

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 September 30, 2024

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 200

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

Non-accelerated filer

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

Woodbridge Liquidation Trust
Form 10-Q
September 30, 2024
Table of Contents

PART I. FINANCIAL INFORMATION

| | | |
|---------|--|----|
| Item 1. | Financial Statements | |
| | Consolidated Statements of Net Assets in Liquidation as of September 30, 2024 (Unaudited) and June 30, 2024 | 1 |
| | Consolidated Statements of Changes in Net Assets in Liquidation (Unaudited) for the Three Months Ended September 30, 2024 and 2023 | 2 |
| | Notes to Consolidated Financial Statements (Unaudited) for the Three Months Ended September 30, 2024 and 2023 | 3 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 16 |
| Item 3. | Quantitative and Qualitative Disclosures about Market Risk | 24 |
| Item 4. | Controls and Procedures | 24 |

PART II. OTHER INFORMATION

| | | |
|----------|---|----|
| Item 1. | Legal Proceedings | 25 |
| Item 1A. | Risk Factors | 27 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 27 |
| Item 3. | Defaults upon Senior Securities | 27 |
| Item 4. | Mine Safety Disclosures | 27 |
| Item 5. | Other Information | 27 |
| Item 6. | Exhibits | 28 |

PART I FINANCIAL INFORMATION**Item 1. Financial Statements****Woodbridge Liquidation Trust and Subsidiaries
Consolidated Statements of Net Assets in Liquidation
As of September 30, 2024 and June 30, 2024***(\$ In Thousands)*

| | 9/30/2024 (Unaudited) | 6/30/2024 |
|---|--------------------------|------------------|
| Assets | | |
| Cash, cash equivalents and short-term investments | \$ 58,421 | \$ 56,010 |
| Restricted cash (Note 3) | 4,857 | 4,911 |
| Other assets (Note 4) | 2,509 | 2,459 |
| Total assets | \$ 65,787 | \$ 63,380 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 281 | \$ 23 |
| Distributions payable | 695 | 784 |
| Accrued liquidation costs (Note 5) | 21,264 | 22,704 |
| Total liabilities | \$ 22,240 | \$ 23,511 |
| Commitments and Contingencies (Note 12) | | |
| Net Assets in Liquidation | | |
| Restricted for Qualifying Victims (Note 6) | \$ 4,125 | \$ 4,110 |
| All Interestholders | 39,422 | 35,759 |
| Total net assets in liquidation | \$ 43,547 | \$ 39,869 |

See accompanying notes to unaudited consolidated financial statements.

PART I FINANCIAL INFORMATION (CONTINUED)**Item 1. Financial Statements (Continued)****Woodbridge Liquidation Trust and Subsidiaries****Consolidated Statements of Changes in Net Assets in Liquidation****For the Three Months Ended September 30, 2024 and 2023***(Unaudited, \$ in Thousands)*

| | Three Months Ended September 30, 2024 | | | Three Months Ended September 30, 2023 | | |
|--|---|------------------------|-----------|---|------------------------|-----------|
| | Restricted For Qualifying Victims | All Interestholders | Total | Restricted For Qualifying Victims | All Interestholders | Total |
| Net Assets in Liquidation as of beginning of period | \$ 4,110 | \$ 35,759 | \$ 39,869 | \$ 3,491 | \$ 3,282 | \$ 6,773 |
| Change in assets and liabilities (Note 7): | | | | | | |
| Restricted for Qualifying Victims - | | | | | | |
| Change in carrying value of assets and liabilities, net | 15 | - | 15 | 20 | - | 20 |
| All Interestholders: | | | | | | |
| Change in carrying value of assets and liabilities, net | - | 3,644 | 3,644 | - | 32,541 | 32,541 |
| Distributions (declared) reversed, net | - | 19 | 19 | - | 40 | 40 |
| Net change in assets and liabilities | - | 3,663 | 3,663 | - | 32,581 | 32,581 |
| Net Assets in Liquidation as of end of period | \$ 4,125 | \$ 39,422 | \$ 43,547 | \$ 3,511 | \$ 35,863 | \$ 39,374 |

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 Months Ended September 30, 2024 and 2023 (Unaudited)

1) Formation, Organization 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 and the First Amended Joint Chapter 11 Plan of Liquidation of Woodbridge Group of Companies, LLC and its chapter 11 affiliated debtors each a “Debtor” (and collectively, the “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. 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 8, the Trust has two classes of liquidation trust interests: Class A Liquidation Trust Interests (the “Class A Interests”) and Class B Liquidation Trust Interests (the “Class B Interests”). The holders of Class A Interests and Class B Interests are collectively referred to as “All Interestholders”. Class A Interests and Class B Interests are collectively referred to as “Liquidation Trust Interests”.

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 services. The Class B Interests are not registered with the SEC.

Organization

The Trust does not have directors, executive officers, or employees. All of the management and executive authority of the Trust resides with the Liquidation Trustee, subject to the supervision of a five-member supervisory board (the “Supervisory Board”). The Wind-Down Entity is separately managed by its board of managers.

The Liquidation Trust Interests are non-voting. The holders of the Class A Interests and the Class B Interests have the same rights, except with respect to certification, transferability and payment of distributions. See Note 9 regarding the priority and manner of distribution of available cash.

The Wind-Down Entity, from time to time, makes distributions to the Trust, as available. The Trust in turn makes distributions, from time to time, to the Trust beneficiaries, as available.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended September 30, 2024 and 2023 (Unaudited)

The Trust will be terminated upon the first to occur of (i) the making of all distributions required to be made and a determination by the Liquidation Trustee that the pursuit of additional Causes of Action held by the Trust is not justified or (ii) March 31, 2026, subject to the extension of such date with the approval of the Bankruptcy Court. The Company may seek one or more additional extensions of the termination date if it deems it necessary, or appropriate to facilitate the orderly liquidation of the Trust's assets, including the resolution of the construction defect claim against one of the Wind-Down Subsidiaries (the "Development Entity"), or the resolution of the Company's claims against its insurers and other third parties in connection with the construction defect claim (see Note 12 for additional information) or other reasons.

Description of Business

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. The Company currently operates as one reportable segment.

The Trust is prosecuting various Causes of Action acquired by the Trust pursuant to the Plan and is resolving claims asserted against the Debtors (see Note 11 for additional information). As of September 30, 2024, the Company is the plaintiff in several pending lawsuits (see Note 12 for additional information).

