

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2022

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-56115

Woodbridge Liquidation Trust

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-7730868

(I.R.S. Employment Identification No.)

**201 N. Brand Blvd.,
Suite M**

Glendale, California

(Address of principal executive offices)

91203

(Zip Code)

Registrant's telephone number, including area code: **(310) 765-1550**

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

Woodbridge Liquidation Trust
Form 10-Q
December 31, 2022
Table of Contents

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements	
	Consolidated Statements of Net Assets in Liquidation (Unaudited) as of December 31, 2022 and June 30, 2022	1
	Consolidated Statements of Changes in Net Assets in Liquidation (Unaudited) for the Three Months Ended December 31, 2022 and 2021	2
	Consolidated Statements of Changes in Net Assets in Liquidation (Unaudited) for the Six Months Ended December 31, 2022 and 2021	3
	Notes to Consolidated Financial Statements (Unaudited) for the Three and Six Months Ended December 31, 2022 and 2021	4
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	34
Item 4.	Controls and Procedures	34

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	35
Item 1A.	Risk Factors	40
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	40
Item 3.	Defaults upon Senior Securities	40
Item 4.	Mine Safety Disclosures	40
Item 5.	Other Information	40
Item 6.	Exhibits	41

PART I. FINANCIAL INFORMATION (CONTINUED)**Item 1. Financial Statements****Woodbridge Liquidation Trust and Subsidiaries
Consolidated Statements of Net Assets in Liquidation
As of December 31, 2022 and June 30, 2022***(Unaudited, \$ In Thousands)*

	<u>12/31/2022</u>	<u>6/30/2022</u>
Assets		
Real estate assets held for sale, net (Note 3)	\$ 29,441	\$ 29,062
Cash and cash equivalents	27,868	96,810
Restricted cash (Note 4)	4,316	6,121
Other assets (Note 5)	1,157	5,825
Total assets	<u>\$ 62,782</u>	<u>\$ 137,818</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 213	\$ 119
Distributions payable	1,220	68,767
Accrued liquidation costs (Note 6)	22,197	34,537
Total liabilities	<u>\$ 23,630</u>	<u>\$ 103,423</u>
Commitments and Contingencies (Note 14)		
Net Assets in Liquidation		
Restricted for Qualifying Victims (Note 7)	\$ 3,483	\$ 3,485
All Interestholders	35,669	30,910
Total net assets in liquidation	<u>\$ 39,152</u>	<u>\$ 34,395</u>

See accompanying notes to unaudited consolidated financial statements.

PART I FINANCIAL INFORMATION
Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries
Consolidated Statements of Changes in Net Assets in Liquidation
For the Three Months Ended December 31, 2022 and 2021

(Unaudited, \$ in Thousands)

	<u>Three Months Ended December 31, 2022</u>			<u>Three Months Ended December 31, 2021</u>		
	<u>Restricted For Qualifying Victims</u>	<u>All Interestholders</u>	<u>Total</u>	<u>Restricted For Qualifying Victims</u>	<u>All Interestholders</u>	<u>Total</u>
Net Assets in Liquidation as of beginning of period	\$ 3,483	\$ 34,433	\$ 37,916	\$ 3,167	\$ 131,376	\$ 134,543
Change in assets and liabilities (Note 8):						
Restricted for Qualifying Victims -						
Change in carrying value of assets and liabilities, net	-	-	-	36	-	36
All Interestholders:						
Change in carrying value of assets and liabilities, net	-	1,236	1,236	-	32,752	32,752
Distributions (declared) reversed, net	-	-	-	-	(39,826)	(39,826)
Net change in assets and liabilities	-	1,236	1,236	-	(7,074)	(7,074)
Net Assets in Liquidation as of end of period	\$ 3,483	\$ 35,669	\$ 39,152	\$ 3,203	\$ 124,302	\$ 127,505

See accompanying notes to unaudited consolidated financial statements.

PART I FINANCIAL INFORMATION
 Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries
Consolidated Statements of Changes in Net Assets in Liquidation
For the Six Months Ended December 31, 2022 and 2021

(Unaudited, \$ in Thousands)

	Six Months Ended December 31, 2022			Six Months Ended December 31, 2021		
	Restricted For Qualifying Victims	All Interestholders	Total	Restricted For Qualifying Victims	All Interestholders	Total
Net Assets in Liquidation as of beginning of period	\$ 3,485	\$ 30,910	\$ 34,395	\$ 3,167	\$ 126,373	\$ 129,540
Change in assets and liabilities (Note 8):						
Restricted for Qualifying Victims -						
Change in carrying value of assets and liabilities, net	(2)	-	(2)	36	-	36
All Interestholders :						
Change in carrying value of assets and liabilities, net	-	2,121	2,121	-	37,657	37,657
Distributions (declared) reversed, net	-	2,638	2,638	-	(39,728)	(39,728)
Net change in assets and liabilities	-	4,759	4,759	-	(2,071)	(2,071)
Net Assets in Liquidation as of end of period	\$ 3,483	\$ 35,669	\$ 39,152	\$ 3,203	\$ 124,302	\$ 127,505

See accompanying notes to unaudited consolidated financial statements.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

1) Formation and Description of Business

Formation

Woodbridge Liquidation Trust (the “Trust”) was established (i) for the purpose of collecting, administering, distributing and liquidating the Trust assets for the benefit of the Trust beneficiaries in accordance with the Liquidation Trust Agreement of the Trust and the First Amended Joint Chapter 11 Plan of Liquidation of Woodbridge Group of Companies, LLC and its Affiliated Debtors dated August 22, 2018 (as amended, modified, supplemented or restated from time to time, the (“Plan”)); (ii) to resolve disputed claims asserted against the Debtors; (iii) to litigate and/or settle causes of action (“Causes of Action”); and (iv) to pay certain allowed claims and statutory fees, as required by the Plan. Woodbridge Group of Companies, LLC and its affiliated debtors are individually referred to herein as a Debtor and collectively as the Debtors. The Trust was formed on February 15, 2019 (the “Plan Effective Date”) as a statutory trust under Delaware law.

On the Plan Effective Date, in accordance with the Plan, (a) the following assets automatically vested in the Trust: (i) an aggregate \$5,000,000 in cash from the Debtors for the purpose of funding the Trust’s initial expenses of operation; (ii) certain claims and Causes of Action; (iii) all of the outstanding equity interests of the Wind-Down Entity (as defined below); and (iv) certain other non-real estate related assets, (b) the equity interests of Woodbridge Group of Companies, LLC and Woodbridge Mortgage Investment Fund 1, LLC (together, the “Remaining Debtors”) were cancelled and new equity interests representing all of the newly issued and outstanding equity interests in the Remaining Debtors were issued to the Trust, (c) all of the other Debtors other than the Remaining Debtors were dissolved and (d) the real estate-related assets of the Debtors were automatically vested in the Trust’s wholly-owned subsidiary, Woodbridge Wind-Down Entity LLC (the “Wind-Down Entity”) or one of the Wind-Down Entity’s 43 wholly-owned single member LLCs (the “Wind-Down Subsidiaries”) formed to own the respective real estate assets. The Trust, the Remaining Debtors, the Wind-Down Entity and the Wind-Down Subsidiaries are collectively referred to herein as the “Company.”

As further discussed in Note 10, the Trust has two classes of liquidation trust interests, Class A Liquidation Trust Interests (“Class A Interests”) and Class B Liquidation Trust Interests (“Class B Interests”). The holders of Class A Interests and Class B Interests are collectively referred to as “All Interestholders.”

On December 24, 2019, the Trust’s Registration Statement on Form 10 became effective under the Securities Exchange Act of 1934 (the “Exchange Act”). The trading symbol for the Trust’s Class A Interests is WBQNL. Bid and asked prices for the Trust’s Class A Interests are quoted on the OTC Link ATS, the SEC-registered alternative trading system. The Class A Interests are eligible for the Depository Trust Company’s Direct Registration System (DRS) services. The Class B Interests are not registered with the SEC.

Description of Business

The Trust is prosecuting various Causes of Action acquired by the Trust pursuant to the Plan and is resolving claims asserted against the Debtors. As of December 31, 2022, the Company is the plaintiff in several pending lawsuits. The Company has accrued an estimate of the amount of legal costs to be incurred to pursue this litigation, excluding contingent fees. As more fully discussed in Note 2, the Company’s consolidated financial statements do not include any estimate of future net recoveries from litigation and settlement, since the Company cannot reasonably estimate them.

The Wind-Down Entities’ operations are almost complete. As of December 31, 2022, one of the Wind-Down Subsidiaries owned one single-family home, located in Los Angeles, California. This single-family home is listed for sale. As of December 31, 2022, the Wind-Down Subsidiaries also owned two secured loans and two other properties located in other states (see Note 3.)

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

The Company is required to liquidate its assets and distribute available cash to the Trust beneficiaries. The liquidation activities are carried out by the Trust, the Wind-Down Entity and the Wind-Down Subsidiaries. As of December 31, 2022, the Company estimates that the liquidation activities will be completed by February 15, 2024.

As more fully discussed in Note 2, the Company uses the Liquidation Basis of Accounting. The Trust currently operates as one reportable segment comprised primarily of real estate assets held for sale. Net assets in liquidation represent the remaining estimated aggregate value available to Trust beneficiaries upon liquidation, with no discount for the timing of proceeds (undiscounted). Net liquidation proceeds, other recoveries and actual liquidation costs may differ materially from the estimated amounts due to the unpredictability of real estate selling prices, the impact of the COVID-19 virus and other global health crises (see below), as well as the uncertainty in the timing of liquidation of the real estate and other assets.

The Trust's expectations about the amount of any additional distributions and when they will be paid are subject to risks and uncertainties and are based on certain estimates and assumptions, one or more of which may prove to be incorrect. As a result, the actual amount of any additional distributions may differ materially, perhaps in adverse ways, from the Trust estimates. Furthermore, it is not possible to predict the timing of any additional distributions and any such distributions may not be made within the timing referenced in the consolidated financial statements.

No assurance can be given that total distributions will equal or exceed the estimate of net assets in liquidation presented in the consolidated statements of net assets in liquidation.

The Company observes health and safety guidelines, including allowing its employees to work remotely. The Company will continue to evaluate the impact of the COVID-19 virus and other global health crises on its activities, including the time needed to market and sell its remaining real estate assets and the price at which these real estate assets will be sold. The ultimate impact of the COVID-19 virus and other global health crises will depend on many factors, some of which cannot be foreseen, including the duration, severity, and geographic concentrations of the pandemic and any resurgence of the disease.

2) Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), including the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the consolidated financial statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary for a fair and consistent presentation of the results for such periods. These consolidated financial statements have been presented in accordance with Accounting Standards Codification ("ASC") Subtopic 205-30, "Liquidation Basis of Accounting," as amended by Accounting Standards Update ("ASU") No. 2013-07, "Presentation of Financial Statements (Topic 205), Liquidation Basis of Accounting." The June 30, 2022 consolidated statement of net assets in liquidation included herein was derived from the audited consolidated financial statements but does not include all disclosures or notes required by U.S. GAAP for complete financial statements.

All material intercompany accounts and transactions have been eliminated.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

Use of Estimates

U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and for the period then ended. Actual results could differ from these estimates. Estimates and assumptions are reviewed periodically, and the carrying amounts of assets and liabilities are revised in the period that available information supports a change in the carrying amount.

Liquidation Basis of Accounting

Under the liquidation basis of accounting, all assets are recorded at their estimated net realizable value or liquidation value, which represents the estimated amount of net cash that will be received upon the disposition of the assets (on an undiscounted basis). The measurement of real estate assets held for sale is based on current contracts (if any), estimates and other indications of sales value, net of estimated selling costs. To determine the value of real estate assets held for sale, the Company considered the three traditional approaches to value (cost, income and sales comparison) commonly used by the real estate appraisal community. The applicability and relevancy of each valuation approach as applied may differ by asset. In most cases, the sales comparison approach was accorded the greatest weight. This approach compares a property to other properties with similar characteristics that have recently sold. To validate management's estimate, the Company also considered opinions from qualified real estate professionals and local real estate brokers and, in some cases, obtained third party appraisals. The estimated selling costs range from 5.0% to 6.5% of the property sales price.

Liabilities, including estimated costs associated with implementing and completing the Plan, are measured in accordance with U.S. GAAP that otherwise applies to those liabilities. The Company has also recorded the estimated development costs to be incurred to prepare the assets for sale as well as the estimated holding costs to be incurred until the projected sale date and the estimated general and administrative costs to be incurred until the completion of the liquidation of the Company and estimated reserves for contingencies. When estimating development costs, the Company considered third party construction contracts and estimates of costs to complete based on construction status, progress and projected completion timing. Estimated development costs also include the costs of design and furnishings necessary to prepare and stage the homes for marketing as well as an accrual for warranty claims. Holding cost estimates consider property taxes, insurance, utilities, maintenance and other costs to be incurred until the sale of the property is closed. Projected general and administrative cost estimates take into account operating costs through the completion of the liquidation of the Company.

These estimated amounts are presented in the accompanying consolidated statements of net assets in liquidation. All changes in the estimated liquidation value of the Company's real estate held for sale, or other assets and liabilities are reflected as a change to the Company's net assets in liquidation.

The Company does not record any amount from the future settlement of unresolved Causes of Action or recoveries of Fair Funds in the accompanying consolidated financial statements since they cannot be reasonably estimated. The amount recovered may be material to the Company's net assets in liquidation.

