

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

Expert Report of Katherine Schipper

January 15, 2013



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I. Assignment

1. I have been asked by Morrison & Foerster LLP, counsel for the Debtors, to review, evaluate and respond to certain statements made in objections to the proposed settlement between the Debtors and the investors who invested in the Debtors' 392 securitizations ("Investors"). Specifically, I have been asked to address whether the fact that Residential Capital, LLC ("ResCap") disclosed a range of reasonably possible losses related to litigation matters and potential repurchase obligations and related claims of between \$0 and \$4 billion, over existing accruals, means that the \$8.7 billion settlement between the Debtors and Investors is per se unreasonable.

2. My analysis is ongoing, and I may supplement or refine my opinions and analyses in light of additional information.

II. Professional Background and Qualifications

3. I am the Thomas F. Keller Professor of Business Administration at Duke University's Fuqua School of Business and a member of the accounting area. I hold a Bachelor of Arts (BA) degree from the University of Dayton and Master of Business Administration (MBA), Master of Arts (MA) and Doctor of Philosophy (PhD) degrees from the University of Chicago. In 1996, I was awarded an honorary Master of Laws (LLM) degree from Notre Dame University. In 2011, I was awarded honorary doctorates in Economics from Norwegian School of Economics and Stockholm School of Economics.

4. Throughout my career, I have held several academic appointments. I was on the faculties of the Graduate School of Business at the University of Chicago and of Carnegie-Mellon University. I was also a visiting scholar at the University of Glasgow, Chinese University of Hong Kong, Peking University, and Singapore Management University.

5. From 2001 through 2006, I was a member of the Financial Accounting Standards Board (FASB), the private sector organization with responsibility for establishing standards of financial accounting and reporting for companies such as Ally Financial, Inc. (“Ally”). I served as one of the seven full-time members of the Board.

6. I am a frequent speaker on matters related to financial reporting quality, financial reporting standard setting, and international accounting convergence. I have published research papers on a wide range of topics in financial reporting, corporate finance, and corporate governance.

7. I served the American Accounting Association as President, Director of Research, and President of the Financial Accounting and Reporting Section. I was named the American Accounting Association’s Outstanding Educator and Distinguished International Lecturer. In August 2007, I was elected to the Accounting Hall of Fame.

8. I am a Director, member of the Audit Committee, and member of the Data Security and Operations Risk Committee of Official Payments Inc., a public company. I have also been a member of the governing board of Acorn Fund, a mutual fund. I am a member of the governing board and Audit Committee of the University of Dayton, a not-for-profit entity.

9. My resume is included as Exhibit 1. I have previously testified in a confidential arbitration proceeding.

III. Materials and Other Information Considered

10. In connection with my work on this matter, I have considered the documents listed in Exhibit 2.

IV. Opinion Summary

11. In my opinion, and based on the documents I have analyzed, the fact that ResCap disclosed a range of reasonably possible losses related to litigation matters and potential

repurchase obligations and related claims of between \$0 and \$4 billion, over existing accruals, does not mean that the \$8.7 billion settlement is per se unreasonable.

V. Background

12. ResCap was a wholly owned mortgage subsidiary of Ally. On May 13, 2012, the ResCap Board determined to file voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. Those filings occurred on May 14, 2012.¹

13. Prior to the filings, on May 9, 2012, the ResCap Board approved a settlement agreement between the Debtors and Investors.² The settlement agreement describes the claims that are resolved and those that are not. For example, the settlement agreement resolved all claims “that arise under the Governing Agreements.”³ The settlement lists other claims that are resolved, including, but not limited to, claims regarding “the origination and sale of mortgage loans,” including claims for breach of “representations and warranties made in connection with such sale or with respect to the noticing and enforcement of any remedies in respect of alleged breaches of such representations and warranties”; and “allegedly defective, incomplete, or non-existent documentation.”⁴ The settlement agreement did not resolve claims against ResCap LLC, “individual direct claims for securities fraud or other disclosure-related claims arising from the purchase or sale of Securities,” claims that first arise after the agreement’s effective date, and claims belonging to “any third party guarantor or financial-guaranty provider.”⁵

¹ Ally Financial Inc. Form 8-K, May 14, 2012.

² Minutes of the Special Meeting of the Board of Residential Capital, LLC, May 9, 2012, RC-9019_00054006-7.

³ Third Amended and Restated RMBS Trust Settlement Agreement between Residential Capital, LLC and the Institutional Investors, September 21, 2012, § 7.01.

⁴ Third Amended and Restated RMBS Trust Settlement Agreement between Residential Capital, LLC and the Institutional Investors, September 21, 2012, § 7.01.

⁵ Third Amended and Restated RMBS Trust Settlement Agreement between Residential Capital, LLC and the Institutional Investors, September 21, 2012, §§ 7.01, 8.02, and 8.03.

14. The Official Committee of Unsecured Creditors, the Financial Guaranty Insurance Company (FGIC), and Wilmington Trust, National Association (the “Creditors”) have objected to the settlement. My understanding of the statements made by the Creditors is that one of the bases for their objection is the claim that the proposed settlement between ResCap and Investors in certain securitization trusts is per se unreasonable because Ally had previously disclosed in its Form 10-Q for the quarter ending March 31, 2012, dated April 27, 2012, a range of reasonably possible losses, over existing accruals,⁶ for certain litigation matters, potential repurchase obligations and related claims of \$0 to \$4 billion, while the actual settlement amount is \$8.7 billion.

