

**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)

Requested Hearing Date:

January 23, 2018, at 10:00 a.m. (ET)

Requested Obj. Deadline:

January 23, 2018, at 10:00 a.m. (ET)

Ref. Docket Nos. 6, 48, & 295

**COMMITTEE’S EMERGENCY MOTION (A) AUTHORIZING THE DEBTORS TO
MAKE ADDITIONAL CRITICAL VENDOR PAYMENTS, (B) APPROVING CERTAIN
CRITICAL VENDOR PAYMENTS PREVIOUSLY MADE, AND (C) AUTHORIZING
THE BANK TO HONOR AND PROCESS CHECKS AND ELECTRONIC TRANSFER
REQUESTS RELATED TO THE FOREGOING**

The Official Committee of Unsecured Creditors (the “Committee”) hereby submits this emergency motion (this “Emergency Motion”) for the entry of an order, substantially in the form attached hereto as Exhibit A (the “Proposed Order”), pursuant to sections 105(a), 363(b), 503(b)(9), 1107(a), and 1108 of title 11 of the United States Code (the “Bankruptcy Code”) (i) approving certain postpetition payments previously made as if requested and paid by the Debtors pursuant to the *Motion for Entry of an Interim and Final Order, Pursuant to Sections 105(a), 363(b), 503(b)(9), 1107(a), and 1108 of the Bankruptcy Code, Authorizing the Debtors to Pay Prepetition Claims of Critical Vendors, and Authorizing the Bank to Honor and Process Checks and Electronic Transfer Requests Related to the Foregoing* [D.I. 6] (the “Critical Vendor

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.

Motion”), (ii) authorizing the Debtors to make further critical vendor payments that shall be applied against, and shall not exceed, the Critical Vendor Cap (as that term is defined below), and (iii) authorizing the Debtors’ bank (the “Bank”) to receive, process, honor, and pay checks presented for payment and electronic payment requests relating to the foregoing. The facts and circumstances supporting this Emergency Motion are set forth in the Declaration of Mary Ann Kaptain (the “Kaptain Declaration”), attached hereto as Exhibit B, and the Declaration of Kelly Goebel (the “Goebel Declaration”), attached hereto as Exhibit C. In further support of this Emergency Motion, the Committee respectfully states 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 Committee consents to the entry of a final order by the Court in connection with this Emergency 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 sought herein are sections 105(a), 363(b), 503(b)(9), 1107(a), and 1108 of the Bankruptcy Code.

BACKGROUND

2. On December 4, 2017 (the “Petition Date”), 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 the Bankruptcy Code, the Debtors are continuing to manage their financial affairs as debtors in possession.

3. The Court has entered an Order [D.I. 45] authorizing the joint administration of the Chapter 11 Cases, pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (“Bankruptcy Rules”) and Local Rule 1015-1.

4. On December 14, 2017, the Office of the United States Trustee for the District of Delaware (the “U.S. Trustee”) appointed the Committee [D.I. 79].

5. Information regarding the Debtors’ history and business operations, capital structure and primary secured indebtedness, and the events leading up to the commencement of the Chapter 11 Cases can be found in the *Declaration of Lawrence R. Perkins in Support of Chapter 11 Petitions and Requests for First Day Relief* [D.I. 12] (the “First Day Declaration”), which was filed on the Petition Date.

THE CRITICAL VENDORS

A. The Critical Vendor Orders

6. On the Petition Date, the Debtors filed the Critical Vendor Motion seeking authority to pay the prepetition claims of critical vendors.

