WOODBRIDGE LIQUIDATION TRUST
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VIA WEB POSTING

IMPORTANT INFORMATION REGARDING YOUR 2019 INCOME TAX RETURNS

Summary

The Woodbridge Liquidation Trust ("Trust") is not, in and of itself, a taxpaying entity. The financial activity (income, deductions, gains and losses) of the Trust is reported proratably to trust beneficiaries each year on a Trust Grantor Letter, which will be provided by the Trust to each beneficiary of record. Each year trust beneficiaries are required to report the information contained in the Trust Grantor Letter on his/her income tax return. At this point in time it is not anticipated that the 2019 Trust Grantor Letter will be completed and provided to trust beneficiaries prior to the April 15, 2020 tax return filing deadline. Therefore, it would be advisable for each trust beneficiary to request an extension of the filing due date from appropriate federal and state taxing authorities. Generally, periodic distributions received by trust beneficiaries from the Woodbridge Liquidation Trust will not be directly taxable to beneficiaries. However, such distributions will affect the adjusted tax basis of each beneficiary's interest in the Trust.

Notwithstanding the above summary and subsequent discussion, each beneficiary should consult with a qualified professional tax advisor regarding taxation of his/her beneficial interest in the Woodbridge Liquidation Trust. There may be instances where prior tax treatment of a beneficiary's investment in Woodbridge may now require a beneficiary to report activity from the Trust in a way other than that outlined in this document.

Discussion

The tax reporting outlined in this document is based on IRS guidance provided in Revenue Procedure 94-45, I.R.B. 1994-28,124. The actual tax reporting of transactions associated with the formation and operation of the Woodbridge Liquidation Trust is dependent on the specific tax situation of each trust beneficiary and may vary from the information provided below. Each trust beneficiary is strongly advised to consult with a competent professional tax advisor when reporting activity associated with their interest in the Woodbridge Liquidation Trust.

On or about February 15, 2019 ("Effective Date"), the Joint Chapter 11 Plan of Liquidation of Woodbridge Group of Companies, LLC and Its Affiliated Debtors ("Plan") became effective. Pursuant to the provisions of the Plan, all assets of Woodbridge Group of Companies and its affiliated debtors ("Debtors") were transferred to the Woodbridge Liquidation Trust ("Trust"). For purposes of this letter, the term "creditors" shall mean the beneficiaries of the Trusts.

Upon the effective date of the Plan, Debtors were deemed to have transferred all assets to their respective allowed creditors at fair market value in satisfaction of each creditor's allowed claim, resulting in a taxable transaction to be reported by the Debtors and by each creditor. These same assets were, in turn, deemed to have been transferred by the creditors into the Trust. This transfer caused each creditor to become a beneficiary of the Trust with an initial adjusted tax basis in the Trust equal to his/her proportionate share of the value of the assets transferred (proportionate ownership).

For tax reporting purposes, distributions from the Trust are <u>not</u> necessarily reportable as income to the creditors. However, the Trust's operating activity for each tax year is allocable and reportable to each creditor. The means established by the IRS for reporting each trust beneficiary's allocable share of trust activity is "Fiduciary Form 1041 Grantor Letter" ("Grantor Letter"). Accordingly, the Trust will issue and mail a Grantor Letter to each creditor. This Grantor Letter will summarize the Trust activity, i.e. income, deduction, gain or loss for the year, and allocate this activity to each creditor based upon his/her proportionate ownership in the Trust. Each beneficiary is required to report the activity reported to him/her on the Grantor Letter when filing his/her income tax return. Trust activity reported on the Grantor Letter may increase or decrease the tax basis of each creditor's interest in the Trust. The Grantor Letters will also be mailed to the IRS along with the tax returns filed by the Trust.

Over time the Trust will dispose of its assets. The transfer of the assets to the Trust resulted in the recognition of gain or loss that is reportable to the Debtors for tax reporting purposes. Assets held by the Trust are initially carried at fair market value as of the Effective Date and, accordingly, any gain or loss recognized by the Trust upon asset disposition will only represent gain or loss attributable to the time period subsequent to the Effective Date of the Plan. Upon termination of the Trust each creditor will report the disposition of his/her interest in the Trust on his/her income tax return, based on the adjusted tax basis of the Trust interest at the time of termination.

As discussed above, the manner in which each creditor has treated his/her Woodbridge investment in the past will determine the proper tax treatment of the information reported on the Grantor Letter. PLEASE CONSULT YOUR TAX ADVISOR.