The Wind-Down Entities' operations are almost complete. As of September 30, 2024, the Wind-Down Subsidiaries owned one performing secured loan and one single-family home subject to a life estate (see Note 4 for additional information) and the Development Entity is addressing the resolution of the construction defect claim against the Development Entity (see Notes 5 and 12 for additional information)

Pursuant to the Wind-Down Entity's Limited Liability Company Agreement, the Wind-Down Entity shall dissolve upon the first to occur of the following: (i) the written consent of the Trust, (ii) the entry of a decree of judicial dissolution under Section 18-802 of the Delaware LLC Act and (iii) the sale or other disposition of all of the Wind-Down Assets.

As more fully discussed in Note 2, the Company uses the Liquidation Basis of Accounting. Net assets in liquidation represent the remaining estimated aggregate value available to All Interestholders upon liquidation, with no discount for the timing of proceeds (undiscounted). Actual net liquidation proceeds, other recoveries and liquidation costs may differ materially from the estimated amounts due to the uncertainty in the timing and the cost of completing the liquidation activities.

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. 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 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 to All Interestholders, if any. See Note 9 for additional information relating to the suspension of distributions, other than distributions in respect of Forfeited Assets, which will be made solely to Qualifying Victims (see Note 6 for additional information).

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 accounting principles generally accepted in the United States of America ("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, 2024 consolidated statement of net assets in liquidation included herein was derived from the audited consolidated financial statements as of and for the year ended June 30, 2024 but does not include all disclosures or notes required by U.S. GAAP for complete 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 Months Ended September 30, 2024 and 2023 (Unaudited)

All material intercompany accounts and transactions have been eliminated.

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).

Liabilities, including estimated costs associated with implementing and completing the Plan, are measured in accordance with U.S. GAAP that otherwise apply to those liabilities. These estimated amounts are presented in the accompanying consolidated statements of net assets in liquidation. As additional information becomes available the estimated amounts may change. All changes in the estimated liquidation value of the Company's assets and liabilities are reflected as a change 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. 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.

Other Assets

The Company recognizes recoveries from the settlement of unresolved Causes of Action when an agreement is executed, final court approval is received (if required), and collectability is reasonably assured.

An allowance for uncollectible settlement installment receivables is recorded when there is doubt about the collectability of the receivable. The Company records escrow receivables at the amount that is expected to be received when the escrow receivable is released. The Forfeited Assets (see Note 6 for additional information) received from the United States Department of Justice (the "DOJ"), other than cash, have been recorded at their estimated net realizable value.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended September 30, 2024 and 2023 (Unaudited)

The Company accrues expected interest earnings when it can reasonably estimate the amount to be received. The Company uses a forward yield curve to estimate the interest rates to be earned and its expected future cash balances to estimate the dollar amount that will earn interest through the expected Trust termination date of March 31, 2026.

The measurement of real estate assets is based on current contracts if contingencies (if any) have been removed, estimates and other indications of sales value, net of estimated costs. The performing loan is recorded at the amount of the contractual interest payments and principal repayment of the loan, net of estimated costs.

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 estimated liquidation costs to the extent they are known and are reasonably determinable. These costs consist of (a) estimated development costs, primarily construction costs and professional fees, the costs to complete punch list items and address the Development Entity's construction defect claim, bond refunds and estimated reserves for contingent liabilities including potential construction defect claims and the administration of such potential construction defect claims after the company's liquidation activities are completed (see Notes 5 and 12 for additional information) and other costs and (b) 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 until the completion of the liquidation of the Company, currently estimated to be approximately March 31, 2026.

Cash Equivalents and Short-Term Investments

The Company considers certificates of deposit that have a maturity date of 90 days or less at the time of investment to be cash equivalents. The Company considers certificates of deposit that have a maturity date of more than 90 days to be short-term investments.

Restricted Cash

Restricted cash includes cash that can only be used for certain specified purposes as described in Note 3.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, short-term investments and restricted cash, which are held as deposits in multiple financial institutions. The deposit balances in any one financial institution may exceed the Federal Deposit Insurance Corporation (the "FDIC") insurance limit of \$250,000. The Company mitigates this risk by using sweep accounts, when available, 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****For the Three Months Ended September 30, 2024 and 2023 (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 from the net assets in liquidation that are available to All Interestholders (see Note 6 for additional information).

Reclassifications

The Company has reclassified certain amounts related to its prior period consolidated financial statements to conform to its current period presentation.

3) Restricted Cash

The Company's restricted cash as of September 30, 2024 (unaudited), with comparative information as of June 30, 2024, is as follows (\$ in thousands):

| | <u>September 30, 2024</u> | <u>June 30, 2024</u> |
|--|---------------------------|----------------------|
| Forfeited Assets (Note 6) | \$ 4,160 | \$ 4,125 |
| 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 | 697 | 786 |
| Total restricted cash | <u>\$ 4,857</u> | <u>\$ 4,911</u> |

4) Other Assets

The Company's other assets as of September 30, 2024 (unaudited), with comparative information as of June 30, 2024, are as follows (\$ in thousands):

| | <u>September 30, 2024</u> | <u>June 30, 2024</u> |
|----------------------------------|---------------------------|----------------------|
| Accrued interest (a) | \$ 1,864 | \$ 1,790 |
| Real estate assets, net (b) | 489 | 498 |
| Settlement receivables, net (c) | 97 | 67 |
| Forfeited Assets (Note 6) (a)(d) | 12 | 58 |
| Other | 47 | 46 |
| Total other assets | <u>\$ 2,509</u> | <u>\$ 2,459</u> |

(a) The Company accrues interest in the amount that it estimates it will earn on its cash on deposit during the period from October 1, 2024 through March 31, 2026 and during the period from July 1, 2024 through March 31, 2026, respectively. The accrued interest relating to Forfeited Assets is included in the Forfeited Assets line.

(b) Real estate at September 30, 2024 and June 30, 2024 consists of one performing loan secured by properties located in the state of Ohio (see Note 12 for additional information) and one single-family home subject to a life estate located in the state of Florida.

PART I. FINANCIAL INFORMATION (CONTINUED)**Item 1. Financial Statements (Continued)****Woodbridge Liquidation Trust and Subsidiaries****Notes to Consolidated Financial Statements****For the Three Months Ended September 30, 2024 and 2023 (Unaudited)**

(c) Net of an allowance for uncollectible settlement receivables, which was approximately \$141,000 as of September 30, 2024 and June 30, 2024.

(d) Includes accrued interest of approximately \$12,000 and \$36,000 at September 30, 2024 and June 30, 2024, respectively.

