

**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)

Hearing Date:

January 22, 2019, at 10:00 a.m. (ET)

Objection Deadline:

January 11, 2019, at 4:00 p.m. (ET)

**DEBTORS' MOTION FOR ENTRY OF AN ORDER, PURSUANT TO SECTION 105(a)
OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 9019, APPROVING THE
SETTLEMENT AGREEMENT BY AND BETWEEN DEBTOR WOODBRIDGE
STRUCTURED FUNDING, LLC AND WARREN LEX LLP**

Woodbridge Group of Companies, LLC and its affiliated debtors and debtors in possession (collectively, the “Debtors”) in the above-captioned cases (the “Chapter 11 Cases”), hereby move the Court (this “Motion”) for the entry of an order, substantially in the form attached hereto as Exhibit A (the “Proposed Order”), pursuant to section 105(a) of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”) and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), (i) approving that certain *Settlement Agreement* between Debtor Woodbridge Structured Funding, LLC (“Woodbridge”) and Warren Lex LLP (“Warren Lex” and together with Woodbridge, the “Parties”), attached as Exhibit 1 to the Proposed Order (the “Settlement Agreement”), which fully resolves the state court action entitled, *Warren Lex LLP v. Woodbridge Structured Funding, LLC*, Case Number BC628984,

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 this 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.

pending in the Superior Court of California in and for the County of Los Angeles (the “Action”), and (ii) granting related relief. In support of this Motion, the Debtors rely on the *Declaration of Bradley D. Sharp in Support of the Debtors’ Motion for Entry of an Order, Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving the Settlement Agreement by and between Debtor Woodbridge Structured Funding, LLC and Warren Lex LLP* (“Sharp Decl.”), filed concurrently herewith, and respectfully state as follows:

JURISDICTION

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334(b) and 157 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012. This is a core proceeding pursuant to 28 U.S.C. § 157(b) and, pursuant to Rule 9013-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), the Debtors consent to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution. Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory and legal predicates for the relief requested herein are section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019.

GENERAL BACKGROUND

2. On December 4, 2017, 279 of the Debtors—including Woodbridge—commenced voluntary cases under chapter 11 of 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. Pursuant to sections

1107(a) and 1108 of the Bankruptcy Code, the Debtors are continuing to manage their financial affairs as debtors in possession.

3. The Debtors' chapter 11 cases (collectively, the "Chapter 11 Cases") are being jointly administered pursuant to Bankruptcy Rule 1015(b) and Local Rule 1015-1. No trustee or examiner has been appointed in the Chapter 11 Cases. An official committee of unsecured creditors (the "Committee") was appointed in the Chapter 11 Cases on December 14, 2017 [Docket No. 79]. On January 23, 2018, the Court approved a settlement providing for the formation of an ad hoc noteholder group (the "Noteholder Group") and an ad hoc unitholder group (the "Unitholder Group") [Docket No. 357].

4. Through the Court's entry of the Confirmation Order [Docket No. 2903], the Court confirmed the *First Amended Joint Chapter 11 Plan of Liquidation of Woodbridge Group of Companies, LLC and Its Affiliated Debtors* [Docket No. 2397] (the "Plan").²

THE ACTION

5. Prior to the Petition Date, Woodbridge and Warren Lex disputed the amount of attorney's fees owed to Warren Lex for certain legal services provided, which prompted Warren Lex to commence the Action in the Superior Court of California in and for the County of Los Angeles on August 1, 2016. The Action resulted in a jury trial and jury verdict in favor of Warren Lex for approximately \$178,000. No appeal was taken and the judgment is final. Also prior to the Petition Date, the Parties stipulated to approximately \$29,000 in prepetition interest, bringing the judgment to approximately \$207,000. Finally, and also prior to the Petition Date, Warren Lex submitted a bill of costs in the amount of \$38,000, which Woodbridge's prepetition counsel objected to as being \$20,000 too high.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

6. After months of negotiation, the Parties, wishing to avoid the risk, expense, and uncertainty of further litigation, have agreed to fully resolve the Action under the terms set forth in the Settlement Agreement. Sharp Decl. ¶ 6.

