

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

WOODBIDGE GROUP OF COMPANIES,
LLC, *et. al.*,

Remaining Debtors.

MICHAEL GOLDBERG, as Liquidating Trustee of
the Woodbridge Liquidation Trust, successor in
interest to the estates of WOODBRIDGE GROUP
OF COMPANIES, LLC, *et. al.*,

Plaintiff,

v.

GREGORY JANDT,

Defendant.

Chapter 11

Case No. 17-12560 (BLS)

(Jointly Administered)

Adv. Pro. No. 19-50981-BLS

**ANSWER AND AFFIRMATIVE DEFENSES
TO ADVERSARY COMPLAINT: (I) FOR AVOIDANCE AND RECOVERY OF
AVOIDABLE TRANSFERS; AND (II) FOR SALE OF UNREGISTERED
SECURITIES, FOR FRAUD, AND FOR AIDING AND ABETTING FRAUD**

GREGORY JANDT (the “Defendant”), by and through undersigned counsel, submits this Answer and Affirmative Defenses to *Adversary Complaint: (I) For Avoidance and Recovery of Avoidable Transfers; and (II) For Sale of Unregistered Securities, For Fraud, and For Aiding and Abetting Fraud* of Michael Goldberg, as Liquidating Trustee of the Woodbridge Liquidation Trust, successor in interest to the estates of WOODBRIDGE GROUP OF COMPANIES, LLC, *et al.*, (the "Plaintiff") filed on November 30, 2019 (the “Complaint”), and states and alleges as follows:

Nature of the Action

1. At least since August 2012 until shortly before they sought bankruptcy protection, Woodbridge Group of Companies, LLC and its many hundreds of debtor affiliates (collectively, the "Debtors") were operated by their founder and principal, Robert Shapiro ("Shapiro"), as a Ponzi scheme. As part of this fraud, Shapiro and his lieutenants utilized the Debtors to raise over one billion dollars from approximately 10,000 investors as either Noteholders or Unitholders (collectively, "Investors").

ANSWER: Paragraph 1 of the Complaint contains statements and legal conclusions to which no response is required. To the extent that a response is required, the Defendant denies that the Plaintiff is entitled to the relief requested.

2. Those Investors, many of whom were elderly, often placed a substantial percentage of their net worth (including savings and retirement accounts) with the Debtors and now stand to lose a significant portion of their investments and to be delayed in the return of the remaining portion. The quality of the Investors' lives will likely be substantially and adversely affected by the fraud perpetrated by Shapiro and his lieutenants.

ANSWER: Paragraph 2 of the Complaint contains statements and legal conclusions to which no response is required. To the extent that a response is required, the Defendant denies that the Plaintiff is entitled to the relief requested.

3. The purpose of this lawsuit is (i) to avoid and recover monies previously paid to Defendant by reason of these activities, on the grounds that such payments were preferential, actually fraudulent, and/or constructively fraudulent; and (ii) to hold Defendant liable for sale of unregistered securities, for fraud, and for aiding and abetting fraud.

ANSWER: Paragraph 3 of the Complaint contains statements and legal conclusions to which no response is required. To the extent that a response is required, the Defendant denies that the Plaintiff is entitled to the relief requested.

Jurisdiction and Venue

4. The Court has jurisdiction over this action under 28 U.S.C. §§ 157(a) and 1334. Counts I, II, III, IV, and V, of this adversary proceeding are core within the meaning of 28 U.S.C. § 157(b)(2)(B), (C), (F), and (H), and Counts VI, VII, and VIII are non-core. Plaintiff consents to entry of final orders or judgment by this Court on all counts.

ANSWER: In response to paragraph 4 of the Complaint, the Defendant admits that the Court has subject-matter jurisdiction over Count I, II and IV of the Plaintiff's. The Defendant denies that the Court has subject-matter jurisdiction over Count III of the Complaint.

5. Venue of this adversary proceeding is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

ANSWER: Admitted.

The Parties

The Liquidation Trust

6. On December 4, 2017 (the "Initial Petition Date"), certain of the Debtors commenced voluntary cases under chapter 11 of the Bankruptcy Code. Other of the Debtors followed with their own voluntary cases (collectively with those of the original Debtors, the "Bankruptcy Cases") within the following four months (each such date, including the Initial Petition Date, a "Petition Date").

ANSWER: The Defendant is informed and believes that the status of the case is as reflected in the Court records, but, except as so admitted, denies each and every allegation of Paragraph 6 of the Complaint.

7. On October 26, 2018, this Court entered an order confirming the Plan (Bankr. Docket No. 2903).

ANSWER: The Defendant is informed and believes that the status of the case is as reflected in the Court records, but, except as so admitted, denies each and every allegation of Paragraph 7 of the Complaint.