5) Accrued Liquidation Costs

The following is a summary of the items included in accrued liquidation costs as of September 30, 2024 (unaudited), with comparative information as of June 30, 2024 (\$ in thousands):

| | <u>September 30, 2024</u> | <u>June 30, 2024</u> |
|--|---------------------------|----------------------|
| Development costs | \$ 8,749 | \$ 8,888 |
| General and administrative costs: | | |
| Legal and other professional fees | 6,547 | 7,453 |
| Directors and officers insurance | 3,132 | 3,132 |
| Payroll and payroll-related | 1,983 | 2,273 |
| Board fees and expenses | 450 | 525 |
| Other | 403 | 433 |
| Total general and administrative costs | <u>12,515</u> | <u>13,816</u> |
| Total accrued liquidation costs | <u>\$ 21,264</u> | <u>\$ 22,704</u> |

The Company's accrued development costs include estimated costs related to the initial phase of repair of the construction defect claim asserted against the Development Entity. The development costs also include legal and professional fees for pursuing litigation related to the construction defect and related insurance claims. The Company is currently unable to estimate the costs to complete subsequent phases of repair or whether all or a portion of the costs of such repair will ultimately be borne by third parties (including the Company's insurers). See Note 12 for additional information.

Accrued liquidation costs assume the completion of the liquidation activities by March 31, 2026. In addition, a portion of the accrued liquidation costs relate to estimated reserves for contingent liabilities including other potential construction defect claims and the administration of such claims after the Company's liquidation activities are completed.

6) 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 (the "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 consist of the former holders of allowed Class 3 and 5 claims as of the Plan Effective Date 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 Class 3 and Class 5 claims (the "Net Allowed Class 3 and Class 5 Claims") plus unresolved Class 3 and Class 5 claims without considering the (i) 5% enhancement for contributing their Causes of Action and (ii) 72.5% Class 5 coefficient. As of September 30, 2024, the Net Allowed Class 3 and Class 5 Claims were approximately \$881,540,000 and net unresolved Class 3 and Class 5 claims were approximately \$50,000 (together referred to as the "Total Net Qualifying Victim Claims"). Because of the requirement to distribute the net sale proceeds of the Forfeited Assets to Qualifying Victims only, the Forfeited Assets as of September 30, 2024 and June 30, 2024 are presented in the consolidated statement of net assets in liquidation as restricted for Qualifying Victims.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended September 30, 2024 and 2023 (Unaudited)

In March 2021, the Trust received certain Forfeited Assets from the DOJ, including cash and other assets and the Company recorded the total estimated net realizable value of the Forfeited Assets of approximately \$3,459,000. On February 23, 2024, the Trust received and recorded approximately \$560,000 in cash from the DOJ that was forfeited by a co-defendant of Robert Shapiro. As of September 30, 2024 and June 30, 2024, the Company had sold a majority of the non-cash assets. The Company sold the last non-cash asset in October 2024.

The Forfeited Assets included in the Company's September 30, 2024 (unaudited) and June 30, 2024 consolidated financial statements are as follows (\$ in thousands):

| | <u>September 30, 2024</u> | <u>June 30, 2024</u> |
|---|---------------------------|----------------------|
| Restricted cash (Note 3) | \$ 4,160 | \$ 4,125 |
| Other assets (Note 4) | 12 | 58 |
| Accrued liquidation costs - primarily legal and professional fees | (47) | (73) |
| Net assets in liquidation - restricted for Qualifying Victims | <u>\$ 4,125</u> | <u>\$ 4,110</u> |

On September 19, 2024, a distribution of the net sales proceeds of the Forfeited Assets of approximately \$4,100,000 was approved by the Supervisory Board, which represents a distribution of approximately \$4.65 per \$1,000 of Total Net Qualifying Victim Claims. The Trust expects to make the distribution, which is to be paid solely to Qualifying Victims, by December 31, 2024.

7) 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 September 30, 2024 (unaudited) (\$ in thousands):

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended September 30, 2024 and 2023 (Unaudited)

| | <u>Cash Activities</u> | <u>Remeasure- ment</u> | <u>Total</u> |
|---|----------------------------|----------------------------|----------------|
| Cash, cash equivalents and short-term investments | \$ - | \$ - | \$ - |
| Restricted cash | 35 | - | 35 |
| Other assets | (61) | 15 | (46) |
| Total assets | <u>\$ (26)</u> | <u>\$ 15</u> | <u>\$ (11)</u> |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ - |
| Accrued liquidation costs | (26) | - | (26) |
| Total liabilities | <u>\$ (26)</u> | <u>\$ -</u> | <u>\$ (26)</u> |
| Change in carrying value of assets and liabilities, net | <u>\$ -</u> | <u>\$ 15</u> | <u>\$ 15</u> |

The following provides details of the change in the carrying value of assets and liabilities, net during the three months ended September 30, 2023 (unaudited) (\$ in thousands):

| | <u>Cash Activities</u> | <u>Remeasure- ment</u> | <u>Total</u> |
|---|----------------------------|----------------------------|---------------|
| Cash, cash equivalents and short-term investments | \$ - | \$ - | \$ - |
| Restricted cash | 82 | - | 82 |
| Other assets | (74) | 8 | (66) |
| Total assets | <u>\$ 8</u> | <u>\$ 8</u> | <u>\$ 16</u> |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ - |
| Accrued liquidation costs | (4) | - | (4) |
| Total liabilities | <u>\$ (4)</u> | <u>\$ -</u> | <u>\$ (4)</u> |
| Change in carrying value of assets and liabilities, net | <u>\$ 12</u> | <u>\$ 8</u> | <u>\$ 20</u> |

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended September 30, 2024 and 2023 (Unaudited)

All Interestholders

The following provides details of the change in the carrying value of assets and liabilities, net during the three months ended September 30, 2024 (unaudited) (\$ in thousands):

| | <u>Cash Activities</u> | <u>Remeasure- ment</u> | <u>Total</u> |
|---|----------------------------|----------------------------|-------------------|
| Cash, cash equivalents and short-term investments | \$ 2,392 | \$ - | \$ 2,392 |
| Restricted cash | - | - | - |
| Other assets | (3,827) | 3,923 | 96 |
| Total assets | <u>\$ (1,435)</u> | <u>\$ 3,923</u> | <u>\$ 2,488</u> |
| Accounts payable and accrued liabilities | \$ (1) | \$ 259 | \$ 258 |
| Accrued liquidation costs | (1,514) | 100 | (1,414) |
| Total liabilities | <u>\$ (1,515)</u> | <u>\$ 359</u> | <u>\$ (1,156)</u> |
| Change in carrying value of assets and liabilities, net | <u>\$ 80</u> | <u>\$ 3,564</u> | <u>\$ 3,644</u> |

The following provides details of the distributions (declared) reversed, net during the three months ended September 30, 2024 (unaudited) (\$ in thousands):

| | |
|--|--------------|
| Distributions declared | \$ - |
| Distributions reversed | 19 |
| Distributions (declared) reversed, net | <u>\$ 19</u> |

Distributions payable decreased by approximately \$89,000 during the three months ended September 30, 2024.