SUMMARY OF SALIENT TERMS OF THE SETTLEMENT AGREEMENT³

7. The Settlement Agreement provides, among other things, that (i) in resolution of the dispute over the attorney's fees that are the subject of the Action, Warren Lex is entitled to \$236,152.84 (the "Claim"), comprising the jury verdict of approximately \$178,000, the stipulated prepetition interest of approximately \$29,000, and a bill of costs of approximately \$29,000; (ii) for purposes of the Plan, the Claim shall be classified and treated as a single unsecured Class 4 claim under the Plan; (iii) the Claim shall be the sole and exclusive right to payment or any other relief that Warren Lex shall have to any distribution or recovery in the Chapter 11 Cases, and shall not be entitled to priority under Bankruptcy Code section 507; (iv) the Parties have exchanged mutual releases, excluding any claims to enforce the Parties' respective rights under the Settlement Agreement; and (v) the Settlement Agreement is subject to the approval of the Court pursuant to this Motion.

RELIEF REQUESTED

8. By this Motion, the Debtors request the entry of the Proposed Order, pursuant to section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019(a), approving the Settlement Agreement and granting related relief.

BASIS FOR RELIEF

9. Section 105(a) of the Bankruptcy Code provides that "[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this

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

title.” See 11 U.S.C. § 105(a). Bankruptcy Rule 9019 provides, in pertinent part, that “on motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement.” See Fed. R. Bank. P. 9019(a).

10. “The federal courts have a well-established policy of encouraging settlement to promote judicial economy and limit the waste of judicial resources.” *Russian Standard Vodka (USA), Inc. v. Allied Domecq Spirits & Wine USA, Inc.*, 523 F. Supp. 2d 376, 384 (S.D.N.Y. 2007); see also, e.g., *U.S. Bancorp Mortg. Co. v. Bonner Mall P’ship*, 513 U.S. 18, 27–28 (1994) (discussing the general utility of settlement vis-à-vis judicial economy at various stages of proceedings). The force of this established federal policy is particularly acute in the bankruptcy context, where compromises and settlements are “a normal part of the process of reorganization.” *Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424 (1968). Indeed, in order to “minimize litigation and expedite the administration of a bankruptcy estate, ‘compromises are favored in bankruptcy.’” *Myers v. Martin (In re Martin)*, 91 F.3d 389, 393 (3d Cir. 1996) (quoting 9 Alan N. Resnick & Henry J. Sommer, Collier on Bankruptcy ¶ 9019.3[1] (15th ed. rev. 1993)); see also *In re Penn Cent. Transp. Co.*, 596 F.2d 1102, 1113 (3d Cir. 1979); *In re World Health Alts., Inc.*, 344 B.R. 291, 296 (Bankr. D. Del. 2006); *In re Culmtech, Ltd.*, 118 B.R. 237, 238 (Bankr. M.D. Pa. 1990).

11. The decision whether to approve a proposed settlement is committed to the discretion of the bankruptcy court, “which must determine if the compromise is fair, reasonable, and in the interest of the estate.” *In re Louise’s, Inc.*, 211 B.R. 798, 801 (D. Del. 1997). In exercising that discretion, the United States Court of Appeals for the Third Circuit has stated that courts should consider “(1) the probability of success in litigation; (2) the likely difficulties in collection; (3) the complexity of the litigation involved, and the expense, inconvenience and

delay necessarily attending it; and (4) the paramount interest of the creditors.” *In re Martin*, 91 F.3d at 393; *see also Will v. Nw. Univ. (In re Nutraquest, Inc.)*, 434 F.3d 639, 644 (3d Cir. 2006); *In re Marvel Entm’t Grp., Inc.*, 222 B.R. 243, 249 (D. Del. 1998). The proponent of a settlement is not required to demonstrate “that the settlement is the best possible compromise. Rather, the court must conclude that the settlement is ““within the reasonable range of litigation possibilities.”” *In re World Health*, 344 B.R. at 296; *see also, e.g., Nellis v. Shugrue*, 165 B.R. 115, 123 (S.D.N.Y. 1994) (Sotomayor, J.) (“[I]n assessing the fairness of the settlement, a judge does not have to be convinced that the settlement is the best possible compromise or that the parties have maximized their recovery.”); *In re Coram Healthcare Corp.*, 315 B.R. 321, 330 (Bankr. D. Del. 2004) (“[T]he court does not have to be convinced that the settlement is the best possible compromise.”).

