TOUSA Liquidation Trust

Quarterly Report - For the Quarter Ended March 31, 2017

May 2017

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Table of Contents

Trust Activities

Recordkeeping

CohnReznick LLP ("CR")[1] maintains the books and records of the Liquidation Trust, utilizing QuickBooks ("QB") accounting software. Following the resignation of certain employees of the Liquidation Trust, control of the accounts maintained in QB was transitioned to CR. Various electronic and hard copy records and files were also transferred to CR. CR obtains the appropriate approvals from the Liquidation Trust Advisory Board and/or the Liquidation Trustee for disbursement of funds from all accounts maintained by the Liquidation Trustee, including Debtor accounts, and handles the daily, weekly and monthly cash activities. These activities include, among other things, internal bank transfers, wire transfers, transmission of electronic data to the Liquidation Trustee for ultimate transmittal to Wells Fargo Bank, bank account reconciliations, administering payroll, payroll tax remittance and reporting, payment of Liquidation Trust expenses, payment of Debtor-related obligations, processing and related bookkeeping of various classes of creditor distributions, and reporting to the Liquidation Trustee and the Liquidation Trust Advisory Board.

US Trustee Reporting

CR handles the quarterly reporting of the Debtors and Liquidation Trust activities to the U.S. Trustee. To date, the Trust has prepared and filed all required quarterly reports through March 31, 2017.

Tax Filings

The Trust has prepared and filed all required 2013, 2014 and 2015 federal and state income tax returns and expects to timely file (within the extension period) its 2016 federal tax return.

Valuation of Trust Assets

In March 2014, CR prepared a report that valued the Liquidation Trust interests as of August 21, 2013. Below is a website link to the report.

https://clientaccess.kccllc.com/documents/0810928/0810928140411000000000001.pdf

[1] Capitalized terms used and not otherwise defined herein shall have the meaning ascribed to such terms in the *Amended Joint Plan of Liquidation of TOUSA, Inc. and its Affiliated Debtors and Debtors in Possession Under Chapter 11 of the Bankruptcy Code*, dated August 6, 2013 (the "Plan").

Claims Resolution/Distribution

The Liquidation Trust made final distributions to all Allowed Administrative Claims, priority claims, TOUSA Class 1A Claims, TOUSA Class 1B Claims, Conveying Subsidiaries Class 1 Claims and Beacon Hill Class 3 Claims. TOUSA Class 5A and 5B Claims and Conveying Subsidiaries Class 4A and 4B Claims received initial and supplemental or final distributions totaling over $347 million. Additional distributions are dependent upon the outcome of the Transeastern Litigation and the Trust's ongoing expenses, including the funding of the Transeastern Litigation. The resolved general unsecured claims are broken into the following categories:

- Employee claims;
- Claims receiving a one-time five percent distribution (the "Minimum Conveying Subsidiary Recovery Amount"), the holders of which are not Liquidation Trust Beneficiaries, where the initial distribution on account of such claims is less than $600;
- Claims receiving the Minimum Conveying Subsidiary Recovery Amount, the holders of which are not Liquidation Trust Beneficiaries, where the initial distribution on account of such claims is more than $600;
- Claims receiving more than one distribution, the holders of which are Liquidation Trust Beneficiaries; where the distribution is less than $100; and
- Claims receiving more than one distribution, the holders of which are Liquidation Trust Beneficiaries; where the distribution is more than $100.

The General Unsecured Claims are broken into the above categories for tax and reporting purposes, as well as for administrative efficiency. Page 4 provides a breakdown of the number of claims that have received an initial or partial distribution and the associated dollar amounts.

Schedule of Distributions[2]

Claim	Number of Claims	Amount Distributed
Revolver Claim	1	$ 7,306,277
First Lien Term Loan Lender Claims	1	17,236,924
Senior Notes Claims	1	325,978,908
Secured Claims	4	41,009
Administrative Claims and Expenses	13	10,667,176
Priority Claims	44	150,860
Employee Claims (general unsecured)	11	214,251
General Unsecured Claims receiving less than $600 distribution (not Liquidation Trust Beneficiaries)	172	14,681
General Unsecured Claims receiving more than $600 distribution (not Liquidation Trust Beneficiaries)	50	651,559
General Unsecured Claims (Liquidation Trust Beneficiaries)	678	20,620,983
General Unsecured Claims (No W-9 form provided or less than $100 distribution)	-	-
Total Creditor Distributions	975	$ 382,882,628

[2] Below schedule includes distributions through March 31, 2017

Unaudited Balance Sheet as of March 31, 2017

ASSETS	
Current Assets	
Cash (1)	$5,029,180
Prepaid Insurance and Other	52,094
Total Current Assets	5,081,274
Other Assets (2)	96,264,601
TOTAL ASSETS	$101,345,874
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities:	
Accounts Payable	$287,251
Initial Liquidation Trust funding	5,000,000
Total Liabilities	5,287,251
Equity	
Liquidation Trust Interests:	
FLTL Lenders	41,646,452
SLTL Lenders	17,918,496
General Unsecured Creditors	43,139,478
Liquidation Trust Interests	102,704,426
Retained Earnings (Deficit)	(6,645,803)
Total Equity	96,058,623
TOTAL LIABILITIES AND EQUITY	$101,345,874

Unaudited Balance Sheet as of March 31, 2017

(1) In addition to the Cash that is an asset of the Liquidation Trust, the Liquidation Trust holds Debtor funds (as a disbursing agent of the Debtors), in the approximate amount of $10.7 million as a reserve for Debtor and trust expenses, including funding the Transeastern litigation.