15. The objection filed by the Official Committee of Unsecured Creditors states, for example:

“the Debtors agreed to an Allowed Claim some *\$4 billion more* than the highest value they had ever publicly attributed to their R&W liability...”⁷

This statement suggests a comparison between the settlement amount (\$8.7 billion) and the total of accrued losses (approximately \$800 million) plus the top end of the range of disclosed reasonably possible losses (\$4 billion).⁸

16. The objection filed by FGIC, in describing the \$8.7 billion settlement, states that:

“\$8.7 Billion is more than double the Debtors’ own publicly-stated estimates from two weeks earlier, which estimates themselves

⁶ The existing accrual was approximately \$811 million. Ally Financial Inc. Form 10-Q for the quarterly period ended March 31, 2012, Note 24, at 69.

⁷ Objection of the Official Committee of Unsecured Creditors to the Debtors’ Motion Pursuant to Fed. R. Bankr. P 9019 for Approval of the RMBS Trust Settlement Agreements, at 15 (emphasis in original).

⁸ The Official Committee of Unsecured Creditors provides another comparison on page 18 of its objection. That comparison references the top of the estimated range of disclosed reasonably possible losses for litigation, repurchase obligations, and related claims over existing accruals as \$4.041 billion and indicates that the ResCap Board “was asked to approve a settlement nearly *double* that amount.” (emphasis in original) This comparison is apparently between the settlement amount and the top end of the disclosed range of reasonably possible losses.

were 400% higher than the Debtors' reserves for the same claims."⁹

and that:

"\$8.7 Billion grossly overstates the value of the settled claims" and that "[o]nly two weeks before the Debtors believed that the *maximum* liability they could face was \$4 Billion."¹⁰

The first of these two statements suggests a comparison between the settlement amount (\$8.7 billion) and the top end of the range of disclosed reasonably possible losses (\$4 billion); it does not suggest a comparison between the settlement amount and the total of accrued losses (approximately \$800 million) and the top end of the range, because \$8.7 billion is less than twice that total (\$4 billion + \$800 million or \$4.8 billion). The second of these two statements suggests a comparison between the settlement amount and the top end of the range of disclosed reasonably possible losses.

17. The objection filed by Wilmington Trust, National Association states that:

"[o]n May 9, 2012, the Board met to approve the \$8.7 billion RMBS Settlement, an amount more than twice the high-end estimate reviewed by the Audit Committee just eight days earlier."¹¹

This statement suggests a comparison between the settlement amount and the top end of the range of disclosed reasonably possible losses.

18. Based on my understanding of the statements made by the Creditors, the Creditors are stating that the proposed settlement is per se unreasonable based on a comparison of the range of disclosed reasonably possible losses, over accruals, with the actual settlement amount or based

⁹ Objection of Financial Guaranty Insurance Company to the Debtors' Second Supplemental Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of the RMBS Trust Settlement Agreements, at 16.

¹⁰ Objection of Financial Guaranty Insurance Company to the Debtors' Second Supplemental Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of the RMBS Trust Settlement Agreements, at 20 (emphasis in original).

¹¹ Objection of Wilmington Trust, National Association to the Debtors' Second Supplemental Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of the RMBS Trust Settlement Agreements, at 6.

on a comparison of the total of the existing accruals plus the range of disclosed reasonably possible losses with the actual settlement amount. In this opinion, I focus on the former comparison; however, my opinion is unchanged if the latter comparison is considered.

VI. Assumptions Made in this Assignment

19. For purposes of this assignment I have made the following assumption: the Form 10-Q of Ally, presenting the consolidated financial statements and footnote disclosures of Ally and its consolidated subsidiaries, including ResCap, is prepared in accordance with U.S. GAAP on a going-concern basis.

VII. Basis for Opinion

A. Authoritative Guidance from U.S. GAAP

20. The U.S. GAAP guidance (“guidance”) that defines a loss contingency and provides recognition, measurement, and disclosure guidance for a loss contingency is in Accounting Standards Codification (ASC) 450. The definition of a loss contingency is:

An existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur. The term loss is used for convenience to include many charges against income that are commonly referred to as expenses and others that are commonly referred to as losses.¹²

21. The guidance describes that loss contingencies vary as to their likelihood, that is, their degree of uncertainty:

450-20-25-1 When a **loss contingency** exists, the likelihood that the future event or events will confirm the loss or impairment of an asset or the incurrence of a liability can range from **probable** to **remote**. As indicated in the definition of **contingency**, the term *loss* is used for convenience to include many charges against income that are commonly referred to as expenses and others that are commonly referred to as losses. The Contingencies Topic uses

¹² ASC, Master Glossary.

the terms *probable*, **reasonably possible**, and *remote* to identify three areas within that range (emphasis in original).

22. The thresholds of probable, reasonably possible, and remote are defined, but not quantified, in the guidance. Specifically, probable is defined to mean that the future event or events that will confirm the loss are likely to occur. Reasonably possible is defined to mean that the chance of the future event or events occurring is more than remote, but less than likely.

Remote is defined to mean that the chance of the future event or events occurring is slight.¹³

23. ASC 450 states that it “deals with uncertainty by requiring a probability threshold for recognition of a loss contingency and that the amount of loss be reasonably estimable.”¹⁴

24. ASC 450 provides guidance as to when a loss contingency should be accrued:

450-20-25-2 An estimated loss from a loss contingency shall be accrued by a charge to income if both of the following conditions are met:

- a. Information available before the financial statements are issued or are available to be issued (as discussed in Section 855-10-25) indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. Date of the financial statements means the end of the most recent accounting period for which financial statements are being presented. It is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss.
- b. The amount of loss can be reasonably estimated.