12. The Debtors have determined, in an exercise of the Debtors’ sound business judgment, that the terms of the Settlement Agreement 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. Sharp Decl. ¶ 4. The terms of the Settlement Agreement are the product of good faith, arm’s-length negotiations between the Debtors and Defendants. *Id.* Further, the settlement falls well within the range of reasonable litigation outcomes, in that the Settlement Agreement provides the Parties a mutual resolution of the dispute at issue in the Action.

13. Turning to the *Martin* factors, a *bona fide* dispute exists concerning the Action, pursuant to which the Parties dispute the exact amount owed to Warren Lex on account of legal services provided prior to the Petition Date. Given the fact-intensive nature of the dispute, the Debtors could ultimately be unsuccessful. Given this uncertainty and the positive resolution of the issues embodied by the terms of the Settlement Agreement, the first *Martin* factor—

probability of success in the litigation—weighs in favor of approving the Settlement Agreement. In addition, absent approval of the Settlement Agreement, the Debtors would be forced to proceed with prosecuting the Action, including seeking additional discovery, drafting briefs, and preparing for argument, which would require the time, attention, and resources of the Debtors and their management and professionals. Sharp Decl. ¶ 6. By contrast, the Settlement Agreement resolves the parties' disputes in an efficient and consensual manner, avoiding costly and time-consuming litigation that would detract from the value of the estates and the recovery of creditors. *Id.* Moreover, the proposed consensual resolution of this dispute will free the Debtors to devote additional time and effort to the numerous other issues confronting them in these Chapter 11 Cases. *Id.* Therefore, the third and fourth *Martin* factors—the complexity of the litigation and the expense, inconvenience, and delay necessarily attending it as well as the consideration of the paramount interests of creditors—further support approving the Settlement Agreement.

14. Accordingly, the Debtors respectfully submit that the Settlement Agreement is fair, reasonable, and in the best interests of the estates and should therefore be approved under Bankruptcy Rule 9019 and section 105(a) of the Bankruptcy Code.

NOTICE

15. The Debtors have provided notice of this Motion to: (i) the Office of the United States Trustee for the District of Delaware; (ii) counsel for the DIP lender; (iii) counsel for the Committee; (iv) counsel for the Noteholder Group; (v) counsel for the Unitholder Group; (vi) Warren Lex; and (vii) all parties who have requested notice in the Chapter 11 Cases pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is necessary.

CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court (i) enter the Proposed Order granting the relief requested herein and (ii) grant such other and further relief as may be just and proper under the circumstances.

Dated: December 28, 2018
Wilmington, Delaware

/s/ Betsy L. Feldman

YOUNG CONAWAY STARGATT & TAYLOR, LLP
Sean M. Beach (No. 4070)
Edmon L. Morton (No. 3856)
Ian J. Bambrick (No. 5455)
Betsy L. Feldman (No. 6410)
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Tel: (302) 571-6600
Fax: (302) 571-1253

-and-

KLEE, TUCHIN, BOGDANOFF & STERN LLP
Kenneth N. Klee (*pro hac vice*)
Michael L. Tuchin (*pro hac vice*)
David A. Fidler (*pro hac vice*)
Jonathan M. Weiss (*pro hac vice*)
1999 Avenue of the Stars
39th Floor
Los Angeles, California 90067
Tel: (310) 407-4000
Fax: (310) 407-9090

Counsel for the Debtors and Debtors in Possession

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:

January 22, 2019, at 10:00 a.m. (ET)

Objection Deadline:

January 11, 2019, at 4:00 p.m. (ET)

NOTICE OF MOTION

TO: (I) THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE; (II) COUNSEL FOR THE DIP LENDER; (III) COUNSEL FOR THE COMMITTEE; (IV) COUNSEL FOR THE NOTEHOLDER GROUP; (V) COUNSEL FOR THE UNITHOLDER GROUP; (VI) WARREN LEX LLP; (VII) ALL PARTIES THAT HAVE REQUESTED NOTICE IN THESE CHAPTER 11 CASES PURSUANT TO LOCAL RULE 2002-1.

PLEASE TAKE NOTICE that Woodbridge Group of Companies, LLC and its affiliated debtors and debtors in possession in the above-captioned cases (collectively, the “Debtors”) have filed the attached *Debtors’ Motion for Entry of an Order, Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving the Settlement Agreement by and between Debtor Woodbridge Structured Funding, LLC and Warren Lex LLP* (the “Motion”).

