

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

In re:

WOODBRIIDGE GROUP OF COMPANIES, LLC,
et al.,¹

Debtors.

Chapter 11

Case No. 17-____ (____)

(Joint Administration Requested)

**DEBTORS' MOTION FOR AN ORDER AUTHORIZING
(A) THE MAINTENANCE OF THE CASH MANAGEMENT SYSTEM;
(B) MAINTENANCE OF THE EXISTING BANK ACCOUNTS; (C) CONTINUED
USE OF EXISTING BUSINESS FORMS; AND (D) CONTINUED PERFORMANCE
OF INTERCOMPANY TRANSACTIONS IN THE ORDINARY COURSE OF
BUSINESS AND GRANT OF ADMINISTRATIVE EXPENSE STATUS FOR
POSTPETITION INTERCOMPANY CLAIMS**

Woodbridge Group of Companies, LLC and its affiliated debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors") hereby move the Court (this "Motion") for entry of an order (the "Proposed Order"), substantially in the form annexed hereto as Exhibit A, pursuant to sections 105, 345, 363, 364(b), 503(b), 1107(a), and 1108 of title 11 of the United States Code (the "Bankruptcy Code"), Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 2015-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"), authorizing the Debtors to (a) continue to use their Cash Management System,² (b) maintain the existing Bank Accounts, and thereby granting a waiver of certain operating guidelines relating to the Bank Accounts, (c) continue to use existing

¹ The last four digits of Woodbridge Group of Companies, LLC's federal tax identification number are 3603. The mailing address for Woodbridge Group of Companies, LLC is 14225 Ventura Boulevard #100, Sherman Oaks, California 91423. Due to the large number of debtors in these cases, for which the Debtors have requested joint administration, a complete list of the Debtors, the last four digits of their federal tax identification numbers, and their addresses are not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed noticing and claims agent at www.gardencitygroup.com/cases/WGC, or by contacting the proposed undersigned counsel for the Debtors.

² Capitalized terms used in this introductory paragraph, but not otherwise defined, have the meanings given to them below.

Business Forms, and (d) continue to perform regarding the Intercompany Transactions, and related thereto granting administrative expense status for postpetition Intercompany Claims. The Debtors also request that the Court authorize United Bank (defined below) with which the Debtors maintain the Bank Accounts to continue to maintain, service, and administer the Bank Accounts on behalf of such Debtors. In support of this Motion, the Debtors rely upon and incorporate by reference the *Declaration of Lawrence R. Perkins in Support of the Debtors' Chapter 11 Petitions and Requests for First Day Relief* (the "First Day Declaration"),³ which was filed concurrently herewith. In further support of this Motion, the Debtors respectfully represent as follows:

JURISDICTION AND VENUE

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334(b) and 157 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012. This is a core proceeding pursuant to 28 U.S.C. § 157(b), and pursuant to Local Rule 9013-1(f), the Debtors consent to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution. Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory and legal predicates for the relief requested herein are sections 105, 345, 363, 364(b), 503(b), 1107(a), and 1108 of the Bankruptcy Code, Bankruptcy Rules 6003 and 6004, and Local Rule 2015-2.

³ Capitalized terms used herein, but not otherwise defined, have the meanings given to them in the First Day Declaration.

BACKGROUND

A. General Background

2. On the date hereof (the "Petition Date"), each of the Debtors commenced a voluntary case under chapter 11 of the Bankruptcy Code. Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors are continuing to manage their financial affairs as debtors in possession.

3. Contemporaneously herewith, the Debtors filed a motion seeking joint administration of their chapter 11 cases (collectively, the "Chapter 11 Cases") pursuant to Bankruptcy Rule 1015(b) and Local Rule 1015-1. No trustee, examiner, or official committee of unsecured creditors has been appointed in the Chapter 11 Cases.

4. Information regarding the Debtors' history and business operations, capital structure and primary secured indebtedness, and the events leading up to the commencement of the Chapter 11 Cases can be found in the First Day Declaration.

B. The Debtors' Cash Management System

A. The Previous Cash Management System

5. Prior to December 1, 2017, the Debtors, along with certain affiliated entities that have not filed a chapter 11 petition as of the Petition Date (such entities, the "Non-Filing Entities") and, with the Non-Filing Entities, the "Woodbridge Group of Companies"), utilized an alternative cash management system (the "Previous Cash Management System"). The Previous Cash Management System had been in place since 2012. Like other large businesses, the Woodbridge Group of Companies designed the Previous Cash Management System to collect, transfer, and disburse funds generated through their operations and fund raising efforts and to record such collections, transfers, and disbursements as they were made. The Woodbridge Group of Companies' financial personnel managed the Previous Cash Management System from

their offices in Daytona Beach, Florida and Sherman Oaks, California, with certain subparts of the Cash Management System being managed in the Woodbridge Group of Companies' office in Carbondale, Colorado.

6. The Previous Cash Management System comprised seventeen bank accounts, all of which were located at Comerica Bank (collectively, the "Previous Bank Accounts") and a related corporate debit card (the "Corporate Debit Card") as well as a corporate credit card (the "Corporate Credit Card"). The Woodbridge Group of Companies utilized three main categories of accounts—fund specific accounts related to the Woodbridge Group of Companies' retail fund-raising operation, a general operating account supporting the homebuilding enterprise, and accounts set-up to support the brokerage business of certain Non-Filing Entities.