7. On December 5, 2017, the Court entered the *Interim Order Pursuant to Sections 105(a), 363(b), 503(b)(9), 1107(a), and 1108 of the Bankruptcy Code, Authorizing the Debtors to Pay Prepetition Claims of Critical Vendors, and Authorizing the Bank to Honor and Process Checks and Electronic Transfer Requests Related to the Foregoing* [D.I. 48] (the “First Interim Order”). On January 16, 2018, the Court entered the *Second Interim Order Pursuant to Sections 105(a), 363(b), 503(b)(9), 1107(a), and 1108 of the Bankruptcy Code, Authorizing the Debtors to Pay Prepetition Claims of Critical Vendors, and Authorizing the Bank to Honor and Process*

Checks and Electronic Transfer Requests Related to the Foregoing [D.I. 295] (the “Second Interim Order” and together with the First Interim Order, the “Interim Orders”).

8. In the Interim Orders, the Debtors reserved their right to seek appropriate relief from the Court to satisfy claims of additional critical vendors, in excess of the dollar amount proposed in the Critical Vendor Motion.

9. In addition, the Interim Orders authorize the Debtors to “negotiate trade terms with any Critical Vendor or Critical Party, as a condition to payment, that vary from the Customary Trade Terms . . . to the extent the Debtors determine, in their reasonable business judgment, that such terms are necessary to procure essential materials or services or are otherwise in the best interests of the Debtors’ estates.”

B. Postpetition Payments to Contractors

10. In December 2017, the Debtors made certain payments to the Contractors, as such term is defined in the Kaptain Declaration (each a “December Payment” and collectively, the “December Payments”). Kaptain Dec. ¶ 4, Ex. A.²

11. In January 2018, the Debtors made additional payments to the Contractors on the dates and in the amounts set forth on Exhibit A annexed to the Kaptain Declaration (each a “January Payment” and collectively, the “January Payments”). *Id.* ¶ 5.

12. As discussed in Court previously, the Committee and the Debtors dispute the nature of the December Payments and the January Payments, but they both agree as to the

² References to “Kaptain Dec. ¶ ___” are to the Declaration of Mary Ann Kaptain, executed on January 22, 2018, and submitted in support of the Emergency Motion. References to “Goebel Dec. ¶ ___” are to the Declaration of Kelly Goebel, executed on January 22, 2018, and submitted in support of the Emergency Motion.

critical importance of making sure that the Contractors are paid in order to preserve and maximize value as more fully described herein and in the Goebel Declaration.

13. The Debtors' prepetition obligations to the Contractors are individually referred to as a "Prepetition Obligation" and are collectively referred to herein as the "Prepetition Obligations."

14. The Committee has recommended, in consultation with the Debtors, that each of the December Payments and January Payments be approved as if requested and paid by the Debtors pursuant to the Critical Vendor Motion (each, an "Additional Critical Vendor Payment" and collectively, the "Additional Critical Vendor Payments"). *Id.* ¶ 10.

15. If the Prepetition Obligation is greater than the corresponding Additional Critical Vendor Payment, the Committee requests that the Debtors remit an amount equal to the difference to the Contractor within fifteen (15) business days of the entry of an order on the Emergency Motion. If the Prepetition Obligation is less than the corresponding Additional Critical Vendor Payment, then the Committee requests that the difference be treated as a deposit made by the Debtors that will be applied to the earliest postpetition obligation owing to the Contractor.

16. The Committee requests emergency relief to increase the previously-approved cap for Critical Vendor Claims of \$1,500,000 by an additional \$7,600,000 to account for the December Payments and the January Payments, to a total of \$9,100,000 (the "Critical Vendor Cap").

17. The Committee has also recommended, in consultation with the Debtors, that if the Debtors determine in their business judgment that further payments to Contractors are

needed, such payments can be made with prior notice to the Committee and such payments shall be applied against, and shall not exceed, the Critical Vendor Cap.

18. As set forth in the Goebel Declaration, submitted in further support of the Motion, the Additional Critical Vendors Payments and the other relief requested is necessary to maintain, improve, and complete construction at the properties owned by the Debtors. Goebel Declaration, ¶ 11. Specifically, the Committee believes that the relief sought herein is necessary to allay the Contractors' confusion, concerns and questions related to the December Payments and January Payments, and to allow the Contractors to continue or immediately recommence construction necessary to maintain, improve, and complete construction at the Debtors' properties. *Id.*

19. In exchange for the receipt of the Additional Critical Vendor Payments, each of the Contractors shall perform in accordance with their prepetition contracts for so long as the Debtors remain current on their obligations.

RELIEF REQUESTED

20. By this Emergency Motion, the Committee requests the entry of the Proposed Order (i) approving the Additional Critical Vendor Payments as if requested and paid by the Debtors pursuant to the Critical Vendor Motion, (ii) authorizing the Debtors to make Additional Critical Vendor Payments, which shall be applied against, and shall not exceed, the Critical Vendor Cap, and (iii) authorizing the Bank to receive, process, honor, and pay checks presented for payment and electronic payment requests relating to the foregoing.

BASIS FOR RELIEF

A. Approval of the Additional Critical Vendor Payments is Appropriate under Sections 363(b) and 105(a) and the Doctrine of Necessity

21. Section 363(b) of the Bankruptcy Code permits a debtor to use estate property "other than in the ordinary course of business" after notice and a hearing. 11 U.S.C. § 363(b)(1).

Section 105(a) of the Bankruptcy Code further authorizes the Court to enter any order “necessary or appropriate” to carry out the provisions of the Bankruptcy Code. 11 U.S.C. § 105(a).

Additionally, under the doctrine of necessity, the Court can authorize payment of certain prepetition claims prior to the completion of the reorganization process when the payment of such claims is necessary to the reorganization. *See In re Lehigh & New England Ry. Co.*, 657 F.2d 570, 581 (3d Cir. 1981) (authorizing payment of creditors’ claims under “necessity of payment” doctrine); *In re Penn Cent. Transp. Co.*, 467 F.2d 100, 102 n.1 (3d Cir. 1972) (stating that the necessity of payment doctrine permits “immediate payment of claims of creditors where those creditors will not supply services or materials essential to the conduct of the business until their pre-reorganization claims have been paid”); *In re Just for Feet, Inc.*, 242 B.R. 821, 826 (D. Del. 1999) (stating that where the debtor cannot survive absent payment of certain prepetition claims, the doctrine of necessity should be invoked to permit payment); *In re Columbia Gas Sys., Inc.*, 171 B.R. 189, 191–92 (Bankr. D. Del. 1994) (noting that the debtors “may pay pre-petition claims that are essential to continued operation of business”).

22. The Committee, in consultation with the Debtors, has determined that the materials and services provided by the Contractors are vital to the Debtors’ continuing business operations. As such, the failure to treat Additional Critical Vendor Payments as having been made under the Critical Vendor Motion could have a significant adverse effect on the Debtors’ continued operations and their ability to maximize the value of their estates. Accordingly, maintaining the relationships with the Contractors will preserve and protect the Debtors’ business, which provides a sufficient business justification for payment, even if such payments were deemed to be outside the ordinary course of business. *See Ionosphere Clubs*, 98 B.R. at 17.

As such, treating the Additional Critical Vendor Payments as having been made under the Critical Vendor Motion is proper under section 363(b) of the Bankruptcy Code.

23. Treating the Additional Critical Vendor Payments as having been made under the Critical Vendor Motion should also be authorized pursuant to section 105 of the Bankruptcy Code and under the “doctrine of necessity.” In light of the critical need to preserve the value of the Debtors’ assets, treating the Additional Critical Vendor Payments as having been made under the Critical Vendor Motion is essential to the Chapter 11 Cases. It would likely be expensive and difficult, if not impossible, for the Debtors to find alternative sources for the materials and services currently provided by the Contractors. In addition, any interruption in the delivery of products or the provision of services to the Debtors would impair the Debtors’ ability to operate their business in the ordinary course. Therefore, the Additional Critical Vendor Payments should be approved as having been made under the Critical Vendor pursuant to section 105(a) of the Bankruptcy Code and the doctrine of necessity.

B. Request for Authority for the Bank to Honor and Pay Checks in Connection Herewith

24. In addition, by this Emergency Motion, the Committee requests that the Bank be authorized, when requested by the Debtors, to receive, process, honor, and pay any and all checks presented for payment of, and to honor all fund transfer requests made by the Debtors related to the prepetition obligations described herein provided that sufficient funds are available in the applicable accounts to make the payments. These checks are drawn on identifiable disbursement accounts and can be readily identified as relating directly to the authorized payment of obligations described herein. Accordingly, the Committee is informed that checks other than those relating to authorized payments will not be honored inadvertently.

25. For the foregoing reasons, the Committee believes that granting the relief requested herein is appropriate and in the best interests of the Debtors' estates and creditors.

REQUEST FOR WAIVER OF STAY

26. To implement the foregoing, the Committee seeks a waiver of any stay of the effectiveness of the order approving this Emergency Motion. Pursuant to Bankruptcy Rule 6004(h), any "order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise." The Committee submits that the relief requested in this Emergency Motion is necessary to avoid immediate and irreparable harm to the Debtors for the reasons set forth herein. Accordingly, the Committee submits that ample cause exists to justify a waiver of the 14-day stay imposed by Bankruptcy Rule 6004(h).

27. To implement the foregoing immediately, the Committee respectfully requests a waiver of the notice requirements of Bankruptcy Rule 6004(a) to the extent that they are deemed applicable.

RESERVATION OF RIGHTS

28. Nothing contained herein is intended or should be construed as an admission of the validity of any claim against the Debtors, a waiver of the Debtors' rights to dispute any claim, or an approval or assumption of any agreement, contract or lease under section 365 of the Bankruptcy Code. If this Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended and should not be construed as an admission of the validity of any claim or a waiver of the Debtors' rights to dispute such claim subsequently.

NOTICE

29. The Committee has provided notice of this Emergency Motion to: (i) the U.S. Trustee; (ii) the DIP lender and counsel thereto; (iii) the Bank; and (iv) any party that has requested notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested herein, the Committee submits that no other or further notice is necessary.

WHEREFORE, the Committee respectfully requests that the Court (i) enter the Proposed Order granting the relief requested herein on an emergency basis and (ii) grant such further relief as may be just and proper under the circumstances.

Dated: January 22, 2018

PACHULSKI STANG ZIEHL & JONES LLP

/s/ Colin R. Robinson

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EXHIBIT A

PROPOSED ORDER

**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)

Ref. Docket Nos. 48, 295, & ____

ORDER (A) AUTHORIZING THE DEBTORS TO MAKE ADDITIONAL CRITICAL VENDOR PAYMENTS, (B) APPROVING CERTAIN PAYMENTS PREVIOUSLY MADE, AND (C) AUTHORIZING THE BANK TO HONOR AND PROCESS CHECKS AND ELECTRONIC TRANSFER REQUESTS RELATED TO THE FOREGOING

Upon the *Committee's Emergency Motion (A) Authorizing the Debtors to Make Additional Critical Vendor Payments, (B) Approving Certain Payments Previously Made; and (C) Authorizing the Bank to Honor and Process Checks and Electronic Transfer Requests Related to the Foregoing* (the "Emergency Motion")² filed by the Committee; and upon consideration of the Kaptain Declaration and the Goebel Declaration; and this Court having found that it 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; and this Court having found that venue of these cases and the Emergency 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

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² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Emergency Motion.

this Court having determined that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that notice of the Emergency Motion has been given as set forth in the Emergency Motion and that such notice is adequate under the circumstances and no other or further notice need be given; and a hearing having been held to consider the relief requested in the Emergency Motion; and upon the record of the hearing and all of the proceedings had before this Court; and this Court having found and determined that the relief sought in the Emergency Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and that the legal and factual bases set forth in the Emergency Motion establish just cause for the relief granted herein; and this Court having previously entered the *Interim Order Pursuant to Sections 105(a), 363(b), 503(b)(9), 1107(a), and 1108 of the Bankruptcy Code, Authorizing the Debtors to Pay Prepetition Claims of Critical Vendors, and Authorizing Banks to Honor and Process Checks and Electronic Transfer Requests Related to the Foregoing* [D.I. 48]; and this Court having previously entered the *Second Interim Order Pursuant to Sections 105(a), 363(b), 503(b)(9), 1107(a), and 1108 of the Bankruptcy Code, Authorizing the Debtors to Pay Prepetition Claims of Critical Vendors, and Authorizing Banks to Honor and Process Checks and Electronic Transfer Requests Related to the Foregoing* [D.I. 295]; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Emergency Motion is GRANTED as set forth herein.
2. The Debtors are hereby authorized, but not directed, in their business judgment and at their sole discretion, to pay the Additional Critical Vendor Claims in an aggregate amount not to exceed \$9,100,000 unless otherwise ordered by the Court after notice and a hearing.

3. Any Contractor that accepts an Additional Critical Vendor Payment from the Debtors shall be deemed to have agreed to the terms and provisions of this Order.

4. The Debtors are authorized, but not directed, to condition the Additional Critical Vendor Payments upon an agreement to continue supplying materials or services to the Debtors in accordance with trade terms at least as favorable to the Debtors as those practices and programs (including credit limits, pricing, timing of payments, availability, and other terms) in place prior to the Petition Date (the “Customary Trade Terms”), or in the alternative to negotiate trade terms with any Critical Vendor or Critical Party, as a condition to payment, that vary from the Customary Trade Terms (the “Negotiated Trade Terms”) to the extent the Debtors determine, in their reasonable business judgment, that such terms are necessary to procure essential materials or services or are otherwise in the best interests of the Debtors’ estates.

5. The Debtors are authorized, but not directed, to condition the Additional Critical Vendor Payments upon such an agreement to continue supplying materials or services on Customary Trade Terms or Negotiated Trade Terms for the duration of the Chapter 11 Cases by executing trade agreements (each a “Trade Agreement”). Such Trade Agreements, once agreed to and accepted by a Contractor, shall be legally binding contractual arrangements governing the commercial trade relationship between the parties as provided therein.

6. If a Contractor accepts payment pursuant to this Order after agreeing to provide services on Customary Trade Terms or Negotiated Trade Terms, and thereafter does not continue to provide materials and services on such terms (regardless of whether a Trade Agreement has been executed), then (i) any payment on account of an Additional Critical Vendor Payment may be deemed, in the Debtors’ reasonable business judgment, to be an improper postpetition transfer and, therefore, recoverable by the Debtors in cash upon written request, and (ii) upon recovery of

the payment by the Debtors, the claim shall be reinstated as if the payment had not been made. If there exists an outstanding postpetition balance due from the Debtors to a Contractor, the Debtors may elect to recharacterize and apply any payment made pursuant to this Order to such outstanding postpetition balance, and the Debtors may then take any and all appropriate steps to cause such Contractor to repay payments made to it on account of its prepetition claim to the extent that such payments exceed the postpetition amounts then owing to such Contractor. Notwithstanding the foregoing, the Debtors' exercise of remedies pursuant to this paragraph is subject to entry of a further order, which the Debtors may seek by filing a motion to enforce the terms of this Order on not less than five (5) business days' notice to the affected counterparty.

7. The Bank is authorized, when requested by the Debtors, to receive, process, honor, and pay any and all checks drawn on, or electronic transfer requests from, their accounts to the extent such checks or requests are expressly identified by the Debtors as related directly to payments made pursuant to this Order.

8. On the fifth (5th) business day of each month, the Debtors shall provide the Office of the United States Trustee, the DIP Lender, and the advisors to the Committee a report of all payments made under this Order.

9. Nothing in this Order (i) is intended or shall be deemed to constitute an assumption of any agreement pursuant to section 365 of the Bankruptcy Code or an admission as to the validity of any claim against the Debtors or their estates; (ii) shall impair, prejudice, waive, or otherwise affect the rights of the Debtors or their estates with respect to the validity, priority, or amount of any claim against the Debtors or their estates; (iii) shall impair, prejudice, waive, or otherwise affect the rights of the Debtors or their estates with respect to any and all claims or

causes of action against a Critical Vendor or Critical Party; or (iv) shall be construed as a promise to pay a claim.

10. The Debtors are authorized to take any and all actions necessary to effectuate the relief granted herein.

11. Notwithstanding any applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be effective and enforceable immediately upon its entry.

12. All time periods referenced in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

13. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: _____, 2018
Wilmington, Delaware

KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

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

In re:

WOODBRIIDGE GROUP OF COMPANIES,
LLC, et al.

Debtors.¹

Chapter 11

Case No. 17-12560 (KJC)

Jointly Administered

**DECLARATION OF MARY ANN KAPTAIN
IN SUPPORT OF THE COMMITTEE'S EMERGENCY MOTION (A) AUTHORIZING
THE DEBTORS TO MAKE ADDITIONAL CRITICAL VENDOR PAYMENTS, (B)
APPROVING CERTAIN PAYMENTS PREVIOUSLY MADE, AND (C) AUTHORIZING
THE BANK TO HONOR AND PROCESS CHECKS AND ELECTRONIC TRANSFER
REQUESTS RELATED TO THE FOREGOING**

Pursuant to 28 U.S.C. section 1746, Mary Ann Kaptain declares as follows:

1. I am a Managing Director with FTI Consulting, Inc., ("FTI") financial advisor to the Official Committee of Unsecured Creditors (the "Committee") in the above-captioned cases. I submit this declaration (the "Kaptain Declaration") in support of the *Committee's Emergency Motion (A) Authorizing the Debtors to Pay the Claims of Additional Critical Vendors, (B) Approving Certain Payments Previously Made, and (C) Authorizing the Bank to Honor and Process Checks and Electronic Transfer Requests Related to the Foregoing* (the "Emergency Motion"). Unless otherwise noted, I have personal knowledge of the facts set forth herein and

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would attest to each of them if called to testify in any evidentiary hearing on the Emergency Motion.²

2. On December 4, 2017, the Debtors commenced these cases by filing voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code.

3. On December 19, 2017, the Debtors filed the *Debtors' First Omnibus Motion for an Order Pursuant to 11 U.S.C. § 365 (A) Authorizing the Debtors to Assume Certain Executory Contracts; (B) Fixing Cure Amounts with Respect Thereto; and (C) Granting Authorization to Request the Omnibus Assumption of the Assumed Contracts by this Motion* [D.I. 106] (the "Assumption Motion"). The Assumption Motion sought to assume twelve (12) separate agreements (the "Assumed Contracts") with certain architects, contractors and construction companies (collectively, the "Contractors").

Postpetition Payments to Contractors

4. In December 2017, the Debtors made the payments to the Contractors on the dates and in the amounts set forth on Exhibit A annexed hereto (each a "December Payment" and collectively, the "December Payments").

5. In January 2018, the Debtors made additional payments to the Contractors on the dates and in the amounts set forth on Exhibit A annexed hereto (each a "January Payment" and collectively, the "January Payments").

6. As discussed in Court previously, the Committee and the Debtors dispute the nature of the December Payments and the January Payments, but they both agree as to the

² Certain of the disclosures herein relate to matters within the personal knowledge of other professionals at FTI and are based on information provided by them.

critical importance of making sure that the Contractors are paid in order to preserve and maximize value as more fully described herein and in the Goebel Declaration.

