

**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)

Hearing Date: N/A

Objection Deadline: N/A

Ref. Docket Nos. 123, 152, 167, & 289

**MOTION FOR AN ORDER GRANTING THE DEBTORS
LEAVE AND PERMISSION TO FILE THE DEBTORS' RESPONSE
IN SUPPORT OF THEIR APPLICATION FOR ORDER (I) AUTHORIZING
RETENTION AND EMPLOYMENT OF MOELIS & COMPANY LLC AS
INVESTMENT BANKER TO THE DEBTORS *NUNC PRO TUNC* TO DECEMBER 12,
2017 PURSUANT TO SECTIONS 327(A) AND 328(A) OF THE BANKRUPTCY CODE
AND BANKRUPTCY RULE 2014(A) AND (II) WAIVING CERTAIN INFORMATION
REQUIREMENTS IMPOSED BY LOCAL RULE 2016-2**

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, substantially in the form attached hereto as Exhibit B (the “Proposed Order”), pursuant to Rule 9006-1(d) of the Local Rules of Bankruptcy Practice and Procedure for the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), granting the Debtors leave and permission to file the *Debtors’ Response in Support of Their Application for Order (I) Authorizing Retention and Employment of Moelis & Company LLC as Investment Banker to the Debtors Nunc Pro Tunc to December 12, 2017 Pursuant to*

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, 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 proposed undersigned counsel for the Debtors.

Sections 327(a) and 328(a) of the Bankruptcy Code and Bankruptcy Rule 2014(a) and (II) Waiving Certain Information Requirements Imposed by Local Rule 2016-2 (the “Response”), attached hereto as Exhibit A. In support of this Motion, the Debtors respectfully represent as follows:

1. On December 4, 2017, each of the Debtors commenced a voluntary case under chapter 11 of the Bankruptcy Code (the “Chapter 11 Cases”). Pursuant to sections 1107(a) and 1108 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), the Debtors are continuing to manage their financial affairs as debtors in possession. The Chapter 11 Cases are being jointly administered for procedural purposes pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

2. On December 14, 2017, the United States Trustee for the District of Delaware (the “U.S. Trustee”) appointed the official committee of unsecured creditors (the “Creditors’ Committee”) pursuant to section 1102 of the Bankruptcy Code [Docket No. 79].

3. On December 20, 2017, the Debtors filed the Application of the Debtors for Order (I) Authorizing Retention and Employment of Moelis & Company LLC as Investment Banker to the Debtors Nunc Pro Tunc to December 12, 2017 Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code and Bankruptcy Rule 2014(a) and (II) Waiving Certain Information Requirements Imposed by Local Rule 2016-2 [Docket No. 123] (the “Application”). Pursuant to the Application, the Debtors seek to retain Moelis & Company LLC (“Moelis”) as investment banker pursuant to sections 327(a) and 328(a) of the Bankruptcy Code. Objections to the Application were due on January 3, 2018, at 4:00 p.m. (ET) (the “Objection Deadline”), and the hearing on the matter (the “Hearing”) is scheduled for January 18, 2018, at 10:00 a.m. (ET). However, the Objection Deadline was extended for the U.S. Trustee, the Committee, the

Securities and Exchange Commission, the ad hoc noteholder groups, and the ad hoc unitholders group to January 11, 2018, at 4:00 p.m. (ET). At the request of the Committee, the Objection Deadline was further extended for the Committee to January 15, 2018, at 4:00 p.m. (ET) and, at the request of the U.S. Trustee, extended for the U.S. Trustee to January 16, 2018, at 4:00 p.m. (ET).

4. On January 15, 2018, the Committee filed the *Official Committee of Unsecured Creditors' Objection to the Application of Debtors for Order (I) Authorizing Retention and Employment of Moelis & Company LLC as Investment Banker to the Debtors Nunc Pro Tunc to December 12, 2017 Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code and Bankruptcy Rule 2014(a) and (II) Waiving Certain Information Requirements Imposed by Local Rule 2016-2* [Docket No. 289] (the "Objection") pursuant to which the Committee objected to the retention of Moelis under sections 327(a) and 328(a) of the Bankruptcy Code as investment banker to the Debtors.

5. Pursuant to Local Rule 9006-1(d), "[r]epley papers . . . may be filed and, if filed, shall be served so as to be received by 4:00 p.m. prevailing Eastern Time the day prior to the deadline for filing the agenda." Since the agenda for the Hearing was due on Tuesday, January 16, 2018, at noon (ET), pursuant to Local Rule 9006-1(d), the Debtors' deadline to file a reply to the Objection was Friday, January 12, 2018 at 4:00 p.m. (ET) (the "Response Deadline"). However, due to the extension of the Objection Deadline the Debtors provided to the Committee, it was not possible for the Debtors to formulate a Response by the Response Deadline.