7. As described in greater detail in the First Day Declaration, the Debtors have seven investment funds (the "Principal Investment Funds") that are owned and managed by Debtor WMF Management, LLC and are related to the Debtors' core business of buying, improving, and selling high-end, luxury homes. Each Principal Investment Fund raised money from thousands of retail investors to further the Woodbridge Group of Companies' core business, and as they were raised those funds were deposited into the account specific to that Principal Investment Fund (the "Principal Investment Fund Accounts"). The Debtors also have five investment funds (the "Ancillary Investment Funds," and with the Principal Investment Funds, the "Investment Funds") related to non-core aspects of the Woodbridge Group of Companies' business, such as note buying and selling, hard money lending, and alternative financial transactions. Each Ancillary Investment Fund raised money from retail investors for investments specific to that fund, and each fund had a corresponding account (the "Ancillary Investment Fund Accounts," and with the Principal Investment Fund Accounts, the "Investment Fund Accounts").

8. The second category of account was the Woodbridge Group of Companies' general operating account (the "Operating Account"). The Woodbridge Group of Companies' utilized the Operating Account to concentrate funds from the Investment Fund Accounts and fund their operations. All disbursements other than disbursements to investors, such as payroll and benefits, amounts payable to the Debtors' trade vendors and similarly situated third parties, taxes, etc., were drawn from the Operating Account.

9. The third category of accounts was utilized by Non-Filing Entities to support those entities brokerage business. In particular, the Woodbridge Group of Companies includes three Non-Filing Entities that operate residential real estate and mortgage brokerage businesses: Mercer Vine, Inc.; Riverdale Funding, LLC; and Woodbridge Realty of Colorado, LLC (the "Brokerage Companies").

10. In addition to the Previous Bank Accounts, the Debtors used the Corporate Credit Card and the Corporate Debit Card to pay for business expenses and to pay certain vendors of the Debtors. The use of both the Corporate Credit Card and the Corporate Debit Card was discontinued when the Debtors transitioned to the new cash management system described below.

B. The Current Cash Management System

11. On December 1, 2017, as part of the restructuring of the Woodbridge Group of Companies' corporate structure and the appointment of the Independent Manager and Chief Restructuring Officer, each as described more fully in the First Day Declaration, the Debtors put in place a new, centralized, and simplified cash management system (the "Cash Management System"). With the assistance of SierraConstellation Partners, LLC ("SCP"), the Debtors designed the Cash Management System to more efficiently collect, transfer, and disburse funds

generated through the Debtors' operations and to more accurately record such collections, transfers, and disbursements as they are made. In addition, because fundraising has been discontinued, the Cash Management System was simplified and, as such, the Cash Management System now comprises four (4) bank accounts (the "Bank Accounts"): (1) an operating account (the "Operating Account"), (2) a payroll account (the "Payroll Account"), (3) an account (the "Adequate Assurance Account") to hold the Debtors' adequate assurance deposit related to utilities (the "Adequate Assurance Deposit"),⁴ and (4) an alternate account to be used to the extent a fourth account becomes necessary during the Chapter 11 Cases. All of the Bank Accounts are with United Bank ("United Bank"), an Authorized Depository (defined below), and substantially all of the funds in the Previous Bank Accounts were transferred to the Bank Accounts with United Bank prior to the commencement of the Chapter 11 Cases.⁵

12. As to the flow of funds through the Cash Management System, all receipts, whether they be from property sales, litigation settlements and awards, or other miscellaneous sources, as well as disbursements from the Debtors' postpetition financing will be deposited into the Operating Account. From the Operating Account, the Debtors' will transfer amounts necessary to fund payroll and related expenses⁶ to the Payroll Account and, once approved by the

⁴ The adequate assurance deposit and the steps the Debtors' propose to take to provide their utilities with adequate assurance of payment are described in the *Debtors' Motion for Interim and Final Orders (A) Prohibiting Utility Providers from Altering, Refusing, or Discontinuing Service; (B) Approving the Debtors' Proposed Adequate Assurance of Payment for Postpetition Services; and (C) Establishing Procedures for Resolving Requests for Additional Adequate Assurance of Payment* filed contemporaneously herewith.

⁵ The Debtors are in the process of transferring the remaining funds in the Previous Bank Accounts to the Bank Accounts with United Bank and will close the Previous Bank Accounts once those transfers have been completed.

⁶ A description of the Debtors' wages and benefits provided to their employees is provided in the *f. Debtors' Motion for Interim and Final Orders (A) Authorizing Payment of Certain Prepetition Workforce Claims, Including Wages, Salaries, and Other Compensation; (B) Authorizing Payment of Certain Employee Benefits and Confirming Right to Continue Employee Benefits on Postpetition Basis; (C) Authorizing Payment of Reimbursement to Employees for Expenses Incurred Prepetition; (D) Authorizing Payment of Withholding and Payroll-Related Taxes; (E) Authorizing Payment of Workers' Compensation Obligations; and (F) Authorizing Payment of Prepetition Claims Owing to Administrators and Third Party Providers*, filed contemporaneously herewith.

Court, will transfer the Adequate Assurance Deposit to the Adequate Assurance Account. All other disbursements will be made directly from the Operating Account. This includes, for example, property and construction-related expenses, operating expenses and overhead, professional fees, and statutory fees related to the Chapter 11 Cases themselves. A diagram of the Cash Management System with account-specific information is annexed hereto as Exhibit B.