The following provides details of the change in the carrying value of assets and liabilities, net during the three months ended September 30, 2023 (\$ in thousands) (unaudited):

| | <u>Cash Activities</u> | <u>Remeasure- ment</u> | <u>Total</u> |
|---|----------------------------|----------------------------|------------------|
| Cash, cash equivalents and short-term investments | \$ 14,663 | \$ - | \$ 14,663 |
| Restricted cash | 9 | - | 9 |
| Other assets | (398) | 17,519 | 17,121 |
| Total assets | <u>\$ 14,274</u> | <u>\$ 17,519</u> | <u>\$ 31,793</u> |
| Accounts payable and accrued liabilities | \$ (1,212) | \$ 2,485 | \$ 1,273 |
| Accrued liquidation costs | (1,942) | (79) | (2,021) |
| Total liabilities | <u>\$ (3,154)</u> | <u>\$ 2,406</u> | <u>\$ (748)</u> |
| Change in carrying value of assets and liabilities, net | <u>\$ 17,428</u> | <u>\$ 15,113</u> | <u>\$ 32,541</u> |

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended September 30, 2024 and 2023 (Unaudited)

The following provides details of the distributions (declared) reversed, net during the three months ended September 30, 2023 (\$ in thousands) (unaudited):

| | |
|--|--------------|
| Distributions declared | \$ - |
| Distributions reversed | 40 |
| Distributions (declared) reversed, net | <u>\$ 40</u> |

Distributions payable decreased by approximately \$40,000 during the three months ended September 30, 2023.

8) Liquidation Trust Interests

The following table summarizes the Liquidation Trust Interests (rounded) for the three months ended September 30, 2024 and 2023 (unaudited):

| Liquidation Trust Interests | For the Three Months Ended September 30, | | | |
|--|--|----------------|-------------------|----------------|
| | 2024 | | 2023 | |
| | Class A | Class B | Class A | Class B |
| Outstanding at beginning of period | 11,516,474 | 675,951 | 11,515,800 | 675,617 |
| Allowed claims | - | - | - | - |
| 5% enhancement for certain allowed claims | - | - | - | - |
| Settlement of claims by cancelling Liquidation Trust Interests | (667) | - | (1,222) | - |
| Outstanding at end of period | <u>11,515,807</u> | <u>675,951</u> | <u>11,514,578</u> | <u>675,617</u> |

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 and 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 three months ended September 30, 2024 and 2023 (unaudited):

| Liquidation Trust Interests | For the Three Months Ended September 30, | | | |
|---|--|----------|---------------|------------|
| | 2024 | | 2023 | |
| | Class A | Class B | Class A | Class B |
| Reserved for unresolved claims at beginning of period | 2,078 | - | 13,875 | 333 |
| Allowed claims | - | - | - | - |
| 5% enhancement for certain allowed claims | - | - | - | - |
| Disallowed claims | - | - | - | - |
| Reserved for unresolved claims at end of period | <u>2,078</u> | <u>-</u> | <u>13,875</u> | <u>333</u> |

9) Distributions

The Plan provides for a distribution waterfall that specifies the priority and manner of distribution of available cash to all Interestholders, excluding distributions to Qualifying Victims of the net sales proceeds from Forfeited Assets (see Note 6 for additional information). 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 Interest 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, 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.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended September 30, 2024 and 2023 (Unaudited)

On August 3, 2023, the Supervisory Board, at the recommendation of the Liquidation Trustee, suspended the making of additional Trust distributions to Interestholders, pending the result of the investigation of a construction defect claim asserted against the Development Entity by the buyer of a single-family home sold by the Development Entity. Holders of Liquidation Trust Interests are advised that, the Trust has liquidated substantially all of its real estate assets, and given the pending construction defect claim, the Trust is unable to estimate the timing and amount of future distributions, if any, other than the distribution described above solely in respect of Forfeited Assets to be made to Qualifying Victims (see Notes 5, 6 and 12 for additional information).

There were no distributions to Interestholders declared or paid during the three months ended September 30, 2024 or 2023.

As claims are resolved, additional Class A Interests may be issued or cancelled. Therefore, the total amount of a distribution declared may change. In addition, distributions may change if Interestholders that were previously deemed to have forfeited their rights to receive Class A Interest distributions subsequently respond and if overpaid distributions are returned.

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 September 30, 2024, 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 \$70,000 were paid to holders of Class A Interests from the restricted cash account and distributions payable were reduced by the same amount. No distributions were paid during the three months ended September 30, 2023.

During the three months ended September 30, 2024 and 2023, as a result of claims being disallowed or Class A Interests being cancelled, approximately \$19,000 and \$40,000, respectively, was released from the restricted cash account and distributions payable were reduced by the same amount.

10) Related Party Transactions

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 September 30, 2024 and 2023, approximately \$256,000 and \$2,480,000, respectively, were accrued as amounts due to the Liquidation Trustee. As of September 30, 2024 and June 30, 2024, approximately \$274,000 and \$18,000, 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 September 30, 2023, approximately \$1,212,000, was paid to the Liquidation Trustee. No amounts were paid to the Liquidation Trustee during the three months ended September 30, 2024.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended September 30, 2024 and 2023 (Unaudited)

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 the 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 September 30, 2023, approximately \$106,000 was paid related to these services. No amounts were paid relating to these services during the three months ended September 30, 2024. There are no outstanding payables to Akerman LLP as of September 30, 2024 and June 30, 2024.

11) Causes of Action

One of the Trust's liquidation activities is to litigate and/or settle Causes of Action. The main areas of litigation have involved actions against Comerica Bank, nine law firms and 10 individual attorneys. As of September 30, 2024, the case against Comerica Bank had been settled and the cases against the law firms and the individual attorneys had been settled or dismissed. During the three months ended September 30, 2024, the case against the remaining law firm and one individual attorney was settled. During the three months ended September 30, 2023, the cases against three law firms and three individual attorneys were settled. The Company recognizes recoveries from settlements when an agreement is executed, final court approval is received (if required), and collectability is reasonably assured.

The Trust has also filed numerous avoidance actions, most of which have been resolved, resulting in settlement recoveries by or judgments in favor of the Trust. As of September 30, 2024, 20 legal actions remain pending. Additionally, since February 15, 2019 and as of September 30, 2024, the Trust has obtained default and stipulated judgments related to certain avoidance actions. It is unknown at this time how much, if any, will ultimately be collected on the judgments. Therefore, the Company has not recognized any recoveries from these judgments.

