

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

In re:

WOODBIDGE 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 CONSENT ORDER WITH
THE ARIZONA CORPORATION COMMISSION**

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 (each, a "Debtor" and 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 Consent Order with the Arizona Corporation Commission*

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.

(the "Motion").² All facts set forth in 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, M. Freddie Reiss, and Michael Goldberg (collectively, the "New Board") [Docket No. 357-1]. On January 26, 2018, the New 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. In addition to the numerous other critical issues that have confronted the Debtors since the inception of these Chapter 11 Cases, the Debtors have addressed actions by governmental regulators, including the SEC and state regulators, relating to the Debtors' prepetition business practices. The agreement with the ACC embodied in the Consent Order is a crucial step in the Debtors' overall and ongoing efforts to bring to an expeditious conclusion all of the regulatory actions facing the Debtors. A true and correct copy of the Consent Order is attached as Exhibit 1 to the Proposed Order.³ The Consent Order is currently unsigned, as the ACC has requested that the Debtors secure advance Court approval of the Consent Order, at which point the Debtors and the ACC upon the approval of its commissioners will execute the document.

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

³ In the event of a conflict between any term addressed in this summary with any term in the Consent Order, the Consent Order will govern in all respects.

4. Pursuant to the Consent, without admitting or denying the Findings of Fact set forth in the Order, the Debtor Defendants agree to the entry of the Order and agree, among other things, that they: (i) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in the Order or creating the impression that the Order is without factual basis, (ii) will not make or permit to be made any public statement to the effect that Debtor Defendants do not admit the allegations of the Order, or that the Order contains no admission of the allegations, without also stating that Debtor Defendants do not deny the allegations, and (iii) will continue to cooperate with the ACC including, but not limited to, providing complete and accurate testimony at any hearing in the ACC Action and cooperating with the state of Arizona in any related investigation or any other matters arising from the activities described in the Order. *See* Consent, ¶¶ 5, 13 & 14.

5. The Order requires that the Debtor Defendants comply with the Consent, and further provides, among other things, that: (i) the Debtor Defendants will permanently cease and desist from violating Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* (the “Securities Act”), (ii) pursuant to A.R.S. § 44-2032, the Debtor Defendants are jointly and severally liable (together with all respondents against whom orders are entered in the ACC Action) for restitution to the ACC in the principal amount of \$3,582,894 (the “Restitution Claim”),⁴ and (iii) pursuant to A.R.S. § 44-2036, the Debtor Defendants are jointly and severally liable for an administrative penalty in the amount of \$150,000 (the “Administrative Penalty” and together with the Restitution Claim, the “Monetary Awards”). *See* Order, Art. III. The Monetary Awards shall accrue interest as set forth in the Order. *Id.*

⁴ Pursuant to the Order, any distributions made in the Chapter 11 Cases to or on account of claims asserted by Arizona investors and non-Arizona investors that were solicited by an Arizona salesperson will be credited as setoffs against the amount of the Restitution Claim. *See* Order, Art. III.

6. The Order further provides that this Court retains exclusive jurisdiction to hear and determine bankruptcy-specific issues concerning the Monetary Awards and that, pursuant to Bankruptcy Code section 510, all claim amounts asserted in the proofs of claim filed by the ACC in the Chapter 11 Cases (bearing Proof of Claim Nos. 4001, 4002, 4004, and 4005), including, without limitation, the Monetary Awards, shall be subordinate to all creditor claims (including principal and interest) that are allowed in the Chapter 11 Cases. *Id.*

7. Finally, the Debtor Defendants agree that in any bankruptcy proceeding, including the Chapter 11 Cases, (i) the obligations incurred as a result of the Order are a result of the conduct set forth in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona state securities laws, pursuant to section 523(a)(19)(A)(i), and (ii) the Order constitutes a judgment, order, consent order, or decree entered in a state proceeding pursuant to section 523(a)(19)(B)(i), a settlement agreement entered into by the Debtor Defendants pursuant to section 523(a)(19)(B)(ii), and a court order for damages, fine, penalty, citation, restitution payment, disgorgement payment, attorney fee, cost, or other payment owed by the Debtor Defendants pursuant to section 523(a)(19)(B)(iii). *See* Consent, ¶ 7.

8. The Debtors have determined, in close consultation with the Constituencies and in an exercise of their sound business judgment, that the terms of the Consent Order 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 agreed upon terms of the Consent Order are the product of extensive arm's-length negotiations between the Debtors and the ACC. The Consent Order resolves certain claims for relief, asserted by the ACC for alleged violations of the Securities Act, in an efficient and consensual manner that will avoid costly litigation that would detract from the value of the estates and the recovery of creditors. The entry of the Consent Order 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: August 30, 2018

/s/ Bradley D. Sharp

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