13. This revised Cash Management System will be managed on a day-to-day basis by the Debtors' financial personnel at the Debtors' offices located in Daytona Beach, Florida and Sherman Oaks, California and overseen by the Chief Restructuring Officer and SCP personnel.

14. Further, the Debtors have entered into that certain *Debtor-in-Possession Credit, Guaranty and Security Agreement* (the "DIP Agreement"), pursuant to which, if approved, the Debtors shall have access to \$100 million in post-petition financing. Under the proposed DIP Agreement, the DIP Agent (as defined in the DIP Agreement) will hold the proceeds of the DIP Facility (as defined in the DIP Agreement) in a separate deposit account (the "Funding Account") for withdrawal to the Debtors. Subject to the terms of the DIP Agreement, funding under the DIP Facility will be released from DIP Funding Account directly to the Operating Account to be used consistent with the Cash Management System. Entry of an order approving this Motion is an affirmative covenant under the DIP Agreement, and therefore the relief requested herein is critical to the Debtors' ability to maintain their operations during these cases.

15. The Cash Management System provides numerous benefits, including the ability to (a) quickly create status reports on the location and amount of funds, thereby allowing management to track and control corporate funds; (b) ensure cash availability and prompt payment of corporate-, employee-, and vendor-related expenses; and (c) reduce administrative costs by facilitating the efficient movement of funds.

C. The Debtors' Existing Business Forms and Check Stock

16. In the ordinary course of business, the Debtors use a variety of checks and business forms. To minimize expenses to their estates and avoid unnecessarily confusing their employees, customers, and suppliers, the Debtors believe it is appropriate to continue to use all checks, correspondence, and other business forms (including, without limitation, letterhead, purchase orders, and invoices) (collectively, the "Business Forms") as such forms were in existence immediately before the Petition Date—without reference to the Debtors' status as debtors in possession—rather than requiring the Debtors to incur the expense and delay of ordering entirely new business forms. With respect to checks, the Debtors will, as debtors in possession, use the existing check stock until depleted and then reorder checks with a reference to the Debtors' status as debtors in possession and bankruptcy case.

D. The Debtors' Intercompany Transactions

17. In the ordinary course of their business, the Debtors engage in intercompany transactions and transfers amongst themselves (the "Intercompany Transactions") related to, among other things, the maintenance expenses and development costs of their residential properties. These Intercompany Transactions result in intercompany receivables and payables (the "Intercompany Claims"). Upon information and belief, the Intercompany Claims created as a result of the protective advances are contemplated and permitted under the applicable mortgage loan documents and increase the secured balance owed under such mortgages.

18. Postpetition, Debtor Woodbridge Group of Companies, LLC intends to continue making protective advances to maintain its real property interests and to fund construction costs related to the Debtors' residential development projects. The amount advanced to fund these projects shall be recorded as a protective advance on the senior loans related to the property in question, and an Intercompany Claim shall accrue on the Principal Fund on whose behalf

payment was made. In addition, there are certain employee- and overhead-related expenses shared with several non-debtor entities, including the Brokerage Companies. Debtor Woodbridge Group of Companies, LLC intends to negotiate a shared services agreement with such entities to efficiently fund such expenses. As such, the allocable share of all such expenses shall be borne by the entities on whose behalf they are paid.

19. If the Intercompany Transactions were discontinued, the Cash Management System and related administrative controls would be disrupted, to the detriment of the Debtors. As described in more detail below, discontinuing the Intercompany Transactions would disrupt the Debtors' business operations, harming their creditors and other parties in interest. In addition, as part of the Cash Management System recently implemented, the Debtors now maintain strict records of transfers of cash and can readily ascertain, trace, and account for all Intercompany Transactions. The Debtors will continue to maintain such records, including records of all current intercompany accounts receivable and payable. Accordingly, the Debtors seek authority to continue the Intercompany Transactions, and request, pursuant to sections 503(b)(1) and 364(b) of the Bankruptcy Code, that postpetition Intercompany Claims resulting from ordinary course Intercompany Transactions be accorded administrative priority. Subject to the terms of the DIP Agreement and any orders thereon (collectively, the "DIP Order"), the Intercompany Claims shall be junior to the claims and liens afforded to the DIP Agent under the DIP Agreement and DIP Order.

E. The Debtors' Depository Policies and Practices

20. The Debtors are in compliance with the requirements of section 345 of the Bankruptcy Code because the Bank Accounts are maintained at an institution approved by the Office of the United States Trustee (the "U.S. Trustee").

RELIEF REQUESTED

21. The Debtors seek entry of the Proposed Order, pursuant to sections 105, 345, 363, 364(b), 503(b), 1107(a), and 1108 of the Bankruptcy Code, Bankruptcy Rules 6003 and 6004, and Local Rule 2015-2, authorizing the Debtors to (a) continue to use their Cash Management System, (b) maintain the existing Bank Accounts, and thereby granting a waiver of certain operating guidelines relating to the Bank Accounts, (c) continue to use existing Business Forms, and (d) continue to perform regarding the Intercompany Transactions, and related thereto granting administrative expense status for postpetition Intercompany Claims.