PLEASE TAKE FURTHER NOTICE that responses or objections to the Motion must be filed on or before **January 11, 2019, at 4:00 p.m. (ET)** (the “Objection Deadline”) with the United States Bankruptcy Court for the District of Delaware, 3rd Floor, 824 North Market Street, Wilmington, Delaware 19801. At the same time, you must serve a copy of any response or objection upon the undersigned counsel to the Debtors so as to be received on or before the Objection Deadline.

PLEASE TAKE FURTHER NOTICE THAT A HEARING ON THE MOTION WILL BE HELD ON JANUARY 22, 2019, AT 11:00 A.M. (ET) BEFORE THE HONORABLE KEVIN J. CAREY IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT

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OF DELAWARE, 824 NORTH MARKET STREET, 5TH FLOOR, COURTROOM NO. 5,
WILMINGTON, DELAWARE 19801.

**PLEASE TAKE FURTHER NOTICE THAT, IF NO OBJECTIONS TO THE
MOTION ARE TIMELY FILED, SERVED, AND RECEIVED IN ACCORDANCE WITH
THIS NOTICE, THEN THE COURT MAY GRANT THE RELIEF REQUESTED IN
THE MOTION WITHOUT FURTHER NOTICE OR A HEARING.**

Dated: December 28, 2018
Wilmington, Delaware

/s/ Betsy L. Feldman

YOUNG CONAWAY STARGATT & TAYLOR, LLP
Sean M. Beach (No. 4070)
Edmon L. Morton (No. 3856)
Ian J. Bambrick (No. 5455)
Betsy L. Feldman (No. 6410)
Rodney Square
1000 North King Street
Wilmington, Delaware 19801

-and-

KLEE, TUCHIN, BOGDANOFF & STERN LLP
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Michael L. Tuchin (*pro hac vice*)
David A. Fidler (*pro hac vice*)
Jonathan M. Weiss (*pro hac vice*)
1999 Avenue of the Stars
39th Floor
Los Angeles, California 90067
Tel: (310) 407-4000
Fax: (310) 407-9090

Counsel for the Debtors and Debtors in Possession

EXHIBIT A

Proposed Order

**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)

Ref. Doc. No. ____

**ORDER, PURSUANT TO SECTION 105(a) OF THE BANKRUPTCY CODE AND
BANKRUPTCY RULE 9019, APPROVING THE SETTLEMENT AGREEMENT
BY AND BETWEEN DEBTOR WOODBRIDGE STRUCTURED
FUNDING, LLC AND WARREN LEX LLP**

Upon the *Debtors' Motion for Entry of an Order, Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving the Settlement Agreement by and between Debtor Woodbridge Structured Funding, LLC and Warren Lex LLP* (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, 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

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

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, and their creditors; and that the legal and factual bases set forth in the Motion, the *Declaration of Bradley D. Sharp in Support of the Debtors' Motion for Entry of an Order, Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving the Settlement Agreement by and between Debtor Woodbridge Structured Funding, LLC and Warren Lex LLP*, and that the record of the Chapter 11 Cases 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 as set forth herein.
2. Pursuant to section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, the Settlement Agreement, attached hereto as Exhibit 1, is approved, and the terms and conditions of the Settlement Agreement (including, without limitation, the mutual releases set forth therein) are incorporated into this Order as if fully set forth herein.
3. The Parties are authorized and empowered to take any and all actions necessary or appropriate to consummate, carry out, effectuate, or otherwise enforce the terms, conditions, and provisions of the Settlement Agreement.
4. The Settlement Agreement shall be binding upon and shall inure to the benefit of the parties thereto and their respective successors and assigns.

5. The Court shall retain jurisdiction and power over any and all matters arising from or related to the interpretation or implementation of this Order or the Settlement Agreement.

Dated: _____, 2019
Wilmington, Delaware

KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Settlement Agreement

Settlement Agreement

This settlement agreement (the “Agreement”) is entered into as of December 27, 2018 (subject to the provisions regarding effectiveness herein) by and between Warren Lex LLP (“Warren Lex”), on the one hand, and Woodbridge Structured Funding, LLC (“Woodbridge”) and its affiliated debtors and debtors in possession (with Woodbridge, the “Debtors,” and, the Debtors collectively with Warren Lex, the “Parties”), on the other hand.

Recitals

A. The Debtors’ chapter 11 bankruptcy cases are pending in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”), jointly administered under the chapter 11 case entitled *In re Woodbridge Group of Companies, LLC, et al.*, No. 17-12560-KJC (the “Bankruptcy Cases”).

B. On August 22, 2018, the Debtors filed the *First Amended Joint Chapter 11 Plan of Liquidation of Woodbridge Group of Companies, LLC and Its Affiliated Debtors* (Docket No. 2397) (as it may be amended, supplemented, or modified from time to time pursuant to the terms thereof, the “Plan”), and the *Disclosure Statement for the First Amended Joint Chapter 11 Plan of Liquidation of Woodbridge Group of Companies, LLC and its Affiliated Debtors* (Docket No. 2398) (as it may be amended, supplemented, or modified from time to time, the “Disclosure Statement”). On August 22, 2018, the Bankruptcy Court entered an order, *inter alia*, approving the Disclosure Statement (Docket No. 2396). The Plan was approved on October 26, 2018 (Docket No. 2903).

C. Prior to the Petition Date, Woodbridge and Warren Lex disputed the amount of attorney’s fees owed to Warren Lex for certain legal services provided, , which prompted Warren Lex to commence the state court action entitled *Warren Lex LLP v. Woodbridge Structured Funding, LLC*, Case Number BC628984, pending in the Superior Court of California in and for the County of Los Angeles (the “Action”) on August 1, 2016.

- a. The Action resulted in a jury trial and jury verdict in favor of Warren Lex for approximately \$178,000. No appeal was taken and the judgment is final.
- b. The Parties also stipulated that Warren Lex is owed approximately \$29,000 in prepetition interest, bringing the judgment to approximately \$207,000.
- c. Finally, Warren Lex submitted a bill of costs in the amount of \$38,000, which Woodbridge’s prepetition counsel objected to as being \$20,000 too high.

D. The Parties wish to resolve all of the matters set out above and to otherwise settle any and all other disputes between or among them, known and unknown, on the terms and conditions set out in this Agreement.

Now, therefore, in consideration of the foregoing, the Parties stipulate and agree as follows:

Agreement

1. The foregoing recitals, set out at paragraphs A through D, inclusive, are incorporated herein as an integral part of this Agreement.

2. The Parties warrant that they are authorized to enter into this Agreement and that by their signatures below, it will become a binding agreement, subject only to satisfaction of the conditions set forth in paragraph 5.

3. The Parties agree that, subject to the conditions set forth in paragraph 5 and upon the Effective Date (as defined below), Warren Lex is entitled to \$236,152.84 (the "Claim") in resolution of the dispute over the attorney's fees that are the subject of the Action. The Claim comprises the jury verdict of approximately \$178,000, the stipulated prepetition interest of approximately \$29,000, and a bill of costs of approximately \$29,000.

4. The Claim will participate in ratable distributions with all other General Unsecured Claims that are allowed in the Bankruptcy Cases. For purposes of the Plan, the Claim shall be classified and treated as a Class 4 claim. For the avoidance of doubt, the Claim shall be the sole and exclusive right to payment or any other relief that Warren Lex and its respective predecessors, successors, or assigns shall have to any distribution or recovery in the Bankruptcy Case or any chapter 7 bankruptcy case into which the Bankruptcy Case is converted, and shall not be entitled to priority under Bankruptcy Code section 507.

5. This Agreement is not effective unless and until all of the following have occurred:

- a. The Debtors have filed a motion (the "Compromise Motion") in the Bankruptcy Cases pursuant to section 105 of the Bankruptcy Code and Rule 9019 of the Federal Rules of Bankruptcy Procedure seeking approval of this Agreement.
- b. The Bankruptcy Court has granted the Compromise Motion and entered an order (the "Compromise Order") thereon.
- c. The time to commence an appeal of the Compromise Order pursuant to Bankruptcy Rule 8002(a) has run and no appeal has been filed, or any such appeal has been dismissed or resolved by the highest court to which the order or judgment was appealed or from which review, rehearing, remand, or a writ of certiorari was sought.
- d. The Compromise Order has not been stayed pursuant to Rule 8007 of the Federal Rules of Bankruptcy Procedure.

The first date on which all the preceding (paragraphs D.a above through D.d, inclusive) have occurred is the “Effective Date.” Upon the Effective Date, this Agreement shall become effective and shall be binding upon the Parties.