On a quarterly basis, the Company reviews the estimated net realizable values, liquidation costs and the estimated date of the completion of the liquidation of the Company and records any significant changes. The Company will also revalue an asset when it is under contract for sale and the buyer's contingencies have been removed. During the period when this occurs, the carrying value of the asset and the estimated closing and other costs will be adjusted, if necessary. If the Company has a change in its plan for the disposition of an asset, the carrying value will be adjusted to reflect this change in the period that the change is approved. The change in value may include the accrued liquidation costs related to the asset.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

Other Assets

The Company recognizes recoveries from the settlement of unresolved Causes of Action when an agreement is executed and collectability is reasonably assured. An allowance for uncollectible settlement installment receivables is recorded when there is doubt about the collectability of the receivable. Insurance claims are recognized when the insurance company accepts the claim or if a claim is pending and the recoverable amount can be estimated. The Company records escrow receivables at the amount that is expected to be received when the escrow receivable is released. The Forfeited Assets (Note 7) received from the United States Department of Justice (the “DOJ”), other than cash, have been recorded at their estimated net realizable value. In addition, the Company recognizes other amounts to be received based on contractual terms or when the amounts to be received are certain.

Accrued Liquidation Costs

The Company accrues for estimated liquidation costs to the extent they are reasonably determinable. These costs consist of (a) estimated development costs of the single-family homes, including construction and other project related costs, architectural and engineering, project management, city fees, bond payments (net of refunds), furnishings, marketing, estimated reserves for potential warranty claims and contingent liabilities and other costs; (b) estimated holding costs, including property taxes, insurance, maintenance, utilities and other; and (c) estimated general and administrative costs including payroll, legal and other professional fees, trustee and board fees, rent and other office related expenses, and other general and administrative costs to operate the Company.

Cash Equivalents

The Company considers short-term investments that have a maturity date of ninety days or less at the time of investment to be a cash equivalent. The Company’s cash equivalents include deposits with financial institutions that are insured by the Federal Deposit Insurance Corporation (the “FDIC”).

Restricted Cash

Restricted cash includes cash that can only be used for certain specified purposes.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and restricted cash. At times, balances in any one financial institution may exceed the FDIC insurance limits. The Company mitigates this risk by depositing its cash, cash equivalents and restricted cash in high-credit quality financial institutions. In addition, the Company uses strategies to reduce deposit balances at any one financial institution consistent with FDIC insurance limits.

Income Taxes

The Trust is intended to be treated as a grantor trust for income tax purposes and, accordingly, is not subject to federal or state income tax on any income earned or gain recognized by the Trust. The Trust’s beneficiaries will be treated as the owner of a pro rata portion of each asset, including cash and each liability received by and held by the Trust. Each beneficiary will be required to report on his or her federal and state income tax return his or her pro rata share of taxable income, including gains and losses recognized by the Trust. Accordingly, there is no provision for federal or state income taxes recorded in the accompanying consolidated financial statements.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

The Company regularly analyzes its various federal and state filing positions and only recognizes the income tax effect in the consolidated financial statements when certain criteria regarding uncertain income tax positions have been met. The Company believes that its income tax positions would more likely than not be sustained upon examination by all relevant taxing authorities. Therefore, no provision for uncertain income tax positions has been recorded in the consolidated financial statements.

Net Assets in Liquidation - Restricted for Qualifying Victims

The Company separately presents the portion of net assets in liquidation that are restricted for Qualifying Victims (Note 7) from the net assets in liquidation that are available to All Interestholders.

3) Real Estate Assets Held for Sale

The Company's real estate assets held for sale as of December 31, 2022, with comparative information as of June 30, 2022, are as follows (\$ in thousands) (unaudited):

	<u>December 31, 2022</u>				<u>June 30, 2022</u>			
	<u>Number of Assets</u>	<u>Gross Value</u>	<u>Closing and Other Costs</u>	<u>Net Value</u>	<u>Number of Assets</u>	<u>Gross Value</u>	<u>Closing and Other Costs</u>	<u>Net Value</u>
Single-family home	<u>1</u>	<u>\$ 28,000</u>	<u>\$ (1,680)</u>	<u>\$ 26,320</u>	<u>1</u>	<u>\$ 28,000</u>	<u>\$ (1,680)</u>	<u>\$ 26,320</u>
Other real estate assets:								
Secured loans	<u>2</u>	<u>950</u>	<u>-</u>	<u>950</u>	<u>2</u>	<u>972</u>	<u>(40)</u>	<u>932</u>
Other properties	<u>2</u>	<u>2,450</u>	<u>(279)</u>	<u>2,171</u>	<u>2</u>	<u>2,000</u>	<u>(190)</u>	<u>1,810</u>
Subtotal	<u>4</u>	<u>3,400</u>	<u>(279)</u>	<u>3,121</u>	<u>4</u>	<u>2,972</u>	<u>(230)</u>	<u>2,742</u>
Total	<u>5</u>	<u>\$ 31,400</u>	<u>\$ (1,959)</u>	<u>\$ 29,441</u>	<u>5</u>	<u>\$ 30,972</u>	<u>\$ (1,910)</u>	<u>\$ 29,062</u>

As of December 31, 2022, the single-family home was listed for sale and is located in the Los Angeles, California area. The two loans are secured by properties located in the state of Ohio and the state of Connecticut. The other properties are located in the state of Hawaii and the state of New York. As of December 31, 2022, the property located in the state of New York was under contract. Although the contingencies relating to this pending sale have been removed, no assurance can be given that the sale will close.

During the three months ended December 31, 2022, the Company did not sell any real estate assets. During the three months ended December 31, 2021, the Company sold two single-family homes and settled one secured loan for net proceeds of approximately \$21,236,000.

During the six months ended December 31, 2022, the Company did not sell any real estate assets. During the six months ended December 31, 2021, the Company sold four single-family homes and settled one secured loan for net proceeds of approximately \$63,680,000.

PART I. FINANCIAL INFORMATION (CONTINUED)**Item 1. Financial Statements (Continued)****Woodbridge Liquidation Trust and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****For the Three and Six Months Ended December 31, 2022 and 2021**

(Unaudited)

4) Restricted Cash

The Company's restricted cash as of December 31, 2022, with comparative information as of June 30, 2022, is as follows (\$ in thousands) (unaudited):

	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Forfeited Assets (Note 7)	\$ 3,095	\$ 2,395
Distributions restricted by the Company related to unresolved claims, distributions for recently allowed claims, uncashed distribution checks, distributions withheld due to pending avoidance actions and distributions that the Trust is waiting for further beneficiary information	1,221	3,726
Total restricted cash	<u>\$ 4,316</u>	<u>\$ 6,121</u>

5) Other Assets

The Company's other assets as of December 31, 2022, with comparative information as of June 30, 2022, are as follows (\$ in thousands) (unaudited):

	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Forfeited Assets (Note 7)	\$ 542	\$ 1,258
Settlement installment receivables, net ^(a)	405	756
Escrow receivables ^(b)	20	3,420
Other	190	391
Total other assets	<u>\$ 1,157</u>	<u>\$ 5,825</u>

(a) The allowance for uncollectible settlement installment receivables was approximately \$33,000 and \$7,000 as of December 31, 2022 and June 30, 2022, respectively.

(b) Escrow receivables as of December 31, 2022 relate to one single-family home that was sold during the year ended June 30, 2022. Escrow receivables as of June 30, 2022 relate to two single-family homes that were sold during the year ended June 30, 2022 and one single-family home sold prior to June 30, 2021. Amounts are typically released upon the completion of punch list items and/or obtaining a certificate of occupancy.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

6) Accrued Liquidation Costs

The following is a summary of the items included in accrued liquidation costs as of December 31, 2022, with comparative information as of June 30, 2022 (\$ in thousands) (unaudited):

	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Development costs:		
Construction warranty	\$ 4,184	\$ 4,184
Construction costs	1,953	4,331
Indirect costs	102	170
Bond refunds	(388)	(506)
Total development costs	<u>5,851</u>	<u>8,179</u>
Holding costs:		
Property tax	681	771
Insurance	325	388
Maintenance, utilities and other	195	428
Total holding costs	<u>1,201</u>	<u>1,587</u>
General and administrative costs:		
Legal and other professional fees	8,648	12,377
Directors and officers insurance	2,508	2,508
Payroll and payroll-related	2,484	7,989
Board fees and expenses	495	630
State, local and other taxes	330	331
Other	680	936
Total general and administrative costs	<u>15,145</u>	<u>24,771</u>
Total accrued liquidation costs	<u>\$ 22,197</u>	<u>\$ 34,537</u>

7) Forfeited Assets - Restricted for Qualifying Victims

The Trust entered into a resolution agreement with the DOJ which provided that the Trust would receive the assets forfeited (“Forfeited Assets”) by Robert and Jeri Shapiro. The agreement provided for the release of specified Forfeited Assets by the DOJ to the Trust and for the Trust to liquidate those assets and distribute the net sale proceeds to Qualifying Victims. Qualifying Victims include the vast majority of Trust beneficiaries (specifically, all former holders of allowed Class 3 and 5 claims and their permitted assigns), but do not include former holders of Class 4 claims. Distributions to Qualifying Victims are to be allocated pro-rata based on their net allowed claims without considering the (i) 5% enhancement for contributing their causes of action and (ii) 72.5% Class 5 coefficient.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

In March 2021, the Trust received certain Forfeited Assets from the DOJ, including cash, wine, jewelry, handbags, clothing, shoes, art, gold, an automobile and other assets. The Company recorded the total estimated net realizable value of the Forfeited Assets of approximately \$3,459,000. During the three and six months ended December 31, 2022, the Company sold the automobile, some of the jewelry, handbags, clothing, shoes and art. During the year ended June 30, 2022, the Company sold the wine and gold and some of the handbags, clothing and shoes. The Forfeited Assets included in the Company's December 31, 2022 and June 30, 2022 consolidated financial statements are as follows (\$ in thousands) (unaudited):

	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Restricted cash (Note 4)	\$ 3,095	\$ 2,395
Other assets (Note 5)	542	1,258
Accrued liquidation costs - primarily legal and professional fees	(154)	(168)
Net assets in liquidation - restricted for Qualifying Victims	<u>\$ 3,483</u>	<u>\$ 3,485</u>

8) Net Change In Assets and Liabilities

Restricted for Qualifying Victims

The following provides details of the change in the carrying value of assets and liabilities, net during the three months ended December 31, 2022 (\$ in thousands) (unaudited):

	<u>Cash Activities</u>	<u>Remeasure- ment</u>	<u>Total</u>
Real estate assets, net	\$ -	\$ -	\$ -
Cash and cash equivalents	-	-	-
Restricted cash	131	-	131
Other assets	(136)	-	(136)
Total assets	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ (5)</u>
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Accrued liquidation costs	(5)	-	(5)
Total liabilities	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ (5)</u>
Change in carrying value of assets and liabilities, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

The following provides details of the change in the carrying value of assets and liabilities, net during the three months ended December 31, 2021 (\$ in thousands) (unaudited):

	<u>Cash Activities</u>	<u>Remeasure- ment</u>	<u>Total</u>
Real estate assets, net	\$ -	\$ -	\$ -
Cash and cash equivalents	-	-	-
Restricted cash	389	-	389
Other assets	(406)	36	(370)
Total assets	<u>\$ (17)</u>	<u>\$ 36</u>	<u>\$ 19</u>
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Accrued liquidation costs	(17)	-	(17)
Total liabilities	<u>\$ (17)</u>	<u>\$ -</u>	<u>\$ (17)</u>
Change in carrying value of assets and liabilities, net	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 36</u>

The following provides details of the change in the carrying value of assets and liabilities, net during the six months ended December 31, 2022 (\$ in thousands) (unaudited):

	<u>Cash Activities</u>	<u>Remeasure- ment</u>	<u>Total</u>
Real estate assets, net	\$ -	\$ -	\$ -
Cash and cash equivalents	-	-	-
Restricted cash	700	-	700
Other assets	(716)	-	(716)
Total assets	<u>\$ (16)</u>	<u>\$ -</u>	<u>\$ (16)</u>
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Accrued liquidation costs	(14)	-	(14)
Total liabilities	<u>\$ (14)</u>	<u>\$ -</u>	<u>\$ (14)</u>
Change in carrying value of assets and liabilities, net	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ (2)</u>

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

The following provides details of the change in the carrying value of assets and liabilities, net during the six months ended December 31, 2021 (\$ in thousands) (unaudited):

	<u>Cash Activities</u>	<u>Remeasure- ment</u>	<u>Total</u>
Real estate assets, net	\$ -	\$ -	\$ -
Cash and cash equivalents	-	-	-
Restricted cash	370	-	370
Other assets	(406)	36	(370)
Total assets	<u>\$ (36)</u>	<u>\$ 36</u>	<u>\$ -</u>
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Accrued liquidation costs	(36)	-	(36)
Total liabilities	<u>\$ (36)</u>	<u>\$ -</u>	<u>\$ (36)</u>
Change in carrying value of assets and liabilities, net	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 36</u>

All Interestholders

The following provides details of the change in the carrying value of assets and liabilities, net during the three months ended December 31, 2022 (\$ in thousands) (unaudited):

	<u>Cash Activities</u>	<u>Remeasure- ment</u>	<u>Total</u>
Real estate assets, net	\$ (10)	\$ 401	\$ 391
Cash and cash equivalents	(3,999)	-	(3,999)
Restricted cash	(1)	-	(1)
Other assets	(511)	1	(510)
Total assets	<u>\$ (4,521)</u>	<u>\$ 402</u>	<u>\$ (4,119)</u>
Accounts payable and accrued liabilities	\$ (8)	\$ 118	\$ 110
Accrued liquidation costs	(4,594)	(871)	(5,465)
Total liabilities	<u>\$ (4,602)</u>	<u>\$ (753)</u>	<u>\$ (5,355)</u>
Change in carrying value of assets and liabilities, net	<u>\$ 81</u>	<u>\$ 1,155</u>	<u>\$ 1,236</u>

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

The following provides details of the distributions (declared) reversed, net during the three months ended December 31, 2022 (\$ in thousands) (unaudited):

Distributions declared	\$ -
Distributions reversed	-
Distributions declared, net	<u>\$ -</u>

Distributions payable decreased by approximately \$6,000 during the three months ended December 31, 2022.

