on May 18, 2017. The Trust had recognized significant income through litigation and similar type recoveries since its last distribution in March 2015. All of the income included in the June 2, 2017, distribution is deemed United States source income that is subject to tax withholding (“US Source Income”) for non-United States Beneficiaries. That distribution did not include any US sourced dividend income.

Although withholding of taxes related to this US Source Income was required at the time of receipt by the Trust, the Trust did not have the necessary information concerning the identity and tax status of its Beneficiaries to withhold taxes on this income when received. As such, the withholding of taxes related to this income received by the Trust is only possible at the time of distribution by the Trust to Beneficiaries via a United States broker or other nominee. The June 2, 2017, distribution represented the first opportunity for tax withholding on this US Source Income received since March, 2015. Beneficiaries should consult their broker or nominee to ensure withholding is properly completed.

### **FUTURE TAX CONSIDERATIONS**

The Trust will treat distributions as US Source Income that may be subject to withholding for non-United States Beneficiaries until the cumulative amount of settlement and similar type recoveries received by the Trust has been distributed.

As of June 30, 2017, the cumulative amount of settlement and similar type recoveries received by the Trust which has not been distributed is approximately \$248.3 million. See “General Tax Information - Subject to Withholding” section below for further information with regard to the timing and reporting of income subject to withholding.

In the future, some of the Units could be cancelled and the cash distributions related to those Units would then be returned to the Trust. This return of cash would result in income to the Beneficiaries. In addition, if Units are cancelled, each existing Beneficiary would hold a larger share of the remaining assets in the Trust, and as such, would also recognize income related to the redistribution of assets per remaining Unit. The Trust will report such income related to Unit cancellation when and if it occurs. At this time it is not possible to determine the timing or number of Units, if any, that may be cancelled.

### GENERAL TAX INFORMATION

#### OVERVIEW

The Trust is treated as a grantor trust for United States federal and state income tax purposes. As such, the Trust itself is not subject to federal or state income tax. Instead, Beneficiaries are considered the grantors of the Trust and are treated for income tax purposes as if they hold a direct interest in an allocable pro rata share of each asset and liability of the Trust. In addition, each Beneficiary is treated for income tax purposes as recognizing an allocable portion of each tax item of Trust income and deduction ("Tax Items") as if the Beneficiary recognized the Tax Items directly, regardless of whether the Beneficiary received a cash distribution.

The Trust's Tax Items are determined with respect to Beneficiaries that acquired their Units in the initial distribution as of December 17, 2013. Each Beneficiary has unique tax attributes which will determine the Beneficiary's United States tax reporting obligations and related tax liability, if any, related to its allocable share of Trust Tax Items as well as Trust distributions.

The Trust does not provide tax advice. Each Beneficiary has unique tax attributes and should seek advice from its own tax advisor as to the tax characterization, reporting obligations and tax liability, if any, related to its allocable share of the Trust's Tax Items and distributions received from the Trust.

#### TRUST TAX REPORTING

Consistent with the Trust Agreement and in accordance with applicable law, the Trust provided Beneficiaries with tax information on an annual basis in connection with the Trust's filing of its annual tax returns. The Trust is not required to provide Beneficiaries with an IRS Form K-1 or Form 1099. The Trust provides Beneficiary Information for U.S. Federal and State Income Tax Purposes and a Tax Worksheet for Beneficiaries, via postings on the Trust's website, [www.rescapliquidatingtrust.com](http://www.rescapliquidatingtrust.com). The Tax Worksheet for Beneficiaries provides the Trust's Tax Items by type, on both a per Unit and an aggregate basis.

The Trust is providing quarterly *estimated* federal tax information to Beneficiaries via a quarterly Tax Information Letter. State taxable items will only be reported annually.

#### TRUST TAX ITEMS

The Trust's Tax Items may include capital gain or loss, ordinary income (including interest income, litigation recoveries, client recoveries, restitution, and miscellaneous other income) and general and administrative expenses. The Trust does not believe that it has recognized any income that would constitute trade or business income (or unrelated business taxable income or income that is effectively connected to the conduct of a trade or business in the United States, though such characterizations may depend in part on each Beneficiary's unique tax attributes).