During the three months ended September 30, 2024 and 2023, the Company recorded approximately \$3,447,000 and \$34,428,000, respectively, from the settlement of Causes of Action. The Company also recorded liabilities of 5% of the settlements as amounts payable to the Liquidation Trustee and an allowance for uncollectible settlement installment receivables. See Note 4 for additional information about the settlement receivables, net as of September 30, 2024 and June 30, 2024.

12) Commitments and Contingencies

Since the Company uses the liquidation basis of accounting, the Company has accrued estimated liquidation costs to the extent they are reasonably determinable, which includes the items discussed in this footnote.

The Company has a month-to-month lease for office space which may be terminated with no less than one month's notice from the first day of any calendar month. The monthly rent is approximately \$2,000.

The Wind-Down Entity has part-time employment agreements with its two executive officers which renew automatically on an annual basis, subject to the right of either party to terminate the agreement at any time and for any reason on thirty days' advance written notice.

In June 2023, the owner of a single-family home sold by the Development Entity asserted a construction defect claim against the Development Entity. The claim included damage to a retaining wall, cracking and separation in various areas of the property, and other damage resulting from soil movement. The Development Entity's engineering consultants are developing a multi-phase repair plan to address the situation. The initial phase will include repair and remediation of a retaining wall. On August 7, 2024, the Development Entity submitted a building permit application to the Los Angeles Department of Building and Safety ("LADBS") for the retaining wall repair. During the permitting process, additional review and feedback from LADBS may be received in which case the Development Entity will need to further respond before the permit will be issued. Once the construction permit is issued, the Development Entity may proceed with the initial repair phase. Following the retaining wall work, additional phases of repair and monitoring will be necessary to address other conditions; however, the scope of work, timing and costs for the additional phases of repair have not been determined.

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 1. Financial Statements (Continued)

Woodbridge Liquidation Trust and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended September 30, 2024 and 2023 (Unaudited)

The amount of the Development Entity's ultimate exposure for the construction defect claim is currently unknown and may be materially in excess of the amount that has been accrued as of September 30, 2024 in the Company's consolidated financial statements (see Note 5 for additional information). The Company also believes that all or a portion of these costs may ultimately be borne by third parties, including the Development Entity's insurers, as described further below.

The Development Entity purchased primary and excess coverage insurance policies covering certain risks arising out of the Development Entity's development of the single-family home which is the subject of the construction defect claim. The Development Entity tendered the claim to its primary insurer on June 28, 2023. The primary insurer has agreed to defend the Development Entity subject to a reservation of rights, but has not agreed to indemnify the Development Entity, nor has it reimbursed the Development Entity for most of the out-of-pocket costs incurred to date, which the Development Entity asserts are covered by the primary policy.

On August 9, 2024, the Development Entity filed a lawsuit against its primary and excess insurers demanding that they defend and indemnify it against the construction defect claim. The lawsuit seeks, among other relief, damages from the primary insurer for amounts the Development Entity has incurred, and may incur, in connection with the investigation and repair of the construction defect claim, as well as declaratory relief against both the primary and excess insurers. On August 20, 2024, the lawsuit against the insurers was stayed until October 21, 2024. On October 15, 2024, the Development Entity agreed to extend the stay by an additional three months, until January 21, 2025, during which time the parties will seek informal resolution of the dispute. The Development Entity has also agreed to dismiss its claims against the excess insurer without prejudice and subject to a tolling agreement given that it is not yet clear that the excess policy will be triggered.

Additionally, on May 28, 2024, the Development Entity filed a lawsuit against 13 different parties, including the prior owner, contractors, including G3, and other professionals involved in the development of the site and the construction of the home. G3 is a construction firm specializing in the development of high-end luxury residences. G3 is owned by Terry Goebel, who was a member of the Supervisory Board until his resignation on March 5, 2024, and his son Terry Goebel. The lawsuit seeks, among other relief, contribution from these parties for the costs that the Development Entity has incurred, and may incur, in connection with the investigation and repair of the construction defect claim. Based on further investigation after filing of the complaint, the Development Entity dismissed without prejudice three defendants. This litigation is in its preliminary stages, and the Company cannot predict whether the Development Entity will be successful in recovering the costs incurred to date and further costs incurred to address the construction defect claim from these parties.

In July 2024, the Liquidation Trustee received two summonses which named a Debtor as a defendant. Both complaints relate to delinquent real estate taxes on properties located in the state of Ohio that serve as collateral for a loan that is owned by a Wind-Down Subsidiary. In August 2024, the Company responded to both complaints.

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 other than as described herein.

13) Subsequent Events

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

Causes of Action

During the period from October 1, 2024 through November 12, 2024, the Trust recorded approximately \$20,000 from the settlement of Causes of Action. The Company recorded approximately \$1,000 as the amount due to the Liquidation Trustee on account of such settlements.

Forfeited Assets

During the period from October 1, 2024 through November 12, 2024, the Company realized net proceeds of approximately \$1,000 from the sale of the remaining non-cash asset.

PART I. FINANCIAL INFORMATION (CONTINUED)

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

The following discussion and analysis of changes in net assets and net assets in liquidation 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, projections and statements with respect to expectations 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 include, without limitation, statements (other than historical facts) that address future plans, goals, expectations, activities, events or developments. The Trust has tried, where possible, to use words such as "anticipates," "if," "believes," "estimates," "plans," "expects," "intends," "forecasts," "initiative," "objective," "goal," "projects," "outlook," "priorities," "target," "evaluate," "pursue," "seek," "potential," "continue," "designed," "impact," "may," "could," "would," "should," "will" and similar expressions to identify forward-looking statements. Forward-looking statements are based on current expectations and are subject to substantial risks, uncertainties and other factors, many of which are beyond our control and not all of which can be predicted by the Trust. Such risks and uncertainties include the amount of funds needed for construction defect and other claims, the estimated completion date for the Company's operations, the amount of general and administrative costs, the number and amount of successful Causes of Action (as defined below) and/or settlements and the ability to recover thereon, the amount of funding required to continue litigations, changes in tax and other governmental rules and regulations applicable to the Trust and its subsidiaries, and other risks identified and described 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 "Part II. Other Information, Item 1A. Risk Factors" of this Form 10-Q. Accordingly, the Trust cannot guarantee that any forward-looking statements will be realized, as actual results may differ materially from those identified or implied in any forward-looking statement. 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 to the Trust on the Plan Effective Date. 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 Claims and Priority Claims and subject to the payment of Trust expenses and the retention of various reserves, to make distributions of cash to Interests holders 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, as amended. The Wind-Down Entity was formed as a Delaware limited liability company and is administered by its Board of Managers. The current sole 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 September 30, 2024, the number of Liquidation Trust Interests outstanding in each class is as follows:

| <u>Class of Interest</u> | |
|-------------------------------------|------------|
| Class A Liquidation Trust Interests | 11,515,807 |
| Class B Liquidation Trust Interests | 675,951 |

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 September 30, 2024, the Wind-Down Subsidiaries have disposed of approximately 149 properties for aggregate net sales proceeds of approximately \$576.00 million. As of September 30, 2024, the Company owned two real estate assets with a net carrying value of approximately \$0.49 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 will be negligible as compared to the amount realized from the Plan Effective Date through September 30, 2024. The Company currently expects to complete its liquidation activities during the fiscal year ending June 30, 2026.