The following provides details of the change in the carrying value of assets and liabilities, net during the three months ended December 31, 2021 (\$ in thousands) (unaudited):

	<u>Cash Activities</u>	<u>Remeasure- ment</u>	<u>Total</u>
Real estate assets, net	\$ (21,247)	\$ 5,289	\$ (15,958)
Cash and cash equivalents	13,547	-	13,547
Restricted cash	-	-	-
Other assets	(307)	25,902	25,595
Total assets	<u>\$ (8,007)</u>	<u>\$ 31,191</u>	<u>\$ 23,184</u>
Accounts payable and accrued liabilities	\$ (184)	\$ 1,262	\$ 1,078
Accrued liquidation costs	(8,489)	(2,157)	(10,646)
Total liabilities	<u>\$ (8,673)</u>	<u>\$ (895)</u>	<u>\$ (9,568)</u>
Change in carrying value of assets and liabilities, net	<u>\$ 666</u>	<u>\$ 32,086</u>	<u>\$ 32,752</u>

The following provides details of the distributions (declared) reversed, net during the three months ended December 31, 2021 (\$ in thousands) (unaudited):

Distributions declared	\$ (40,017)
Distributions reversed	191
Distributions declared, net	<u>\$ (39,826)</u>

Distributions payable increased by approximately \$618,000 during the three months ended December 31, 2021.

PART I. FINANCIAL INFORMATION (CONTINUED)**Item 1. Financial Statements (Continued)****Woodbridge Liquidation Trust and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****For the Three and Six Months Ended December 31, 2022 and 2021**

(Unaudited)

The following provides details of the change in the carrying value of assets and liabilities, net during the six months ended December 31, 2022 (\$ in thousands) (unaudited):

	<u>Cash Activities</u>	<u>Remeasure- ment</u>	<u>Total</u>
Real estate assets, net	\$ (22)	\$ 401	\$ 379
Cash and cash equivalents	(6,539)	-	(6,539)
Restricted cash	1	-	1
Other assets	(3,843)	(109)	(3,952)
Total assets	<u>\$ (10,403)</u>	<u>\$ 292</u>	<u>\$ (10,111)</u>
Accounts payable and accrued liabilities	\$ (33)	\$ 127	\$ 94
Accrued liquidation costs	(11,074)	(1,252)	(12,326)
Total liabilities	<u>\$ (11,107)</u>	<u>\$ (1,125)</u>	<u>\$ (12,232)</u>
Change in carrying value of assets and liabilities, net	<u>\$ 704</u>	<u>\$ 1,417</u>	<u>\$ 2,121</u>

The following provides details of the distributions (declared) reversed, net during the six months ended December 31, 2022 (\$ in thousands) (unaudited):

Distributions declared	\$ -
Distributions reversed	2,638
Distributions declared, net	<u>\$ 2,638</u>

Distributions payable decreased by approximately \$67,547,000 during the six months ended December 31, 2022.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

The following provides details of the change in the carrying value of assets and liabilities, net during the six months ended December 31, 2021 (\$ in thousands) (unaudited):

	<u>Cash Activities</u>	<u>Remeasure- ment</u>	<u>Total</u>
Real estate assets, net	\$ (63,701)	\$ 8,254	\$ (55,447)
Cash and cash equivalents	48,350	-	48,350
Restricted cash	-	-	-
Other assets	(1,007)	26,725	25,718
Total assets	<u>\$ (16,358)</u>	<u>\$ 34,979</u>	<u>\$ 18,621</u>
Accounts payable and accrued liabilities	\$ (184)	\$ 1,311	\$ 1,127
Accrued liquidation costs	(17,212)	(2,951)	(20,163)
Total liabilities	<u>\$ (17,396)</u>	<u>\$ (1,640)</u>	<u>\$ (19,036)</u>
Change in carrying value of assets and liabilities, net	<u>\$ 1,038</u>	<u>\$ 36,619</u>	<u>\$ 37,657</u>

The following provides details of the distributions (declared) reversed, net during the six months ended December 31, 2021 (\$ in thousands) (unaudited):

Distributions declared	\$ (40,017)
Distributions reversed	289
Distributions declared, net	<u>\$ (39,728)</u>

Distributions payable increased by approximately \$481,000 during the six months ended December 31, 2021.

9) Credit Agreement

The Company does not currently have any outstanding credit agreements. On May 16, 2022, the Company terminated its prior credit agreement. Also, the Company never had outstanding borrowings on its credit agreement.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

10) Beneficial Interests

The following table summarizes the Liquidation Trust Interests (rounded) for the six months ended December 31, 2022 and 2021 (unaudited):

Liquidation Trust Interests	For the Six Months Ended December 31,			
	2022		2021	
	Class A	Class B	Class A	Class B
Outstanding at beginning of period	11,513,535	675,617	11,512,855	654,784
Allowed claims	1,348	-	302	-
5% enhancement for certain allowed claims	67	-	-	-
Settlement of claims by cancelling Liquidation Trust Interests	(760)	-	(1,392)	(167)
Outstanding at end of period	<u>11,514,190</u>	<u>675,617</u>	<u>11,511,765</u>	<u>654,617</u>

Of the 11,514,190 Class A Interests outstanding at December 31, 2022, 11,436,259 are held by Qualifying Victims (Note 7).

At the Plan Effective Date, certain claims were disputed. As those disputed claims are resolved, additional Class A Interests and (if applicable) Class B Interests are issued on account of allowed claims or Class A Interests and (if applicable) Class B Interests are cancelled. No Class A Interests or Class B Interests are issued on account of disallowed claims. The following table summarizes the unresolved claims against the Debtors as they relate to Liquidation Trust Interests (rounded) for the six months ended December 31, 2022 and 2021 (unaudited):

Liquidation Trust Interests	For the Six Months Ended December 31,			
	2022		2021	
	Class A	Class B	Class A	Class B
Reserved for unresolved claims at beginning of period	90,793	333	124,609	5,011
Allowed claims	(1,348)	-	(302)	-
5% enhancement for certain allowed claims	-	-	-	-
Disallowed claims	(75,570)	-	(10,547)	-
Reserved for unresolved claims at end of period	<u>13,875</u>	<u>333</u>	<u>113,760</u>	<u>5,011</u>

Of the 13,875 Class A Interests relating to unresolved claims at December 31, 2022, 1,880 would be held by Qualifying Victims (Note 7).

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

11) Distributions

The Plan provides for a distribution waterfall that specifies the priority and manner of distribution of available cash to all Interestholders, excluding distributions of the net sales proceeds from Forfeited Assets (Note 7). Distributions are to be made (a) to the Class A Interests until they have received distributions of \$75.00 per Class A Interest; thereafter (b) to the Class B Interests until they have received distributions of \$75.00 per Class B Interest; thereafter (c) to each Liquidation Trust Interest (whether a Class A Interests or Class B Interest) until the aggregate of all distributions made pursuant to this clause equals an amount equivalent to interest, at a per annum fixed rate of 10%, compounded annually Interests, accrued on the aggregate principal amount of all Net Note Claims, Allowed General Unsecured Claims and Net Unit Claims, all as defined in the Plan, treating each distribution pursuant to (a) and (b) above as reductions of such principal amount; and thereafter (d) to the holders of Allowed Subordinated Claims, as defined in the Plan, until such claims are paid in full, including interest, at a per annum fixed rate of 10% or such higher rate as may be agreed to, as provided for in the Plan, compounded annually, accrued on the principal amount of each Allowed Subordinated Claim, as defined.

No distributions were declared or paid during the three months ended December 31, 2022. During the three months ended December 31, 2021, one distribution was declared and paid (\$ in millions, except for \$ per Class A Interest):

	Date Declared	\$ per Class A Interest	Three months ended December 31, 2022			Three months ended December 31, 2021		
			Total Declared	Paid	Deposits Into Restricted Cash Account	Total Declared	Paid	Deposits Into Restricted Cash Account
Eighth	10/8/2021	\$ 3.44	\$ -	\$ -	\$ -	\$ 40.02	\$ 39.14	\$ 0.88

One distribution was paid during the six months ended December 31, 2022 relating to the tenth distribution and another distribution was declared and paid during the six months ended December 31, 2021, relating to the eighth distribution (\$ in millions, except for \$ per Class A Interest):

	Date Declared	\$ per Class A Interest	Six months ended December 31, 2022			Six months ended December 31, 2021		
			Total Declared	Paid	Deposits Into Restricted Cash Account	Total Declared	Paid	Deposits Into Restricted Cash Account
Tenth	6/15/2022 (a)	\$ 5.63	\$ -	\$ 64.19	\$ 0.82	\$ -	\$ -	\$ -
Eighth	10/8/2021	3.44	-	-	-	40.02	39.14	0.88
Total			\$ -	\$ 64.19	\$ 0.82	\$ 40.02	\$ 39.14	\$ 0.88

a) The distribution was declared on June 15, 2022 and paid on July 15, 2022.

For every distribution, a deposit is made into a restricted cash account for amounts (a) payable for Class A Interests that may be issued in the future upon the allowance of unresolved claims, (b) in respect of Class A Interests issued on account of recently allowed claims (c) for holders of Class A Interests who failed to cash distribution checks mailed in respect of prior distributions (d) for distributions that were withheld due to pending avoidance actions and (e) for holders of Class A Interests for which the Trust is waiting for further beneficiary information.

During the three months ended December 31, 2022 and 2021, as (a) claims were resolved, (b) claims were recently allowed, (c) addresses for holders of uncashed distribution checks were obtained, (d) pending avoidance actions were resolved and (e) further beneficiary information was received, distributions of approximately \$6,000 and \$75,000, respectively, and during the six months ended December 31, 2022 and 2021, approximately \$657,000 and \$113,000, respectively, were paid to holders of Class A Interests from the restricted cash account and distributions payable were reduced by the same amount.

During the three months ended December 31, 2022 and 2021, as a result of claims being disallowed or Class A Interests being cancelled, approximately \$0 and \$191,000, respectively, and during the six months ended December 31, 2022 and 2021, approximately \$2,638,000 and \$289,000 were released from the restricted cash account and distributions payable were reduced by the same amount.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

As a result of distribution checks that had not been cashed within 180 days of their issuance, Interestholders were deemed to have forfeited their rights to reserved and future Class A Interest distributions. During the three and six months ended December 31, 2022, some Interestholders that had previously been deemed to have been forfeited their rights to receive Class A Interest distributions had responded and therefore approximately \$0 and \$12,000, respectively, was added to the restricted cash account and distributions payable were increased by the same amount. During the three and six months ended December 31, 2021, no Interestholders were deemed to have forfeited their rights to reserved and future Class A distributions.

12) Related Party Transactions

Terry Goebel, a member of the Trust Supervisory Board, is president and a principal owner of G3 Group LA (G3), a construction firm specializing in the development of high-end luxury residences. G3 is owned by Terry Goebel and his son Kelly Goebel. As of December 31, 2022, the Company was under contract with G3 for the development of one single-family home in Los Angeles, California. As of December 31, 2022 and June 30, 2022 the remaining amounts payable under this contract were approximately \$438,000 and \$438,000, respectively. During the three months ended December 31, 2022 and 2021, approximately \$0 and \$1,894,000, respectively, and during the six months ended December 31, 2022 and 2021, approximately, \$0 and \$3,176,000 were paid by the Company to G3 related to this contract.

The Liquidation Trustee of the Trust is entitled to receive 5% of the total gross amount recovered by the Trust from the pursuit of the Causes of Action. During the three months ended December 31, 2022 and 2021, approximately \$2,000 and \$1,262,000, respectively, and during the six months ended December 31, 2022 and 2021, approximately, \$9,000 and \$1,311,000, respectively, were accrued as amounts due to the Liquidation Trustee, respectively. As of December 31, 2022 and June 30, 2022, approximately \$92,000 and \$81,000, respectively, were payable to the Liquidation Trustee. These amounts are included in accounts payable and accrued liabilities in the accompanying consolidated statements of net assets in liquidation. During the three months ended December 31, 2022 and 2021, approximately \$0 and \$184,000, respectively, and during the six months ended December 31, 2022 and 2021, approximately, \$0 and \$184,000, respectively, were paid to the Liquidation Trustee.