The purpose of those conditions is to require accrual of losses when they are reasonably estimable and relate to the current or a prior period. ... As discussed in paragraph 450-20-50-5, disclosure is preferable to accrual when a reasonable estimate of loss cannot be made. Further, even losses that are reasonably estimable shall not be accrued if it is not probable that an asset has been impaired or a liability has been incurred at the date of an entity’s financial

¹³ ASC, Master Glossary.

¹⁴ ASC 450-20-05-5.

statements because those losses relate to a future period rather than the current or a prior period.

25. ASC 450 also provides guidance as to disclosures of loss contingencies:

450-20-50-3 Disclosure of the **contingency** shall be made if there is at least a reasonable possibility that a loss or an additional loss may have been incurred and either of the following conditions exists:

- a. An accrual is not made for a **loss contingency** because any of the conditions in paragraph 450-20-25-2 are not met.
- b. An exposure to loss exists in excess of the amount accrued pursuant to the provisions of paragraph 450-20-30-1.

B. Disclosure of ResCap's Reasonably Possible Losses Related to Litigation, Repurchase Obligations and Related Claims

26. Ally's Form 10-Q for the quarter ending March 31, 2012 contains a loss contingency accrual related to litigation, repurchase obligations and related claims. This amount is recognized as a liability on the consolidated balance sheet that includes the balance sheet of ResCap, Ally's subsidiary.

27. Ally's Form 10-Q for the quarter ending March 31, 2012 also contains the following footnote disclosure:

Potential Losses

We currently estimate that ResCap's reasonably possible losses over time related to the litigation matters and potential repurchase obligations and related claims described above could be between \$0 and \$4 billion over existing accruals. This estimated range is based on significant judgment and numerous assumptions that are subject to change, and which could be material. However, as a result of ResCap's current financial position, we believe ResCap's ability to pay for any such losses is very limited. Refer to Note 1 to the Condensed Consolidated Financial Statements for a discussion of reasonably possible losses in connection with a ResCap bankruptcy filing.¹⁵

¹⁵ Ally Fin. Inc. Quarterly Report (Form 10-Q) at 73 (Apr. 27, 2012).

28. The range of reasonably possible losses over existing accruals disclosed in Ally's Form 10-Q provides information about a loss contingency that does not meet both of the ASC 450 requirements for recognition.

29. The disclosure of ResCap's reasonably possible range of losses over existing accruals related to litigation matters, potential repurchase obligations and related claims contains the following qualifying statement: "The estimated range is based on significant judgment and numerous assumptions that are subject to change, and which could be material."¹⁶ That is, if one or more of the assumptions used to estimate the range of disclosed reasonably possible losses were to change, so too could the range of reasonably possible losses change, and so too could the actual outcome of the loss contingency differ from an amount that is within the (previously disclosed) range of reasonably possible losses. For example, when estimating, for financial statement disclosure purposes, a range of reasonably possible losses associated with claims, an entity would need to make assumptions about the behavior of those who are permitted, or could be permitted, to assert those claims. If the actual behavior were to differ from those assumptions, the actual outcome of the loss contingency could be different from an amount that lies within the range of disclosed reasonably possible losses.

30. The disclosure of a range of reasonably possible losses, over existing accruals, related to litigation matters, potential repurchase obligations and related claims as of a balance sheet date is a requirement of U.S. GAAP. That disclosure is intended to provide information to users of financial reports. In my opinion, that disclosure does not constrain the entity that creates the disclosure from taking future actions, including negotiating a settlement of those claims, nor does it purport to forecast the actual outcome of those settlement negotiations. The reason is that

¹⁶ *Id.*

the assumptions that are used to develop the estimate of the range of reasonably possible losses may not be made under the circumstances that exist in a negotiated settlement.

31. As discussed above, Ally's Form 10-Q for the quarter ending March 31, 2012 disclosed a range of reasonably possible losses related to litigation, repurchase obligations, and related claims of \$0 to \$4 billion, over existing accruals. The process of arriving at those estimates is discussed in an Accounting Policy Memorandum dated April 27, 2012, entitled, "Legal/Rep and Warrant – Range of Reasonably Possible Loss Disclosure Considerations – Q1 2012" (April 27, 2012 Policy Memorandum).¹⁷ The April 27, 2012 Policy Memorandum notes, as was disclosed in the Form 10-Q, that the estimated range is based on significant judgment and numerous assumptions that are subject to change.¹⁸

32. The April 27, 2012 Policy Memorandum includes a table (the "Table") that summarizes the estimate of the top end of the range of reasonably possible losses. The Table was also included in materials provided to the Audit Committee.¹⁹

¹⁷ Memo from Accounting Policy to Files re Legal/Rep and Warrant – Range of Reasonably Possible Loss Disclosure Considerations – Q1 2012 (Apr. 27, 2012), RC-9019_00093832–5 at 1-3.

¹⁸ The April 27, 2012 Policy Memorandum states that "a great deal of uncertainty remains and the determinations remain subject to a great deal of variability" and that "[t]hese types of estimates require management to utilize significant judgment in order to make both the determination of whether a reasonable estimated range can be made, as well [as] in the determination of that range." *Id.* at RC-9019_00093832.

¹⁹ Memo to Members of the Residential Capital, LLC Audit Committee re Residential Capital, LLC Audit Committee Meeting, April 30, 2012, with attached Audit Committee Supplemental Materials (Apr. 27, 2012), RC40022273–367 at 276.