(2) Other Assets are based on the November Valuation Report, which indicated a total asset value of approximately $102.7 million as of the Effective Date. Subsequent to the Effective Date, the Liquidation Trust monetized the assets listed on page 8. In addition, the Liquidation Trust made required capital contributions totaling approximately $8,000 to Remington Ranch and Brushy Creek. Below is a reconciliation from the financial statements to the November Valuation Report:

Other Assets per Financial Statement	$	96,264,601
AIG/Chartis Receivable		1,339,000
Preference Actions		250,634
Entrada Del Oro		244,100
Preferred Home Mortgage Co.		2,998,300
Universal Land Title Inc.		88,000
Woodland Pines		1,011,000
RSUI		194,000
Retainers		6,767
Remington Ranch		119,413
Remington Ranch Capital Call		(4,388)
Brushy Creek		196,750
Brushy Creek Capital Call		(3,750)
Total per November Valuation Report	$	102,704,428

Unaudited Income Statement for the Quarter Ended March 31, 2017

		For the Quarter Ended March 31, 2017
Interest Income	$	3,082
Other Income		84,878
Total Income		87,960
Salaries, Taxes and Benefits		-
Rent		748
Professional Fees		289,199
IT		13,206
Insurance		20,995
Bank Charges		6,870
UST Fees		16,900
Other		15,977
Total Expenses		363,896
Net Income (Loss)	$	(275,936)

Schedule of Receipts from Financial Assets

Asset	Q1 - 2017	Since Inception
AIG/Chartis		$1,356,150
Various Preference Actions	$686	330,875
Brushy Creek		331,479
Woodland Pines		1,884,728
Preferred Home Mortgage Co.		2,980,069
Universal Land Title Inc.		93,098
RSUI		25,000
Entrada del Oro		250,000
AlixPartners		475,000
Lake Las Vegas Litigation		1,453,043
Refund of Professional Fee Retainers		6,767
Total	$686	$9,186,208

Schedule of Non-Negotiated Checks

None

Resolved Claims – Q3 2016

The Trust believes that it has resolved all claims for which resolution is not dependent on ongoing litigation. Out of an abundance of caution, however, the Trust filed a motion to extend the claims objection deadline. The Court approved the extension through February 19, 2018.

Transeastern Litigation Update

On September 5, 2014, the District Court granted the Liquidation Trustee's motion to lift the stay with respect to the Transeastern Litigation. The Court ordered that the parties submit short supplemental briefs addressing (i) the impact of recent settlements, including with the Lien Term Loan Lenders and certain Transeastern Lenders and (ii) the impact of the Supreme Court's decision in *Executive Benefits Insurance Agency v. Arkison* ("*Bellingham*"), 134 S.C. 2165 (2014). The District Court then held a hearing where the parties argued the issues identified in their supplemental briefs and responded to the Court's questions.

On June 23, 2015, the District Court issued an Order denying the Transeastern Lenders' request that the District Court re-open the Eleventh Circuit's decision affirming the bankruptcy court's liability finding. The District Court held that it was bound by the Eleventh Circuit's mandate, concluding that neither *Bellingham* nor *Wellness Int'l Network, Ltd. v. Sharif,* 135 S. Ct. 1932 (2015), constituted intervening authority that would justify departing from the Eleventh Circuit's mandate. The District Court referred the issue of the impact of the recent settlements to the Bankruptcy Court for a report and recommendation.

After briefing and oral argument by the parties, the Bankruptcy Court issued its Report and Recommendation regarding the impact of the recent settlements. The Bankruptcy Court concluded that the settlements with the Lien Lenders and the D&O litigation defendants did not affect the Transeastern Lenders' disgorgement obligation and that the Monarch settlement reduced the liability of only those Transeastern Lenders who participated in that settlement.

The District Court then lifted the stay and set a briefing schedule for the parties to set out their positions regarding the Report and Recommendation and the legal issues that remain pending before the District Court. The parties filed their briefs in April and May 2016, and the matter currently is awaiting decision by the District Court.