In November 2019, the Trust entered into an arrangement with Akerman LLP, a law firm based in Miami, Florida of which the Liquidation Trustee is a partner, for the provision, at the option of the Trust on an as-needed basis, of e-discovery and related litigation support services in connection with the Trust's prosecution of the Causes of Action. Under the arrangement, the Trust is charged for the services at scheduled rates per task which, depending on specific task, include flat rates, rates based on volume of data processed, rates based on the number of data users, the hourly rates of Akerman LLP personnel, or other rates. During the three months ended December 31, 2022 and 2021, respectively, approximately \$79,000 and \$107,000, respectively, and during the six months ended December 31, 2022 and 2021, respectively, approximately \$194,000 and \$214,000 were paid related to these services and there are no outstanding payables as of December 31, 2022 and June 30, 2022.

The executive officers of the Wind-Down Entity are entitled to a bonus based on the Wind-Down Entity achieving certain specified cumulative amounts of distributions to the Trust. Based on the carrying amounts of the net assets in liquidation included in the accompanying consolidated statements of net assets in liquidation, approximately \$0 and \$3,000,000 were accrued as of December 31, 2022 and June 30, 2022, respectively, as the estimated amount of the bonus (including associated payroll taxes). This amount is included in the payroll and payroll-related costs portion of accrued liquidation costs in the accompanying consolidated statement of net assets in liquidation. During the three and six months ended December 31, 2022 and 2021, \$1,200,000 and \$692,000, respectively, and \$3,373,000 and \$692,000, respectively, were paid related to executive bonuses.

PART I. FINANCIAL INFORMATION (CONTINUED)**Item 1. Financial Statements (Continued)****Woodbridge Liquidation Trust and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****For the Three and Six Months Ended December 31, 2022 and 2021**

(Unaudited)

13) Causes of Action

During the three and six months ended December 31, 2022 and 2021, the Company recorded the following amounts from the settlement of Causes of Action (\$ in thousands):

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2022	2021	2022	2021
Other settlement recoveries	\$ 41	\$ 429	\$ 231	\$ 1,400
Comerica Bank	-	24,815	-	24,815
Total	<u>\$ 41</u>	<u>\$ 25,244</u>	<u>\$ 231</u>	<u>\$ 26,215</u>

The Company also recorded liabilities of 5% of the settlement as amounts payable to the Liquidation Trustee and an allowance for uncollectible settlement installment receivables.

14) Commitments and Contingencies

As of December 31, 2022, the Company had construction contracts under which approximately \$400,000 was unpaid.

The Company had a lease for its office space that expired on August 31, 2021. On June 4, 2021, the Company entered into a new office lease at a different location. The new lease was for the period from August 1, 2021 through July 31, 2022 and had two six-month options to extend the lease. On May 16, 2022, the Company extended its lease for six months and on November 16, 2022, the Company exercised its second option and extended its lease for an additional six months. In addition, the Company amended its lease to include a third six-month option to extend. The monthly base rent is approximately \$4,000 plus common area maintenance charges. The amount of rent paid, including common area maintenance and parking charges, during the three months ended December 31, 2022 and 2021, was approximately \$13,000 and \$1,000, respectively, and during the six months ended December 31, 2022 and 2021, was approximately \$25,000 and \$51,000, respectively. The Company has one additional six-month option to extend the lease.

The Company has part-time employment agreements with executive officers through December 31, 2023.

The Company is not presently the defendant in any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company.

15) Subsequent Events

The Company evaluates subsequent events up until the date the unaudited consolidated financial statements are issued.

Distributions

As a result of distribution checks that had not been cashed within 180 days of their issuance, Interestholders were deemed to have forfeited their rights to reserved and future Class A Interest distributions. During the period from January 1, 2023 through February 10, 2023, an Interestholder that had previously been deemed to have been forfeited their rights to receive Class A Interest distributions had responded and therefore approximately \$14,000 was added to the restricted cash account and distributions payable were increased by the same amount.

During the period from January 1, 2023 through February 10, 2023, as (a) claims were resolved, (b) claims were recently allowed, (c) addresses for holders of uncashed distribution checks were obtained, (d) pending avoidance actions were resolved and (e) further beneficiary information was received, distributions of approximately \$14,000 were paid to holders of Class A Interests from the restricted cash account and distributions payable were reduced by the same amount.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For the Three and Six Months Ended December 31, 2022 and 2021

(Unaudited)

Sales/Settlement of Real Estate Assets

On January 30, 2023, the Company entered into an agreement to sell its last single-family home remaining in the Company's real asset portfolio. The closing of the sale is subject to a number of contingencies, including the satisfactory completion of the purchaser's due diligence. No assurance can be given that all such contingencies will be satisfied or that the closing of the sale will occur. Neither the Company nor any of its affiliates has any material relationship with the purchaser other than in respect of the transaction.

On January 3, 2023, the Company settled one secured loan for approximately \$785,000.

Forfeited Assets

During the period from January 1, 2023 through February 10, 2023, the Company realized net proceeds of approximately \$16,000 from the sale of Forfeited Assets.

On February 7, 2023, the Trust was informed that the DOJ had received additional Forfeited Assets from a co-defendant of Robert Shapiro and that the DOJ would like to release these Forfeited Assets to the Trust. The Trust has not entered into an agreement with the DOJ for the release of these Forfeited Assets. It is expected that the proceeds from these Forfeited Assets would be distributed to Qualifying Victims (see Note 7). The Trust is unable to estimate the amount and timing of the release of these Forfeited Assets, if any.

Other Refunds

During the period from January 1, 2023 through February 10, 2023, the Company received approximately \$23,000 of property tax refunds.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of changes in net assets and net assets in liquidation and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements of Woodbridge Liquidation Trust and the related notes thereto. The Trust, the Remaining Debtors, the Wind-Down Entity and the Wind-Down Subsidiaries, as used herein, are defined in Note 1 to the consolidated financial statements and are collectively referred to herein as the Company.

Forward-Looking Statements

Certain statements included in this Quarterly Report on Form 10-Q are forward-looking statements. Those statements include, without limitation, financial guidance, and projections and statements with respect to expectation of future financial condition, changes in net assets in liquidation, cash flows, plans, targets, goals, objectives, performance, and termination and dissolution of the Trust. Such forward-looking statements also include statements that are preceded by, followed by, or that include the words “believes”, “estimates”, “plans”, “expects”, “intends”, “is anticipated”, “will continue”, “project”, “may”, “could”, “would”, “should” and similar expressions, and all other statements that are not historical facts. All such forward-looking statements are based on the Trust’s current expectations and involve risks and uncertainties which may cause actual results to differ materially from those set forth in such statements. Such risks and uncertainties include the amount of sales proceeds, timing of sales of real estate assets, amount of funds needed for warranty claims, punch list items and holding costs of single-family homes, amount of general and administrative costs, the number and amount of successful litigations and/or settlements and the ability to recover thereon, the amount of funding required to continue litigations, the continuing impact of the COVID-19 pandemic and other global health issues, interest rates, adverse weather conditions in the regions in which properties to be sold are located, inflation, domestic and global economic and political conditions, changes in tax and other governmental rules and regulations applicable to the Trust and its subsidiaries and other risks and uncertainties identified in Part I. Financial Information, Item 1A. Risk Factors of the Company’s Annual Report on Form 10-K, or contained in any of the Trust’s subsequent filings with the SEC including in Part II. Other Information, Item 1A. Risk Factors of this Form 10-Q. These risks and uncertainties are beyond the ability of the Trust to control, and in many cases, the Trust cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements.

In connection with the “safe harbor” provisions of the Securities Act of 1933 and the Exchange Act, the Trust has identified and is disclosing important factors, risks and uncertainties that could cause its actual results to differ materially from those projected in forward-looking statements made by the Trust, or on the Trust’s behalf. (See “Part II. Other Information, Item 1A. Risk Factors” of this Form 10-Q.) These cautionary statements are to be used as a reference in connection with any forward-looking statements. The factors, risks and uncertainties identified in these cautionary statements are in addition to those contained in any other cautionary statements, written or oral, which may be made or otherwise addressed in connection with a forward-looking statement or contained in any of the Trust’s subsequent filings with the SEC. Because of these factors, risks and uncertainties, the Trust cautions against placing undue reliance on forward-looking statements. Although the Trust believes that the assumptions underlying forward-looking statements are currently reasonable, any of the assumptions could be incorrect or incomplete, and there can be no assurance that forward-looking statements will prove to be accurate. Forward-looking statements speak only as of the date on which they are made. Except as may be required by law, the Trust does not undertake any obligations to modify, update or revise any forward-looking statement to take into account or otherwise reflect subsequent events, corrections in or revisions of underlying assumptions, or changes in circumstances arising after the date that the forward-looking statement was made.

Overview

Pursuant to the Plan, the Trust was formed on February 15, 2019 to hold, either directly or indirectly through the Wind-Down Entity and the Wind-Down Subsidiaries, the assets and equity interests formerly owned by the Debtors. Each of the real properties formerly owned by the Debtors was transferred, on the effective date of the Plan to one of the Wind-Down Subsidiaries. The purpose of the Wind-Down Group is to develop (as applicable), market, and sell those properties to generate cash. Assets formerly owned by the Debtors other than real estate assets and certain cash were transferred on the Plan Effective Date of the Trust. The purpose of the Trust is to receive remittances of cash from the Wind-Down Entity, to resolve disputed claims, to prosecute the Causes of Action, to pay allowed administrative and priority claims, as defined in the Plan, and, subject to the payment of Trust expenses and the retention of various reserves, to make distributions of cash to Interestholders in accordance with the Plan.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The Trust operates pursuant to the Plan and the Trust Agreement. The Trust was formed as a Delaware statutory trust and is administered by the Liquidation Trustee under the supervision of its Supervisory Board. The Wind-Down Entity, a wholly-owned subsidiary of the Trust, operates pursuant to the Plan and the Wind-Down Entity LLC Agreement. The Wind-Down Entity was formed as a Delaware limited liability company and is administered by its Board of Managers. One member of the Board of Managers is also a member of the Supervisory Board of the Trust.

The Bankruptcy Court has retained certain jurisdictions regarding the Trust, the Liquidation Trustee, the Supervisory Board, the Wind-Down Entity, the Board of Managers, and assets of the Trust and the Wind-Down Entity, including the determination of all disputes arising out of or related to administration of the Trust and the Wind-Down Entity and its subsidiaries.

As of December 31, 2022, the number of Liquidation Trust Interests outstanding in each class is as follows:

<u>Class of Interest</u>	<u>Number Outstanding</u>
Class A Liquidation Trust Interests	11,514,190
Class B Liquidation Trust Interests	675,617

For each of the classes of Liquidation Trust Interests, the number of Liquidation Trust Interests outstanding will increase to the extent that the disputed claims become allowed claims. In addition, the number of Liquidation Trust Interests outstanding will decrease to the extent that disputed claims are settled by cancelling previously issued Liquidation Trust Interests.

Since the Plan Effective Date through December 31, 2022, the Wind-Down Subsidiaries have disposed of approximately 145 properties for aggregate net sales proceeds of approximately \$552.30 million. As of December 31, 2022, the Company owned five real estate assets (including one single-family home listed for sale and one other real estate asset under contract) with a gross carrying value of approximately \$31.40 million. Given the significantly smaller inventory of remaining real estate assets when compared to the inventory as of the Plan Effective Date, the amount of net proceeds from the sale of real estate assets in the future is likely to be less than the amount realized from the Plan Effective Date through December 31, 2022. The Company expects to complete the liquidation of its assets during the fiscal year ending June 30, 2024.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Discussion of the Company’s Operations

Three months ended December 31, 2022

The following is a summary of the Consolidated Statement of Changes in Net Assets in Liquidation for the three months ended December 31, 2022 (\$ in thousands):

	<u>Restricted for Qualifying Victims</u>	<u>All Interestholders</u>	<u>Total</u>
Net assets in liquidation as of September 30, 2022	\$ 3,483	\$ 34,433	\$ 37,916
Change in assets and liabilities:			
Restricted for Qualifying Victims - change in carrying value of assets and liabilities, net	-	-	-
All Interestholders-			
Change in carrying value of assets and liabilities, net	-	1,236	1,236
Distributions (declared) reversed, net	-	-	-
Net change in assets and liabilities	-	1,236	1,236
Net assets in liquidation, as of December 31, 2022	\$ 3,483	\$ 35,669	\$ 39,152

Net assets in liquidation – Restricted for Qualifying Victims - there was no change during the three months ended December 31, 2022.

Net assets in liquidation – All Interestholders increased by approximately \$1.24 million during the three-month period ended December 31, 2022. This increase was due to an increase in the carrying value of assets and liabilities of approximately \$1.24 million, net.

The components of the changes in the carrying value of assets and liabilities, net are as follows (\$ in thousands):

	<u>Restricted for Qualifying Victims</u>	<u>All Interestholders</u>	<u>Total</u>
Remeasurement of assets and liabilities, net	\$ -	\$ 910	\$ 910
Settlement recoveries recognized, net (1)	-	40	40
Other	-	286	286
Change in carrying value of assets and liabilities, net	<u>\$ -</u>	<u>\$ 1,236</u>	<u>\$ 1,236</u>

(1) Net of 5% payable to the Liquidation Trustee of approximately \$2 and a reversal of an allowance for uncollectible settlement installment receivables of approximately \$2 during the three months ended December 31, 2022.