8. The Plan provides for, *inter alia*, the establishment of the Liquidation Trust on the Effective Date of the Plan for the benefit of the Liquidation Trust Beneficiaries in accordance with the terms of the Plan and the Liquidation Trust Agreement. *See* Plan §§ 1.75, 5.4.

ANSWER: The Defendant is informed and believes that the status of the case is as reflected in the Court records, but, except as so admitted, denies each and every allegation of Paragraph 8 of the Complaint.

9. The Effective Date of the Plan occurred on February 15, 2019.

ANSWER: The Defendant is informed and believes that the status of the case is as reflected in the Court records, but, except as so admitted, denies each and every allegation of Paragraph 9 of the Complaint.

10. On February 25, 2019, the Court entered an order closing the Bankruptcy Cases of all Debtors except Woodbridge Group of Companies, LLC and Woodbridge Mortgage Investment Fund 1, LLC (together, the "Remaining Debtors"). The Remaining Debtors' Bankruptcy Cases are jointly administered under Case No. 17-12560 (BLS).

ANSWER: The Defendant is informed and believes that the status of the case is as reflected in the Court records, but, except as so admitted, denies each and every allegation of Paragraph 10 of the Complaint.

11. On the Effective Date, the Liquidation Trust was automatically vested with all of the Debtors' and the Estates' respective rights, title, and interest in and to all Liquidation Trust Assets. *See* Plan § 5.4.3. Further, the Liquidation Trust, as successor in interest to the Debtors, has the right and power to file and pursue any and all "Liquidation Trust Actions" without any further order of the Bankruptcy Court. *Id.* § 5.4.15. "Liquidation Trust Actions" include, *inter alia*, "all Avoidance Actions and Causes of Action held by the Debtors or the Estates" *Id.* § 1.76.

ANSWER: The Defendant is informed and believes that the status of the case is as reflected in the Court records, but, except as so admitted, denies each and every allegation of Paragraph 11 of the Complaint.

12. In addition to its status as successor in interest to the Debtors and their estates, the Liquidation Trust also holds claims held by Investors who elected to contribute to the Liquidation Trust certain causes of action that those Investors possess against individuals such as Defendant (the "Contributed Claims"). *Id.* § 1.28 (defining "Contributed Claims" to include "All Causes of Action that a Noteholder or Unitholder has against any Person that is not a Released Party and that are related in any way to the Debtors, their predecessors, their respective affiliates, or any Excluded Parties, including ... all Causes of Action based on, arising out of, or related to the marketing, sale, and issuance of any Notes or Units; ... all Causes of Action based on, arising out of, or related to the misrepresentation of any of the Debtors' financial information, business operations, or related internal controls; and ... all Causes of Action based on, arising out of, or related to any failure to disclose, or actual or attempted cover up or obfuscation of, any of the conduct described in the Disclosure Statement, including in respect of any alleged fraud related thereto").

ANSWER: The Defendant is informed and believes that the status of the case is as reflected in the Court records, but, except as so admitted, denies each and every allegation of Paragraph 12 of the Complaint.

Defendant

13. Defendant is an individual residing in the state of California. Upon information and belief, Defendant acted as a financial advisor and/or broker that sold securities to the public and provided investment services.

ANSWER: The Defendant admits the first sentence of Paragraph 13 of the Complaint, but except as so admitted, denies each and every other allegation of Paragraph 13 of the Complaint.

14. Defendant sold Notes and Units to unsuspecting Investors, created marketing materials and sales scripts to facilitate the sale of Notes and Units to unsuspecting Investors (often targeting unsophisticated, elderly investors with Individual Retirement Accounts). In so doing, Defendant made materially false and fraudulent statements to induce Investors to provide money. In connection with such conduct, Defendant, directly or indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation or communication in interstate commerce, and of the mails.

ANSWER: The Defendant denies Paragraph 14 of the Complaint.

FACTUAL BACKGROUND

The Fraud

15. At least since July 2012 until shortly before they sought bankruptcy protection, the Debtors were operated as a Ponzi scheme. As this Court explained in its order confirming the Plan:

The evidence demonstrates, and the Bankruptcy Court hereby finds, that (i) beginning no later than July 2012 through December 1, 2017, Robert H. Shapiro used his web of more than 275 limited liability companies, including the Debtors, to conduct a massive Ponzi scheme raising more than \$1.22 billion from over 8,400 unsuspecting investors nationwide; (ii) the Ponzi scheme involved the payment of purported returns to existing investors from funds contributed by new investors; and (iii) the Ponzi scheme was discovered no later than December 2017.