33. The estimated range of reasonably possible losses assumes exposure through 2013 and beyond, as indicated by the statements “data projections through 2013” in note (A), “Estimated non-wrapped potential exposure beyond 2013” in the first line under “Additional items:” and “[e]stimated lifetime losses” in note (C).²⁰

34. The Table shows the existing accrual (labeled “1Q12 recorded reserve for probable losses”) of \$811 million and an estimation of possible losses that involves exposure to four types of claims, that is, four components: (1) Active Reserve, (2) Inactive Wrapped PLS, (3) Inactive Whole Loan Investors, and (4) Non-Wrapped PLS. The “Active Reserve” component estimates the sensitivity (or stress test) exposure to claims of alleged breaches of representations and warranties that have already been reserved for by ResCap.²¹

35. The “Inactive Wrapped PLS” and the “Non-Wrapped PLS” components estimate the exposure to claims of alleged breaches of representations and warranties that may be filed in the

²⁰ RC-9019_00093832-5 at -34.

²¹ Jeffrey Cancellieri Tr. at 93:25-94:12 (Nov. 14, 2012).

future on deals that have not had any repurchase claims.²² The “Inactive Whole Loan Investors” component estimates the exposure to claims of alleged breaches of representations and warranties that may be filed in the future, for private investors whose loans were not purchased through an issued security.²³

36. The April 27, 2012 Policy Memorandum considers, among other things, activity by trustees at the behest of their investors and the extent of investor power to compel trustees to make claims. The description in that Policy Memorandum indicates that inherent in the estimates of the “active” and “inactive” components of the estimate are assumptions about the behavior of investors that comprise each category.

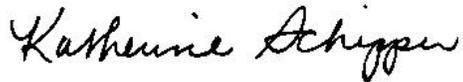
37. Based on the accounting for loss contingencies, estimating losses for the components summarized in the Table assumes the resolution of representation and warranty claims over time as they occur in the normal course of business. This assumption could change, for example, if the claims were to be resolved all at once in a single negotiated global settlement. To the extent that the circumstances of the negotiation process, and the outcome of that negotiation process, are different from the assumptions made in these estimates, the resulting calculations would be different. Therefore, calibrating the settlement amount against the range of disclosed reasonably possible losses would not indicate that the settlement is per se unreasonable.

38. To summarize, in my opinion, loss contingency disclosures under U.S. GAAP have the following features: (1) they are intended to provide financial statement users with information about a loss contingency that does not meet both of the ASC 450 requirements for recognition; (2) they are based on the entity’s assumptions, which are subject to change; and (3) they are based on assumptions that may not be made under the circumstances that exist in a negotiated

²² Jeffrey Cancellieri Tr. at 94:18-96:14 (Nov. 14, 2012).

²³ Jeffrey Cancellieri Tr. at 95:9-22 (Nov. 14, 2012).

settlement that resolves the outcome of the loss contingency. Because of these features, in my opinion, the fact that ResCap disclosed a range of reasonably possible losses related to litigation matters, potential repurchase obligations, and related claims, over existing accruals, of between \$0 and \$4 billion does not mean that the \$8.7 billion settlement is per se unreasonable.



Katherine Schipper
January 15, 2013

**Exhibit 1: Vita of Katherine Schipper
December 2012**

Fuqua School of Business
100 Fuqua Drive, Box 90120
Duke University
Durham, NC 27708
USA

Telephone: 919 660 1947
Email: schipper@duke.edu

Employment

October 2009 Cheng Tsang Mun Chair Visiting Professor, Singapore Management University
November 2008 Daimler Distinguished Scholar, Peking University
2006- Thomas F. Keller Professor of Business Administration, Fuqua School of Business
September 2006 Wei Lun Visiting Professor, Chinese University of Hong Kong
2001-2006 Board Member, Financial Accounting Standards Board
1999-2001 L. Palmer Fox Professor of Business Administration, Fuqua School of Business,
Duke University (visiting, 1999-2000)
July, 2001 Visiting research scholar, University of Glasgow
1983-2000 Professor (1984-2000) and Associate Professor (1983-84), Graduate School of
Business, University of Chicago
Director of the Institute of Professional Accounting (1991-1999)
Eli B. and Harriet B. Williams Professor of Accounting (1993-2000)
KPMG Peat Marwick Faculty Research Scholar (1993-1999)
1976-1983 Associate Professor and Assistant Professor, Graduate School of Industrial
Administration, Carnegie-Mellon University
1981-1982 Visiting Assistant Professor, Graduate School of Business, University of Chicago

Education

BA University of Dayton, English literature, summa cum laude, 1971
MBA University of Chicago, 1973
MA University of Chicago, Library science, 1975
PhD University of Chicago, 1977

Honorary Degrees

LLM Notre Dame University 1996
Honorary doctorates (Economics) Norwegian School of Economics 2011
Stockholm School of Economics 2011

Courses Taught

Duke University: Graduate introductory financial accounting, Financial statement analysis, Global
Institutions and Environments, Global Markets and Institutions

University of Chicago: Graduate introductory financial accounting (Law School and Graduate School of Business), financial statement analysis, managerial accounting; corporate governance (Law School and Graduate School of Business)

Carnegie Mellon University: Undergraduate and graduate introductory and advanced financial accounting, financial statement analysis, managerial accounting

PhD seminars: Carnegie Mellon University, University of Chicago, Chinese University of Hong Kong, Duke University, University of Michigan, Michigan State University, University of Southern California, Macquarie University, National Taiwan University, Manchester University, University of Hong Kong, City University of Hong Kong, Hong Kong University of Science and Technology, Glasgow University, Peking University, Shanghai University of Finance and Economics, University of Technology Sydney, Tilburg University, Tsinghua University, Xiamen University

Editorial Boards and Editorial Positions

Co-editor, Special Issue of *The European Accounting Review* on Measurement Issues in Financial Reporting, 2008-2009.

Editor, Special Issue of *The Accounting Review* on Quality of Earnings 2001-2002.

