

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

In re:

WOODBRIIDGE GROUP OF COMPANIES, LLC,  
*et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 17-12560 (KJC)

(Jointly Administered)

Re: Docket Nos. 2162, 2266

Hearing Date: August 8, 2018 at 2:00 p.m. (ET)

**REPLY IN SUPPORT OF JOINT MOTION OF THE  
OFFICIAL COMMITTEE OF UNSECURED CREDITORS  
AND THE AD HOC NOTEHOLDER GROUP PURSUANT TO 11 U.S.C.  
§§ 105(a) AND 363(b) FOR ENTRY OF AN ORDER APPROVING (A)  
PROCEDURES RELATING TO PROPOSED NOTEHOLDER LIQUIDITY  
FACILITY AND (B) RELATED EXCLUSIVITY PROVISIONS**

The Official Committee of Unsecured Creditors (the “Creditors’ Committee”) and the Ad Hoc Noteholder Group (the “Noteholder Group” and together with the Creditors’ Committee, the “Movants”) appointed in the chapter 11 cases of Woodbridge Group of Companies, LLC and its affiliated debtors (collectively, the “Debtors”) hereby jointly submit this reply in support of their joint motion (the “Motion”)<sup>2</sup> for an order approving (a) procedures relating to a proposed up to \$215 million noteholder liquidity facility (the “Noteholder Liquidity Facility”) that would be made available to the holders of notes issued by the Debtors (each a “Noteholder” and together, the “Noteholders”) for the purpose of providing loans equal to 30% of each Noteholder’s allowed net claim against the Debtors, plus as may be mutually agreed an additional or greater percentage of such allowed net claim amount, and (b) related exclusivity provisions. One

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<sup>1</sup> 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](http://www.gardencitygroup.com/cases/WGC), or by contacting the undersigned counsel for the Debtors.

<sup>2</sup> Capitalized terms used, but not defined, herein shall have the meanings ascribed to such terms in the Motion.

objection has been filed to the Motion by Lisa La Rochelle, *et al.* Noteholders represented by The Sarachek Law Firm (the “Sarachek Objection”). In further support of the Motion and in reply to the Sarachek Objection, the Movants respectfully represent as follows:

**Reply**

1. The purpose of the Noteholder Liquidity Facility is to provide an avenue for investor victims who are Noteholders and who need immediate liquidity to obtain access to funding, while still retaining their claims and all rights to participate in these cases as creditors, such as the right to vote on a chapter 11 plan. As noted in the Motion, the Noteholder Liquidity Facility is completely optional. Noteholders will have the opportunity to participate if they want to, but they are not under any obligation to do so. Further, the Movants are not urging or recommending that any Noteholder participate in the Noteholder Liquidity Facility. The Movants have simply arranged to make the Noteholder Liquidity Facility available to those Noteholders who make the decision that it will help them.

2. The Sarachek Objection appears to be operating from the mistaken assumption that the Noteholders would be charged for “possibly borrowing their own funds.” *See* Sarachek Objection at ¶ 2. To be clear, the funds to be advanced under the Noteholder Liquidity Facility are not funds of the Debtors’ estates or funds in which the Noteholders have any interest. All proceeds of the Noteholder Liquidity Facility will originate with the third party Noteholder Liquidity Lenders. The Debtors also are not paying any fees or charges whatsoever to the Noteholder Facility Lenders associated with the Noteholder Liquidity Facility. Each Noteholder who chooses to participate in the Noteholder Liquidity Facility and receives funds from the Noteholder Liquidity Lenders would agree that the first distributions in these cases on account of such Noteholder’s claims would go to repay the amounts owed to the Noteholder

Liquidity Lenders, plus applicable fees and interest that will total no less than 16.00% per annum in year 1 (inclusive of an origination fee of 5%) and 15.50% in years 2 and 3. The loans under the Noteholder Liquidity Facility are otherwise non-recourse to the Noteholders, except in the event that a Noteholder makes representations, warranties, and certifications to the Noteholder Facility Lenders that were materially false when made.

3. Although the financing offered to Noteholders under the Noteholder Liquidity Facility is not inexpensive, the cost takes into account the inherent risk associated with the willingness of the Noteholder Liquidity Lenders to make advances against contingent distributions in these bankruptcy cases on a non-recourse basis. Such distributions are contingent upon, among other factors, confirmation of a chapter 11 plan and the availability of distributable assets to Noteholders. For those Noteholders who cannot wait any longer for immediate liquidity, the Noteholder Liquidity Facility would provide much needed funding at a fixed amount of their allowed net claims against the Debtors.

4. The Sarachek Objection re-urges the point that exclusivity should be terminated so that other financing alternatives can be proposed. This position offers nothing more than pure conjecture. The Movants have already considered available financing structures and determined that the proposed Noteholder Liquidity Facility provides the best available economic option to those Noteholders who need to quickly liquidate a portion of their claims against the Debtors' estates, while retaining their claims and full creditor status in these cases. Accordingly, the Movants urge the Court to approve the Motion and allow the Noteholder Liquidity Facility to be made available to Noteholders.

Dated: August 3, 2018

PACHULSKI STANG ZIEHL & JONES LLP

/s/ Colin R. Robinson

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