#### SUBJECT TO WITHHOLDING

The Trust's litigation recoveries, client recoveries, restitution 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). The Trust does not have the necessary information concerning the identity and tax status of its Beneficiaries to withhold any required tax when it *receives Income*. Therefore, tax withholding is determined at the time of any distributions from the Trust. The Trust treats all distributions as first sourced to

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US Source Income, to the extent not reported to Beneficiaries as part of prior Trust distributions. Once all cumulative US Source Income has been distributed to Beneficiaries, the Trust treats any additional distributions as amounts not subject to withholding (though such characterization may depend in part on each Beneficiary's unique tax attributes).

The Trust will distribute the gross amount of the distribution to brokers (through DTC) and anticipates that any required tax withholding will be effected by United States brokers (or other nominees). Each Beneficiary has unique tax attributes and should seek advice from its own tax advisor as to the tax treatment and reporting of Trust distributions received.

If tax had been withheld from a distribution to a Beneficiary who believes that it is not subject to United States federal income tax or that the tax withheld is in excess of its United States federal income tax liability, the Beneficiary may be able to file a timely United States tax return to request a refund for any withholding tax in excess of its United States federal income tax liability.

### **TAX BASIS OF UNITS FOR INITIAL HOLDERS**

Each Beneficiary is treated as owning an allocable pro rata share of each asset of the Trust. Generally, for a Beneficiary that acquired its Units from the Trust in the initial distribution as of December 17, 2013, the tax basis of the Beneficiary's Units, and thus the Beneficiary's tax basis in its share of the Trust's assets, would be the value of the Units received upon that initial distribution, which is \$28.02 per Unit, increased or decreased by the Beneficiary's allocable share of the Trust's Tax Items and distributions (which are reported by the Trust and available on its website under the heading "financial and tax information"), regardless of whether the Trust's Tax Items were reported to the Beneficiaries as income.

The Trust's Tax Items are determined with respect to Beneficiaries that acquired their Units in the initial distribution.

### **TAX BASIS OF UNITS FOR SUBSEQUENT HOLDERS**

A Beneficiary that did not acquire its Units from the Trust in the initial distribution as of December 17, 2013, may have a tax basis in its Units (and therefore a tax basis in the Trust assets attributable to such Units) that differs from the tax basis of a Unit acquired from the Trust as of December 17, 2013. Such difference may affect the Beneficiary's taxable income and loss from holding Trust Units, which may differ from the Tax Items as determined and reported by the Trust, which determination is made with respect to Beneficiaries that acquired their Units in the initial distribution.

The basis difference per Unit, in general, should equal the difference between (i) such Beneficiary's tax basis in each of its Units at the time it acquired such Units, and (ii) \$28.02 (the December 17, 2013, tax basis per Unit), increased by the per Unit Trust items of taxable income and gains through the date that the Beneficiary acquired its Units and reduced by the per Unit Trust items of taxable deduction and loss and distributions made through the date that the Beneficiary acquired its Units, in each case as reported by the Trust and available on its website under the heading "financial and tax information". Because the Trust in general does not know the price and date at which such a Beneficiary acquired its Units, it cannot provide this basis information for each Beneficiary.

A basis difference as described above could affect the Beneficiary's taxable income and loss from holding Trust Units, because the basis difference in Units generally will also result in the Beneficiary having a tax basis in its share of the underlying Trust assets that differs from the basis that the Trust uses in computing its taxable

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income and loss. A Beneficiary with a basis difference should consult its tax advisor as to whether and how any adjustments should be made as a result of such differing basis to the per Unit Trust items of taxable income and loss as reported by the Trust for the periods during which such Beneficiary holds its Units.

In general, that may depend, in part, on the determination as to which Trust assets or liabilities the basis differential is attributable and how to calculate the recovery of basis that is allocable to multiple assets of the same class, such as the litigation claims. For example, a Beneficiary whose per Unit adjusted tax basis exceeds that of a Unit acquired from the Trust as of December 17, 2013, may conclude that the excess basis is attributable to the Trust's litigation claims and that therefore, its per Unit share of the income recognized from the specific litigation recoveries is less than that reported by the Trust.

**THIS LETTER IS NOT INTENDED TO AND DOES NOT PROVIDE TAX ADVICE RELATING TO THE HOLDING OF TRUST UNITS. EACH BENEFICIARY SHOULD SEEK TAX ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM ITS OWN TAX ADVISOR. THIS LETTER MAY NOT BE USED OR QUOTED IN WHOLE OR IN PART IN CONNECTION WITH ANY OFFERING OR SALE OF SECURITIES.**