6. In light of the fact that the Debtors provided the Committee with additional time to file the Objection in order to attempt to consensually resolve the Committee's

issues with the Application, the Debtors request that the Court enter an order granting them leave and permission to file the Response. The Response clarifies certain facts that the Committee took umbrage with and, as a result, the Debtors believe that the Response will assist the Court in the consideration of the Application.

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WHEREFORE, the Debtors respectfully requests that this Court enter the Proposed Order, substantially in the form annexed hereto as Exhibit B, granting them leave and permission to file the Response, and granting such other and further relief as this Court deems just and proper.

Dated: January 17, 2017
Wilmington, Delaware

/s/ Ian J. Bambrick

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EXHIBIT A

RESPONSE

**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

Rel. to Docket Nos. 123, 152, & 289

**DEBTORS' RESPONSE IN SUPPORT OF THEIR APPLICATION FOR ORDER
(I) AUTHORIZING RETENTION AND EMPLOYMENT OF MOELIS & COMPANY
LLC AS INVESTMENT BANKER TO THE DEBTORS *NUNC PRO TUNC* TO
DECEMBER 12, 2017 PURSUANT TO SECTIONS 327(a) AND 328(a) OF THE
BANKRUPTCY CODE AND BANKRUPTCY RULE 2014(a) AND (II) WAIVING
CERTAIN INFORMATION REQUIREMENTS IMPOSED BY LOCAL RULE 2016-2**

Woodbridge Group of Companies, LLC ("Woodbridge") and its affiliated debtors and debtors in possession (collectively, the "Debtors") in the above-captioned chapter 11 cases (the "Chapter 11 Cases"), hereby submit this response ("Response") to the objection of the Official Committee of Unsecured Creditors (the "Committee") to the *Application for Order (I) Authorizing Retention and Employment of Moelis & Company LLC as Investment Banker to the Debtors Nunc Pro Tunc to December 12, 2017 Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code and Bankruptcy Rule 2014(a) and (II) Waiving Certain Information Requirements Imposed by Local Rule 2016-2* (as supplemented, the "Application").

1. The Debtors seek to retain Moelis & Company LLC ("Moelis") to provide investment banking services. The Committee filed an objection to the Application, D.I. 289 (the

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“Objection”), objecting to Moelis’ retention on two grounds.² First, the Committee asserts that Moelis’ retention is not necessary because the Debtors do not need any investment banker (Moelis or otherwise); rather, the Committee asserts that the Debtors should instead employ a residential real estate broker. Second, the Committee argues that the fees payable to Moelis under the Engagement Letter are excessive and duplicative. The Objection should be overruled, as it demonstrates a fundamental misunderstanding of the Debtors’ business operations and concomitant complexities and assumes a conclusion about the likely outcome of the chapter 11 cases—namely, that the Debtors will liquidate—without having done any diligence, let alone the requisite diligence required to support it. The Debtors require the services of a sophisticated investment banker, and Moelis—as the Committee concedes—fits the bill. The Committee also misconstrues how Moelis’s proposed fees work. There is no double counting of fees, and Moelis is not poised to make over \$15 million resulting from duplicative fee entitlements, despite the Committee’s insinuations. Finally, the Committee ignores the fact that the Debtors conducted a robust interview process for investment banking services, and that Moelis’s proposed fees were within the range that its competitors offered in connection with an engagement by the Debtors.

2. The Debtors consist of 279 separate legal entities that own 138 pieces of real property that are in various stages of development and located in several different States (primarily California and Colorado). The Objection seeks to minimize the Debtors’ operations to merely the selling of luxury homes in Southern California, and recommends that the Debtors simply employ a real estate broker in California to sell the Debtors’ properties. This

² The Committee also suggests that the relief requested in the Application should not be considered until after the pending motions to appoint a chapter 11 trustee (the “Trustee Motions”) are decided. This portion of the Objection is also misguided. The hearing on the Trustee Motions commenced on January 10, and has been continued to January 18, and the Court has indicated that it will hear all evidence and argument in respect thereof prior to considering the Debtors’ various retention applications, including the Moelis Application, will be considered. In any event, Moelis has been working diligently on behalf of the Debtors since December 12, 2018 and its retention application will need to be considered and ruled on regardless of the outcome of the Trustee Motions.

characterization of the Debtors' business—while true with respect to some properties—is simplistic to the point of misleading.

3. The Debtors' operations are not limited to marketing and selling high-end homes in Southern California. Rather, the Debtors make strategic purchases of real property in various stages of development, from vacant, "spec" land, to partially built homes, to fully built homes that require substantial renovation, to fully completed homes. Other than the fully completed homes, the Debtors will need to make significant capital investments to develop properties in various stages of development. To ensure that the Debtors obtain an appropriate return on investment for potentially significant capital outlays, the Debtors need the advice of an investment bank (like Moelis) to determine the appropriate business strategy.