22. To enable the Debtors to carry out the relief requested, the Debtors also request that the Court authorize the United Bank to continue to service and administer the Bank Accounts as accounts of the Debtors as debtors in possession without interruption and in the usual and ordinary course, and to receive, process, honor, and pay any and all checks and drafts drawn on, or electronic transfer requests made on, the Bank Accounts after the Petition Date by the holders or makers thereof, as the case may be, in accordance with the orders of this Court.

BASIS FOR RELIEF REQUESTED

A. Maintenance of the Cash Management System Is Essential to the Debtors' Business Operations

23. In light of the substantial size and complexity of the Debtors' operations, the maintenance of the current Cash Management System is important for the preservation and enhancement of the value of the Debtors' business.

24. The Debtors' request for authorization to continue to use their Cash Management System post-petition is consistent with section 363(c)(1) of the Bankruptcy Code, which authorizes a debtor in possession to "use property of the estate in the ordinary course of business, without notice or a hearing." 11 U.S.C. § 363(c)(1). Section 363(c)(1) is intended to provide a

debtor in possession with the flexibility to engage in the ordinary transactions required to operate its business. *See, e.g., In re Roth Am., Inc.*, 975 F.2d 949, 952 (3d Cir. 1992); *see also In re Nellson Nutraceutical, Inc.*, 369 B.R. 787, 796 (Bankr. D. Del. 2007). Included within the purview of section 363(c) is a debtor's ability to continue the routine transactions necessitated by its cash management system. *See Amdura Nat'l Distrib. Co. v. Amdura Corp. (In re Amdura Corp.)*, 75 F.3d 1447, 1453 (10th Cir. 1996). Nevertheless, the Debtors bring this Motion out of an abundance of caution, to the extent any aspect of the Cash Management System could be considered as outside the ordinary course of business for purposes of section 363(c).

25. Courts in this and other districts have noted that an integrated cash management system “allows efficient utilization of cash resources and recognizes the impracticalities of maintaining separate cash accounts for the many different purposes that require cash.” *In re Columbia Gas Sys., Inc.*, 136 B.R. 930, 934 (Bankr. D. Del. 1992), *rev'd on other grounds*, 997 F.2d 1039 (3d Cir. 1993); *see also Southmark Corp. v. Grosz (In re Southmark Corp.)*, 49 F.3d 1111, 1114 (5th Cir. 1995) (finding cash management system allows a debtor “to administer more efficiently and effectively its financial operations and assets”). The United States Court of Appeals for the Third Circuit has agreed, emphasizing that requiring a debtor to maintain separate accounts “would be a huge administrative burden and economically inefficient.” *In re Columbia Gas Sys., Inc.*, 997 F.2d 1039, 1061 (3d Cir. 1993). For these reasons, the Debtors should be permitted to continue their Cash Management System.

26. The Cash Management System will efficiently collect, transfer, and disburse funds generated through the Debtors' operations and accurately record such collections, transfers, and disbursements as they are made. The widespread use of such systems generally demonstrates the numerous benefits they provide, including the ability to control and monitor

corporate funds, ensure cash availability, and reduce administrative expenses by facilitating the movement of funds. In light of the size and complexity of the Debtors' operations, it would be difficult to maximize the value of the Debtors' estates if the Cash Management System is not utilized. In addition, authorizing the Debtors to utilize the Cash Management System post-petition will facilitate the stabilization of the Debtors' business operations.

27. Furthermore, parties in interest will not be harmed by the Debtors' maintenance of the Cash Management System, including the Bank Accounts, because the Debtors have implemented appropriate mechanisms to ensure that unauthorized payments will not be made on account of obligations incurred prior to the Petition Date. Specifically, with the assistance of their professionals, the Debtors will continue to maintain detailed records of all transfers of cash and record all transactions on applicable accounts. Therefore, the Debtors should be permitted to continue to manage their cash in accordance with the Cash Management System.⁷

B. The Court Should Authorize the Debtors to Maintain the Existing Bank Accounts

28. The U.S. Trustee has established several operating guidelines for chapter 11 debtors in possession, including a requirement that the debtor in possession open new bank accounts and close all existing accounts. This requirement was designed to provide a clear line of demarcation between prepetition and postpetition claims and payments and to help protect against the inadvertent payment of prepetition claims. The U.S. Trustee's guidelines also require opening a separate operating account and a special tax payment account into which all funds (including funds held in trust for employee tax withholdings) that may be collected and/or payable during the pendency of a debtor's case be deposited. This requirement is meant to

⁷ In complex chapter 11 cases such as these, courts have granted substantially similar relief. *See, e.g., In re Sports Auth. Holdings, Inc.*, Case No. 16-10527 (MFW) (Bankr. D. Del. Mar. 24, 2016); *In re The Standard Register Co.*, Case No. 15-10541 (BLS) (Bankr. D. Del. Mar. 13, 2015); and *In re Brookstone Holdings Corp.*, Case No. 14-10752 (BLS) (Bankr. D. Del. Apr. 4, 2014). Similar authorization is appropriate in the Chapter 11 Cases.

provide cash collateral for, and ensure payment of, certain priority tax claims such as federal and state payroll taxes and sales taxes.