ANSWER: The Defendant is informed and believes that the status of the case is as reflected in the Court records, but, except as so admitted, denies each and every allegation of Paragraph 15 of the Complaint.

16. The securities sold by Defendant (*i.e.*, the Debtors' Notes and Units) were not registered with the Securities and Exchange Commission (the "SEC") or applicable state securities agencies and there was no applicable exemption from registration. Nor was Defendant registered as broker-dealers with the SEC or applicable state agencies.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in the first sentence of paragraph 16 of the Complaint; to the extent that a response is required, the Defendant denies that the Plaintiff is entitled to the relief requested. By way of further response Defendant states he was not selling securities. The Defendant admits the second sentence of Paragraph 16 of the Complaint, but except as so admitted, denies each and every other allegation of Paragraph 16.

17. Investors were often told that they were investing money to be loaned with respect to particular properties owned by third parties, that those properties were worth substantially more than the loans against the properties, and that they would have the benefit of a stream of payments from these third parties for high-interest loans, protected by security interests and/or mortgages against such properties. Shapiro and his lieutenants represented to Investors that the Debtors' profits would be generated by the difference between the interest rate the Debtors charged its third-party borrowers and the interest rate it paid Investors.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 17 of the Complaint, but to the extent a response is required, Defendant denies that the Plaintiff is entitled to the relief sought in the Complaint. By way of further response, Defendant believes upon information and belief that Debtors represented to Defendant and others that investors would be investing money to be protected by security interests and/or mortgages against certain valuable properties, and otherwise generally consistent with the first sentence of paragraph 17 of the Complaint.

18. In reality, these statements were lies. Investors' money was almost never used to make high-interest loans to unrelated, third-party borrowers, and there was no stream of payments; instead, Investors' money was commingled and used for an assortment of items, including maintaining a lavish lifestyle for Shapiro and his family, brokers' commissions, overhead (largely for selling even more Notes and Units to Investors), and payment of principal and interest to existing Investors. The money that was used to acquire properties (almost always owned by a disguised affiliate) cannot be traced to any specific Investor. These are typical characteristics of Ponzi schemes.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 18 of the Complaint. To the extent a response is required, Defendant denies that the Plaintiff is entitled to the relief sought in the Complaint. By way of further response, Defendant states that he had no knowledge or reason to suspect that Debtors were lying or engaged in a Ponzi scheme. To the extent that “these statements” in Paragraphs 17 and 18 of the Complaint “were lies” and/or the representations and warranties in parties’ Loan Documents were inaccurate or misleading, such “lies” and representations did induce Defendant to work for and/or provide services to Debtors, and have resulted in great damage, including to Defendant’s reputation, and Defendant is entitled to set-off against the claims brought by Plaintiff and an award of attorney’s fees.

19. Because the Debtors operated as a Ponzi scheme, obtaining new money from Investors into the Ponzi scheme conferred no net benefit on the Debtors; on the contrary, each new investment was a net negative. Money was siphoned off to pay the expenses described above, so that the Debtors actually received only a fraction of the investment dollars. New money also perpetuated the Ponzi scheme, as such money enabled the Debtors to return fictitious "profits" to early Investors — an essential component of the scheme, because "repaying" early Investors led to new investments, without which the house of cards would fall, as it eventually did. At the same time, each investment created an obligation to return to the defrauded Investor 100% of the investment, such that each new investment increased the Debtors' liabilities and ultimately left them unable to satisfy their aggregate liabilities.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 19 of the Complaint. To the extent a

response is required, Defendant denies that the Plaintiff is entitled to the relief sought in the Complaint.

The Transfers

20. Plaintiff is informed and believes and thereupon alleges that within the two years preceding the Initial Petition Date, Defendant received transfers totaling not less than the amount set forth on Exhibit A hereto (the “Two Year Transfers”), including commission payments and other compensation. The Two Year Transfers – including the transferor, its Petition Date, the date of each transfer, and the amount of each transfer – are set forth on Exhibit A.

ANSWER: Defendant admits only that a document described in Paragraph 20 of the Complaint and purporting to be the transfers is attached as is attached as “Exhibit A” thereto. Paragraph 20 of the Complaint is denied in all other respects.

21. Plaintiff is informed and believes and thereupon alleges that within the four years preceding the Initial Petition Date, Defendant received transfers totaling not less than the amount set forth on Exhibit A hereto (the “Four Year Transfers” and, collectively with the Two Year Transfers, the “Transfers”), including commission payments and other compensation. (The Four Year Transfers are inclusive of the Two Year Transfers, but Plaintiff does not seek to recover the same sum more than once.) The precise Four Year Transfers – including the transferor, its Petition Date, the date of each transfer, and the amount of each transfer – are set forth on Exhibit A.