Co-editor, *Journal of Accounting Research* 1985-1999.

Contributing editor, *Accounting Horizons* 1989-1991.

Editor, *Review of Accounting Studies* 2006-2010

Editor, *Contemporary Accounting Research*, 2010-

Consulting editor, *Contemporary Journal of Accounting and Economics* (formerly, *Asia Pacific Journal of Accounting and Economics*) 2000-

Editorial boards:

Journal of Accounting and Economics 1981-1984

The Accounting Review 1980-1982, 1999-2002, 2008-

Accounting Horizons 2002-2009

Journal of Business, Finance and Accounting, 2006-

Honors and Awards

Fuqua School of Business, Duke University: Bank of America service award, 2009; Cross Continent Executive MBA Program teaching award, 2009, 2011; Duke/Goethe Executive MBA Program teaching award, 2009; Weekend Executive MBA Program teaching award, 2001

Accounting Hall of Fame, 2007

American Accounting Association Presidential Lecturer, 2005.

Epsilon Upsilon Chapter, Beta Alpha Psi, Accountant of the Year, 2003.

American Accounting Association Outstanding Educator, 1999.

Illinois CPA Society Outstanding Educator, 1999.

McKinsey Award for Excellence in Teaching (University of Chicago), 1998.

Lilly Endowment Post-Doctoral Teaching Award, 1980-81.

Graduate School of Industrial Administration award for excellence in teaching, Carnegie Mellon University, 1979

Published and Forthcoming Articles

"The Sensitivity of Corporate Cash Holdings to Corporate Governance," with Q. Chen, X. Chen, Y. Xu and J. Xue, forthcoming, *Review of Financial Studies*

"Business Model (Intent)-Based Accounting," with James Leisenring, Thomas Linsmeier and Edward Trott, *Accounting and Business Research*, August 2012.

"Direct and Mediated Associations Among Earnings Quality, Information Asymmetry and the Cost of Equity," with Neil Bhattacharya, Frank Ecker and Per Olsson, *The Accounting Review*, March 2012.

"How Can We Measure the Costs and Benefits of Changes in Corporate Reporting Regulation?" *Accounting and Business Research*, August 2010.

"Information Uncertainty and Post-Earnings-Announcement Drift," with Jennifer Francis, Ryan LaFond and Per Olsson, *Journal of Business, Finance and Accounting*, April-May 2007.

"Required Disclosures in Financial Reports," *The Accounting Review*, March 2007.

"Standard-Setting Issues and Academic Research Related to the Accounting for Financial Asset Transfers," with Teri Lombardi Yohn, *Accounting Horizons*, March 2007.

"A Returns Based Representation of Earnings Quality," with Frank Ecker, Jennifer Francis, Irene Kim and Per Olsson, *The Accounting Review*, July 2006.

"The Market Pricing of Accruals Quality," with Jennifer Francis, Ryan LaFond and Per Olsson, *Journal of Accounting and Economics*, March 2005.

"Earnings and Dividend Informativeness When Cash Flow Rights are Separated from Voting Rights," with Jennifer Francis and Linda Vincent, *Journal of Accounting and Economics*, March 2005

"Costs of Equity and Earnings Attributes," with Jennifer Francis, Ryan LaFond and Per Olsson, *The Accounting Review*, October 2004.

"Earnings Quality," with Linda Vincent, *Accounting Horizons*, Supplement 2003. Reprinted in *Financial Accounting and Investment Management*, part of *The International Library of Critical Writings in Financial Economics*, Series Editor, Richard Roll

"The Relative and Incremental Explanatory Power of Earnings and Alternative (to Earnings) Performance Measures for Returns," with Jennifer Francis and Linda Vincent, *Contemporary Accounting Research*, Spring 2003.

"Principles-Based Accounting Standards," *Accounting Horizons*, March 2003. Reprinted in *International Financial Reporting Standards, 2007*, edited by Chris Nobes and David Alexander.

"The Pricing of Earnings and Cash Flows in the Presence of Abnormal and Normal Accruals," with C.S. Agnes Cheng, *Asia-Pacific Journal of Accounting and Economics*, December 2002.

"Expanded Disclosures and the Increased Usefulness of Earnings Announcements," with Jennifer Francis and Linda Vincent, *The Accounting Review*, July 2002.

“Earnings Announcements and Competing Information,” with Jennifer Francis and Linda Vincent, *Journal of Accounting and Economics*, August 2002.

“The Impact of Taxes on the Choice of Divestiture Method,” with Edward Maydew and Linda Vincent, *Journal of Accounting and Economics*, December 1999.

“Implications of Accounting Research for the SEC’s Consideration of International Accounting Standards for US Securities Offerings,” with Grace Pownall, *Accounting Horizons*, September 1999.

“Have Financial Statements Lost Their Relevance?” with Jennifer Francis, *Journal of Accounting Research*, Autumn 1999.

“Earning Surprises and Litigation Risk,” with Jennifer Francis and Donna Philbrick, *Journal of Financial Statement Analysis*, Winter 1998.

“Shareholder Litigation and Corporate Disclosures,” with Jennifer Francis and Donna Philbrick, *Journal of Accounting Research*, Autumn 1994.

“Academic Accounting Research and the Standard Setting Process,” *Accounting Horizons*, December 1994.

“Effects of Management Buyouts on Corporate Interest and Depreciation Deductions,” with Abbie Smith, *Journal of Law and Economics*, October 1991.

“Analysts Forecasts,” *Accounting Horizons*, December 1991.

“Information Transfers,” *Accounting Horizons*, December 1990.

“Wealth Effects of Going Private for Senior Securities,” with Laurentius Marais and Abbie Smith, *Journal of Financial Economics*, July 1989.