Discussion of the Company’s Operations

For the three months ended September 30, 2024

PART I. FINANCIAL INFORMATION (CONTINUED)

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

The following is a summary of the Consolidated Statement of Changes in Net Assets in Liquidation for the three months ended September 30, 2024 (\$ in thousands):

| | <u>Restricted for Qualifying Victims</u> | <u>All Interestholders</u> | <u>Total</u> |
|--|--|--------------------------------|------------------|
| Net assets in liquidation as of beginning of period | \$ 4,110 | \$ 35,759 | \$ 39,869 |
| Change in assets and liabilities: | | | |
| Restricted for Qualifying Victims - | | | |
| Change in carrying value of assets and liabilities, net | 15 | - | 15 |
| All Interestholders- | | | |
| Change in carrying value of assets and liabilities, net | - | 3,644 | 3,644 |
| Distributions (declared) reversed, net | - | 19 | 19 |
| Net change in assets and liabilities | - | 3,663 | 3,663 |
| Net assets in liquidation, as of end of period | <u>\$ 4,125</u> | <u>\$ 39,422</u> | <u>\$ 43,547</u> |

Net assets in liquidation – Restricted for Qualifying Victims increased by approximately \$0.015 million during the three months ended September 30, 2024.

Net assets in liquidation – All Interestholders increased by approximately \$3.66 million during the three-month period ended September 30, 2024. This increase was due to an increase in the net carrying value of assets and liabilities of approximately \$3.64 million and distributions reversed of approximately \$0.02 million for Class A Interests being cancelled.

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> |
|---|--|--------------------------------|-----------------|
| Settlement recoveries, net (1) | \$ - | \$ 3,191 | \$ 3,191 |
| Remeasurement of assets and liabilities, net | 15 | 434 | 449 |
| Other | - | 19 | 19 |
| Change in carrying value of assets and liabilities, net | <u>\$ 15</u> | <u>\$ 3,644</u> | <u>\$ 3,659</u> |

(1) Net of 5% payable to the Liquidation Trustee of approximately \$256,000.

During the three months ended September 30, 2024, the Company:

- Reversed distributions of approximately \$0.02 million from Class A Interests being cancelled.
- Received net proceeds from the sale of Forfeited Assets of approximately \$0.02 million.
- Recorded approximately \$3.19 million from the settlement of Causes of Action, net of 5% payable to the Liquidation Trustee.
- Paid development costs of approximately \$0.20 million.
- Paid general and administrative costs of approximately \$1.35 million, including approximately \$0.08 million of board member fees and expenses, approximately \$0.37 million of payroll and other general and administrative costs and approximately \$0.90 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 three months ended September 30, 2023

The following is a summary of the Consolidated Statement of Changes in Net Assets in Liquidation for the three months ended September 30, 2023 (\$ in thousands):

| | <u>Restricted for Qualifying Victims</u> | <u>All Interestholders</u> | <u>Total</u> |
|--|--|--------------------------------|------------------|
| Net assets in liquidation as of beginning of period | \$ 3,491 | \$ 3,282 | \$ 6,773 |
| Change in assets and liabilities: | | | |
| Restricted for Qualifying Victims - | | | |
| Change in carrying value of assets and liabilities, net | 20 | - | 20 |
| All Interestholders- | | | |
| Change in carrying value of assets and liabilities, net | - | 32,541 | 32,541 |
| Distributions (declared) reversed, net | - | 40 | 40 |
| Net change in assets and liabilities | - | 32,581 | 32,581 |
| Net assets in liquidation, as of end of period | <u>\$ 3,511</u> | <u>\$ 35,863</u> | <u>\$ 39,374</u> |

Net assets in liquidation – Restricted for Qualifying Victims decreased by approximately \$0.02 million during the three months ended September 30, 2023.

Net assets in liquidation – All Interestholders increased approximately \$32.58 million during the three months ended September 30, 2023. This increase was due to an increase in the net carrying value of assets and liabilities of approximately \$32.54 million and distributions reversed of approximately \$0.04 million from Class A Interests being cancelled.

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> |
|---|--|--------------------------------|------------------|
| Settlement recoveries (1) | \$ - | \$ 31,948 | \$ 31,948 |
| Remeasurement of assets and liabilities, net | 8 | 581 | 589 |
| Sales proceeds in excess of carrying value | 12 | - | 12 |
| Other | - | 12 | 12 |
| Change in carrying value of assets and liabilities, net | <u>\$ 20</u> | <u>\$ 32,541</u> | <u>\$ 32,561</u> |

(1) Net of 5% payable to the Liquidation Trustee of approximately \$2,480,000.

During the three months ended September 30, 2023, the Company:

- Reversed distributions of approximately \$0.04 million from Class A Interests being cancelled.
- Received net proceeds from the sale of Forfeited Assets of approximately \$0.05 million.
- Recorded approximately \$31.95 million for the settlement of Causes of Action, net of 5% payable to the Liquidation Trustee.
- Paid development costs of approximately \$0.04 million.
- Paid holding costs of approximately \$0.07 million.
- Paid general and administrative costs of approximately \$3.11 million, including approximately \$0.07 million of board member fees and expenses, approximately \$0.36 million of payroll and other general and administrative costs, approximately \$1.47 million of professional fees and approximately \$1.21 million paid to the Liquidation Trustee.

PART I. FINANCIAL INFORMATION (CONTINUED)

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

Liquidity and Capital Resources

Liquidity

The Company's primary sources for meeting its capital requirements are its cash, cash equivalents, short-term investments and restricted cash, receipt of interest earned, and proceeds from liquidating its other remaining assets. The Company's primary uses of funds are and will continue to be for distributions, if any, and operating costs, including costs related to construction defect claims and other costs. The Company expects to be able to adequately fund its operations over the next twelve months from its primary sources of capital. However, no assurance can be made in that regard due to the construction defect claim asserted against the Development Entity. At this time, the amount of the liability exposure for this claim cannot be determined and may be in excess of the amount that was accrued or that may be available from third parties, including the Company's insurers.