29. The Debtors request that they be permitted to continue to use the existing Bank Accounts without establishing separate accounts for cash collateral or tax payments. Allowing the Debtors to maintain the Bank Accounts will assist them in accomplishing a smooth transition to operations under chapter 11. Moreover, the Debtors can distinguish between prepetition and postpetition obligations and payments without closing the Bank Accounts and opening new bank accounts. Additionally, the Debtors will immediately advise United Bank not to honor checks, advises, drafts, or other requests for payment issued prior to the Petition Date, except as otherwise expressly permitted by an order of the Court and directed by the Debtors. Therefore, the goals of the U.S. Trustee guidelines can be satisfied, and the Debtors' creditors can be protected, without closing the Bank Accounts.

30. In addition, as part of the Cash Management System, the Debtors now have strict systems in place to make sure that priority tax obligations are satisfied on a timely basis. Altering the Bank Account structure would interrupt these systems, thereby significantly disrupting the Debtors' business operations and jeopardizing the Debtors' prompt and timely payment of employee taxes and other priority tax obligations. The Debtors' systems provide the protections required by the U.S. Trustee guidelines—ensuring payment of taxes—without requiring the creation of new accounts and payment procedures.

31. Thus, the Debtors respectfully request that the Court authorize United Bank to continue to maintain, service, and administer the Bank Accounts as accounts of the Debtors as debtors in possession, without interruption and in the ordinary course of business. In this regard, United Bank should be authorized to receive, process, honor, and pay any and all checks,

automated clearing house payments (“ACH Payments”), and other instructions, and drafts payable through, drawn, or directed on the Bank Accounts after the Petition Date by holders, makers, or other parties entitled to issue instructions with respect thereto, whether such checks, drafts, wires, or ACH Payments are dated prior to or subsequent to the Petition Date consistent with any order of the Court and governing law; *provided, however*, that any check, advise, draft, or other notification that the Debtors advised United Bank to have been drawn, issued, or otherwise presented prior to the Petition Date may be honored by United Bank only to the extent authorized by an order of the Court.

32. The Debtors also request that, to the extent United Bank honors a prepetition check or other item drawn on any account that is the subject of this Motion either (a) at the direction of the Debtors, (b) in a good-faith belief that the Court has authorized such prepetition check or item to be honored, or (c) as the result of an innocent mistake despite the above-described protective measures, United Bank will not be deemed to be liable to the Debtors or to their estates on account of such prepetition check or other item honored postpetition. Both as part of this Motion and in other motions that have been concurrently filed, the Debtors are requesting authority, but not direction, to pay certain prepetition obligations. With respect to some of these obligations, the Debtors issued checks prior to the Petition Date that have yet to clear the banking system. In other instances, the Debtors will create the relevant check once the Court enters an order permitting the Debtors to do so. The Debtors intend to inform United Bank which such checks should be so honored. Therefore, the Debtors request that United Bank be authorized to rely on the representations of the Debtors with respect to whether any check or other payment order drawn or issued by the Debtor prior to the Petition Date should be honored. The Debtors respectfully submit that such relief is reasonable and appropriate because United

Bank is not in a position to independently verify or audit whether a particular item may be paid in accordance with an order of the Court or otherwise.

33. In the ordinary course of business, United Bank charges, and the Debtors pay, honor, or allow the deduction from the appropriate account, certain service charges and other fees, costs, and expenses (collectively, the “Bank Fees”). The Debtors respectfully request that the Court authorize United Bank to (a) continue to charge the Debtors the Bank Fees and (b) charge-back returned items to the Bank Accounts in the ordinary course of business, whether such items are dated prior to, on, or subsequent to the Petition Date.

34. Although the Debtors are requesting the waiver of the requirement that they close all bank accounts and open new debtor-in-possession bank accounts, the Debtors may determine, in their business judgment, that opening new bank accounts and/or closing the existing Bank Accounts is in the best interests of the estates. Nothing contained herein should prevent the Debtors from opening any additional bank accounts, or closing the Bank Accounts, as they may deem necessary and appropriate in their sole discretion, or as required by any debtor-in-possession financing agreement that is approved by the Court; *provided, however*, that any new domestic account is established at a bank that is insured with the FDIC or the FSLIC and organized under the laws of the United States or any State therein, or, in the case of accounts that may carry a balance exceeding the insurance limitations set thereby, on the U.S. Trustee’s List of Authorized Bank Depositories for the District of Delaware.⁸

C. The Debtors Should be Authorized to Use Existing Check Stock and Related Business Forms

35. Local Rule 2015-2(a) provides:

⁸ Consistent with the relief courts in this District have granted in other chapter 11 cases, the Debtors’ continued use of the Bank Account should be authorized. *See, e.g., In re Sports Auth. Holdings, Inc.*, Case No. 16-10527 (MFW) (Bankr. D. Del. Mar. 24, 2016); *In re The Standard Register Co.*, Case No. 15-10541 (BLS) (Bankr. D. Del. Mar. 13, 2015); and *In re Brookstone Holdings Corp.*, No. 14-10752 (BLS) (Bankr. D. Del. Apr. 4, 2014).

Where the debtor uses pre-printed checks, upon motion of the debtor, the Court may, without notice and hearing, permit the debtor to use its existing checks without the designation “Debtor-in-Possession” and use its existing bank accounts. However, once the debtor’s existing checks have been used, the debtor shall, when reordering checks, require the designation “Debtor-in-Possession” and the corresponding bankruptcy number on all such checks.

Del. Bankr. L.R. 2015-2(a).

36. The Debtors use numerous Business Forms in the ordinary course of their business. In order to minimize expenses to their estates, the Debtors request authority to continue using their existing prepetition Business Forms without reference to their status as debtors in possession or any other alteration.