Revised and condensed version “Consequences of Going Private Buyouts for Public Debt and Preferred Stock: 1974 to 1985,” in *Banking System Risk: Charting a New Course*, Proceedings of the 25th Annual Conference on Bank Structure and Competition, Federal Reserve Bank of Chicago.

“Earnings Management,” *Accounting Horizons*, December 1989.

“Disentangling Interrelated Effects of Regulatory Changes on Shareholder Wealth: The Case of Motor Carrier Deregulation,” with Rex Thompson and Roman Weil, *Journal of Law and Economics*, April 1987.

“A Comparison of Equity Carve-outs and Equity Offerings: Share Price Effects and Corporate Restructuring,” with Abbie Smith, *Journal of Financial Economics*, 1986.

Revised version appeared as “Equity Carve-outs,” *Midland Corporate Finance Journal*, Spring 1986.

“The Impact of Merger-Related Regulations Using Exact Distributions of Test Statistics,” with Rex Thompson, *Journal of Accounting Research*, Spring 1985.

“Effects of Recontracting on Shareholder Wealth: The Case of Voluntary Spin-Offs,” with Abbie Smith, *Journal of Financial Economics*, December 1983.

Revised version appeared as “The Corporate Spin-Off Phenomenon,” *Midland Corporate Finance Journal*, Summer 1984.

“The Impact of Merger-Related Regulations on Shareholders of Acquiring Firms,” with Rex Thompson, *Journal of Accounting Research*, Spring 1983.

“Evidence on the Capitalized Value of Merger Activity for Acquiring Firms,” with Rex Thompson, *Journal of Financial Economics*, April 1983.

Revised and condensed version appeared in *Mergers and Acquisitions*, Summer 1983.

“Alternative Accounting Treatments for Pensions,” with Roman Weil, *The Accounting Review*, October 1982.

“Municipal Pension Funding: A Theory and Some Evidence,” with Dennis Epple, *Public Choice*, July 1981.

Managing Higher Education: Economic Perspectives, with John Abowd, Center for the Management of Public and Nonprofit Enterprise, University of Chicago, May 1981, adapted from doctoral dissertation (1977), “An Analysis of the Financial Condition of Private Colleges.”

“Common Stocks as Hedges Against Shifts in the Consumption or Investment Opportunity Set,” with Rex Thompson, *Journal of Business*, April 1981.

“Financial Distress in Private Colleges,” *Journal of Accounting Research*, Volume 15, Supplement, 1977.

“Financial Lease Evaluation under Conditions of Uncertainty: A Comment,” with John Twombly and Roman Weil, *The Accounting Review*, October 1974.

Other Publications

Financial Accounting: An Introduction to Concepts, Methods and Uses, 13th edition, 14th edition Cengage Publishing, with Clyde Stickney, Roman Weil and Jennifer Francis, 2009, 2012

“Reconsidering Revenue Recognition,” with Catherine Schrand, Terry Shevlin and Jeffrey Wilks, *Accounting Horizons*, 2009.

“Earnings Quality,” with Jennifer Francis and Per Olsson, *Foundations and Trends in Accounting*, 2008.

“The Introduction of International Accounting Standards in Europe: Implications for International Convergence,” *European Accounting Review*, 2005.

“Financial Accounting and Reporting Research in Transition Economies,” *Taiwan Accounting Review*, October 2000.

“Accounting Research and the Potential Use of International Accounting Standards for Cross-border Securities Listings,” *The British Accounting Review*, September 2000.

“Applications of Event Study Methods in Litigation Support,” with Laurentius Marais, in *Litigation Services Handbook: The Role of the Accountant as Expert Witness*, edited by Roman Weil, Michael Wagner and Peter Frank, John Wiley and Sons, second edition, 1995.

“Issues in Regulation Research in Accounting,” in *Accounting and the Law*, edited by Michael Bromwich and Anthony Hopwood, Prentice Hall, 1992.

“Restructuring in the Food Industry,” with Abbie Smith, in *Corporate Reorganization through Mergers, Acquisitions and Leveraged Buyouts*, JAI Press, 1989.

“The Evidence on Divestitures, Going Private Proposals, and Spin-Offs,” from a presentation given at the Berkeley Conference on Mergers and Acquisitions, *Midland Corporate Finance Journal*, Winter 1983.

“Pensions” chapter in *The Handbook of Modern Accounting*, S. Davidson and R. Weil, editors, New York: McGraw-Hill Book Company, 1982.

Published Discussion Comments

Discussion of “An Analysis of Auditor Litigation Disclosures,” by Zoe-Vonna Palmrose, *Auditing: A Journal of Practice and Theory*, 1991.

Discussion of “Voluntary Corporate Disclosure: The Case of Interim Reporting,” by Richard Leftwich, Ross L. Watts and Jerold Zimmerman, at the Chicago Conference on Empirical Research in Accounting, *Journal of Accounting Research*, Supplement, 1981.

Discussion of “The Effect of State Accounting and Auditing Regulations on Municipal Borrowing Costs and Bond Ratings,” by Wanda Wallace, *Proceedings of The Round Table Conference on Government Regulation of Accounting and Information*, University of Florida, March 1979.

Working Papers

“Evidence that Market Participants Assess Recognized and Disclosed Items Similarly when Reliability is not an Issue,” with B. Bratten and P. Choudhary, conditionally accepted, *The Accounting Review*

“Evidence that Managers Intervene in Financial Reporting to Avoid Working Capital Deficits,” with S. Dyreng and W. Mayew, revised August 2012

“Peer Firm Selection for Discretionary Accruals Models,” with Frank Ecker, Jennifer Francis and Per Olsson, revised December 2012

“The Effects of Market Development on Controlling Shareholders’ Behavior,” with Q. Chen, K. Wang and X. Xiao, revised December 2012

“Financial Reporting for Cap-and-Trade Emissions Reductions Programs,” with Y. Ertimur, J. Francis and A. Gonzales, revised July 2011.