Capital Resources

In addition to cash, cash equivalents and short-term investments as of September 30, 2024 of approximately \$63.28 million (of which approximately \$4.86 million is restricted), the capital resources available to the Company are as follows:

- **Interest Earnings:** During the three months ended September 30, 2024, the Company recorded interest earnings of approximately \$0.55 million. At September 30, 2024, the Company had approximately \$1.88 million of accrued interest recorded. The Company expects to receive approximately \$1.52 million of this accrued interest during the remainder of the year ending June 30, 2025.
- **Proceeds from Real Estate Transactions:** As of September 30, 2024, the Company owned two real estate assets with an estimated carrying value of approximately \$0.49 million. Based on the remaining real estate assets of the Company, future net proceeds will be negligible as compared to the proceeds the Company has realized in prior periods.
- **Causes of Action Recoveries:** During the three months ended September 30, 2024, the Company recognized approximately \$3.45 million from the settlement of Causes of Action. Based on the limited remaining Causes of Action, future recoveries will be negligible as compared to the proceeds the Company has realized in prior periods.
- **Forfeited Assets:** Forfeited Assets consist of restricted cash and other assets. During the three months ended September 30, 2024, the Trust sold a majority of the non cash assets and received net proceeds of approximately \$0.02 million. As noted earlier, net sale proceeds from Forfeited Assets are to be distributed only to Qualifying Victims. The Company does not expect to receive any additional Forfeited Assets. As noted above, the Company sold the last non-cash asset in October 2024.

Uses of Liquidity

The primary uses of the Company's liquidity are to pay distributions payable, operating costs and costs related to construction defect claim(s). As of September 30, 2024, the Company's total liabilities were approximately \$22.24 million. The total liabilities recorded as of September 30, 2024 may not be indicative of the Company's future cash needs, which may vary materially from the current estimate.

Given current cash, cash equivalents, short-term investments and restricted cash balances, distributions payable, and expected cash needs, the Company does not expect a deficiency in liquidity in the next twelve months. Due to the uncertain nature of potential recoveries from insurance claims and costs to be incurred, including costs related to construction defect claims and other costs, it is not possible to be certain that the current liquidity will be adequate to cover all future financial needs of the Company.

PART I. FINANCIAL INFORMATION (CONTINUED)

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

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. **On August 3, 2023, the Supervisory Board, at the recommendation of the Liquidation Trustee, suspended the making of additional Trust distributions to Interestholders, pending the result of the investigation of a construction defect claim asserted against the Development Entity by the buyer of a single-family home sold by the Development Entity. Holders of Liquidation Trust Interests are advised that to date, the Trust has liquidated substantially all of its real estate assets, and given the pending construction defect claim, the Trust is unable to estimate the timing and amount of future distributions, if any, other than the distribution described herein solely in respect of Forfeited Assets to be made to Qualifying Victims. (See Notes 5, 6 and 12 to the Consolidated Financial Statement for additional information.)**

On September 19, 2024, a distribution of the net sales proceeds of the Forfeited Assets of approximately \$4,100,000 was approved by the Supervisory Board, which represents a distribution of approximately \$4.65 per \$1,000 of Total Net Qualifying Victim Claims. The Trust expects to make the distribution, which is to be paid solely to Qualifying Victims, by December 31, 2024.

As of November 12, 2024, the Liquidation Trustee has declared eleven (11) distributions to the Class A Interestholders. The distributions include a cash distribution on account of the then-allowed claims and a deposit 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 27, 2024, “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 may make additional cash distributions on account of Class A Interests but does not currently know the timing or amount of any such distribution(s).

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, for 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.

PART I. FINANCIAL INFORMATION (CONTINUED)

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

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 September 30, 2024 and from February 15, 2019 (inception) through November 12, 2024:

| Date Declared | \$ per Class A Interest | During the Period from February 15, 2019 (inception) through September 30, 2024 (\$ in Millions) | | | During the Period from February 15, 2019 (inception) through November 12, 2024 (\$ 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 | 53.44 | 51.20 | 2.24 | 53.44 | 51.20 | 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 | 29.96 | 29.21 | 0.75 | 29.96 | 29.21 | 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 | 30.04 | 29.35 | 0.69 | 30.04 | 29.35 | 0.69 |
| Eighth | 10/8/2021 | 3.44 | 40.02 | 39.14 | 0.88 | 40.02 | 39.14 | 0.88 |
| Ninth | 2/4/2022 | 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 |
| Eleventh | 5/10/2023 | 2.18 | 25.02 | 24.90 | 0.12 | 25.02 | 24.90 | 0.12 |
| Subtotal | | \$ 37.04 | \$ 433.16 | \$ 421.56 | \$ 11.60 | \$ 433.16 | \$ 421.56 | \$ 11.60 |

Distributions Returned / (Reversed)

| | | |
|--------------------------|--------|--------|
| Disallowed/cancelled (b) | (6.68) | (6.68) |
| Returned (c) | 0.74 | 0.74 |
| Forfeited (d) | (1.15) | (1.15) |
| Subtotal | (7.09) | (7.09) |

Distributions Paid from Reserve Account (e)

| | | |
|--|--------|--------|
| | (3.82) | (3.82) |
|--|--------|--------|

Distributions Payable, Net as of 9/30/2024: \$ 0.69 as of 11/12/2024: \$ 0.69

- (a) The seventh distribution included the cash the Trust received from 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.

Contractual Obligations

The Company has a month-to-month lease for office space. The Company expects that it will continue to lease office space until the liquidation process is completed.

The Wind-Down Entity has part-time employment agreements with its two executive officers that are renewed automatically on an annual basis, subject to the right of either party to terminate the agreement at any time and for any reason on thirty days’ advance written notice.

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, general and administrative costs to be incurred until the completion of the liquidation activities of the Company, the cost of potential construction defect claims, estimated reserves for contingent liabilities, and the administration of such claims after the Company’s liquidation activities are completed. 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.

PART I. FINANCIAL INFORMATION (CONTINUED)

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

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, including estimated costs associated with implementing and completing the Plan, are measured in accordance with U.S. GAAP that otherwise apply to those liabilities. These estimated amounts are presented in the accompanying consolidated statements of net assets in liquidation. As additional information becomes available the estimated amounts may change. All changes in the estimated liquidation value of the Company's real estate, or other assets and liabilities are reflected as a change to the Company's net assets in liquidation.

