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

In re:

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

Debtors.

Chapter 11

Case No. 17-12560 (KJC)

(Jointly Administered)

**FEE EXAMINER'S FINAL REPORT  
REGARDING THIRD INTERIM QUARTERLY FEE  
REQUEST OF PACHULSKI STANG ZIEHL & JONES LLP [DKT. NO. 2777]**

Elise S. Frejka, the fee examiner (the "Fee Examiner") in the above-captioned chapter 11 cases (the "Chapter 11 Cases") submits this final report (the "Final Report") pursuant to the *Order Appointing Fee Examiner and Establishing Related Procedures for the Review of Fee Applications of Retained Professionals* (the "Fee Examiner Order") [Dkt. No. 525] in connection with the application for allowance of compensation for professional services rendered and for reimbursement of actual and necessary expenses (the "Fee Application") of Pachulski Stang Ziehl & Jones LLP ("PSZ&J") [Dkt. No. 2777].

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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 in these cases, the last four digits of their federal tax identification numbers, and their addresses are not provided herein. A complete list of this 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).

### **Background**

1. On December 4, 2017 (the “Petition Date”), all but fourteen of the Debtors commenced voluntary cases under chapter 11 of title 11 of the United States Code, as amended (the “Bankruptcy Code”). Thereafter, on February 9, 2018, March 9, 2018, March 23, 2018, and March 27, 2018, additional affiliated Debtors (27 in total) commenced voluntary cases under chapter 11 of the Bankruptcy Code. The Debtors are operating their business and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. The Debtors’ Chapter 11 Cases are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 1015-1 of the Local Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”). As of the date hereof, no trustee or examiner has been appointed in these Chapter 11 Cases.

3. On December 14, 2017, the Acting United States Trustee for Region 3 (the “U.S. Trustee”), appointed an official committee of unsecured creditors (the “Committee”) [Dkt. No. 79]. On January 23, 2018, the Court held a hearing to resolve, among other things, two motions to appoint a chapter 11 trustee, and entered an order approving the settlement reached between the Debtors and other parties in interest (the “Settlement Order”) and incorporated a term sheet (the “Term Sheet”) [Dkt. No. 357]. The terms of the settlement provided for, among other things, the formation of an ad hoc noteholder group (the “Noteholder Group”) and an ad hoc unitholder group (the “Unitholder Group”).

4. On February 8, 2018, after recognizing the size and complexity of the Chapter 11 Cases, the Court entered the Fee Examiner Order to assist the Court in its determination of whether applications for compensation are compliant with the Bankruptcy Code, all applicable

Bankruptcy Rules, the Local Rules, the *Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330*, at 28 C.F.R. Part 58, Appendix A, and the *Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 by Attorneys in Larger Chapter 11 Cases*, effective as of November 1, 2013, at 28 C.F.R. Part 58, Appendix B (together, the “UST Guidelines”), and the *Order Establishing Interim Compensation Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals* entered on January 9, 2018 (the “Interim Compensation Order”) [Dkt. No. 261].

5. Under paragraph 7 of the Fee Examiner Order, the Fee Examiner was charged by the Court with, among other things: (a) reviewing the interim and final fee applications filed by each applicant in these Chapter 11 Cases, along with the fee detail related thereto; (b) reviewing any relevant documents filed in these Chapter 11 Cases to be generally familiar with these Chapter 11 Cases and the dockets; (c) within thirty (30) days after the filing of an interim or final fee application, serving an initial report on the applicant addressing whether the requested fees, disbursements and expenses are substantially in compliance with the applicable standards of sections 330 of the Bankruptcy Code and Local Rule 2016-2; (d) engaging in written communication with each applicant, the objective of which is to resolve matters raised in the initial report and endeavor to reach consensual resolution with each applicant with respect to the applicant’s requested fees and expenses; and (e) following communications between the Fee Examiner and the applicant, and the Fee Examiner’s review of any supplemental information provided by such applicant in response to the initial report, conclude the information resolution period by filing with the Court a final report with respect to each application within thirty (30) days after service of the initial report. Per the Fee Examiner Order, the final report shall be in a

format designed to quantify and present factual data relevant to whether the requested fees and expenses of each applicant are substantially in compliance with the applicable standards of sections 330 of the Bankruptcy Code and Local Rule 2016-2, and whether the applicant has made a reasonable effort to comply with the UST Guidelines. The final report shall also inform the Court of all proposed consensual resolutions of the fee and/or expense reimbursement request for each applicant and the basis for such proposed consensual resolution.

6. In accordance with the Fee Examiner Order, the Fee Examiner reviewed the Fee Application for compliance with sections 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, the Interim Compensation Order, and the UST Guidelines. In addition, the Fee Examiner reviewed the Fee Application for general compliance with legal precedent established by the District Court and Bankruptcy Court for the District of Delaware, the Third Circuit Court of Appeals, and other applicable precedent. This process consisted of a detailed substantive review of the time and expense records by the Fee Examiner and her professionals using their expertise and judgment to identify noncompliant timekeeping practices and other areas of concern.

7. Due to the size and complexity of these Chapter 11 Cases, the Fee Examiner reviewed the time entries supporting the Fee Application on a monthly basis. This was an interactive process during the first interim fee period as the Fee Examiner provided extensive comments to PSZ&J to facilitate more compliant timekeeping on a go-forward basis and provide transparency into the fee review process. This informal exchange allowed for timekeeping adjustments to be made immediately by PSZ&J such that the timekeeping after the first monthly fee statement was significantly improved to the point where the Fee Examiner had few, if any, issues with PSZ&J. Areas of general concern to the Fee Examiner during this monthly review

are the role of each attorney attending hearings and meetings so that she could access case staffing issues and the benefit to the estate of certain work streams that the Fee Examiner deemed administrative in nature in addition to general concerns about block billing and vague entries.

8. The Fee Examiner issued an informal initial report to PSZ&J which detailed the Fee Examiner's issues, questions, and concerns with respect to the Fee Application and identified specific time or expense entries that required further information to assess compliance with the Bankruptcy Code, the Local Rules, and the UST Guidelines.

### **Governing Statutory Sections**

9. Section 330 of the Bankruptcy Code provides:

(a)(1) After notice to the parties in interest and the United States Trustee and a hearing, and subject to sections 326, 328, and 329, the court may award to a trustee, a consumer privacy ombudsman appointed under section 332, an examiner, an ombudsman appointed under section 333, or a professional person employed under section 327 or 1103—

(A) reasonable compensation for actual, necessary services rendered by the trustee, examiner, ombudsman, professional person, or attorney and by any paraprofessional person employed by any such person; and

(B) reimbursement for actual, necessary expenses.

(2) The court may, on its own motion or on the motion of the United States Trustee, the United States Trustee for the District or Region, the trustee for the estate, or any other party in interest, award compensation that is less than the amount of compensation that is requested.

(3) In determining the amount of reasonable compensation to be awarded to an examiner, trustee under chapter 11, or professional person, the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including—

(A) the time spent on such services;

(B) the rates charged for such services;

(C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;

(D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;

(E) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and

(F) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

(4)(A) Except as provided in subparagraph (B), the court shall not allow compensation for—

(i) unnecessary duplication of services; or

(ii) services that were not—

(I) reasonably likely to benefit the debtor’s estate; or

(II) necessary to the administration of the case.

(5) The court shall reduce the amount of compensation awarded under this section by the amount of any interim compensation awarded under section 331, and, if the amount of such interim compensation exceeds the amount of compensation awarded under this section, may order the return of the excess to the estate.

(6) Any compensation awarded for the preparation of a fee application shall be based on the level and skill reasonably required to prepare the application.

11 U.S.C. § 330.

10. Section 330 of the Bankruptcy Code allows a bankruptcy court to award “reasonable compensation for actual, necessary services rendered by . . . professional[s].” 11 U.S.C. § 330(a)(1)(A). Reasonable compensation under section 330 is based on the nature, extent and value of the services, taking into account “all relevant factors . . . .” 11 U.S.C. § 330(a)(3).

11. The statute enumerates six (6) relevant factors that the court must consider to determine whether the fees are reasonable:

- The time spent on such services;

- The rates charged for such services;
- Whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of the cases;
- Whether the services were performed within a reasonable amount of time commensurate with the complexity, importance and nature of the problem, issue or task addressed;
- With respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and
- Whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in non-bankruptcy cases.