“A Comparison of Market-based and Accounting-based Descriptions of Business Risk,” with F. Ecker, J. Francis and P. Olsson, February 2009.

Grants

Doris Duke Foundation research grant, 2009, with Amanda Quiring.

Ernst & Young Foundation research grant, 1996-1997, with Edward Maydew and Linda Vincent.

Project co-director, curriculum development grant, University of Chicago, from the Accounting Education Change Commission, 1991-1994.
Grant for research concerning "The Possibility of Using Common Stocks as Hedges Against Changes in the State of the World," from the Institute for Quantitative Research in Finance, Columbia University, 1979, with Rex Thompson.

Executive Education (representative list)

New York Stock Exchange/Columbia University: Accounting essentials for corporate directors
Delaware Chancery Court: Financial reporting and valuation
Duke University Directors Education Institute: financial reporting; accounting for audit committee members
Stanford Law School Directors' College: financial reporting; accounting for audit committee members
University of Chicago Directors' Consortium: financial reporting; accounting for audit committee members
Andersen Consulting: financial statement analysis
Instituto Cultural de Seguridade Social of Brazil: corporate governance
Deutsche Bank: acquisitions

Professional Activities (representative list)

National Activities

Executive Committee, American Accounting Association:
1992-1994, Director of Research
1994-1995, President-Elect
1995-1996, President.

American Accounting Association Committees:
1979-80, committee on promotion criteria
1981-82, competitive manuscript committee
1982-83 and 1986-87, committee on financial accounting standards
1983 and 1985, doctoral consortium planning committee and resident faculty
1983, 1985; Council member (at large)
1991-1994, Midwest Regional steering committee
1991-92, annual meeting program planning committee and senior faculty consortium planning committee
1997-98, annual meeting program planning committee co-chair, AAPG program committee; chair, FASB/AAA financial reporting issues conference
1998- 2001, financial accounting standards committee
1999-2000, chair, doctoral consortium planning committee
2001-2002, annual meeting program committee

Financial Accounting and Reporting Section of the American Accounting Association:
1999-2001, President and President-elect, 1999-2001.

International Association for Accounting Education and Research:
2011- , Vice President, Research

American Accounting Association Distinguished International Visiting Lecturer, 1997-98.
Visiting (speaking) faculty at AAA doctoral consortium: 1986, 1988, 1993, 1994, 1995, 1996, 1998, 1999, 2001
Visiting (speaking) faculty at Big Ten doctoral consortium: 1986, 1991, 1993, 2002
Academic consultant to the Chief Accountant of the Securities and Exchange Commission, 1979-81
Accounting Education Change Commission, 1991-1996

Consultant to the Independence Standards Board, 1998-2000
Member of Financial Accounting Standards Advisory Council, 1996-1999
University of Dayton Business Advisory Council, 1997-2005
University of Dayton Board of Trustees, 2005-
Trustee of Acorn Fund, 1998-2001
BNA Tax and Accounting Advisory Board, 2007-
Federal Reserve Board of New York, advisory board, 2008-
Singapore Management University, advisory board, 2010-

Duke University and Fuqua School of Business Activities

Appointments Advisory Committee, 2010-2012
Faculty Advisory Committee, 2010-2012
University Appointments, Promotions and Tenure Committee, 2008-2011
University Priorities Committee, 2006-2008
Accounting Area Coordinator, 2006-
Chair, Committee to Design the Global Institutions and Environments Course, 2006-2007
Chair, Committee to Design the Global Markets and Institutions Course, 2008-2009
Chair, Executive MBA Review Committee, 2007-2008

Doctoral Students Supervised

At Carnegie Mellon University: J. Richard Dietrich, 1981; G. Peter Wilson (chair), 1985

At the University of Chicago: Philip Berger (chair), 1992; Keith Bockus (co-chair), 1998; Howard Bunsis (co-chair), 1993; Kirsten Ely (chair), 1988; Arthur Kraft (chair), 2001; Mark Lang (chair), 1990; Robert Lipe (chair), 1985; Laureen Maines (co-chair), 1990; Michael Mikhail (chair), 1999; Cathy Niden (finance), 1988; Dennis Oswald, 2000; Grace Pownall (chair), 1985; Catherine Schrand, 1994; Elizabeth Stanny (chair), 1996; Kenneth Sutley (chair), 1994; Siew Hong Teoh, 1988; Beverly Walther (chair), 1995; Ira Weiss (chair), 1999; Richard Willis (chair), 1998

At Duke University: Patrick Badolato (chair), 2010, Preeti Choudhary (chair), 2008, Mark Evans (chair), 2008, Bin Li (chair), 2012, Sam Melessa (chair), 2012, Ken Njoroge (chair), 2009, Kevin Ow Yong (chair), 2008.