ANSWER: Defendant admits only that a document described in Paragraph 21 of the Complaint and purporting to be the transfers is attached as is attached as “Exhibit A” thereto. Paragraph 21 of the Complaint is denied in all other respects.

FIRST CLAIM FOR RELIEF

Avoidance and Recovery of Actual Intent Fraudulent Transfers — Bankruptcy Code

22. Plaintiff realleges and incorporates herein Paragraphs 1 through 21, as if fully set forth herein.

ANSWER: Defendant restates and incorporates by reference its answers set forth in paragraphs 1 through 21 above.

23. The Two Year Transfers constituted transfers of the Debtors' property.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 23 of the Complaint. To the extent a response is required, Defendant denies that the Plaintiff is entitled to the relief sought in the Complaint.

24. The Two Year Transfers were made by the Debtors with actual intent to hinder or delay or defraud their creditors insofar as the services allegedly provided in exchange for such transfers perpetuated a Ponzi scheme.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 24 of the Complaint. To the extent a response is required, Defendant denies that the Plaintiff is entitled to the relief sought in the Complaint.

25. The Two Year Transfers were made to or for the benefit of Defendant.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 25 of the Complaint. To the extent a response is required, Defendant denies.

26. As a result of the foregoing, Plaintiff is entitled to judgment pursuant to Bankruptcy Code sections 548(a), 550(a), and 551: (a) avoiding the Two Year Transfers free and clear of any claimed interest of Defendant, (b) directing that the Two Year Transfers be set aside, and (c) recovering such Two Year Transfers or the value thereof from Defendant for the benefit of the Liquidation Trust.

ANSWER: Denied.

SECOND CLAIM FOR RELIEF

Avoidance and Recovery of Constructive Fraudulent Transfers — Bankruptcy Code

27. Plaintiff realleges and incorporates herein Paragraphs 1 through 26, as if fully set forth herein.

ANSWER: Defendant restates and incorporates by reference its answers set forth in paragraphs 1 through 26 above.

28. The Two Year Transfers constituted transfers of the Debtors' property.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 28 of the Complaint. To the extent a response is required, Defendant denies that the Plaintiff is entitled to the relief sought in the Complaint.

29. The Two Year Transfers were made by the Debtors for less than reasonably equivalent value at a time when the Debtors (i) were insolvent; and/or (ii) were engaged or about to engage in business or a transaction for which any capital remaining with the Debtors were an unreasonably small capital; and/or (iii) intended to incur, or believed that Debtors would incur, debts beyond their ability to pay as such debts matured.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 29 of the Complaint. To the extent that a response is required, the Defendant denies.

30. The Two Year Transfers were made to or for the benefit of Defendant.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 30 of the Complaint. To the extent a response is required, Defendant denies.

31. As a result of the foregoing, Plaintiff is entitled to judgment pursuant to Bankruptcy Code sections 548(a), 550(a), and 551: (a) avoiding the Two Year Transfers free and clear of any claimed interest of Defendant, (b) directing that the Two Year Transfers be set aside, and (c) recovering such Two Year Transfers or the value thereof from Defendant for the benefit of the Liquidation Trust.

ANSWER: Denied.

THIRD CLAIM FOR RELIEF

Avoidance and Recovery of Actual Intent Voidable Transactions — State Law

32. Plaintiff realleges and incorporates herein Paragraphs 1 through 31, as if fully set forth herein.

ANSWER: Defendant restates and incorporates by reference its answers set forth in paragraphs 1 through 31 above.

33. The Four Year Transfers constituted transfers of the Debtors' property.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 33 of the Complaint. To the extent a

response is required, Defendant denies that the Plaintiff is entitled to the relief sought in the Complaint.

34. The Four Year Transfers were made by the Debtors with actual intent to hinder or delay or defraud their creditors insofar as the services allegedly provided in exchange for such transfers perpetuated a Ponzi scheme.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 34 of the Complaint. To the extent a response is required, Defendant denies.

35. The Four Year Transfers were made to or for the benefit of Defendant.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 35 of the Complaint. To the extent a response is required, Defendant denies.

36. Each Debtor that made any of the Four Year Transfers had at least one creditor with an allowable unsecured claim for liabilities, which claim remained unsatisfied as of the Petition Date.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 36 of the Complaint. To the extent a response is required, Defendant denies.

37. The Four Year Transfers are avoidable under applicable law — California Civil Code section 3439.04(a)(1) and/or comparable provisions of law in other jurisdictions that have adopted the Uniform Voidable Transactions Act, the Uniform Fraudulent Transfer Act or the Uniform Fraudulent Conveyance Act — by a creditor holding an allowed unsecured claim and thus by Plaintiff pursuant to Bankruptcy Code section 544(b).