Other Assets

The Company recognizes recoveries from the settlement of unresolved Causes of Action when an agreement is executed, final court approval is received (if required) and collectability is reasonably assured. An allowance for uncollectible settlement installment receivables is recorded when there is doubt about the collectability of the receivable. The Company records escrow receivables at the amount that is expected to be received when the escrow receivable is released. The Forfeited Assets received from the DOJ, other than cash, have been recorded at their estimated net realizable value.

The Company accrues expected interest earnings when it can forecast the interest rate to be paid on its cash on deposit. The Company uses a forward yield curve to estimate the interest rates to be earned and its expected future cash balances to estimate the dollar amount that will earn interest through the currently expected Trust termination date of March 31, 2026.

The measurement of real estate assets is based on current contracts (if any), if contingencies have been removed, estimates and other indications of sales value, net of estimated selling costs. The performing loan is recorded at the amount of the contractual interest payments and principal repayment of the loan.

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 estimated costs associated with implementing and completing the Company's plan of liquidation are recorded as accrued liquidation costs to the extent they are known and reasonably determinable.

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. 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 real estate, 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 have 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 September 30, 2024. 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 believe that, as of September 30, 2024, 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 September 30, 2024 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. In matters in which the Company is the plaintiff, the Company 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. In matters in which the Company is the defendant, the Company records a liability when a loss is probable, and the Company can reasonably estimate the amount of the loss.

Trust Litigation - Avoidance Actions

The Trust has pursued over 500 avoidance actions, many of which have been resolved. As of November 12, 2024, the Trust has entered into settlements in approximately 247 legal actions, with 19 actions still pending. In addition, as of November 12, 2024, the Trust has settled approximately 245 potential avoidance claims for which litigation was not filed. Since inception and as of November 12, 2024, the resolution of avoidance actions has resulted in aggregate settlements of approximately \$22.65 million of cash payments made or due to the Trust and approximately \$11.28 million in reductions of claims against the Trust. Additionally, as of November 12, 2024, the Trust has obtained judgments of approximately \$169.95 million, including default judgments of approximately \$152.72 million and stipulated judgments of approximately \$17.23 million. It is unknown at this time how much, if any, will ultimately be collected on these judgments, as stipulated and default judgments are commonly obtained where the defendant has insufficient assets, if any, to satisfy a judgment. The Trust is currently prosecuting several 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 and/or fraudulent transfers (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: (1) during the 90 days prior to the December 4, 2017 bankruptcy filing, including payments to former Noteholders and Unitholders; and/or (2) 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 and fraud (against former agents)*. Certain of the 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 Bankruptcy Court 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 a Fair Fund established by the SEC.

Wind-Down Group Litigation

As disclosed above, during the year ended June 30, 2023, a construction defect claim was asserted against the Development Entity by the buyer of a single-family home sold by the Development Entity. The Company believes that all or substantially all of the construction defect claim is largely attributable to work performed by third parties before the Development Entity acquired the property. The following is a summary of the two legal proceedings recently commenced by the Development Entity in connection with the construction defect claim:

- On May 28, 2024, the Development Entity filed a lawsuit in Los Angeles Superior Court against 13 different parties, including the prior owner, contractors and other professionals involved in the development of the site and the construction of the home. The lawsuit seeks, among other relief, contribution from these parties for the costs that the Development Entity has incurred, and may incur, in connection with the investigation and repair of the construction defect claim. Based on further investigation after filing of the complaint, the Development Entity dismissed without prejudice three defendants. This litigation is in its preliminary stages.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings (Continued)

- On August 9, 2024, the Development Entity filed a lawsuit in Los Angeles Superior Court against its primary and excess insurers demanding that they defend and indemnify it against the construction defect claim. The lawsuit seeks, among other relief, damages from the primary insurer for amounts the Development Entity has incurred, and may incur, in connection with the investigation and repair of the construction defect claim, as well as declaratory relief against both the primary and excess insurers. The primary insurer has agreed to defend the Development Entity subject to a reservation of rights, but has not agreed to indemnify the Development Entity, nor has it reimbursed the Development Entity for most of the out-of-pocket costs incurred to date, which the Development Entity asserts are covered by the primary policy. The Company and the primary insurer have agreed to stay the litigation until January 21, 2025, during which time the parties will seek informal resolution of the dispute. The Development Entity has also agreed to dismiss the suit against the excess insurer without prejudice and subject to a tolling agreement given that it is not yet clear that the excess policy will be triggered.

In addition, in early July 2024, the Liquidation Trustee received two summonses which named a Debtor as a defendant. Both complaints, filed in the Lucas County Prosecutors Office in the State of Ohio, relate to delinquent real estate taxes on properties that serve as collateral for a loan that is owned by a Wind-Down Subsidiary. In August 2024, the Company responded to both complaints.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Please see the applicable risks in Item 1A of our Annual Report on Form 10-K filed with the SEC on September 27, 2024.

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 27, 2024. During the period from February 15, 2019 (inception) through September 30, 2024, the Trust has issued an aggregate of 11,544,753 Class A Interests and an aggregate of 678,123 Class B Interests. As of September 30, 2024, the Trust had 11,515,807 Class A Interests and 675,951 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 September 30, 2024, 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 Number and 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 | Amendment No. 5 to Liquidation Trust Agreement dated as of May 9, 2024, incorporated herein by reference to Form 10-Q filed by the Trust on May 13, 2024. |
| 3.6 | 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 | Second Amendment to Limited Liability Agreement of Woodbridge Wind-Down Entity LLC dated as of March 27, 2023, incorporated herein by reference to the Current Report on Form 8-K filed by the Trust on March 29, 2023. |
| 10.4 | Third Amendment to Limited Liability Agreement of Woodbridge Wind-Down Entity LLC dated as of April 28, 2023, incorporated herein by reference to the Current Report on Form 8-K filed by the Trust on May 1, 2023. |
| 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 | 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. |
| 10.8 | 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. |
| 10.09 | 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. |
| 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 Annual Report on Form 10-K for the three months ended September 30, 2024, formatted in eXtensible Business Reporting Language (XBRL): (i) consolidated statements of net assets in liquidation as of September 30, 2024 and June 30, 2024, (ii) consolidated statements of changes in net assets in liquidation for the three months ended September 30, 2024 and 2023, (iii) 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: November 12, 2024

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - 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;
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: November 12, 2024

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 September 30, 2024, 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: November 12, 2024

By: /s/ Michael I. Goldberg

Michael I. Goldberg,
Liquidation Trustee