During the three months ended December 31, 2022, the Company:

- Received net proceeds from the sale of Forfeited Assets of approximately \$0.14 million.
- Completed construction of one single-family home (41 King Street).
- Recorded approximately \$0.04 million from the settlement of Causes of Action, net of 5% payable to the Liquidation Trustee and an allowance for uncollectible installment receivables.
- Paid construction costs of approximately \$0.28 million relating to single-family homes under development.
- Paid holding costs of approximately \$0.19 million.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)

- Paid general and administrative costs of approximately \$4.14 million, including approximately \$0.16 million of board member fees and expenses, approximately \$2.37 million of payroll and other general and administrative costs and approximately \$1.61 million of professional fees.

For the three months ended December 31, 2021

The following is a summary of the Consolidated Statement of Changes in Net Assets in Liquidation for the three months ended December 31, 2021 (\$ in thousands):

	<u>Restricted for Qualifying Victims</u>	<u>All Interestholders</u>	<u>Total</u>
Net assets in liquidation as of September 30, 2021	<u>\$ 3,167</u>	<u>\$ 131,376</u>	<u>\$ 134,543</u>
Change in assets and liabilities:			
Restricted for Qualifying Victims - change in carrying value of assets and liabilities, net	<u>36</u>	<u>-</u>	<u>36</u>
All Interestholders-			
Change in carrying value of assets and liabilities, net	-	32,752	32,752
Distributions (declared) reversed, net	-	(39,826)	(39,826)
Net change in assets and liabilities	<u>-</u>	<u>(7,074)</u>	<u>(7,074)</u>
Net assets in liquidation, as of December 31, 2021	<u>\$ 3,203</u>	<u>\$ 124,302</u>	<u>\$ 127,505</u>

Net assets in liquidation – Restricted for Qualifying Victims increased by approximately \$0.04 million during the three months ended December 31, 2021.

Net assets in liquidation – All Interestholders increased approximately \$7.07 million during the three months ended December 31, 2021. This increase was due to changes in the carrying value of assets and liabilities, net of approximately \$32.75 million and distributions declared (reversed) of approximately \$39.82 million.

The components of the change in the carrying value of assets and liabilities, net are as follows (\$ in thousands):

	<u>Restricted for Qualifying Victims</u>	<u>All Interestholders</u>	<u>Total</u>
Causes of Action, net(1):			
Comerica Bank	-	23,574	23,574
Other settlement agreements	-	408	408
Remeasurement of assets and liabilities, net	36	4,989	5,025
Sales proceeds in excess of carrying value	-	3,388	3,388
Other	-	393	393
Change in carrying value of assets and liabilities, net	<u>\$ 36</u>	<u>\$ 32,752</u>	<u>\$ 32,788</u>

- (1) Net of 5% payable to the Liquidation Trustee of approximately \$1,241 for Comerica Bank and \$21 for other settlement agreements during the three months ended December 31, 2021.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)

During the three months ended December 31, 2021, the Company:

- Declared a distribution of \$3.44 per Class A Interest totaling approximately \$40.02 million.
- Reversed distributions of approximately \$0.19 primarily from claims being disallowed or Class A Interests being cancelled.
- Sold wine and a portion of the gold Forfeited Assets for net proceeds of approximately \$0.37 million.
- Sold two single-family homes and settled one secured loan for net proceeds of approximately \$21.24 million. One of the single-family homes was under construction.
- Recorded approximately \$24.81 million from the settlement of the two pending actions against Comerica Bank and approximately \$0.43 million from the settlement of other Causes of Action, net of 5% payable to the Liquidation Trustee.
- Paid construction costs of approximately \$3.44 million relating to single-family homes under development.
- Paid holding costs of approximately \$0.84 million.
- Paid general and administrative costs of approximately \$4.41 million, including approximately \$0.19 million of board member fees and expenses, approximately \$1.78 million of payroll and other general and administrative costs and approximately \$2.44 million of professional fees.

Six months ended December 31, 2022

The following is a summary of the Consolidated Statement of Changes in Net Assets in Liquidation for the six months ended December 31, 2022 (\$ in thousands):

	<u>Restricted for Qualifying Victims</u>	<u>All Interestholders</u>	<u>Total</u>
Net assets in liquidation as of June 30, 2022	\$ 3,485	\$ 30,910	\$ 34,395
Change in assets and liabilities:			
Restricted for Qualifying Victims - change in carrying value of assets and liabilities, net	(2)	-	(2)
All Interestholders-			
Change in carrying value of assets and liabilities, net	-	2,121	2,121
Distributions (declared) reversed, net	-	2,638	2,638
Net change in assets and liabilities	-	4,759	4,759
Net assets in liquidation, as of December 31, 2022	\$ 3,483	\$ 35,669	\$ 39,152

Net assets in liquidation – Restricted for Qualifying Victims decreased by approximately \$0.002 million during the six months ended December 31, 2022.

Net assets in liquidation – All Interestholders increased by approximately \$4.76 million during the six-month period ended December 31, 2022. This increase was due to an increase in the carrying value of assets and liabilities of approximately \$2.12 million, net and distributions reversed of approximately \$2.64 million for disallowed claims and cancelled interests.

PART I. FINANCIAL INFORMATION (CONTINUED)**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

The components of the changes in the carrying value of assets and liabilities, net are as follows (\$ in thousands):

	<u>Restricted for Qualifying Victims</u>	<u>All Interestholders</u>	<u>Total</u>
Remeasurement of assets and liabilities, net	\$ (2)	\$ 1,199	\$ 1,197
Settlement recoveries recognized, net (1)	-	194	194
Other	-	728	728
	<u>\$ (2)</u>	<u>\$ 2,121</u>	<u>\$ 2,119</u>

- (1) Net of 5% payable to the Liquidation Trustee of approximately \$10 and an allowance for uncollectible settlement installment receivables of approximately \$27 during the six months ended December 31, 2022.

During the six months ended December 31, 2022, the Company:

- Reversed distributions of approximately \$2.64 million primarily from claims being disallowed or Class A Interests being cancelled.
- Received net proceeds from the sale of Forfeited Assets of approximately \$0.71 million.
- Completed construction of one single-family home (41 King Street).
- Recorded approximately \$0.23 million from the settlement of Causes of Action, net of 5% payable to the Liquidation Trustee and an allowance for uncollectible installment receivables.
- Paid construction costs of approximately \$1.55 million relating to single-family homes under development.
- Paid holding costs of approximately \$0.47 million.
- Paid general and administrative costs of approximately \$9.10 million, including approximately \$0.32 million of board member fees and expenses, approximately \$5.40 million of payroll and other general and administrative costs and approximately \$3.39 million of professional fees.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)

For the six months ended December 31, 2021

The following is a summary of the Consolidated Statement of Changes in Net Assets in Liquidation for the six months ended December 31, 2021 (\$ in thousands):

	<u>Restricted for Qualifying Victims</u>	<u>All Interestholders</u>	<u>Total</u>
Net assets in liquidation as of June 30, 2021	\$ 3,167	\$ 126,373	\$ 129,540
Change in assets and liabilities:			
Restricted for Qualifying Victims - change in carrying value of assets and liabilities, net	36	-	36
All Interestholders-			
Change in carrying value of assets and liabilities, net	-	37,657	37,657
Distributions (declared) reversed, net	-	(39,728)	(39,728)
Net change in assets and liabilities	-	(2,071)	(2,071)
Net assets in liquidation, as of December 31, 2021	<u>\$ 3,203</u>	<u>\$ 124,302</u>	<u>\$ 127,505</u>

Net assets in liquidation – Restricted for Qualifying Victims increased by approximately \$0.04 million during the six months ended December 31, 2021.

Net assets in liquidation – All Interestholders decreased approximately \$2.07 million during the six months ended December 31, 2021. This decrease was due to changes in the carrying value of assets and liabilities, net of approximately \$37.66 million and distributions declared (reversed) of approximately \$39.73 million.

The components of the change in the carrying value of assets and liabilities, net are as follows (\$ in thousands):

	<u>Restricted for Qualifying Victims</u>	<u>All Interestholders</u>	<u>Total</u>
Causes of Action, net(1):			
Comerica Bank	\$ -	\$ 23,575	\$ 23,575
Other settlement agreements	-	1,333	1,333
Sales proceeds in excess of carrying value	-	6,460	6,460
Remeasurement of assets and liabilities, net	36	5,801	5,837
Other	-	488	488
Change in carrying value of assets and liabilities, net	<u>\$ 36</u>	<u>\$ 37,657</u>	<u>\$ 37,693</u>

(1) Net of 5% payable to the Liquidation Trustee of approximately \$1,241 for Comerica Bank and \$70 for other settlement agreements during the six months ended December 31, 2021.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

During the six months ended December 31, 2021, the Company:

- Declared a distribution of \$3.44 per Class A Interest totaling approximately \$40.02 million.
- Reversed distributions of approximately \$0.29 primarily from claims being disallowed or Class A Interests being cancelled.
- Sold the wine and a portion of the gold Forfeited Assets for net proceeds of approximately \$0.37 million.
- Sold four single-family homes and settled one secured loan for net proceeds of approximately \$63.68 million. One of the single-family homes was under construction.
- Recorded approximately \$24.81 million from the settlement of the two pending actions against Comerica Bank and approximately \$1.40 million from the settlement of other Causes of Action, net of 5% payable to the Liquidation Trustee.
- Paid construction costs of approximately \$7.67 million relating to single-family homes under development.
- Paid holding costs of approximately \$1.24 million.
- Paid general and administrative costs of approximately \$8.53 million, including approximately \$0.39 million of board member fees and expenses, approximately \$2.92 million of payroll and other general and administrative costs and approximately \$5.22 million of professional fees.

Liquidity and Capital Resources

Liquidity

The Company's only sources for meeting its capital requirements are its cash and cash equivalents, proceeds from the sale of its real estate assets, recoveries on Causes of Action and proceeds from the sale of Forfeited Assets¹. The Company's primary uses of funds are and will continue to be for distributions, development costs including warranty claims, holding costs and general and administrative costs, all of which the Company expects to be able to adequately fund over the next twelve months from its primary sources of capital.

¹ The Trust is required to distribute the net sale proceeds from liquidating the Forfeited Assets to the Qualifying Victims. Qualifying Victims are the former holders of Class 3 and Class 5 Claims and their permitted assigns. Former holders of Class 4 Claims are not Qualifying Victims. Because of the requirement to distribute the net sale proceeds of the Forfeited Assets to the Qualifying Victims only, the Forfeited Assets as of December 31, 2022 are presented in the consolidated statement of net assets as restricted net assets in liquidation. As of December 31, 2022, 11,436,259 of the 11,514,190 Class A Interests were held by Qualifying Victims. Of the 13,875 Class A Interests relating to unresolved claims as of December 31, 2022, 1,880 would be held by Qualifying Victims.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Capital Resources

In addition to consolidated cash and cash equivalents as of December 31, 2022 of approximately \$32.18 million (of which approximately \$4.32 million is restricted), the capital resources available to the Company are as follows:

- **Sales of Real Estate:** The Wind-Down Group is in the process of marketing and selling its real estate assets, all of which are held for sale. One single-family home is listed for sale and one other real estate asset was under contract as of December 31, 2022. As of December 31, 2022, the Company owned a total of five real estate assets with a gross carrying value of approximately \$31.40 million. The majority of the gross carrying value is concentrated in one single-family home. Based on the remaining assets of the Company, future net proceeds will be significantly less than the Company has realized in prior periods.
- **Causes of Action Recoveries:** During the three and six months ended December 31, 2022, the Company recognized approximately \$0.04 million and \$0.23 million, respectively, from the settlement of Causes of Action. There can be no assurance that the amounts the Company recovers from settling Causes of Action in the future will be consistent with the amount recovered in prior periods.
- **Forfeited Assets:** Forfeited Assets consist of cash and other assets (jewelry, art, clothing, handbags and shoes). During the three and six months ended December 31, 2022, the Trust sold some of its Forfeited Assets and received net proceeds of approximately \$0.14 million and \$0.71 million, respectively. As noted earlier, net sale proceeds from liquidating the Forfeited Assets are to be distributed only to Qualifying Victims.

Uses of Liquidity

The primary uses of the Company's liquidity are to pay (a) distributions payable, (b) development costs including warranty claims, (c) holding costs including maintenance and repair costs, and (d) general and administrative costs. As of December 31, 2022, the Company's total liabilities were approximately \$23.63 million. The total liabilities recorded as of December 31, 2022 may not be indicative of the costs paid in future periods, which may vary materially from the current estimate.

Given current cash and cash equivalent balances, projected sales of real estate assets, estimated Causes of Action recoveries, distributions declared, and expected cash needs, the Company does not expect a deficiency in liquidity in the next twelve months. Due to the uncertain nature of future net sales proceeds, recoveries and costs to be incurred, it is not possible to be certain that the current liquidity will be adequate to cover all future financial needs of the Company. Creating contingent obligation agreements and/or seeking methods to reduce professional costs, including legal fees, and administrative costs are strategies that could be undertaken to address liquidity issues should they arise. These strategies could impact the Company's ability to maximize recoveries from the settlement of unresolved Causes of Action.