ANSWER: Denied.

38. As a result of the foregoing, Plaintiff is entitled to judgment pursuant to Bankruptcy Code sections 544(b), 550(a), and 551: (a) avoiding the Four Year Transfers free and clear of any claimed interest of Defendant, (b) directing that the Four Year Transfers be set aside, and (c) recovering such Four Year Transfers or the value thereof from Defendant for the benefit of the Liquidation Trust.

ANSWER: Denied.

FOURTH CLAIM FOR RELIEF

Avoidance and Recovery of Constructive Voidable Transactions — State Law

39. Plaintiff realleges and incorporates herein Paragraphs 1 through 38, as if fully set forth herein.

ANSWER: Defendant restates and incorporates by reference its answers set forth in paragraphs 1 through 38 above.

40. The Four Year Transfers constituted transfers of the Debtors' property.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 40 of the Complaint. To the extent a response is required, Defendant denies that the Plaintiff is entitled to the relief sought in the Complaint.

41. The Four Year Transfers were made by the Debtors for less than reasonably equivalent value at a time when the Debtors (i) were insolvent; and/or (ii) were engaged or was about to engage in business or a transaction for which any capital remaining with the Debtors

were an unreasonably small capital; and/or (iii) intended to incur, or believed that it would incur, debts beyond their ability to pay as such debts matured.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 41 of the Complaint. To the extent that a response is required, the Defendant denies.

42. The Four Year Transfers were made to or for the benefit of Defendant.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 42 of the Complaint. To the extent a response is required, Defendant denies.

43. At the time of and/or subsequent to each of the Four Year Transfers, each Debtor that made any of the Four Year Transfers had at least one creditor with an allowable unsecured claim for liabilities, which claim remained unsatisfied as of the Petition Date.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 43 of the Complaint. To the extent a response is required, Defendant denies.

44. The Four Year Transfers are avoidable under applicable law — California Civil Code section 3439.04(a)(2) and/or comparable provisions of law in other jurisdictions that have adopted the Uniform Voidable Transactions Act, the Uniform Fraudulent Transfer Act or the Uniform Fraudulent Conveyance Act — by a creditor holding an allowed unsecured claim and thus by Plaintiff pursuant to Bankruptcy Code section 544(b).

ANSWER: Denied.

45. As a result of the foregoing, Plaintiff is entitled to judgment pursuant to Bankruptcy Code sections 544(b), 550(a), and 551: (a) avoiding the Four Year Transfers free and clear of any

claimed interest of Defendant, (b) directing that the Four Year Transfers be set aside, and (c) recovering such Four Year Transfers or the value thereof from Defendant for the benefit of the Liquidation Trust.

ANSWER: Denied.

FIFTH CLAIM FOR RELIEF

Sale of Unregistered Securities (Securities Act Sections 5(a), 5(c), and 12(a))

46. Plaintiff realleges and incorporates herein Paragraphs 1 through 45, as if fully set forth herein.

ANSWER: Defendant restates and incorporates by reference its answers set forth in paragraphs 1 through 45 above.

47. The Notes and Units sold by Defendant were securities within the meaning of the Securities Act.

ANSWER: Paragraph 47 of the Complaint contains legal conclusions to which no response is required. To the extent a response is required, Defendant denies.

48. No registration statement was filed or in effect with the SEC pursuant to the Securities Act with respect to the securities issued by the Debtors as described in this Complaint and no exemption from registration existed with respect to these securities.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 48 of the Complaint. To the extent a response is required, Defendant denies.

49. From in or about July 2012 through at least December 4, 2017, Defendant directly and indirectly:

- a. made use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise;
- b. carried or caused to be carried securities through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; and/or
- c. made use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, without a registration statement having been filed or being in effect with the SEC as to such securities.

ANSWER: Paragraph 49 of the Complaint contains statements and legal conclusions to which no response is required. To the extent a response is required, Defendant denies.

50. By reason of the foregoing, Defendant violated Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

ANSWER: Paragraph 50 of the Complaint contains statements and legal conclusions to which no response is required. To the extent a response is required, Defendant denies.

51. The Investors who contributed their claims to the Liquidation Trust purchased the unregistered securities issued by the Debtors and as a direct and proximate result sustained significant damages. Accordingly, the Liquidation Trust has standing under Section 12(a)(1) of the Securities Act, 15 U.S.C. § 771(a)(1), to bring a cause of action seeking damages based on Defendant's violations of Section 5(a) and 5(c) of the Securities Act.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations in the first sentence of paragraph 51 of the Complaint. The second sentence of paragraph 51 of the Complaint contains statements

and legal conclusions to which no response is required. To the extent a response is required, Defendant denies.