37. It is essential that the Debtors be authorized to continue using their existing Business Forms because they routinely deal with a large number of vendors and customers, and changing business forms would impose a substantial burden without a corresponding benefit. Furthermore, most parties doing business with the Debtors undoubtedly will be aware of the Debtors’ status as debtors in possession as a result of the publicity surrounding these Chapter 11 Cases, targeted communications from the Debtors to key vendors and customers, and the notice of commencement of the Chapter 11 Cases will be provided to parties in interest. As with the existing Cash Management System, requiring the Debtors to change their existing Business Forms would unnecessarily distract the Debtors from their restructuring efforts and impose needless expenses on the estates.

38. With respect to checks, the Debtors will use the existing check stock until depleted and then reorder postpetition checks with the legend “Debtor in Possession” and the Debtors’ bankruptcy case number in accordance with Local Rule 2015-2(a).⁹

D. Cause Exists to Permit Continued Use of Intercompany Transactions and Postpetition Intercompany Claims Should Be Given Administrative Priority Status

39. As described above, the Debtors enter into certain Intercompany Transactions in the ordinary course of business. The Intercompany Transactions reduce the administrative costs incurred by the Debtors. If the Intercompany Transactions were to be discontinued, the Cash Management System and related administrative controls would be disrupted.

40. The continuation of the Intercompany Transactions will not prejudice the Debtors’ estates or their creditors. Furthermore, the Debtors maintain strict records of all transfers of cash and can account for all such Intercompany Transactions. Accordingly, the Debtors believe that continuation of the Intercompany Transactions is in the best interests of the Debtors’ estates and creditors.

41. Because the Debtors engage in Intercompany Transactions on a regular basis and such transactions are common among similar enterprises, the Debtors believe the Intercompany Transactions are ordinary course transactions within the meaning of section 363(c)(1) of the Bankruptcy Code and, therefore, do not require the Court’s approval. Nonetheless, out of an abundance of caution, the Debtors are seeking express authority to engage in such transactions on a postpetition basis. The continued performance of the ordinary course Intercompany Transactions is necessary to ensure the Debtors’ ability to operate their business after the Petition Date.

⁹ Courts in this District have routinely granted the same or similar relief as requested in the Motion to chapter 11 debtors. See, e.g., *In re The Standard Register Co.*, Case No. 15-10541 (BLS) (Bankr. D. Del. Mar. 13, 2015); *In re A123 Sys., Inc.*, Case No. 12-12859 (KJC) (Bankr. D. Del. Oct. 18, 2012) (granting interim relief).

42. Section 503(b)(1) of the Bankruptcy Code provides, in pertinent part, that after notice and a hearing “there shall be allowed administrative expenses . . . including the actual, necessary costs and expenses of preserving the estate including – wages, salaries, and commissions for services rendered after the commencement of the case[.]” 11 U.S.C. § 503(b)(1). To ensure that each individual Debtor will not fund, at the expense of its own creditors, the operations of another Debtor, the Debtors respectfully request that, pursuant to sections 503(b)(1) and 364(b) of the Bankruptcy Code, all Intercompany Claims arising after the Petition Date be awarded administrative expense priority status. If all Intercompany Claims against the Debtors are accorded administrative expense priority status, each entity will continue to bear the ultimate payment responsibility for such ordinary course transactions.¹⁰

E. The Court Should Authorize United Bank to Continue to Service and Administer the Bank Accounts

43. In connection with the foregoing, the Debtors respectfully request that the Court (a) authorize United Bank to receive, process, honor, and pay all checks and transfers issued by the Debtors in accordance with this Motion, without regard to whether any checks or transfers were issued before or after the Petition Date; (b) provide that United Bank may rely on the representations of the Debtors with respect to whether any check or transfer issued or made by the Debtors before the Petition Date should be honored pursuant to this Motion (United Bank having no liability to any party for relying on such representations by the Debtors provided for herein); and (c) authorize the Debtors to issue replacement checks or transfers to the extent any checks or transfers that are issued and authorized to be paid in accordance with this Motion are dishonored or rejected by United Bank.

¹⁰ Administrative expense treatment for intercompany transactions has been granted in other comparable chapter 11 cases in this District and should be granted here. *See, e.g., In re Physiotherapy Holdings, Inc.*, No. 13-12965 (KG) (Bankr. D. Del. Nov. 14, 2013); *In re Sch. Specialty, Inc.*, No. 13-10125 (KJC) (Bankr. D. Del. Jan. 30, 2013); and *In re William Lyon Homes*, No. 11-14019 (CSS) (Bankr. D. Del. Dec. 20, 2011).

F. Immediate Relief Is Justified

44. Pursuant to Bankruptcy Rule 6003, the Court may grant relief within 21 days after the filing of the petition regarding a motion to “use, sell, lease, or otherwise incur an obligation regarding property of the estate” only if such relief is necessary to avoid immediate and irreparable harm. Fed. R. Bankr. P. 6003(b). Immediate and irreparable harm exists where the absence of relief would impair a debtor’s ability to reorganize or threaten the debtor’s future as a going concern. *See In re Ames Dep’t Stores, Inc.*, 115 B.R. 34, 36 n.2 (Bankr. S.D.N.Y. 1990) (discussing the elements of “immediate and irreparable harm” in relation to Bankruptcy Rule 4001).