4. Moreover, the Debtors need Moelis to fully explore opportunities for third-party, institutional investors to determine whether there is a potential buyer of some or all of the Debtors' real estate, and whether such a transaction would be more beneficial to the Debtors' various stakeholders. As fiduciaries to all stakeholders, the Debtors must explore the viability of potential alternative transactions. Contrary to the Committee's baseless assertion, it is not necessarily likely that these chapter 11 cases will result in an orderly liquidation, and the Debtors are retaining Moelis to determine what path forward will maximize the value of these assets for all stakeholders.

5. The Committee also ignores several other complicating factors that strongly support the Debtors' retention of Moelis. For instance, given the number of properties (i.e., 138) and third-party retail investors (i.e., nearly 9,000), proposing a confirmable chapter 11 plan will require the development of a defensible framework that allocates the value of the properties in accordance with the investors' claims. The complexity of this undertaking will be exacerbated by

the Debtors' substantial intercompany claims, and the fact that, prepetition, incoming funds from investors were often combined and not segregated on an entity-by-entity basis. Accordingly, the Debtors' capital structure presents significant hurdles to appropriately assessing value allocation among the Debtors' varying constituencies, which is precisely the sort of advisory services Moelis will provide.

6. The Committee also takes issue with the fees payable to Moelis. As an initial matter, the Objection misstates the proposal set forth in the Engagement Letter and suggests Moelis seeks to "double-count" certain fees that would each be in excess of \$5 million. This is inaccurate. Pursuant to its engagement letter, Moelis would be entitled to monthly fees of \$150,000 per month. In addition, Moelis would be entitled to certain additional fees depending on the services rendered. If a chapter 11 plan is confirmed, Moelis would be entitled to a "Restructuring Fee" of \$5.5 million. If that chapter 11 plan is confirmed and does not implement a sale or raise additional capital, Moelis would not be entitled to any additional fees than those described above. If, however, a chapter 11 plan is confirmed and a financing is consummated in connection with the Restructuring, then Moelis would be entitled to a "Capital Transaction Fee" (by way of example, a \$100 million secured exit facility would entitle Moelis to a fee of 1%, or \$1 million), in addition to the Restructuring Fee and monthly fees, but would not be entitled to any other fees. If, however, the proposed chapter 11 plan contemplates a Sale Transaction, Moelis would be entitled to a "Sale Transaction Fee" (by way of example, if \$100 million in assets are sold, then Moelis would receive a Sale Transaction Fee of 1.25%, or \$1.25 million), in addition to the Restructuring Fee and monthly fees, but would not be entitled to any other fees. In fact, the Moelis letter makes it explicitly clear that if a Transaction is both a Sale Transaction and a Capital Transaction, Moelis shall not be entitled to "double-count" fees, but rather only be

entitled to a Capital Transaction. As this illustration demonstrates, Moelis is not seeking duplicative fees that would cost the estates tens of millions of dollars—which is what the Committee’s Objection implies.

7. Lastly, the Debtors’ decision to retain Moelis was the culmination of a robust, competitive interview process. The services and fees proposed by Moelis were consistent with other leading investment banking firms. The Debtors’ management believes that the retention of Moelis, on the terms as described in the Application, is in the best interest of the Debtors’ estates.

CONCLUSION

The Debtors therefore respectfully request that the Court grant the relief requested in the Application.

Dated: January 17, 2018
Wilmington, Delaware

/s/ Ian J. Bambrick

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Proposed Counsel to the Debtors and Debtors in Possession

EXHIBIT B

PROPOSED ORDER

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Upon the *Motion for an Order Granting the Debtors Leave and Permission to File Debtors' Response in Support of Their Application for Order (I) Authorizing Retention and Employment of Moelis & Company LLC as Investment Banker to the Debtors Nunc Pro Tunc to December 12, 2017 Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code and Bankruptcy Rule 2014(a) and (II) Waiving Certain Information Requirements Imposed by Local Rule 2016-2* (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 to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware,

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² Capitalized terms used, but not otherwise defined herein, have the meaning given to them in the Motion.

dated 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 core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having determined that it may enter a final order consistent with Article III of the United States Constitution; and it appearing 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 found and determined that the relief sought in the Motion is in the best interest 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.
2. The Debtors are granted leave and permission, pursuant to Local Rule 9006-1(d), to file the Response, and the Response is deemed timely filed and a matter of record in the Chapter 11 Cases.
3. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Order.

Dated: January_____, 2018
Wilmington, Delaware

KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE