

**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 FURTHER
SUPPORT OF DEBTORS' MOTION TO SELL
4030 MADELIA AVE., SHERMAN OAKS, CALIFORNIA PROPERTY**

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 further support of the *Debtors' Motion for Entry of an Order (I) Authorizing the Sale of 4030 Madelia Ave., Sherman Oaks, California Property Owned by the Debtors Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (II) Approving the Related Purchase Agreement; and (III) Granting Related Relief* (the "Sale

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.

Motion)². All facts set forth in this Declaration are based upon my personal knowledge of the Debtors' operations, information learned from my review of relevant documents, and discussions with the Debtors' professional advisors. I am authorized to submit this Declaration on behalf of the Debtors and, if called upon to testify, I could and would testify competently to the facts set forth herein.

2. On November 27, 2018, the Debtors filed my initial declaration in support of the Sale Motion [Docket No. 3069] (the "Sharp Opening Declaration"). I stand by the facts and conclusions in the Sharp Opening Declaration in all respects. This Declaration supplements the Sharp Opening Declaration with additional facts relevant to the objection [Docket No. 3161] (the "Objection") to the Sale Motion filed by Blake J. Lindemann.

3. Based upon my review of the Debtors' schedules and the claims register in the Chapter 11 Cases, Mr. Lindemann is not a creditor of the Debtors.

4. The Property that is the subject of the Sale Motion was actively and openly marketed for nearly six months, from April 2018 through October 2018. The offering price was initially \$1.595 million, but was reduced to \$1.399 million in May 2018 after little interest was shown at the initial listing price. After no offers had been received in April, May, June, or July, the price was lowered further to \$999,000 in August 2018.

5. Throughout the marketing period, there was (and remains) a "FOR SALE" sign posted on the Property. Below is a photograph of the FOR SALE sign, taken on December 13, 2018:

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



6. Throughout the purchase process, the Purchaser acted in good faith and invested considerable resources. The Purchaser has informed us that he has already spent approximately \$30,000 in engineering and inspection work, and has now signed a contract for approximately \$60,000 for architectural services. All contingencies have been lifted, and the Debtors expect the Sale to close promptly upon Court approval.

7. The process by which the Debtors marketed the Property was consistent with the general sale process that has been used successfully throughout these Chapter 11 Cases. The Debtors have closed 59 real property sales in these Chapter 11 Cases. The Debtors' approach has been to market the property using seasoned local real estate professionals, negotiate terms with one or more interested buyers, and then, once the Debtors determine in their business judgment that the property has been sufficiently exposed to the market and that the buyer has offered the highest and best bid, proceed to sell to that buyer. The sales are subject to Court approval, but there is no requirement that an auction be held.

8. On December 10, 2018, Mr. Lindemann submitted a putative purchase agreement for the Property. The Debtors carefully considered how to respond to the Lindemann Offer. Those involved in the consideration included the Debtors' Chief Executive Officer (Mr. Chin), all three members of the Board (Messrs. Nevins, Reiss, and Goldberg), and me. The Committee, the Noteholder Group, and the Unitholder Group were all consulted as well. Ultimately, the Debtors (with the concurrence of the three committees) determined in their business judgment not to entertain the Lindemann Offer.

9. The Debtors' decision rested on multiple grounds. First and foremost, the Property was robustly marketed for more than five months, providing all interested buyers ample opportunity to make their highest and best offers. The Purchaser was the only party to make an offer. The Purchaser has acted in good faith, and has operated on the assumption that this transaction would be completed in the ordinary course – not as an auction, where the final negotiated price with the Purchaser would then be “shopped” to others. Converting the sale process into an auction at this point would not be fair to the Purchaser, and in the long run, it would be highly detrimental to the Debtors. The Debtors have hundreds of millions of dollars of other properties to market and sell, and buyers are already somewhat leery of making offers to an entity in bankruptcy. If other buyers learned that any deal they strike will merely serve as the opening bid in an unannounced auction, they will likely hold back consideration in case they need to bid more in a later auction. Other potential buyers will likely decline to make offers at all, choosing instead to engage in a more traditional transaction with a non-bankrupt seller.

10. In addition, the circumstances of the Lindemann Offer are such that the Debtors perceive a serious risk of non-closing and of other future problems, including potential litigation with Mr. Lindemann. Nor is the Lindemann Offer the “highest and best” offer at this point in time. Acceptance of the Lindemann Offer would require the Debtors to withdraw the Sale Motion, negotiate and finalize a new purchase agreement with Mr. Lindemann, draft a new sale

motion, and notice a hearing for a future omnibus hearing date. In the interim, the Debtors would incur substantial costs in carrying the Property, in the form of property taxes, insurance, and interest expense on the Debtors' postpetition loan. I estimate these costs to be in the range of \$40,000 to \$50,000.

11. Finally, Mr. Lindemann's Objection makes certain accusations regarding the sale of the property located at 1258 Lago Vista Drive in Beverly Hills, California (the "Lago Vista Property"). I previously submitted a declaration [Docket No. 3061] in support of the sale of the Lago Vista Property, which I stand by in all respects. The Lago Vista Property was initially listed for sale in April 2018 for \$6.995 million. In May 2018, the listing price was lowered to \$5.9 million. An offer was received for \$4.5 million. The Debtors countered at \$5.4 million and received no response. In August, the price was lowered to \$5.2 million. An offer was received for \$4.5 million. The Debtors countered at \$4.95 million and received no response. Then another offer was received for \$4.5 million and the Debtors countered at \$4.8 million. The buyer responded that \$4.5 million was its best and final offer, and the Debtors accepted. The buyer did extensive due diligence and determined that the retaining wall on the property needed to be replaced at a cost of \$500,000. The buyer requested a \$500,000 price reduction. The Debtors declined and the buyer walked away. In October, an offer was received for \$4.4 million. The Debtors countered at \$4.6 million. The buyer responded that \$4.4 million was its best and final offer, and the Debtors accepted. During inspections, the buyer discovered the same retaining wall issue that had caused the prior buyer to walk away from the transaction. This buyer also asked for a \$500,000 credit, and after much back and forth, the Debtors agreed to a \$225,000 credit for the retaining wall, reducing the ultimate price to \$4.175 million. In total, the Lago Vista Property was listed for six months, received five different offers, had over 50 showings, received over 9,000 internet site hits, and was featured multiple times in the *Los Angeles Times*. I am confident that the ultimate price achieved was the highest and best price.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: December 17, 2018

/s/ Bradley D. Sharp

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