11 U.S.C. § 330(a)(3)(A)-(F).

12. Although the statute does specifically list factors to review when determining the reasonableness of fees, the list itself is not exhaustive. See 11 U.S.C. § 102(3) (terms “includes” and “including” are not limiting). Thus, the Court is “itself an expert on the question [of attorney’s fees] and may consider its own knowledge and experience concerning reasonable and proper fees and may form an independent judgment either with or without the aid of testimony of witnesses as to value.” See Campbell v. Green, 112 F.2d 143, 144 (5th Cir. 1940).

13. A fee applicant bears the burden of proof on all of the elements of a fee application, including proving that the services provided were necessary and reasonable and that the billed expenses were necessary, reasonable, and actually incurred. Zolfo, Cooper & Co. v. Sunbeam-Oster Co., 50 F.3d 253, 261 (3d Cir. 1995). The failure of an applicant to sustain the burden of proof as to the reasonableness of the compensation may result in the denial of the requested compensation. See Brake v. Tavormina (In re Beverly Mfg. Co.), 841 F.2d 365, 369 (11th Cir. 1988). Where appropriate, section 330 expressly authorizes this Court to award less than the amount requested by the fee applicant. See 11 U.S.C. § 330(a)(2). In re Bennett Funding Grp., Inc., 213 B.R. 234, 244 (Bankr. N.D.N.Y. 1997) (“Interim fee applications

submitted pursuant to Code § 331 . . . are judged under the same standards as final applications under Code § 330.”).

14. Professional services are considered “actual and necessary” if they benefit the estate. In re APW Enclosure Sys., No. 06-11378, 2007 WL 3112414, at \*3 (Bankr. D. Del. Oct. 23, 2007). Success is not required, but rather the court “must conduct an objective inquiry based upon what services a reasonable professional would have performed in the same circumstances.” In re Channel Master Holdings, Inc., 309 B.R. 855, 861-62 (Bankr. D. Del. 2004) (quoting In re Cenargo Int’l, PLC 294 B.R. 571 (Bankr. S.D.N.Y. 2003); see also In re Jefsaba, Inc., 172 B.R. 786, 799 (Bankr. E.D. Pa. 1994) (“[S]o long as there was a reasonable chance of success which outweighed the cost in pursuing the action, the fees relating thereto are compensable.”). The test of what is necessary cannot be applied in hindsight. If at the time the work is performed, it reasonably appears that it would benefit the estate, it may be compensated.” In re Berg, No. 05-39380 (DWS), 2008 WL 2857959 at \*7 (Bankr. E.D. Pa. July 21, 2008); see also Cenargo, 294 B.R. at 595 (when determining what is necessary, courts do not attempt to “invoke perfect hindsight.”).

15. The Fee Examiner focused her review on the following issues:

- a. Vague time entries that do not include complete activity descriptions “sufficiently detailed to allow the Court to determine whether all the time, or any portion thereof, is actual, reasonable and necessary . . .” as required by Local Rule 2016-2(d) (hereinafter, “Vague Time Entries”).
- b. Block billed or “lumped” time entries that do not clearly identify each discrete task billed, indicate the date the task was performed, the precise amount of time spent (not to be billed in increments greater than one-tenth of an hour), who performed the task, the level of experience, and that person’s hourly rate as required by the UST Guidelines at C.9(d) (hereinafter, “Block Billing Entries”).
- c. Entries that the Fee Examiner identified as more in the nature of overhead or other administrative activities where the benefit to the Debtors’ estate was not



readily ascertainable from the time entry (hereinafter “Administrative Entries”).

- d. Time entries where the sub-parts of a particular time entry did not equal the amount of time that was actually charged (hereinafter, “Over/Under Billing Entries”).
- e. Duplicate time entries (hereinafter, “Duplicate Entries”) where based upon the narrative the Fee Examiner was unable to ascertain if the timekeeper undertook separate tasks or the entry was duplicative.
- f. Time charges attributable to transitory timekeepers who billed less than five (5) hours per month during the First Interim Fee Period (hereinafter, “Transitory Timekeepers”). The Fee Examiner reviewed the nature of the work performed, the expertise the timekeeper brought to the case, and determined that in all instances the issue of Transitory Timekeepers is better addressed at the conclusion of these Chapter 11 Cases.
- g. Staffing inefficiencies where the number of professionals participating in conference calls, meetings, depositions, and hearings appeared excessive and the benefit to the estate appeared minimal (hereinafter, “Staffing Inefficiency Entries”).
- h. Mismatched entries where the professionals participating in conference calls, meetings, depositions and hearings billed differing amounts to the same activity (“Mismatched Time Entries”).
- i. Expense reimbursement-related issues (flights, train travel, taxi/ground transportation, meals, service/booking fees, tips, photocopies/facsimiles, in-flight internet, upgrades, car service, pre-petition expenses and unknown expenses).