6. To the maximum extent permitted by law, Warren Lex, on behalf of itself, its agents, successors, assigns, attorneys, and representatives (collectively, the “Warren Lex Releasing Parties”), hereby release, acquit, and discharge, and covenant and agree that they will refrain and forbear from commencing, instituting, prosecuting, or continuing, any lawsuit, action, claim, right, demand, cause of action, suit or other proceeding (including filing any further claim) against the Debtors, their estates, their affiliates, predecessors, successors, assignors, and assignees, except for any claims to enforce rights, obligations, and duties arising out of this Agreement.

7. To the maximum extent permitted by law, the Debtors and their predecessors, successors, assignors, and assignees (the “Woodbridge Releasing Parties”) hereby release, acquit, and discharge, and covenant and agree that they will refrain and forbear from commencing, instituting, prosecuting, or continuing, any lawsuit, action, claim, right, demand, cause of action, suit or other proceeding against Warren Lex, its affiliates, predecessors, successors, assignors, and assignees, except for any claims to enforce rights, obligations, and duties arising out of this Agreement.

8. The Parties hereby acknowledge that it is their intention that the releases set forth in paragraphs 6 and 7 shall be effective as a full and final release of and as a bar with prejudice to each and every claim as set forth therein that the Warren Lex Releasing Parties and Woodbridge Releasing Parties have or had against the parties whom they are releasing in paragraphs 6 and 7. In connection with such waiver and relinquishment, the Parties acknowledge that they or their attorneys may hereafter discover facts different from or in addition to the facts that they now know or believe to be true with respect to the subject matter of this Agreement, but that it is their intention to hereby fully, finally, absolutely, and forever release any and all claims released pursuant to paragraphs 6 and 7, which now do exist, may exist or heretofore have existed between them, and that in furtherance of such intentions the release as given herein by the Parties, shall be and remain in effect as a full and complete release of the claims released, notwithstanding the discovery of any such different or additional facts.

Notwithstanding the discovery of any such additional or different facts, the Parties certify that they have read Section 1542 of the California Civil Code set forth below:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The Parties waive application of Section 1542 of the California Civil Code, to the extent applicable, and any other statutes, common law rights, rules or the like which may operate to

limit the intent of this Agreement with respect to the claims released above. The Parties understand and acknowledge the significance and consequence of this waiver of Section 1542 of the California Civil Code is that even if the Releasing Parties should eventually suffer additional damages on account of the claims released above, they will not be permitted to make any claim for such damages.

It is expressly understood and agreed by the Parties that the facts with respect to this Agreement may turn out to be different from the facts now known or believed by the Parties to be true. Each of the Parties expressly assumes the risk of the facts turning out to be different and agrees that this Agreement will be in all respects effective and not subject to termination or rescission by reason of any such differences.

9. Each Party shall bear its own attorneys' fees and costs in connection with the Bankruptcy Cases through the Effective Date, including the negotiation, documentation, execution, delivery, and performance of this Agreement. Notwithstanding the preceding sentence, should any action, suit or proceeding be commenced by any Party to this Agreement to enforce any provision hereof, the prevailing Party shall be entitled to recover reasonable attorneys' fees and costs and expenses incurred in said action, suit or proceeding, including any appeal.

10. To the best of Warren Lex's knowledge, following reasonable inquiry, as of the date of this Agreement set forth above, Warren Lex represents and warrants that the only claim or right to payment of which it is aware that it has against the Woodbridge Releasing Parties or their bankruptcy estates is represented by the Claims described in Recital **CError! Reference source not found.** above. In the event the Parties discover subsequently that there exists any other claim or action, Warren Lex will take all necessary action to withdraw or dismiss it forthwith upon request by the Debtors.

11. The Parties acknowledge that this Agreement represents a compromise of disputed claims and that, by entering into this Agreement, none of the Parties admits or acknowledges the existence of any liability or wrongdoing.

12. Each Party represents and warrants to all of the other Parties and each of them, that it has not assigned or transferred any of the claims or interests addressed in this Agreement. Each Party agrees to defend and indemnify all of the other Parties and each of them against any claim based upon, arising out of, or arising in connection with any such alleged or actual assignment or transfer.

13. The Parties hereby provide assurances of cooperation to each other and agree to take any and all necessary and reasonable steps, including executing any other and further documents or instructions and performing any other and further acts, appropriate to effect the intent of this Agreement.

14. The Parties specifically consent to the jurisdiction and power of the Bankruptcy Court to determine any dispute relating to this Agreement, including any claim for breach, and to the authority of the Bankruptcy Court to enter a final judgment in connection therewith.

