

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

IN RE)	Chapter 11
)	
WOODBRIIDGE GROUP OF COMPANIES,)	Case No. 17-12560-KJC
LLC, <i>et al.</i> ,)	(Jointly Administered)
)	
Debtors.)	Hearing Date: Jan. 10, 2018 at 1:00 p.m.
)	Obj. Deadlines: Jan. 2, 3, 2018 at 4:00 p.m.

**OMNIBUS OBJECTION BY THE U.S. SECURITIES AND EXCHANGE
COMMISSION TO MOTIONS AND APPLICATIONS SET FOR
HEARING ON JANUARY 10, 2018 AND RESERVATION OF RIGHTS**

The U.S. Securities and Exchange Commission (the “SEC”), appearing in this case as a creditor pursuant to 11 U.S.C. §1109(b), objects to the following motions and applications set for hearing on January 10, 2018 as being premature until the Court rules upon the pending motions to appoint a Chapter 11 trustee, and further, reserves its rights to object to the requested relief:

- a. Debtors’ Motion for Final Approval of Debtor-in-Possession Financing [ECF No. 22];
- b. Debtors’ Motion Authorizing (I) Engagement Letter Between Debtors and SierraConstellation Partners LLC and (II) Employment of Lawrence R. Perkins as Chief Restructuring Officer [ECF No. 102];
- c. Debtors’ Application to Retain Garden City Group, LLC as Administrative Advisor for the Debtors [ECF No. 103];
- d. Debtors’ First Omnibus Motion Authorizing Assumption of Certain Executory Contracts [ECF No. 106];
- e. Debtors’ Application to Retain Homer Bonner Jacobs PA as Special Litigation Counsel [ECF No. 111];
- f. Debtors’ Motion Authorizing the Debtors to Retain Province, Inc. as Expert Consultant [ECF No. 116];
- g. Debtors’ Application to Retain Young Conaway Stargatt & Taylor, LLP as Co-Counsel to the Debtors [ECF No. 119];

- h. Debtors' Application to Retain Gibson, Dunn & Crutcher LLP as General Bankruptcy and Restructuring Co-Counsel for the Debtors [ECF No. 122]; and
- i. Debtors' Application to Retain Moelis & Company as Investment Bankers to the Debtors [ECF No. 123].

OMNIBUS OBJECTION

1. The SEC is the federal agency charged with regulating the securities markets and enforcing the federal securities laws. In that capacity, on December 20, 2017, the SEC filed a civil enforcement action against the Debtors, and others, in U.S. District Court alleging multiple violations of the federal securities laws.¹ The action is based on a massive Ponzi scheme orchestrated by Robert Shapiro, who used the Debtor entities to defraud more than 8,400 investors through fraudulent unregistered securities offerings.

2. In its complaint, the SEC alleges that Shapiro promised investors they would be repaid from the high rates of interest that the Debtors were earning on loans made to unaffiliated third-party borrowers. But in reality, Shapiro transferred most of the investors' money to entities he controlled. Those entities had no revenue, no bank accounts and never paid any interest under the loans. Without real revenue to pay the monies due to investors, Shapiro resorted to fraud, using new investor money to pay fake returns owed to existing investors.

3. The SEC has requested that the District Court appoint a receiver over the Debtors and the other Shapiro-controlled entities that are not in bankruptcy. The District Court judge recently entered an order requesting briefing on whether proceedings in that case should be stayed in light of this pending bankruptcy, setting a hearing for January 25, 2018. The District Court has thus also denied as moot the parties' agreed motion on a briefing schedule for the appointment of a receiver and the SEC's original Ex Parte Emergency Motion for Expedited Consideration of Motion for Appointment of a Receiver.

¹ The action is styled *Securities and Exchange Commission v. Shapiro, et al.*, Case No. 17-24624 (S.D. Fla.).

4. On December 28, 2017, the Official Committee of Unsecured Creditors filed an emergency motion for the appointment of a Chapter 11 trustee [ECF No 150]. Likewise, on January 2, 2018, the SEC filed a motion for the appointment of a Chapter 11 trustee. Those motions allege, in detail, widespread fraud and mismanagement by Robert Shapiro, who remains a part of the current management team, and gross mismanagement by the newly-hired members of the management team that is currently in charge of the Debtors' estates. The Court has scheduled the hearing on the trustee motions to begin on January 10, 2018 at 10:00 a.m., but based on the amount of evidence to be presented, the hearing may not be concluded on that date.

5. In light of the pending trustee motions, the SEC believes that any relief granted on the matters set for hearing on January 10, 2018 should be limited, at most, to interim relief that is needed to avoid immediate and irreparable harm to the Debtors' assets, pending the outcome of the trustee motions. Specifically, with respect to the financing motion, the Court should authorize the Debtors to borrow only the amounts needed (if any) to avoid immediate and irreparable harm to the Debtors' estates until the trustee motions are decided. If a trustee is appointed, the hearing on the pending motion and applications should be continued to provide the trustee sufficient time to evaluate their merits and address any potential concerns.

6. The pending retention and employment applications should be continued to a further hearing date after the trustee motion is resolved. If the Debtors can establish that retention orders are required at this time, then those orders should be on an interim basis pending the outcome of the trustee motions. Again, if a trustee is appointed, then the trustee should be given sufficient time to evaluate the various employment and retention papers and address any potential concerns.

7. Finally, the Debtors' motion to assume contracts should be continued until after the trustee motions are decided. The assumption motion commits the estate to paying millions of dollars in cure costs, and exposes the estates to substantial administrative expenses if the Debtors breach or subsequently reject those assumed contracts. If a trustee is appointed, he or she will need to evaluate the merits of the motion and determine whether the requested relief, and the potentially large administrative expense liability, is in the best interests of the estates.

RESERVATION OF RIGHTS

8. The SEC reserves all other rights and objections to the motion and applications set for hearing on January 10th.

WHEREFORE, the SEC respectfully requests the entry of an Order continuing the motions and applications currently set for hearing on January 10, 2018, to a date after the outcome of the pending trustee motions, and providing such other relief as the Court deems appropriate.

Dated: January 2, 2018

Respectfully Submitted,

/s/ David W. Baddley
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 2nd day of January, 2018, a true and correct copy of the foregoing Omnibus Objection was furnished to all ECF Participants via Notice of Electronic Filing and additionally was served by Email and Overnight Delivery to:

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