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Exhibit 2

Documents Considered by Katherine Schipper

Document Title, Bates Numbers	Document Date
Legal Pleadings	
Objection of the Official Committee of Unsecured Creditors to the Debtors' Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of the RMBS Trust Settlement Agreements, with Exhibits R, S, U, and W	December 3, 2012
Objection of Financial Guaranty Insurance Company to the Debtors' Second Supplemental Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of RMBS Trust Settlement Agreements, with Exhibits 9019-019, 9019-054, 9019-055, 9019-137, and 9019-146	December 3, 2012
Objection of Wilmington Trust, National Association to the Debtors' Second Supplemental Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of RMBS Trust Settlement Agreements, with Exhibits A, B, L, O, P, R, S, and T	December 3, 2012
Third Amended and Restated RMBS Trust Settlement Agreement, with Exhibits A–D	September 20, 2012
Third Amended and Restated RMBS Trust Settlement Agreement, with Exhibits A–D	September 21, 2012
Authoritative Guidance	
Accounting Standards Codification Topic 275, “Risks and Uncertainty”	
Accounting Standards Codification Topic 450, “Contingencies”	
Accounting Standards Codification, Master Glossary	
Depositions	
Deposition of Jeffrey Cancellieri	November 14, 2012
Deposition of Timothy Devine	November 19, 2012
Deposition of John Mack	November 14, 2012
Deposition of Thomas Marano	November 12, 2012
Deposition of Mark Renzi	November 7, 2012
Deposition of John Ruckdaschel	November 8, 2012
Deposition of Frank Sillman	November 20, 2012
Deposition of James Whitlinger	November 15, 2012
SEC Filings	
Ally Financial Inc. Form 10-Q for the Quarterly Period Ended September 30, 2011	November 4, 2011
Ally Financial Inc. Form 10-Q for the Quarterly Period Ended March 31, 2012	April 27, 2012
Ally Financial Inc. Form 8-K	May 14, 2012
Bates Stamped Documents	
2012 Q1 ResCap Disclosure Committee Meeting Minutes RC40032719–20	April 30, 2012
Email from J. Mackey to D. DeBrunner, et al. re: RE: Rep and Warranties Range 1Q12.xlsx RC40033121–3	April 27, 2012

<u>Document Title, Bates Numbers</u>	<u>Document Date</u>
Email from C. Weiss to D. DeBrunner, et al. re: RE: Rep and Warranties Range 1Q12.xlsx <i>RC40033117-20</i>	April 27, 2012
Email from J. Whitlinger to T. Marano and S. Abreu re: RE: Rep and Warranties Range 1Q12.xlsx <i>RC-9019_00092162-3</i>	April 27, 2012
Accounting Policy Memo (Disclosure Considerations – Q4 2011) <i>RC-9019_00093818-31</i>	March 8, 2012
Accounting Policy Memo (Range of Reasonably Possible Loss Disclosure Considerations – Q1 2012) <i>RC-9019_00093832-5</i>	April 27, 2012
Accounting Policy Memo (Disclosure Considerations – Q3 2011) <i>RC-9019_00093836-43</i>	November 16, 2011
Accounting Policy Memo (Disclosure Considerations – Q4 2011) <i>RC-9019_00093844-57</i>	March 8, 2012
Accounting Policy Memo (Disclosure Considerations – Q4 2011) <i>RC-9019_00093858-71</i>	February 2012
Email from B. Santanna to K. Sathre re: RE: Q4 – ResCap R&W, with Attachment <i>RC-9019_00087673-725</i>	January 13, 2012
Email from J. Cancelliere to B. Gunn re: RE: RW Deck for 3:00, with Attachment <i>RC-9019_00088309-28</i>	January 27, 2012
Email from J. Cancelliere to B. Santanna re: RW & REO MCORC, with Attachments <i>RC-9019_00088864-88</i>	March 30, 2012
Email from J. Cancelliere to Various re: RE: KP <i>RC-9019_00049157-9</i>	May 7, 2012
Email from J. Mackey to Various re: RE: Rep and Warranties Range 1Q12.xlsx <i>ALLY_0226233-4</i>	April 27, 2012
Email from M. Renzi to T. Devine, G. Lee, and R. Cieri re: RE: Are you Available <i>RC-9019_00049164-6</i>	May 8, 2012
ResCap Memo to Members of the Residential Capital, LLC Audit Committee re: Audit Committee Meeting, with Attached Agenda and Supporting Materials <i>RC40022273-367</i>	April 30, 2012
ResCap Memo to Members of the Residential Capital, LLC Audit Committee re: Audit Committee Meeting, with Attached Agenda and Supporting Materials <i>RC4002057--9</i>	May 9, 2012
Email from G. Lee to K. Patrick re: RMBS Stipulated Claim, with Attachment <i>RC-9019_00049381-4</i>	May 9, 2012
Minutes of a Special Meeting of the Board of Residential Capital, LLC <i>RC-9019_00054006-7</i>	May 9, 2012
Email from M. Renzi to G. Lee and J. Levitt re: Bounce – Draft Litigation Claims Overview, with Attachments <i>RC-9019_00093235</i>	April 19, 2012
GMAC ResCap: Draft Litigation Claims <i>RC-9019_00093236-71</i>	April 19, 2012
PLS Analysis – Draft (Document Produced in Native Format) <i>RC-9019_00093272</i>	
Email from J. Ruckdaschel to T. Devine re: RE: Kathy Patrick, FHFA, MBIA, etc. <i>RC-9019_00061313-5</i>	April 30, 2012

Document Title, Bates Numbers	Document Date
Email from C. Weiss to Various re: RE: Rep and Warranties Range 1Q12.xlsx, with Attachment <i>RC-9019_00092076-8</i>	April 27, 2012
ResCap Memo to Members of the Residential Capital, LLC Audit Committee re: Audit Committee Meeting, with Attached Agenda and Supporting Materials <i>RC-9019_00054001-5</i>	May 9, 2012
Email from G. Lee to Various re: Meeting Notice – ResCap Board Meeting, May 9, 2012, 3:00pm (ET) – Privileged and Confidential Attorney-Client Communication, with Attachment <i>RC-9019_00093180-3</i>	May 9, 2012