Distributions

Distributions will be made at the sole discretion of the Liquidation Trustee in accordance with the provisions of the Plan and the Trust Agreement. As of February 10, 2023, the Liquidation Trustee has declared ten distributions to the Class A Interestholders. The distributions include a cash distribution on account of the then-allowed claims and a deposit is made into a restricted cash account for amounts that are or may become payable (a) in respect of Class A Interests that may be issued in the future upon the allowance of unresolved bankruptcy claims, (b) in respect of Class A Interests on account of recently allowed claims, (c) for holders of Class A Interests who failed to cash distribution checks mailed in respect of prior distributions, (d) for distributions that were withheld due to pending avoidance actions and (e) for holders of Class A Interests for which the Trust is waiting for further beneficiary information.

As claims are resolved, additional Class A Interests may be issued or cancelled (see the Company's Annual Report on Form 10-K filed on September 26, 2022, "Part 1, Item 1. Business, D. Plan Provisions Regarding the Company, 2. Treatment under the Plan of holders of claims against and equity interests in the Debtors and 3. Assets and liabilities of the Company"). Therefore, the total amount of a distribution declared may change between the date declared and the date paid. The Liquidation Trustee will continue to assess the adequacy of funds held and expects to make additional cash distribution(s) on account of Class A Interests, but does not currently know the timing or amount of any such distribution(s).

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Sections 7.6 and 7.18 of the Plan provide that distributions that have not been cashed within 180 calendar days of their issuance shall be null and void and the holder of the associated Liquidation Trust Interests “shall be deemed to have forfeited its rights to any reserved and future Distributions under the Plan,” with such amounts to become “Available Cash” of the Trust for all purposes. On February 1, 2022, the Trust sent letters to the holders of the Class A Interests who had failed to cash distribution checks in respect of prior distributions, which checks were issued more than 180 days prior to the date of the letter. The letter informed each recipient that, unless the Trust was contacted on or before February 28, 2022, such recipient’s reserved and future distributions would be deemed forfeited in accordance with the Plan. The Trust provided this final notice simply as a one-time courtesy and reserves its rights to strictly enforce the Plan’s forfeiture provisions, and any other provision of the Plan, against any person (including any recipient of the final notice) at any time in the future, without further notice.

The following tables summarize the distributions declared, distributions paid and the activity in the restricted cash account for the periods from February 15, 2019 (inception) through December 31, 2022 and from February 15, 2019 (inception) through February 10, 2023:

	Date Declared	\$ per Class A Interest	During the Period from February 15, 2019 (inception) Through December 31, 2022 (\$ in Millions)			During the Period from February 15, 2019 (inception) Through February 10, 2023 (\$ in Millions)		
			Total Declared	Paid	Restricted Cash Account	Total Declared	Paid	Restricted Cash Account
Distributions Declared								
First	3/15/2019	\$ 3.75	\$ 44.70	\$ 42.32	\$ 2.38	\$ 44.70	\$ 42.32	2.38
Second	1/2/2020	4.50	53.43	51.19	2.24	53.43	51.19	2.24
Third	3/31/2020	2.12	25.00	24.19	0.81	25.00	24.19	0.81
Fourth	7/13/2020	2.56	29.97	29.24	0.73	29.97	29.24	0.73
Fifth	10/19/2020	2.56	29.95	29.20	0.75	29.95	29.20	0.75
Sixth	1/7/2021	4.28	50.01	48.67	1.34	50.01	48.67	1.34
Seventh (a)	5/13/2021	2.58	30.02	29.33	0.69	30.02	29.33	0.69
Eighth	10/8/2021	3.44	40.02	39.14	0.88	40.02	39.14	0.88
Ninth	2/4/2021	3.44	39.98	39.15	0.83	39.98	39.15	0.83
Tenth	6/15/2022	5.63	65.02	64.19	0.83	65.02	64.19	0.83
Subtotal		\$ 34.86	\$ 408.10	\$ 396.62	\$ 11.48	\$ 408.10	\$ 396.62	\$ 11.48
Distributions Returned / (Reversed)								
Disallowed/cancelled (b)					(6.27)			(6.27)
Returned (c)					0.74			0.74
Forfeited (d)					(1.15)			(1.14)
Subtotal					(6.68)			(6.67)
Distributions Paid from Reserve Account (e)								
					(3.58)			(3.59)
Distributions Payable, Net								
			as of 12/31/2022:	\$ 1.22		as of 2/10/2023:	\$ 1.22	

- (a) The seventh distribution included the cash the Trust received from recoveries of Fair Funds.
- (b) As a result of claims being disallowed or Class A Interests cancelled.
- (c) Distribution checks returned or not cashed.
- (d) Distributions forfeited as Interestholders did not cash checks that were over 180 days old.
- (e) Paid as claims are allowed or resolved.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Management believes that, since its inception, the Wind-Down Entity has made substantial progress toward completion of its liquidation activities and is nearing the end of the liquidation of its real estate portfolio. Holders of Liquidation Trust Interests are advised that future distributions from the Trust will be limited. Once the Company's remaining real estate assets have been liquidated and the net proceeds resulting therefrom, net of reserves, have been distributed, further distribution(s) will be materially reliant on future recoveries from litigation, which are uncertain and the amount (if any) and timing of which are difficult to determine.

Contractual Obligations

As of December 31, 2022, the Company has contractual commitments related to construction contracts totaling approximately \$0.40 million. The Company has an office lease that expires in July 2023. The Company has one six-month option to extend the lease. The Company expects that it will continue to lease office space until the liquidation process is completed. The Company has part-time employment agreements with its executive officers through December 31, 2023.

Critical Accounting Policies and Practices

The Company's consolidated financial statements are prepared in accordance with U.S. GAAP. The accounting policies and practices that the Company believes are the most critical are discussed below. These accounting policies and practices require management to make decisions on subjective and/or complex matters that may inherently be uncertain. Estimates are required to prepare the consolidated financial statements in conformity with U.S. GAAP. Significant estimates, judgments and assumptions are required in a number of areas, including, but not limited to, the sales price of real estate assets, selling costs, development costs, holding costs, potential warranty claims, and general and administrative costs to be incurred until the completion of the liquidation of the Company and estimated reserves for contingent liabilities. In many instances, changes in the accounting estimates are likely to occur from period to period. Actual results may differ from the estimates. The Company believes the current assumptions and other considerations used in preparing the consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in the Company's consolidated financial statements, the resulting changes could have a material adverse effect on the Company's net assets in liquidation.

Liquidation Basis of Accounting

Under the Liquidation Basis of Accounting, all assets are recorded at their estimated net realizable value or liquidation value, which represents the estimated amount of net cash that may be received upon the disposition of the assets (on an undiscounted basis). Liabilities are measured in accordance with U.S. GAAP that otherwise applies to those liabilities. The Company has not recorded any amount from the future settlement of unresolved Causes of Action or recoveries of Fair Funds in the accompanying consolidated financial statements because they cannot be reasonably estimated.

Valuation of Real Estate

The measurement of real estate assets held for sale is based on current contracts (if any), estimates and other indications of sales value, net of estimated selling costs. To determine the value of real estate assets held for sale, the Company considered the three traditional approaches to value (cost, income and sales comparison) commonly used by the real estate appraisal community. The applicability and relevancy of each valuation approach as applied may differ by asset. In most cases, the sales comparison approach was accorded the greatest weight. This approach compares a property to other properties with similar characteristics that have recently sold. To validate management's estimate, the Company also considers opinions from qualified real estate professionals and local real estate brokers and, in some cases, has obtained third party appraisals.

Accrued Liquidation Costs

The estimated costs associated with implementing and completing the Company's plan of liquidation are recorded as accrued liquidation costs. The Company has also recorded the estimated development costs to be incurred to prepare the assets for sale as well as the estimated holding, maintenance and repair costs to be incurred until the projected sale date and the estimated general and administrative costs to be incurred until the completion of the liquidation of the Company and estimated reserves for contingent liabilities.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Changes in Carrying Value

On a quarterly basis, the Company reviews the estimated net realizable values, liquidation costs and the estimated date of the completion of the liquidation of the Company and records any significant changes. The Company will also evaluate an asset when it is under contract for sale and the buyer's contingencies have been removed. During the period that this occurs, the carrying value of the asset and the estimated closing and other costs will be adjusted, if necessary. If the Company has a change in its plan for the disposition of an asset, the carrying value will be adjusted to reflect this change in the period that the change is approved. The change in value may also include a change to the accrued liquidation costs related to the asset.

All changes in the estimated liquidation value of the Company's assets, real estate held for sale, or other assets and liabilities are reflected as a change to the Company's net assets in liquidation.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable, as the Company is a “smaller reporting company” within the meaning of Rule 12b-2 of the Exchange Act.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, management and the Liquidation Trustee evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based upon, and as of the date of, the evaluation, management and the Liquidation Trustee concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file and submit under the Exchange Act is accumulated and communicated to our management, including the Liquidation Trustee, as appropriate to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended.

In connection with the preparation of our Form 10-Q, our management and the Liquidation Trustee assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making that assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013).

Based on its assessment, our management and the Liquidation Trustee believes that, as of December 31, 2022, our internal control over financial reporting was effective based on those criteria. There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Below are descriptions of pending litigation. As the Company is the plaintiff in these legal proceedings and does not have the ability to estimate the ultimate recovery amount until they are settled, and in accordance with the Company's accounting policy, no recoveries have been recorded in the Company's consolidated financial statements for these legal proceedings, other than for settlements for which the Trust has entered into a signed settlement agreement and collectability is reasonably assured.

Goldberg v. Halloran & Sage LLP, et al., Case No. 19STCV42900 (Cal. Super. Ct., L.A. Cnty., filed Dec. 2, 2019), is an action by the Trust against nine law firms (Halloran & Sage LLP; Balcomb & Green, P.C.; Rome McGuigan, P.C.; Haight Brown & Bonesteel LLP; Bailey Cavaleri LLC; Sidley Austin LLP; Davis Graham & Stubbs LLP; Robinson & Cole LLP; and Finn Dixon & Herling LLP) and ten individual attorneys (Richard Roberts, Lawrence R. Green, Jon H. Freis, Brian Courtney, Ted Handel, Thomas Geyer, Neal Sullivan, S. Lee Terry, Jr., Shant Chalian, and Reed Balmer) for conduct in connection with their representation of Robert Shapiro, the Debtors or their affiliates before the commencement of the Bankruptcy Cases, as well as against up to 100 "Doe" defendants. The conduct challenged in the complaint includes knowingly and/or negligently preparing loan documents and investment agreements with material misstatements and omissions, designing deceptive securities products, preparing incorrect legal opinion memoranda on which investors relied, and assisting in the creation of nominally third-party borrower entities that were in fact controlled by Robert Shapiro.

The first set of counts in the complaint are against law firm Halloran & Sage LLP, attorney Richard Roberts, and the "Doe" defendants for aiding and abetting securities fraud (First Count), aiding and abetting fraud (Second Count), aiding and abetting breach of fiduciary duty (Third Count), negligent misrepresentation (Fourth Count), professional negligence (Fifth Count), and aiding and abetting conversion (Sixth Count). These defendants are alleged to be jointly and severally liable for rescission of investors' purchases of securities and for damages in an amount believed to be in excess of \$500 million, as well as for punitive damages.

The second set of counts in the complaint are against law firm Balcomb & Green, P.C., attorney Lawrence R. Green, and the "Doe" defendants for aiding and abetting securities fraud (Seventh Count), aiding and abetting fraud (Eighth Count), aiding and abetting breach of fiduciary duty (Ninth Count), negligent misrepresentation (Tenth Count), professional negligence (Eleventh Count), and aiding and abetting conversion (Twelfth Count). These defendants are alleged to be jointly and severally liable for rescission of investors' purchases of securities and for damages in an amount believed to be in excess of \$500 million, as well as for punitive damages.

The third set of counts in the complaint are against attorney Jon H. Freis and the "Doe" defendants for aiding and abetting securities fraud (Thirteenth Count), aiding and abetting fraud (Fourteenth Count), aiding and abetting breach of fiduciary duty (Fifteenth Count), negligent misrepresentation (Sixteenth Count), professional negligence (Seventeenth Count), and aiding and abetting conversion (Eighteenth Count). These defendants are alleged to be jointly and severally liable for rescission of investors' purchases of securities and for damages in an amount believed to be in excess of \$500 million, as well as for punitive damages.

The fourth set of counts in the complaint are against law firm Rome McGuigan, P.C., attorney Brian Courtney, and the "Doe" defendants for aiding and abetting securities fraud (Nineteenth Count), aiding and abetting fraud (Twentieth Count), aiding and abetting breach of fiduciary duty (Twenty-First Count), negligent misrepresentation (Twenty-Second Count), professional negligence (Twenty-Third Count), and aiding and abetting conversion (Twenty-Fourth Count). These defendants are alleged to be jointly and severally liable for rescission of investors' purchases of securities and for damages in an amount believed to be in excess of \$500 million, as well as for punitive damages.

The fifth set of counts in the complaint are against law firm Haight Brown & Bonesteel LLP, attorney Ted Handel, and the "Doe" defendants for aiding and abetting securities fraud (Twenty-Fifth Count), aiding and abetting fraud (Twenty-Sixth Count), aiding and abetting breach of fiduciary duty (Twenty-Seventh Count), negligent misrepresentation (Twenty-Eighth Count), professional negligence (Twenty-Ninth Count), and aiding and abetting conversion (Thirtieth Count). These defendants are alleged to be jointly and severally liable for rescission of investors' purchases of securities and for damages in an amount believed to be in excess of \$20 million, as well as for punitive damages.