52. As a result of the foregoing, Plaintiff is entitled to judgment holding Defendant liable for the sale of unregistered securities, as set forth in Exhibit B, or in an amount to be proven at trial.

ANSWER: Denied.

SIXTH CLAIM FOR RELIEF

Fraud

53. Plaintiff realleges and incorporates herein Paragraphs 1 through 52, as if fully set forth herein.

ANSWER: Defendant restates and incorporates by reference its answers set forth in paragraphs 1 through 52 above.

54. Defendant misrepresented the facts to Investors, including by making affirmative misrepresentations and by concealing and failing to disclose the true facts. Among the misrepresentations were that Investors were often told that they were investing money to be loaned with respect to particular properties owned by third parties, that those properties were worth substantially more than the loans against the properties, and that they would have the benefit of a stream of payments from these third parties for high-interest loans, protected by security interests and/or mortgages against such properties.

ANSWER: Defendant denies the allegations contained in paragraph 54 of the Complaint. By way of further response, the SIXTH CLAIM FOR RELIEF and SEVENTH CLAIM FOR RELIEF should be dismissed for failure to plead fraud by

Defendant with specificity. Plaintiff is alleging fraud against individual Defendants, without pleading any specificity, on the basis that Debtors committed fraud and in connection therewith, (generic unnamed and presumably in most cases unrelated) “Investors were often told.” By way of further response, Defendant reasonably relied on the representations of Debtors and legal opinions of Debtors’ various counsels.

55. In reality, these statements were lies. Investors' money was almost never used to make high-interest loans to unrelated, third-party borrowers, and there was no stream of payments; instead, Investors' money was commingled and used for an assortment of expenses, including maintaining a lavish lifestyle for Shapiro and his family, brokers' commissions, overhead (largely for selling even more Notes and Units to Investors), and payment of principal and interest to existing investors. The money that was used to acquire properties (almost always owned by a disguised affiliate) cannot be traced to any specific Investor.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 55 of the Complaint. To the extent a response is required, Defendant denies that the Plaintiff is entitled to the relief sought in the Complaint. By way of further response, Defendant states that he had no knowledge or reason to suspect that Debtors were lying or engaged in a Ponzi Scheme.

56. Defendant made these misrepresentations knowingly, with scienter, and with intent to defraud Investors.

ANSWER: Denied. Defendant knew nothing of the apparent Ponzi Scheme. By way of further response, Defendant was a victim of Debtors’ apparent fraud and Ponzi scheme, which shows that Defendant had no knowledge of fraud and was not acting

“knowingly, with scienter, and with intent to defraud Investors.” By way of further response, Defendant states it should be obvious that Defendant was not assisting Shapiro in defrauding himself. Nonetheless and defying logic, Plaintiff is suing Defendant for recovery of Defendant’s own losses to the Ponzi Scheme. See Exhibit B to the Complaint.

57. The Investors who contributed their claims to the Liquidation Trust justifiably relied on Defendant's misrepresentations of facts, and as a direct and proximate result sustained hundreds of millions of dollars in damages.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 57 of the Complaint. To the extent a response is required, Defendant denies.

58. As a result of the foregoing, Plaintiff is entitled to judgment holding Defendant liable for fraud, as set forth in Exhibit B, or in an amount to be proven at trial.

ANSWER: Denied.

SEVENTH CLAIM FOR RELIEF

Aiding and Abetting Fraud

59. Plaintiff realleges and incorporates herein Paragraphs 1 through 58, as if fully set forth herein.

ANSWER: Defendant restates and incorporates by reference its answers set forth in paragraphs 1 through 58 above.

60. Shapiro — an architect of the fraud — also misrepresented the facts to Investors, and did so knowingly, with scienter, and with intent to defraud Investors. The Investors who contributed

their claims to the Liquidation Trust justifiably relied on Shapiro's misrepresentations of facts, and as a direct and proximate result sustained hundreds of millions of dollars in damages.

ANSWER: The Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 60 of the Complaint. To the extent a response is required, Defendant denies.

61. Defendant knowingly and substantially assisted Shapiro in defrauding Investors.

ANSWER: Denied. Defendant knew nothing of the apparent Ponzi Scheme. By way of further response, Defendant was a victim of Debtors' apparent fraud and Ponzi scheme, which shows that Defendant had no knowledge of fraud and was not acting to assist therein. By way of further response, Defendant states it should be obvious that Defendant was not assisting Shapiro in defrauding himself. Nonetheless and defying logic, Plaintiff is suing Defendant for recovery of Defendant's own losses to the Ponzi Scheme. See Exhibit B to the Complaint.