7. The Debtors' prepetition obligations to the Contractors are individually referred to as a "Prepetition Obligation" and are collectively referred to herein as the "Prepetition Obligations."

Critical Vendor Payments

8. On or about December 4, 2017, *Motion for Entry of an Interim and Final Order, Pursuant to Sections 105(a), 363(b), 503(b)(9), 1107(a), and 1108 of the Bankruptcy Code, Authorizing the Debtors to Pay Prepetition Claims of Critical Vendors, and Authorizing Banks to Honor and Process Checks and Electronic Transfer Requests Related to the Foregoing* [D.I. 6] (the "Critical Vendor Motion").

9. In December 2017 and January 2018, the Bankruptcy Court entered the Interim Orders authorizing, but not directing, the Debtors to pay the claims identified in the Critical Vendor Motion in a total amount not to exceed \$1.5 million (the "Critical Vendor Cap").

10. The Committee has recommended, in consultation with the Debtors, that each of the December Payments and January Payments be approved as if requested and paid by the Debtors pursuant to the Critical Vendor Motion (each, an "Additional Critical Vendor Payment" and collectively, the "Additional Critical Vendor Payments").

11. The Committee also requests that, if the Prepetition Obligation is greater than the corresponding Additional Critical Vendor Payment, the Debtors shall remit an amount equal to the difference to the Contractor within fifteen (15) business days of the entry of an order on the Emergency Motion. If the Prepetition Obligation is less than the corresponding Additional

Critical Vendor Payment, then the difference shall be treated as a deposit made by the Debtors that will be applied to the earliest postpetition obligation owing to the Contractor.

12. The Committee has also recommended, in consultation with the Debtors, that if the Debtors determine in their business judgment that further payments to Contractors are needed, such payments can be made with prior notice to the Committee and such payments shall be applied against, and shall not exceed, the Critical Vendor Cap.

13. As set forth in greater detail in the Declaration of Kelly Goebel, submitted in further support of the Emergency Motion, the Additional Critical Vendors Payments and the other relief requested is necessary to maintain, improve, and complete construction at the properties owned by the Debtors.

14. I understand that in exchange for the Additional Critical Vendor Payments, each of the Contractors shall perform in accordance their prepetition contracts for so long as the Debtors remain current.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 22nd day of January, 2018