45. Moreover, Bankruptcy Rule 6003 authorizes the Court to grant the relief requested herein to avoid harm to the Debtors’ customers and other third parties. Unlike Bankruptcy Rule 4001, Bankruptcy Rule 6003 does not condition relief on imminent or threatened harm to the estate alone. Rather, Bankruptcy Rule 6003 speaks of “immediate and irreparable harm” generally. *Cf.* Fed. R. Bankr. P. 4001(b)(2), (c)(2) (referring to “irreparable harm to the estate”). Indeed, the “irreparable harm” standard is analogous to the traditional standards governing the issuance of preliminary injunctions. *See* 9 Alan N. Resnick & Henry J. Sommer, *Collier on Bankruptcy* ¶ 4001.07[b][3] (16th ed.) (discussing source of “irreparable harm” standard under Rule 4001(c)(2)). Courts will routinely consider third-party interests when granting such relief. *See, e.g., Capital Ventures Int’l v. Argentina*, 443 F.3d 214, 223 n.7 (2d Cir. 2006); *see also Linnemeir v. Bd. of Trs. of Purdue Univ.*, 260 F.3d 757, 761 (7th Cir. 2001).

46. As described herein and in the First Day Declaration, the Debtors will suffer immediate and irreparable harm without Court authorization for the relief requested herein. Accordingly, Bankruptcy Rule 6003 has been satisfied and the relief requested herein should be granted.

REQUEST FOR WAIVER OF STAY

47. The Debtors also request that the Court waive the stay imposed by Bankruptcy Rule 6004(h), which provides that “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” Fed. R. Bankr. P. 6004(h). As described above, the relief that the Debtors seek in this Motion is necessary for the Debtors to operate their business without interruption and to preserve value for their estates. Accordingly, the Debtors respectfully request that the Court waive the fourteen-day stay imposed by Bankruptcy Rule 6004(h), as the exigent nature of the relief sought herein justifies immediate relief.

48. To implement the foregoing immediately, the Debtors respectfully request a waiver of the notice requirements of Bankruptcy Rule 6004(a) to the extent they are deemed to apply.

DEBTORS’ RESERVATION OF RIGHTS

49. Nothing contained herein is intended or should be construed as an admission of the validity of any claim against the Debtors; a waiver of the Debtors’ right to dispute any claim; or an approval, assumption, or rejection of any agreement, contract, or lease under section 365 of the Bankruptcy Code.

NOTICE

50. The Debtors have provided notice of this Motion to: (i) the U.S. Trustee; (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney General for the District of Delaware; (iv) the Internal Revenue Service; (v) counsel for the DIP lender and counsel thereto; (vi) United Bank; and (vii) those creditors holding the thirty (30) largest unsecured claims against the Debtors’ estates (on a consolidated basis). Notice of this Motion and any order entered on this Motion will be served as required by Local Rule 9013-

1(m). In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is necessary.

WHEREFORE, the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as the Court may deem just and proper.

Dated: Wilmington, Delaware
December 4, 2017

/s/ Sean M. Beach

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*Proposed Counsel to the Debtors and Debtors in
Possession*

EXHIBIT A

PROPOSED ORDER

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

In re:

WOODBRIIDGE GROUP OF COMPANIES, LLC,
et al.,¹

Debtors.

Chapter 11

Case No. 17-____ (____)

(Jointly Administered)

Ref. Docket No. ____

**ORDER AUTHORIZING (A) THE MAINTENANCE OF THE
CASH MANAGEMENT SYSTEM; (B) MAINTENANCE OF THE EXISTING
BANK ACCOUNTS; (C) CONTINUED USE OF EXISTING BUSINESS FORMS; AND
(D) CONTINUED PERFORMANCE OF INTERCOMPANY TRANSACTIONS IN THE
ORDINARY COURSE OF BUSINESS AND GRANT OF ADMINISTRATIVE EXPENSE
STATUS FOR POSTPETITION INTERCOMPANY CLAIMS**

Upon the *Debtors' Motion for an Order Authorizing (A) the Maintenance of the Cash Management System; (B) Maintenance of the Existing Bank Accounts; (C) Continued Use of Existing Business Forms; and (D) Continued Performance of Intercompany Transactions in the Ordinary Course of Business and Grant of Administrative Expense Status for Postpetition Intercompany Claims* (the "Motion")² filed by the above-captioned debtors and debtors in possession (collectively, the "Debtors"); and this Court having found that it has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334(b) and 157, and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012; and this Court having found that venue of these cases and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that this matter is a

¹ The last four digits of Woodbridge Group of Companies, LLC's federal tax identification number are 3603. The mailing address for Woodbridge Group of Companies, LLC is 14225 Ventura Boulevard #100, Sherman Oaks, California 91423. Due to the large number of debtors in these cases, for which the Debtors have requested joint administration, a complete list of the Debtors, the last four digits of their federal tax identification numbers, and their addresses are not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed noticing and claims agent at www.gardencitygroup.com/cases/WGC, or by contacting the proposed undersigned counsel for the Debtors.