62. Defendant were aware of Shapiro's fraud and acted knowingly in providing substantial and material assistance to Shapiro.

ANSWER: Denied. Defendant knew nothing of the apparent Ponzi Scheme. By way of further response, Defendant was a victim of Debtors' apparent fraud and Ponzi scheme, which shows that Defendant had no knowledge of fraud and was not acting to assist therein. By way of further response, Defendant states it should be obvious that Defendant was not assisting Shapiro in defrauding himself. Nonetheless and defying logic, Plaintiff is suing Defendant for recovery of Defendant's own losses to the Ponzi Scheme. See Exhibit B to the Complaint.

63. Defendant substantially benefited by receiving income, commissions, and bonuses.

ANSWER: The Defendant denies as written the allegations in paragraph 63 of the Complaint. Defendant received reasonable compensation for the services provided to Debtors.

64. As a result of the foregoing, Plaintiff is entitled to judgment holding Defendant liable for aiding and abetting fraud, as set forth in Exhibit B, or in an amount to be proven at trial, in an amount to be proven at trial.

ANSWER: Denied.

PRAYER FOR RELIEF

WHEREFORE, based upon the foregoing, the alleged Transfers are not avoidable and not recoverable by the Plaintiff. The Defendant requests that the Court dismiss the Complaint, deny the Plaintiff's requests for relief and award the Defendant such other and further relief as the Court may deem just and proper, including attorneys' fees incurred in the defense of this action.

AFFIRMATIVE DEFENSES

Without conceding that the Defendant has the burden of proof on any of the issues below, the Defendant asserts the following affirmative defenses:

FIRST AFFIRMATIVE DEFENSE

1. Plaintiff's claims fail, in whole or in part, to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

2. The Plaintiff fails to state a cause of action.

THIRD AFFIRMATIVE DEFENSE

3. The SIXTH CLAIM FOR RELIEF and SEVENTH CLAIM FOR RELIEF should be dismissed for failure to plead fraud by Defendant with specificity as required by Fed. R. Civ. P. 9(b) and Fed. R. Bankr. P. 7009(b).

FOURTH AFFIRMATIVE DEFENSE

1. Plaintiff's claims are barred to the extent that Defendant did not receive more as a result of the alleged transfers than it would have otherwise received if the alleged transfers had been made, or the Debtors' case(s) were case(s) under Chapter 7 of the Bankruptcy Code.

FIFTH AFFIRMATIVE DEFENSE

2. The Plaintiff seeks to avoid and recover the alleged Transfers which the Plaintiff is barred from recovering because at all times relevant to the matters complained of the Debtors and all subsidiaries were solvent. Consequently, the Defendant's claims may not be disallowed.

SIXTH AFFIRMATIVE DEFENSE

3. The Plaintiff seeks to avoid and recover the alleged Transfers which the Plaintiff is barred from recovering, in whole or in part, by the doctrines of waiver and estoppel.

SEVENTH AFFIRMATIVE DEFENSE

4. The Plaintiff seeks to avoid and recover the alleged Transfers which he is barred from recovering by the doctrine of laches and, consequently, the Defendant's claims may not be disallowed.

EIGHTH AFFIRMATIVE DEFENSE

5. The Plaintiff lacks standing to bring this action.

NINTH AFFIRMATIVE DEFENSE

6. Plaintiff's claims are barred by all applicable state and federal statutes of limitations.

TENTH AFFIRMATIVE DEFENSE

7. The claims of the Plaintiff are barred, in whole or in part, pursuant to 11 U.S.C. § 550 (b) by reason that Defendant, to the extent it took any Transfers, took the alleged transfers for value, in good faith and without knowledge of the avoidability of the alleged transfers.

ELEVENTH AFFIRMATIVE DEFENSE

8. The claims of the Plaintiff are barred by reason that, at all relevant times, the Debtors were solvent and were not rendered insolvent or left with unreasonably small capital as a result of any transactions with the Defendant.

TWELFTH AFFIRMATIVE DEFENSE

9. The claims of the Plaintiff are barred, in whole or in part, by reason that, to the extent that it received any allegedly Fraudulent Transfers, Defendant was at all times a good faith transferee for reasonably equivalent value pursuant to 11 U.S.C § 548(c).

THIRTEENTH AFFIRMATIVE DEFENSE

10. The Plaintiff seeks to avoid and recover the allegedly Fraudulent Transfers which the Plaintiff is barred from recovering to the extent that the transferee or obligee of such a transfer or obligation that takes for value and in good faith has a lien on or may retain any interest transferred or may enforce any obligation incurred, as the case may be, to the extent that such transferee or obligee gave value to the Debtors in exchange for such transfer or obligation.