16. In undertaking her review, the Fee Examiner took into account reductions taken by PSZ&J in an exercise of their billing discretion prior to submission of the relevant fee application, whether PSZ&J stayed within budget, and general staffing considerations.

#### **Fee Examiner’s Recommendations**

17. The Final Report covers the PSZ&J Fee Application relating to the Third Interim Fee Period. The Fee Examiner is filing final reports with respect to the retained professionals on a rolling basis. Per the process described above, the Fee Examiner has reached an agreement with PSZ&J regarding allowance for the period under review. The Fee Examiner makes the

following specific recommendation as to the fees to be allowed and expenses to be reimbursed for the Third Interim Fee Period:

**Pachulski Stang Ziehl (Counsel to the Official Committee of Unsecured Creditors)**

18. On December 22, 2017, the Committee filed the *Application of the Official Committee of Unsecured Creditors for Order, Pursuant to 11 U.S.C. §§ 328, and 1103, Fed. R. Bankr. P. 2014, and Local Rule 2014-1, Authorizing and Approving the Employment and Retention of Pachulski Stang Ziehl & Jones LLP as Counsel to the Official Committee of Unsecured Creditors Nunc Pro Tunc to December 14, 2017* [Dkt. No. 137].

19. On January 18, 2018, the Court entered the *Order Authorizing and Approving the Retention of Pachulski Stang Ziehl & Jones LLP as Counsel to the Official Committee of Unsecured Creditors Nunc Pro Tunc to December 14, 2017* (the “PSZ&J Employment Order”) [Dkt. No. 320]. PSZ&J was retained as general bankruptcy counsel to the Committee. For its services, PSZ&J is compensated on an hourly basis.

20. PSZ&J filed the PSZ&J Fee Application for an interim allowance of compensation for professional services rendered and for reimbursement of actual and necessary expenses for the period from June 1, 2018 through August 31, 2018 requesting an allowance of compensation for professional services rendered in the amount of \$841,303.75 and reimbursement of actual and necessary expenses in the amount of \$18,016.71 [Dkt. No. 2777].

21. During the Interim Fee Period, PSZ&J filed three (3) monthly applications for compensation as follows:

Dated Filed/ Docket No.	Period Covered	Requested		Approved to Date	
		Fees	Expenses	Fees	Expenses
8/7/2018 Dkt. 2302	6/01/2018 – 6/30/2017	\$345,533.25	\$6,357.42	\$276,426.60	\$6,357.42
8/23/2018 Dkt. 2410	7/01/2018 – 7/31/2018	\$272,465.50	\$5,008.87	\$217,972.40	\$5,008.87
10/3/2018 Dkt. 2724	8/01/2018 – 8/31/2018	\$223,305.00	\$6,650.42	\$178,644.00	\$6,650.42
<b>TOTAL</b>		<b>\$841,303.75</b>	<b>\$18,016.71</b>	<b>\$673,043.00</b>	<b>\$18,016.71</b>

22. The Fee Examiner notes and appreciates that PSZ&J's timekeeping was exceptional and substantially in compliance with the UST Guidelines and the Local Rules. After her review of the Fee Application, the Fee Examiner informally advised PSZ&J of her comments, concerns and questions and these were adequately addressed by the PSZ&J other than a math error in the amount of \$145.00. Accordingly, the Fee Examiner recommends allowance of fees in the amount of \$841,158.75 and reimbursement of expenses in the amount of \$18,016.71.

### **Conclusion**

For the reasons stated above, and in the absence of any objection to the PSZ&J Fee Application, the Fee Examiner recommends that the Court enter an Order, on an interim basis and subject to a final review at the conclusion of these Chapter 11 Cases, granting the interim fee request of PSZ&J in the amounts set forth herein.

Dated: New York, New York  
December 17, 2018

Respectfully Submitted,

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