PART II. OTHER INFORMATION (Continued)

The sixth set of counts in the complaint are against law firm Bailey Cavaleri LLC, Thomas Geyer, and the “Doe” defendants for aiding and abetting securities fraud (Thirty-First Count), aiding and abetting fraud (Thirty-Second Count), aiding and abetting breach of fiduciary duty (Thirty-Third Count), negligent misrepresentation (Thirty-Fourth Count), professional negligence (Thirty-Fifth Count), and aiding and abetting conversion (Thirty-Sixth Count). These defendants are alleged to be jointly and severally liable for rescission of investors’ purchases of securities and for damages in an amount believed to be in excess of \$500 million, as well as for punitive damages.

The seventh set of counts in the complaint are against law firm Sidley Austin LLP, attorney Neal Sullivan, and the “Doe” defendants for aiding and abetting securities fraud (Thirty-Seventh Count), aiding and abetting fraud (Thirty-Eighth Count), aiding and abetting breach of fiduciary duty (Thirty-Ninth Count), negligent misrepresentation (Fortieth Count), professional negligence (Forty-First Count), and aiding and abetting conversion (Forty-Second Count). These defendants are alleged to be jointly and severally liable for rescission of investors’ purchases of securities and for damages in an amount believed to be in excess of \$500 million, as well as for punitive damages.

The eighth set of counts in the complaint are against law firm Davis Graham & Stubbs LLP, attorney S. Lee Terry, Jr., and the “Doe” defendants for aiding and abetting securities fraud (Forty-Third Count), aiding and abetting fraud (Forty-Fourth Count), aiding and abetting breach of fiduciary duty (Forty-Fifth Count), negligent misrepresentation (Forty-Sixth Count), professional negligence (Forty-Seventh Count), and aiding and abetting conversion (Forty-Eighth Count). These defendants are alleged to be jointly and severally liable for rescission of investors’ purchases of securities and for damages in an amount believed to be in excess of \$200 million, as well as for punitive damages.

The ninth set of counts in the complaint are against law firm Robinson & Cole LLP, attorney Shant Chalian, and the “Doe” defendants for aiding and abetting securities fraud (Forty-Ninth Count), aiding and abetting fraud (Fiftieth Count), aiding and abetting breach of fiduciary duty (Fifty-First Count), negligent misrepresentation (Fifty-Second Count), professional negligence (Fifty-Third Count), and aiding and abetting conversion (Fifty-Fourth Count). These defendants are alleged to be jointly and severally liable for rescission of investors’ purchases of securities and for damages in an amount believed to be in excess of \$5 million, as well as for punitive damages.

The tenth set of counts in the complaint are against law firm Finn Dixon & Herling LLP, attorney Reed Balmer, and the “Doe” defendants for aiding and abetting securities fraud (Fifty-Fifth Count), aiding and abetting fraud (Fifty-Sixth Count), aiding and abetting breach of fiduciary duty (Fifty-Seventh Count), negligent misrepresentation (Fifty-Eighth Count), professional negligence (Fifty-Ninth Count), and aiding and abetting conversion (Sixtieth Count). These defendants are alleged to be jointly and severally liable for rescission of investors’ purchases of securities and for damages in an amount believed to be in excess of \$5 million, as well as for punitive damages.

The eleventh set of counts in the complaint are against law firms Halloran & Sage LLP; Balcomb & Green, P.C.; Rome McGuigan, P.C.; Haight Brown & Bonesteel LLP; Bailey Cavaleri LLC; Sidley Austin LLP; Davis Graham & Stubbs LLP; Robinson & Cole LLP; and Finn Dixon & Herling LLP; attorney Jon H. Freis, and the “Doe” defendants for actual-intent fraudulent transfer (Sixty-First Count) and constructive fraudulent transfer (Sixty-Second Count). These defendants are alleged to be liable for damages in an amount believed to be in excess of \$5 million, as well as for provisional remedies, avoidance of the transfers, and punitive damages.

The case was designated as a complex matter on December 18, 2019 and was assigned to the Honorable Amy Hogue.

On March 20, 2020, two sets of defendants – Sidley Austin LLP and Neal Sullivan; and Davis Graham & Stubbs LLP and S. Lee Terry, Jr. – filed special motions to strike the portions of the complaint directed at them under a California statute (Civil Procedure Code section 425.16) that permits defendants to bring early challenges to causes of action against them that allegedly arise from protected litigation activity if those causes of action lack minimal merit. The defendants that filed these special motions to strike asserted that the claims against them arise from communicative conduct in the course of quasi-judicial proceedings, such as regulatory inquiries, and that the Trust cannot establish a likelihood of prevailing on its claims against them. The Trust opposed these motions, and the matters were heard on July 28, 2020, and taken under submission on that date. On August 14, 2020, the Court entered orders: (i) granting the motion to strike filed by Sidley Austin LLP and Neal Sullivan, and (ii) granting in part and denying in part the motion to strike filed by Davis Graham & Stubbs LLP and S. Lee Terry, Jr. In September 2020, the Trust filed notices of appeal of the foregoing orders, and Davis Graham & Stubbs LLP and S. Lee Terry, Jr. subsequently filed a cross-appeal. On January 27, 2021, the Court entered an order granting, in part, a motion for attorneys’ fees filed by Sidley Austin LLP and Neal Sullivan, pursuant to which the movants were awarded \$282,500.00 in fees and \$5,557.87 in costs. On March 1, 2021, the Trustee filed a notice of appeal of the order granting fees and costs.

PART II. OTHER INFORMATION (Continued)

On April 13, 2020, four sets of defendants – Rome McGuigan, P.C. and Brian Courtney; Bailey Cavalieri LLC and Thomas Geyer; Robinson & Cole LLP and Shant Chalian; and Finn Dixon & Herling LLP and Reed Balmer – filed motions to quash the service of summonses. The defendants that filed these motions asserted that they are not subject to suit in California because they do not have sufficient contacts with California to justify a California court’s exercise of jurisdiction over them. The Trust opposed these motions, and the matters were heard in part on July 15, 2020 and in part on July 20, 2020, and (with exception of the motion filed by Finn Dixon & Herling LLP and Reed Balmer) were taken under submission on July 20, 2020. The motion filed by Finn Dixon & Herling LLP, and Reed Balmer was taken off calendar prior to July 20, 2020, and the parties thereafter reached a confidential settlement. On July 21, 2020, the Court entered orders granting the motions to quash filed by Rome McGuigan, P.C. and Brian Courtney; Bailey Cavalieri LLC and Thomas Geyer; and Robinson & Cole LLP and Shant Chalian. On September 10, 2020, the Trust filed a notice of appeal of the foregoing orders.

On June 16, 2020, the Trust reached a confidential settlement with Balcomb & Green, P.C. and Lawrence R. Green. On July 6, 2020, these defendants filed a motion seeking the Court’s determination that the settlement was made in good faith under a California statute (Civil Procedure Code section 877.6) that permits settling defendants to seek a good faith settlement finding in order to bar any other defendant from seeking contribution or indemnity. The motion was unopposed, and the Court entered an order granting it on August 12, 2020.

On January 21, 2021, the Trust reached a confidential settlement with Robinson & Cole LLP and Shant Chalian. As part of that settlement, the appeal of the jurisdictional ruling as to those parties has been dismissed.

The other appeals remain pending. On June 14, 2021, the Trustee filed a combined opening brief for all of the appeals other than his appeal of the order granting fees and costs to Sidley Austin LLP. Between September 22-29, 2021, the respondents filed their opening briefs. On March 17, 2022, the Trustee filed a combined reply brief for all of the appeals other than his appeal of the order granting fees and costs to Sidley Austin LLP. On June 30, 2022, Davis Graham & Stubbs LLP filed its reply brief in support of its cross-appeal of the order denying a portion of its special motion to strike. The matter is currently fully briefed and the court has scheduled oral argument commencing on March 7, 2023.

The appeal of the award granting fees and costs to Sidley Austin LLP remains pending. The appeal is fully briefed and will be decided following the disposition of the appeal of the underlying order.

On October 28, 2020, the Trust filed a federal lawsuit against four defendants that prevailed on the motions to quash service of summons in the California state court action (Rome McGuigan, P.C.; Brian Courtney; Bailey Cavalieri LLC; and Thomas Geyer), as well as a fifth defendant (Ivan Acevedo), and certain “Doe” defendants.” The case is styled *Goldberg v. Rome McGuigan, P.C., et al.*, Case No. 2:20-cv-09958-JFW-SK (C.D. Cal.). The complaint contains counts for (i) violations of section 10(b) of the Exchange Act and Rule 10b-5; (ii) aiding and abetting fraud; (iii) aiding and abetting breach of fiduciary duty; (iv) negligent misrepresentation; (v) professional negligence; (vi) aiding and abetting conversion; (vii) actual fraudulent transfer; and (viii) constructive fraudulent transfer. The conduct challenged in the complaint includes certain of the same conduct challenged in the California state court action, and a footnote in the complaint explains: “Plaintiff filed an action in Los Angeles Superior Court against [four of these defendants] raising some of the claims asserted in this action. Those defendants filed a motion to quash service, alleging that the court did not have personal jurisdiction. The Court granted those motions, and Plaintiff appealed. Plaintiff brings this action to preserve his rights and ensure that his claims against [the defendants] are adjudicated on the merits. Should the state court appeal be successful, resulting in two cases being simultaneously litigated on the merits in two forums, [plaintiff] will consider dismissing this action and litigating the case in state court.” On January 4, 2021, the four defendants from the California state court action filed motions to dismiss this federal lawsuit, and on March 4, 2021, the court entered an order granting those motions in part by dismissing the first count (arising under the federal securities laws), without ruling on the remaining counts (arising under state law) in light of potential personal jurisdiction issues. On March 29, 2021, the same four defendants again moved to dismiss the remaining counts for lack of personal jurisdiction. On April 23, 2021 the federal court entered an order granting those motions, but has not yet entered a final judgment.

PART II. OTHER INFORMATION (Continued)

Avoidance actions. The Trust is currently prosecuting numerous legal actions to recover preferential payments, fraudulent transfers, and other funds subject to recovery by the bankruptcy estate. These actions were filed in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”), are pending before the Honorable J. Kate Stickles, and generally fall into the following categories:

- *Preferential transfers.* Certain of the actions include claims arising under chapter 5 of the Bankruptcy Code and seek to avoid or recover payments made by the Debtors during the 90 days prior to the December 4, 2017 bankruptcy filing, including payments to miscellaneous vendors and former Noteholders and Unitholders.
- *Fraudulent transfers (Interest to Noteholders and Unitholders).* Certain of the actions include claims arising under chapter 5 of the Bankruptcy Code and seek to avoid or recover payments made by the Debtors during the course of the Ponzi scheme (from July 2012 through the December 4, 2017 bankruptcy filing) for interest paid to former Noteholders and Unitholders.
- *Fraudulent transfers (Shapiro personal expenses).* Certain of the actions include claims arising under chapter 5 of the Bankruptcy Code and seek to avoid and recover payments made by the Debtors during the course of the Ponzi scheme (from July 2012 through the December 4, 2017 bankruptcy filing) for the personal expenses of Robert and Jeri Shapiro, including those identified in a forensic report prepared in connection with an SEC enforcement action in the United States District Court for the Southern District of Florida.
- *Fraudulent transfers and fraud (against former agents).* These actions, which arise under chapter 5 of the Bankruptcy Code and applicable state law governing fraudulent transfers, seek to avoid and recover payments made by the Debtors during the course of the Ponzi scheme (from July 2012 through the December 4, 2017 bankruptcy filing) for commissions to former agents, as well as for fraud, aiding and abetting fraud, and the unlicensed sale of securities asserted by the Trust based on claims contributed to the Trust by defrauded investors. These actions were filed by the Trust in the United States Bankruptcy Court for the District of Delaware between November 15, 2019 and December 4, 2019. Actions of this type are also being pursued by the SEC, and it is the Trust’s understanding that any recoveries obtained by the SEC will be transmitted to the Trust pursuant to Fair Funds established by the SEC.
- *Fraudulent transfers (Kenneth Halbert).* The Trust is pursuing fraudulent transfer claims against Kenneth Halbert to avoid and recover prepetition payments of principal and interest to Mr. Halbert. The Trust filed its initial complaint on December 1, 2019 and the operative first amended complaint on December 7, 2021. Fact discovery is currently underway, to be followed by expert discovery. The court has not yet set a trial date.

The Trust has filed over 400 legal actions of this nature, many of which have been resolved, resulting in recoveries by or judgments in favor of the Trust. Since inception and as of January 31, 2023, the Trust has obtained judgments of approximately \$44.73 million, including default judgments of approximately \$36.21 million and stipulated judgments of approximately \$8.52 million. It is unknown at this time how much, if any, will ultimately be collected on the judgments. Additionally, the Trust has entered into settlements in approximately 227 legal actions and approximately 245 potential avoidance claims for which litigation was not filed, resulting in aggregate settlements of approximately \$18.18 million of cash payments made or due to the Trust and approximately \$11.21 million in reductions of claims against the Trust. As of January 31, 2023, 47 legal actions remain pending.

PART II. OTHER INFORMATION (Continued)

Other legal proceedings. In addition, other legal proceedings were prosecuted by the Trust and United States governmental authorities, which actions resulted in recoveries in favor of the Trust. Such actions include:

- *Actions regarding the Shapiro's personal assets.* On December 4, 2019, the Trust filed an action in the Bankruptcy Court, Adv. Pro. No. 10-51076 (BLS), *Woodbridge Liquidation Trust v. Robert Shapiro, Jeri Shapiro, 3X a Charm, LLC, Carbondale Basalt Owners, LLC, Davana Sherman Oaks Owners, LLC, In Trend Staging, LLC, Midland Loop Enterprises, LLC, Schwartz Media Buying Company, LLC and Stover Real Estate Partners LLC*. In this action, the Trust asserts claims under chapter 5 of the Bankruptcy Code and applicable state law for avoidance of preferential and fraudulent transfers together with claims for fraud, aiding and abetting fraud, the unlicensed sale of securities, breach of fiduciary duty and unjust enrichment. The Trust seeks to recover damages and assets held in the names of Robert Shapiro, Jeri Shapiro and their family members and entities owned or controlled by them, which assets the Trust contends are beneficially owned by the Debtors or for which the Debtors are entitled to recover based on the Shapiros' defalcations, including over \$20 million in avoidable transfers. On February 4, 2022, the Trust entered into a Settlement Agreement with Ms. Jeri Shapiro resolving the Trust's adversary proceeding against Ms. Shapiro. In connection with the Settlement Agreement, Ms. Shapiro responded to interrogatories from the Trust and submitted a declaration under penalty of perjury detailing her lack of assets. Upon execution of the Settlement Agreement, Ms. Shapiro executed and delivered a Stipulated Judgment for approximately \$20.6 million that will be held by the Trust in escrow for three years that can be entered without notice if the Trust learns Ms. Shapiro's representations in her declaration were false or materially inaccurate. Additionally, Ms. Shapiro authorized the Trust to expunge the filed claims of certain co-defendants she was listed as an officer and turned over payments to the Trust that were received by certain co-defendants in the adversary proceeding. A stipulation of dismissal (as to Ms. Shapiro only) was entered on April 1, 2022.
- *Criminal proceeding and forfeiture.* In connection with the United States' criminal case against Robert Shapiro (Case No. No. 19-20178-CR-ALTONAGA (S.D. Fla. 2019)), Shapiro agreed to the forfeiture of certain assets. The Trust filed a petition in the Florida court to claim the Forfeited Assets as property of the Debtors' estates, and therefore as property that had vested in the Trust pursuant to the Plan. The Trust has entered into an agreement with the United States Department of Justice to resolve its claim. The agreement was approved by the Bankruptcy Court on September 17, 2020 and was approved by the United States District Court on October 1, 2020. Among other things, the agreement provides for the release of specified Forfeited Assets by the United States to the Trust, and for the Trust to liquidate those assets and distribute the net sale proceeds to Qualifying Victims, which include the vast majority of Trust beneficiaries—specifically, all former holders of Class 3 and 5 claims under the Plan and their permitted assigns—but do not include former holders of Class 4 claims under the Plan. The Trust has taken possession of the Forfeited Assets and has sold the wine and gold assets as well as an automobile. Some of the jewelry, art, clothing, handbags and shoes have also been sold.

Wind-Down Group litigation. The Wind-Down Group owns a portfolio of real estate assets, which includes secured loans and other properties. As part of its recovery efforts, the Wind-Down Group, through its subsidiaries, is involved in ordinary routine litigation incidental to such assets. Among other litigation, certain Woodbridge entities (including the Trust, the Wind-Down Entity, and WB 8607 Honoapiilani, LLC) filed an action against Certain Underwriters at Lloyd's of London in Los Angeles Superior Court, alleging that the defendant insurer breached its obligations under an insurance policy purchased to protect a property owned by WB 8607 Honoapiilani (a subsidiary of the Wind-Down Entity) in Hawaii, which property was destroyed by fire in August 2017. The Superior Court granted the defendant's motion for summary judgment, and on March 25, 2021 entered judgment in favor of the defendant. The judgment provided that plaintiffs take nothing by way of the complaint. Further, the judgment provided that defendant refund plaintiffs for the premium payments under the insurance policy at issue in the lawsuit (\$110,829.43), less all amounts paid by the defendant in respect of claims under the policy (\$97,770.38) and less defendant's costs (defendant requested costs of \$9,874.71). Plaintiffs have appealed the judgment. The appeal was fully briefed and oral argument took place before the Court of Appeal on November 21, 2022. The Court of Appeal has taken the matter under submission and a ruling is expected shortly.

PART II. OTHER INFORMATION (Continued)

Item 1A. Risk Factors

Not applicable, as the Company is a “smaller reporting company” within the meaning of Rule 12b-2 of the Exchange Act.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In accordance with the Plan, all Liquidation Trust Interests have been issued without registration under the Securities Act. The Liquidation Trust Interests have been issued only to holders of allowed claims in Class 3, Class 4, and Class 5 under the Plan entirely in exchange for such claims. See “Item 1. Business - D. Plan Provisions Regarding the Company - 2. Treatment under the Plan of holders of claims against and equity interests in the Debtors” of our Annual Report on Form 10-K filed with the SEC on September 26, 2022. During the period from February 15, 2019 (inception) through December 31, 2022, the Trust has issued an aggregate of 11,542,087 Class A Interests and an aggregate of 677,790 Class B Interests. As of December 31, 2022, the Trust had 11,514,190 Class A Interests and 675,617 Class B Interests outstanding. All Liquidation Trust Interests were issued on the Plan Effective Date or from time to time thereafter as soon as practicable as and when claims in Class 3, Class 4 or Class 5 have become allowed.

During the three months ended December 31, 2022, the Trust did not issue any Liquidation Trust Interests.

The issuance of Liquidation Trust Interests has occurred in reliance upon the exemption from the registration requirements of the Securities Act afforded by Section 1145(a)(1) of the Bankruptcy Code. Section 1145(a)(1) exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and state securities laws and regulation if (i) the securities are offered and sold under a plan of reorganization and are securities of the debtor, of an affiliate of the debtor participating in a joint plan with the debtor, or of a successor to the debtor under the plan; (ii) the recipients of the securities hold a pre-petition or administrative claim against the debtor or an interest in the debtor; and (iii) the securities are issued entirely in exchange for the recipient’s claim against or interest in the debtor, or principally in such exchange and partly for cash or property. The Trust believes that the Liquidation Trust Interests are securities of a “successor” to the Debtors within the meaning of Section 1145(a)(1), and such securities were issued under the Plan entirely in exchange for allowed claims in Class 3, Class 4, and Class 5 under the Plan.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit Description

- [2.1](#) First Amended Joint Chapter 11 Plan of Liquidation of Woodbridge Group of Companies, LLC and its Affiliated Debtors dated August 22, 2018, incorporated herein by reference to the Registration Statement on Form 10 filed by the Trust on October 25, 2019.
- [3.1](#) Certificate of Trust of Woodbridge Liquidation Trust dated February 14 and effective February 15, 2019, incorporated herein by reference to the Registration Statement on Form 10 filed by the Trust on October 25, 2019.
- [3.2](#) Liquidation Trust Agreement of Woodbridge Liquidation Trust dated February 15, 2019, as amended by Amendment No. 1 dated August 21, 2019 and Amendment No. 2 dated September 13, 2019, incorporated herein by reference to the Registration Statement on Form 10 filed by the Trust on October 25, 2019.
- [3.3](#) Amendment No. 3 to Liquidation Trust Agreement dated as of November 1, 2019, incorporated herein by reference to Amendment No. 1 to Registration Statement on Form 10 filed by the Trust on December 13, 2019.
- [3.4](#) Amendment No. 4 to Liquidation Trust Agreement dated as of February 5, 2020, incorporated herein by reference to the Current Report on Form 8-K filed by the Trust on February 6, 2020.
- [3.5](#) Amended and Restated Bylaws of Woodbridge Liquidation Trust effective August 21, 2019, incorporated herein by reference to the Registration Statement on Form 10 filed by the Trust on October 25, 2019.
- [10.1](#) Limited Liability Company Agreement of Woodbridge Wind-Down Entity LLC dated February 15, 2019, incorporated herein by reference to the Registration Statement on Form 10 filed by the Trust on October 25, 2019.
- [10.2](#) First Amendment to Limited Liability Agreement of Woodbridge Wind-Down Entity LLC dated November 30, 2022, incorporated herein by reference to the Current Report on Form 8-K filed by the Trust on December 1, 2022.
- [10.3](#) Employment Agreement dated November 12, 2019 between Woodbridge Wind-Down Entity LLC and Marion W. Fong, incorporated herein by reference to Amendment No. 1 to Registration Statement on Form 10 filed by the Trust on December 13, 2019.

PART II. OTHER INFORMATION (Continued)

Item 6. Exhibits (Continued)

- [10.4](#) First Amendment to Employment Agreement dated September 24, 2020 between Woodbridge Wind-Down Entity LLC and Marion W. Fong, incorporated herein by reference to the Form 10-K filed by the Trust on September 28, 2020.
- [10.5](#) Indemnification Agreement dated November 12, 2019 between Woodbridge Wind-Down Entity LLC and Marion W. Fong, incorporated herein by reference to Amendment No. 1 to Registration Statement on Form 10 filed by the Trust on December 13, 2019.
- [10.6](#) Part-Time Employment Agreement dated November 30, 2022 between Woodbridge Wind-Down Entity and Marion W. Fong, incorporated herein by reference to the Current Report on Form 8-K filed by the Trust on December 1, 2022.
- [10.7](#) Employment Agreement dated November 12, 2019 between Woodbridge Wind-Down Entity LLC and David Mark Kemper, incorporated herein by reference to Amendment No. 1 to Registration Statement on Form 10 filed by the Trust on December 13, 2019.
- [10.8](#) First Amendment to Employment Agreement dated September 24, 2020 between Woodbridge Wind-Down Entity LLC and David Mark Kemper, incorporated herein by reference to the Form 10-K filed by the Trust on September 28, 2020.
- [10.9](#) Part-Time Employment Agreement dated November 30, 2022 between Woodbridge Wind-Down Entity and David Mark Kemper, incorporated herein by reference to the Current Report on Form 8-K filed by the Trust on December 1, 2022.
- [10.10](#) Indemnification Agreement dated November 12, 2019 between Woodbridge Wind-Down Entity LLC and David Mark Kemper, incorporated herein by reference to Amendment No. 1 to Registration Statement on Form 10 filed by the Trust on December 13, 2019.
- [10.11](#) Stipulation and Settlement Agreement between the United States and Woodbridge Liquidation Trust, as approved by order of the United States Bankruptcy Court for the District of Delaware entered September 17, 2020, incorporated herein by reference to the Form 10-K filed by the Trust on September 28, 2020.
- [10.12](#) Settlement Agreement dated August 6, 2021 by and among Mark Baker, Jay Beynon as Trustee for the Jay Beynon Family Trust DTD 10/23/1998, Alan and Marlene Gordon, Joseph C. Hull, Lloyd and Nancy Landman, and Lilly A. Shirley on behalf of themselves and the proposed Settlement Class, Michael I. Goldberg, as Trustee for Woodbridge Liquidation Trust, and Comerica Bank, incorporated herein by reference to the Form 10-K filed by the Trust on September 27, 2021.
- [31.1*](#) Certification of Liquidation Trustee pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- [32.1*](#) Certification of Liquidation Trustee pursuant to 18 U.S.C. 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- [99.1](#) Findings of Fact, Conclusions of Law, and Order Confirming the First Amended Joint Chapter 11 Plan of Liquidation of Woodbridge Group of Companies, LLC and its Affiliated Debtors, entered October 26, 2018, incorporated herein by reference to the Registration Statement on Form 10 filed by the Trust on October 25, 2019.
- 101 The following financial statements from the Woodbridge Liquidation Trust Quarterly Report on Form 10-Q for the quarter ended December 31, 2022, formatted in eXtensible Business Reporting Language (XBRL): (i) consolidated statements of net assets in liquidation as of December 31, 2022 and June 30, 2022, (ii) consolidated statements of changes in net assets in liquidation for the three months ended December 31, 2022 and 2021, (iii) consolidates statements of changes in net assets in liquidation for the six months ended December 31, 2022 and 2021, (iv) the notes to the consolidated financial statements. XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 104 Cover Page Interactive Data File (Formatted as Inline XBRL and contained in Exhibit 101)

*Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Woodbridge Liquidation Trust

Date: February 10, 2023

By: /s/ Michael I. Goldberg

Michael I. Goldberg,
Liquidation Trustee

**Certification of Liquidation Trustee pursuant to Section 302
of the Sarbanes-Oxley Act of 2002**

I, Michael I. Goldberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Woodbridge Liquidation Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the net assets in liquidation and changes in net assets in liquidation of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by other within those entities, particularly during the period in which this report is being prepared;
 - b) (Omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-4933);
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2023

By: /s/ Michael I. Goldberg

Michael I. Goldberg,
Liquidation Trustee

**Certification of Liquidation Trustee pursuant to 18 U.S.C. 1350,
as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Woodbridge Liquidation Trust (the "Registrant") for the quarter ended December 31, 2022, as filed with the Securities and exchange Commission on the date hereof (the "Report"), the undersigned, Michael I. Goldberg, Trustee of the Registrant, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the net assets in liquidation and changes in net assets in liquidation of the Registrant.

Date: February 10, 2023

By: /s/ Michael I. Goldberg

Michael I. Goldberg,
Liquidation Trustee