² All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Motion.

core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having found that notice of the Motion has been given as set forth in the Motion and that such notice is adequate and no other or further notice need be given; and this Court having determined that it may enter a final order consistent with Article III of the United States Constitution; and upon consideration of the First Day Declaration; and a hearing having been held to consider the relief requested in the Motion; and upon the record of the hearing and all of the proceedings had before this Court; and this Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein.
2. The Debtors are authorized to maintain and use the Cash Management System as described in the Motion.
3. The Debtors are authorized to (a) continue to use, with the same account numbers, the Bank Accounts; (b) treat the Bank Accounts for all purposes as accounts of the Debtors as debtors in possession; and (c) use, in their present form, all Business Forms, without reference to their status as debtors in possession, except as otherwise provided in this Order.
4. United Bank is hereby authorized to continue to service and administer the Bank Accounts as accounts of the Debtors as debtors in possession without interruption and in the usual and ordinary course, and to receive, process, honor, and pay any and all checks and drafts drawn on, or electronic transfer requests made on, the Bank Accounts after the Petition Date by the holders or makers thereof, as the case may be; *provided, however*, that any check drawn or

issued by the Debtors before the Petition Date may be honored by United Bank if specifically authorized by order of this Court.

5. Notwithstanding any other provision of this Order, if United Bank honors a prepetition check or other item drawn on any account that is the subject of this Order (a) at the direction of the Debtors, (b) in good faith belief that the Court has authorized such prepetition check or item to be honored, or (c) as the result of an innocent mistake made despite implementation of reasonable item handling procedures, it shall not be deemed to be liable to the Debtors or their estates or otherwise in violation of this Order.

6. United Bank is authorized to debit the Bank Accounts in the ordinary course of business without need for further order of this Court for: (a) all checks, items, and other payment orders drawn on the Bank Accounts that are cashed at its counters or exchanged for cashier's checks by the payees thereof prior to United Bank's receipt of notice of filing of the Chapter 11 Cases; (b) all checks, automated clearing house entries, and other items deposited or credited to the Bank Accounts prior to filing of the Chapter 11 Cases that have been dishonored, reversed, or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent the Debtors were responsible for such items prior to filing of the Chapter 11 Cases; and (c) all undisputed prepetition amounts outstanding as of the date hereof, if any, owed to United Bank as service charges for the maintenance of the Cash Management System.

7. United Bank may rely on the representations of the Debtors with respect to whether any check, item, or other payment order drawn or issued by the Debtors prior to the Petition Date should be honored pursuant to this or any other order of this Court, and United Bank shall not have any liability to any party for relying on such representations by the Debtors as provided for herein.

8. The Debtors are authorized to open any new bank accounts or close the existing Bank Accounts as they may deem necessary and appropriate in their sole discretion; *provided* that the Debtors give notice within fifteen (15) days thereafter to the U.S. Trustee, the DIP Agent and any statutory committees appointed in the Chapter 11 Cases; *provided, further*, that the Debtors shall only open any such new bank accounts at banks that have executed a Uniform Depository Agreement with the U.S. Trustee, or at banks that are willing to immediately execute such an agreement. To the extent the Debtor open any new bank accounts with a bank other than United Bank, the provisions of this Order shall apply with equal force to such banks.

9. The Debtors are authorized to use their existing Business Forms; *provided*, that once the Debtors' existing checks have been used, the Debtors shall, when reordering checks, require the designation "Debtor in Possession" and the corresponding bankruptcy case number on all checks.

10. The Debtors are authorized to continue performing Intercompany Transactions in the ordinary course of business and to honor and pay obligations in connection with the Intercompany Transactions; *provided, however*, that the Debtors may not make any intercompany transfers to non-debtor affiliates or subsidiaries absent further order of the Court.

11. The Debtors shall maintain accurate and detailed records of all transfers, including Intercompany Transfers, so that all transactions may be readily ascertained, traced, recorded properly, and distinguished between prepetition and post-petition transactions.

12. All Intercompany Claims owed by a Debtor to another Debtor shall be accorded administrative priority status of the kind specified in section 503(b) of the Bankruptcy Code to the extent such obligations arise after the Petition Date and certain Intercompany Claims may be

accorded secured status as protective advances in accordance with the applicable mortgage loan documents.

13. Subject to the terms of the DIP Agreement and the DIP Order, the Intercompany Claims shall be junior to the claims and liens afforded to the DIP Agent under the DIP Agreement and DIP Order. In the event of any inconsistency between this Order the DIP Order, the DIP Order shall control.

14. Notwithstanding use of a consolidated Cash Management System, the Debtor shall calculate quarterly fees under 28 U.S.C. § 1930(a)(6) based on the disbursements of each Debtor, regardless of which entity pays those disbursements.

15. Within five (5) business days from the date of the entry of this Order, the Debtors shall (i) serve a copy of this Order on United Bank and (ii) request that United Bank internally code the Bank Accounts as “debtor in possession” accounts.

16. Nothing in this Order (a) is intended or shall be deemed to constitute an assumption of any agreement pursuant to section 365 of the Bankruptcy Code or an admission as to the validity of any claim against the Debtors, (b) shall impair, prejudice, waive, or otherwise affect the rights of the Debtors or their estates with respect to the validity, priority, or amount of any claim against the Debtors and their estates, or (c) shall be construed as a promise to pay a claim.

17. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

18. The requirements set forth in Bankruptcy Rule 6003(b) are satisfied.

19. Notice of the Motion as provided therein shall be deemed good and sufficient and the requirements of Bankruptcy Rule 6004(a) and the Local Rules are satisfied by such notice.

20. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

21. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: December __, 2017
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

DIAGRAM OF CASH MANAGEMENT SYSTEM