15. The Parties may give notice to each other by sending a written communication by overnight mail or e-mail to the Parties at the addresses set forth below.

a. To Warren Lex:

Warren Lex LLP
2261 Market Street No. 606
San Francisco California 94114
Attn: Patrick Shields, Esq.
Email: woodbridge@matters.warrenlex.com

b. To the Debtors:

Woodbridge Group of Companies, LLC
14140 Ventura Boulevard, #302
Sherman Oaks, California 91423
Email: bsharp@dsi.biz
Attention: Bradley D. Sharp, Chief Restructuring Officer

with a copy (which shall not constitute notice) to:

Klee, Tuchin, Bogdanoff & Stern LLP
1999 Avenue of the Stars, 39th Floor
Los Angeles, California 90067
Email: dfidler@ktbslaw.com and rpfister@ktbslaw.com
Attention: David A. Fidler, Esq. and Robert J. Pfister, Esq.

Any Party wishing to change the address or email address at which he, she or it receives notices or payments may do so by giving notice as provided in this paragraph 15.

16. This Agreement is to be construed under and governed by the internal laws of the State of California (without regard to conflict of laws principles) and, as applicable, the Bankruptcy Code.

17. This Agreement contains the entire agreement and understanding among the Parties concerning the matters set forth herein and supersedes all prior or contemporaneous stipulations, negotiations, representations, understandings, and discussions among the Parties or their respective counsel with respect to the subject matter of this Agreement. No other representations, covenants, undertakings, or other earlier or contemporaneous agreements respecting these matters may be deemed in any way to exist or bind any of the Parties. The Parties acknowledge that they have not executed this Agreement in reliance on any promise, representation, or warranty other than those contained in this Agreement.

18. This Agreement is the product of negotiation among the Parties and represents the jointly conceived and bargained-for language mutually determined by the Parties to express their intentions in entering into this Agreement. Any ambiguity or uncertainty in this Agreement is therefore to be deemed to be caused by or attributable to the Parties collectively and is not to be construed against any particular Party. Instead, this Agreement is to be construed in a neutral

manner, and no term or provision of this Agreement as a whole is to be construed more or less favorably to any one Party. Furthermore, the Parties hereby waive California Civil Code § 1654.

19. If the Bankruptcy Court declines to approve this Agreement despite the Parties' efforts to obtain such approval, then (i) this Agreement will be null and void and of no force or effect; (ii) no Party shall have any obligations to any other Party arising out of this Agreement; and (iii) the Parties' respective rights and remedies with respect to all matters addressed by this Agreement will be fully reserved and the Parties will be restored to their respective positions, *status quo ante*, as of the date on which this Agreement was executed.

20. This Agreement may not be modified except as mutually agreed to in a writing signed by all the Parties.

21. No waiver, forfeiture or forbearance of or concerning any provision of this Agreement shall be deemed or shall constitute a waiver, forfeiture or forbearance of or concerning any of the other provisions hereof, or a continuing waiver, forfeiture or forbearance.

22. If, for any reason, any provision of this Agreement is determined to be invalid or unenforceable, such provision shall be automatically reformed to embody the essence of that provision to the maximum extent permitted by law, and the remaining provisions of this Agreement shall be construed, performed and enforced as if the reformed provision had been included in this Agreement at inception.

23. This Agreement may be executed in several counterparts, and any and all such executed counterparts, taken together, will constitute a single agreement binding on all Parties to this Agreement. Facsimiles of signatures may be taken as the actual signatures.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date set forth above (but subject to the provisions regarding effectiveness set forth herein).

WOODBRIAGE GROUP OF COMPANIES,
LLC, ET AL.

By: /s/ Bradley D. Sharp

Name: Bradley D. Sharp

Title: Chief Restructuring Officer

WARREN LEX LLP

By: _____

Name: Patrick Shields, Esq.

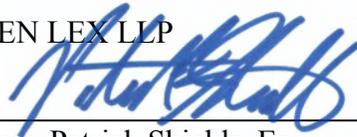
Title: Partner

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date set forth above (but subject to the provisions regarding effectiveness set forth herein).

WOODBRIAGE GROUP OF COMPANIES,
LLC, ET AL.

By: _____
Name: Bradley D. Sharp
Title: Chief Restructuring Officer

WARREN LEX LLP

By:  _____
Name: Patrick Shields, Esq.
Title: Partner