

**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. 17-12560 (KJC)

(Jointly Administered)

**DECLARATION OF BRADLEY D. SHARP IN SUPPORT OF
DEBTORS' MOTION FOR ENTRY OF AN ORDER, PURSUANT TO
SECTION 105(a) OF THE BANKRUPTCY CODE AND BANKRUPTCY
RULE 9019, AUTHORIZING AND APPROVING THE DEBTORS' ENTRY
INTO A SETTLEMENT WITH QBDK HURON LLC**

I, Bradley D. Sharp, hereby declare under penalty of perjury, pursuant to section 1746 of title 28 of the United States Code, as follows:

1. I am President and CEO of Development Specialists, Inc. ("DSI"), located at 333 S. Grand Avenue Suite 4070, Los Angeles, California 90071, and the Chief Restructuring Officer of WGC Independent Manager LLC, a Delaware limited liability company ("WGC Independent Manager"), which is the sole manager of debtor Woodbridge Group of Companies, LLC, a Delaware limited liability company and an affiliate of each of the above-captioned debtors and debtors in possession (collectively, the "Debtors"). I submit this declaration (this "Declaration") in support of the *Debtors' Motion for Entry of an Order, Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Authorizing and Approving the Debtors' Entry into a Settlement with QBDK Huron LLC* (the "Motion").² All facts set forth in

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 14140 Ventura Boulevard #302, Sherman Oaks, California 91423. Due to the large number of debtors in these cases, which are being jointly administered for procedural purposes only, 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' noticing and claims agent at www.gardencitygroup.com/cases/WGC, or by contacting the undersigned counsel for the Debtors.

² Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Motion.

this Declaration are based upon my personal knowledge, and if called upon to testify, I could and would testify competently to the facts set forth herein.

2. Pursuant to the terms of the settlement approved by this Court on January 23, 2018 between the Debtors, the Official Committee of Unsecured Creditors, the Securities and Exchange Commission, the Ad Hoc Committee of Noteholders, and the Ad Hoc Committee of Unitholders (the “Settlement”), the Debtors’ board of managers was reconstituted as a three-person board consisting of Richard Nevins, Freddie Reiss, and Michael Goldberg (collectively, the “Board”) [Docket No. 357-1]. On January 26, 2018, the Board approved my retention as the Debtors’ new Chief Restructuring Officer. On February 13, 2018, the Court entered an order approving my retention as Chief Restructuring Officer [Docket No. 573].

3. On August 30, 2017, Seller and Buyer entered into the Purchase Agreement, pursuant to which Seller agreed to sell and Buyer agreed to purchase all of Seller’s right, title, and interest in and to the Property for a purchase price of \$59,500,000 in the aggregate. Buyer transferred the Deposit in the full amount of \$2,380,000 to the Escrow Agent. The Purchase Agreement provided that Buyer could terminate the Purchase Agreement until the expiration of the Due Diligence Period and be entitled to the return of the Deposit. Buyer did not terminate the Purchase Agreement before the expiration of the Due Diligence Period.

4. The closing of the sale of the Property, was originally scheduled to occur on January 18, 2018. Buyer exercised its one-time right under Section 5.1(ii) of the Purchase Agreement to extend the closing date to February 20, 2018 pursuant to written notice to Seller dated December 7, 2017. Seller contends that on February 2, 2018, it delivered to Escrow Agent executed copies of all of the closing and conveyance documents required of Seller under Section 5.3 of the Purchase Agreement, to be held in escrow in accordance with the terms of Seller’s Escrow Instruction Letter dated February 1, 2018.

5. On February 20, 2018, Seller sent Buyer a Notice of Default (the “Notice of Default”), notifying Buyer that Seller had satisfied all of its obligations under the Purchase Agreement, Buyer had failed to satisfy all of its obligations under the Purchase Agreement (including by failing to close on the purchase of the Property by the Closing Date) and that if Buyer did not cure its defaults under the Purchase Agreement within ten days of the date of the Notice of Default, the Purchase Agreement would terminate.

6. On March 2, 2018, Seller sent a letter to the Escrow Agent (i) contending that Buyer failed to satisfy its obligations under the Purchase Agreement, (ii) terminating the Purchase Agreement based on Buyer’s failure to close on the Property by the Closing Date, and (iii) stating that it was electing to exercise its remedy under the Purchase Agreement to receive payment of the Deposit as damages in accordance with the terms of the Purchase Agreement.

7. On March 16, 2018, Seller sent a further letter to the Escrow Agent demanding that the Deposit be immediately released, in full, to Seller. On March 22, 2018, Buyer sent a letter to the Escrow Agent objecting to the release of the Deposit. On March 23, 2018, the Escrow Agent sent a letter to the parties stating that it intended to release the Deposit to Seller absent a court order restraining or preventing such disbursement. Also on March 23, 2018, Buyer (which had recently come under the control of WGC Independent Manager), commenced a voluntary case under chapter 11 of the Bankruptcy Code. Immediately thereafter, Buyer sent a letter to the Escrow Agent informing the Escrow Agent of Buyer’s chapter 11 filing, claiming an interest in the Deposit, and demanding that the Escrow Agent hold the Deposit pending either joint instructions from the parties or an order of this Court directing the Deposit’s disposition. On March 26, 2018, the Escrow Agent sent a letter to Buyer and Seller stating that it would hold the Deposit until receipt of an order of this Court.

8. I understand that Seller has asserted that its actual damages, including, but not limited to: (i) Seller’s carrying costs of the Property, (ii) Seller’s legal and other transactional

costs in entering into the Purchase Agreement and the breach thereof, and (iii) Seller's inability to locate a replacement buyer at the purchase price specified in the Purchase Agreement, are more than double the amount of the Deposit.

9. The Debtors have determined, in consultation with the Committee and in an exercise of the Debtors' sound business judgment, that the terms of the Stipulation are fair and reasonable and that the best interests of the Debtors' estates and creditors will be served by the entry of the Proposed Order. The terms of the Stipulation are the product of good faith, arm's-length negotiations between the Debtors and Seller.

10. Absent approval of the Stipulation, the Debtors would be forced to proceed with discovery on the relevant factual and legal issues, as well as briefing and argument, which would require time, attention, and resources from the Debtors and their management and professionals. The Stipulation resolves the parties' dispute as to their respective rights to the Deposit in an efficient and consensual manner that will avoid costly and time-consuming litigation that would detract from the value of the estates and the recovery of creditors. Moreover, the proposed consensual resolution of this dispute will bring money into the estate and will free the Debtors to devote additional time and effort to the numerous other critical issues confronting the Debtors in these Chapter 11 Cases.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: May 10, 2018

/s/ Bradley D. Sharp

Bradley D. Sharp
Chief Restructuring Officer, WGC Independent
Manager, LLC