11. Pursuant to 11 U.S.C. 548(c) such potentially Fraudulent Transfers are not avoidable by the Plaintiff and, consequently, the Defendant's claims may not be disallowed.

FOURTEENTH AFFIRMATIVE DEFENSE

12. The claims of the Plaintiff are barred, in whole or in part, by reason that Defendant lacked actual knowledge of fraud, misappropriation or any other misconduct on the part of the Debtors and/or anyone acting by, through, for or against it.

FIFTEENTH AFFIRMATIVE DEFENSE

13. The claims of the Plaintiff are barred, in whole or in part, by reason that Plaintiff has failed to plead fraud on the part of Defendant with particularity as required by Fed. R. Civ. P. 9(b) and Fed. R. Bankr. P. 7009(b).

SIXTEENTH AFFIRMATIVE DEFENSE

14. The Plaintiff's Complaint contains claims which, pursuant to *Stern v. Marshall*, 131 S. Ct. 2594, 180 L. Ed. 2d 475 (2011) reh'g denied, 132 S. Ct. 56, 180 L. Ed. 2d 924 (U.S. 2011), are claims which implicate only private rights. Consequently, the Bankruptcy Court has no authority to issue final judgments over those private rights claims without the consent of the Defendant.

15. The Defendant reserves its right to a jury trial before the District Court, does not consent to a jury trial before the Bankruptcy Court and does not consent to the entry of final orders by the Bankruptcy Court.

SEVENTEENTH AFFIRMATIVE DEFENSE

16. The Transfers cannot be recovered to the extent that the Defendant is a secured creditor under applicable state and/or federal law.

EIGHTEENTH AFFIRMATIVE DEFENSE

17. The Transfers cannot be recovered to the extent that the Transfers were on account of earned wages or other forms of compensation.

NINETEENTH AFFIRMATIVE DEFENSE

18. Throughout the Complaint, Plaintiff alleges fraud on behalf of the Debtors.

19. Defendants were induced by Debtors' apparent misrepresentations to perform services on behalf of and/or for the benefit of Debtors.

20. The Transfers represent fair compensation, including W-2 wages, for the services provided by Defendant and cannot be recovered.

TWENTIETH AFFIRMATIVE DEFENSE

21. The Plaintiff's claims are barred, in whole or in part, by reason that Defendant lacked actual knowledge of fraud, misappropriation or any other misconduct on the part of the Debtors and/or anyone acting by, through, for or against it.

TWENTY-FIRST AFFIRMATIVE DEFENSE

22. The Plaintiff's claims are barred under the doctrine of *in pari delicto*, by which (1) The Plaintiff, as a result of Debtors' own actions, bears at least substantially equal responsibility for the violations he seeks to redress, and (2) preclusion of suit would not significantly interfere with the effective enforcement of the laws and protection of the public.

TWENTY-SECOND AFFIRMATIVE DEFENSE

23. The Defendant hereby gives notice that it intends to rely upon such other and further defenses as may become available or apparent during the discovery process in this action, and hereby reserves the right to amend their answer to assert any such defenses. The assertion of the above defenses by Defendant is not intended and should not be deemed or construed to alter

or shift any burden of proof Plaintiffs may have in connection with the claims asserted in the Complaint.

JURY TRIAL IS DEMANDED AS TO ALL ALLEGATIONS, AFFIRMATIVE DEFENSES AND COUNTERCLAIMS, IF ANY.

Dated: January 31, 2020

Respectfully submitted,

By: /s/ James Tobia
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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

WOODBIDGE GROUP OF COMPANIES,
LLC, *et. al.*,

Remaining Debtors.

MICHAEL GOLDBERG, as Liquidating Trustee
of the Woodbridge Liquidation Trust, successor
in interest to the estates of WOODBRIDGE
GROUP OF COMPANIES, LLC, *et. al.*,

Plaintiff,

v.

GREGORY JANDT,

Defendant.

Chapter 11

Case No. 17-12560 (BLS)

(Jointly Administered)

Adv. Pro. No. 19-50981-BLS

CERTIFICATE OF SERVICE

I, James Tobia, hereby certify that on January 31, 2020, I caused the foregoing *Answer and Affirmative Defenses to Adversary Complaint: (I) For Avoidance and Recovery of Avoidable Transfers; and (II) For Sale of Unregistered Securities, For Fraud, and For Aiding and Abetting Fraud* to be served by First Class Mail upon the following:

Colin R. Robinson, Esq.
Pachulski Stang Ziehl & Jones LLP
919 North Market Street
17th Floor
Wilmington, DE 19801

Dated: January 31, 2020

THE LAW OFFICE OF JAMES TOBIA, LLC

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