On March, 8, 2017, U.S. District Judge K. Michael Moore issued a decision affirming the remedial scheme of the bankruptcy court's original 2009 Order. The Transeastern Lenders had objected to the remedies in the bankruptcy court's Order as a violation of the bankruptcy code's single satisfaction rule and beyond the court's authority. Judge Moore rejected these arguments, concluding that the bankruptcy court did not abuse its discretion in requiring the Transeastern Lenders to disgorge the moneys that they improperly received in the fraudulent transfer transaction. He ruled that the bankruptcy court was within its equitable discretion to have crafted an order where "the New Lenders and the Transeastern lenders each bear some of the burden." Judge Moore also adopted the bankruptcy court's 2016 Report and Recommendation that the settlements with the New Lenders, Monarch, and the D&O Coverage defendants did not reduce the liability of the Transeastern Lenders who did not participate in the Monarch settlement.

On April 6 and 12, 2017, the various Transeastern Lenders appealed this ruling to the U.S. Court of Appeals for the Eleventh Circuit. The federal appeals court has yet to issue a scheduling order in the case. However, the written briefing typically takes 3 to 6 months, followed by oral argument roughly 4 to 6 months after briefing is completed. The Eleventh Circuit typically issues its rulings within 12 to 18 months of the appeal being filed.

Falcone Action Update

Adversary Proceeding No. 10-02125 (the "Falcone Action") was initially stayed on April 22, 2011 pending developments in the Transeastern Litigation. Since 2011, the Bankruptcy Court has granted the parties' repeated joint requests to further extend the stay, and most recently ordered that the stay of the Falcone Action be extended until June 13, 2017.

Federal and State Tax Filings

2012
All required federal and state income tax returns for the Debtors have been filed. The total taxes due with these returns, which were minimum state income/excise taxes in Tennessee, were $200. The TOUSA Group filed 2 federal returns and 23 state returns for the year ended December 31, 2012.

2013 Returns
All required federal and state returns for the Debtors for the period from January 1, 2013 through August 21, 2013 have been filed as final returns. The only tax liabilities incurred with the filings of the Group's returns were franchise taxes in Tennessee ($100) and Texas ($5,100) for which net operating losses carryovers are not available. The federal and Texas returns were reviewed by Ernst & Young prior to filing. There were 2 federal and 13 state returns filed for 2013.

2014 Returns
All required federal and state tax returns for the Trust and DCR for the period from January 1, 2014 through December 31, 2014 have been timely filed.

2015 Returns
All required federal and state tax returns for the Trust and DCR for the period from January 1, 2015 through December 31, 2015 have been timely filed. The Trust timely filed the DCR's 2015 final federal and state tax returns.

2016 Returns
The Trust expects to timely file (within the extension period) its 2016 federal tax return.

Other Tax Related Matters
The Liquidation Trust has responded to the authorities with respect to the previously discussed tax matters in Pennsylvania, Texas, and California (a remaining open claim) by providing the requested information and making a payment of $6,000 to California to settle the claim. There has been no additional correspondence from these authorities and it is assumed these cases are now closed.

All post-petition period returns were filed requesting prompt determination of tax liability. As of December 31, 2016, no taxing authority has indicated that it intends to audit or make changes to the returns as filed, most of which have substantial unused net operating loss carryovers as discussed above. Based on the time during which taxing authorities may initiate the audit process under the prompt determination procedures, it is likely all of these returns have been accepted as originally filed.

Federal and State Tax Filings

Other Tax Related Matters (Continued)
In late June of 2014 the IRS alleged that the 2013 partnership return for TOUSA Homes Florida was filed late and assessed a small penalty. In December of 2014, based on certified filing information supplied by the Liquidation Trust, the IRS abated all penalties and the assessment has been reduced to zero.

In July 2015, one of the Debtors, TOUSA Homes, Inc., received notices of assessment of penalties related to its 2004 and 2005 filings of Form 1099. Since these assessment were small ($1,300), they were not contested and were paid. Additionally a small Florida penalty assessment of $100 was not contested and was paid.

TOUSA, Inc. had challenged the 2009 and 2010 property tax assessments of Osceola County related to the Regal Oaks project in Orlando with an estimated maximum recovery of $50,000-$75,000. A suit had been filed in the Osceola County Court by the Company against the County Assessor after administrative procedures proved unsuccessful in resolving this challenge. Since the Company was not able to produce sufficient information necessary to continue the pursuit of this challenge, in October 2014, the parties voluntarily agreed to jointly dismiss the suit with each party agreeing to bear their own costs. As the result of such dismissal, the services of the Company's legal counsel (Harlee & Bald) were concluded with the refund of $6,766.50 for the remainder of an advance fee deposit held in escrow by Harlee & Bald.

In reviewing of the status of all of the filed claims earlier in 2015, it was discovered that a claim (#4209 for $55,000 against TOUSA Homes, Inc.) made by the IRS remained open. The IRS conceded that there was no valid claim against TOUSA Homes, Inc. and provided a letter in support of the Company's objection to the claim which was filed with the Court. The Court sustained the Company's objection and the claim was dismissed in the third quarter of 2015.