/s/ Mary Ann Kaptain

Mary Ann Kaptain

EXHIBIT A

No.	Date	Check#	Paid To	Property Address	Description of Transaction	Disbursement Amount [1]	Cure Amount [2]
1	12/12/2017	Check: 137	BT Construction & Development	n/a	Deposit for construction in progress	\$ 46,986.52	TBD
<i>Deposit Sub-total</i>						\$ 46,986.52	
2	12/12/2017	Check: 132	BT Construction & Development	n/a	Repairs completed per buyers inspection report	\$ 1,858.00	TBD
3	12/12/2017	Check: 133	BT Construction & Development	n/a	Construction progress payment - 100% complete	\$ 26,860.94	TBD
<i>Other Payments Sub-total</i>						\$ 28,718.94	
BT Construction & Development Sub-total						\$ 75,705.46	
4	12/12/2017	Check: 144	G3 Group LA, Inc.	642 St. Cloud	GC Depsoit for 642 St. Cloud	\$ 1,028,000.00	\$ 1,027,920.00
5	12/12/2017	Check: 145	G3 Group LA, Inc.	638 Siena Way	638 Siena Way - Deposit for Phase 2	\$ 91,000.00	\$ 549,929.00
6	12/12/2017	Check: 146	G3 Group LA, Inc.	638 Siena Way	638 Siena Way - Deposit for Phase 3	\$ 460,000.00	see above
7	12/12/2017	Check: 155	G3 Group LA, Inc.	1357 Laurel Way	Invoice 2130	\$ 575,000.00	\$ 574,327.00
8	12/15/2017	Check: 177	G3 Group	9127 Thrasher	GC #25 and #26 Deposit 9127 Thrasher	\$ 709,000.00	\$ 601,814.52 [3]
<i>Deposit Sub-total</i>						\$ 2,863,000.00	\$ 2,753,990.52
G3 Group Sub-total						\$ 2,863,000.00	
9	12/12/2017	Check: 147	Builder's Team	711 Walden Dr.	711 Walden Drive - GC Deposit	\$ 145,928.98	\$ 147,673.00
<i>Deposit Sub-total</i>						\$ 145,928.98	
10	12/12/2017	Check: 151	Builders Team	n/a	Invoice # 94	\$ 495,963.36	TBD
11	12/12/2017	Check: 156	Builder's Team	n/a	Invoice 92	\$ 322,132.84	TBD
12	1/4/2018	Check: 439	Builders Team	711 Walden Dr.	711 Walden	\$ 173,652.90	TBD
13	1/4/2018	Check: 440	Builders Team	1966 Carla Ridge	1966 Carla Ridge	\$ 138,560.49	TBD
14	1/4/2018	Check: 441	Builders Team	10721 Stradella	10721 Stradella	\$ 486,932.83	TBD
<i>Other Payments Sub-total</i>						\$ 1,617,242.42	
Builders Team Sub-total						\$ 1,763,171.40	
15	12/12/2017	Check: 160	Plus Development 8920 West Sunset Blvd. Suite 200A West Hollywood, CA 90069	n/a	December deposit	\$ 270,300.00	\$ 281,382.00
16	1/4/2018	Check: 398	Plus Development	n/a	Multiple Property January Management Fee	\$ 246,698.74	TBD
<i>Sub-total</i>						\$ 516,998.74	
Plus Development Sub-total						\$ 516,998.74	
17	12/15/2017	Check: 178	HMDG, Inc.	9040 Alto Cedro, 2600 Hutton, 1241 Loma Vista	Prepay deposit, 9040 Alto Cedro; 2600 Hutton 1241 Loma Vista	\$ 540,091.34	\$ 57,594.00 [4]
<i>Deposit Sub-total</i>						\$ 540,091.34	
18	12/12/2017	Check: 142	HMDG, Inc.	2600 Hutton	Invoice # Hutton - 001	\$ 73,533.14	Not assumed
19	12/12/2017	Check: 143	HMDG, Inc.	1241 Loma Vista	Invoice Loma Vista - 001	\$ 52,391.70	Not assumed
20	12/12/2017	Check: 153	HMDG, Inc.	10750 Chalon Rd	Invoice Chalon-001	\$ 101,127.70	Not assumed
21	12/12/2017	Check: 154	HMDG, Inc	9040 Alto Cedro	Invoice Alto Cedro-001	\$ 157,816.00	see [4]
22	1/4/2018	Check: 445	HM DG Inc.	9040 Alto Cedro	9040 Alto Cedro	\$ 171,694.34	see [4]
23	1/4/2018	Check: 446	HMDG Inc.	2600 Hutton	2600 Hutton	\$ 80,881.34	Not assumed
24	1/4/2018	Check: 447	HMDG Inc.	1241 Loma Vista	1241 Loma Vista	\$ 172,812.22	Not assumed
25	1/4/2018	Check: 448	HMDG Inc.	10750 Chalon Road	10750 Chalon Road	\$ 182,445.75	Not assumed
<i>Other Payments Sub-total</i>						\$ 992,702.19	
HMDG, Inc. Sub-total						\$ 1,532,793.53	

No.	Date	Check#	Paid To	Property Address	Description of Transaction	Disbursement Amount [1]	Cure Amount [2]
26	12/12/2017	Check: 131	Titan Contracting Services 13434 Raymer Street North Hollywood, CA 91605	n/a	Invoice # 100268-0019 Titan Contracting	\$ 848,364.25	TBD
27	12/12/2017	Check: 134	EDVA Construction	n/a	Invoice 1660 Cabinets fabrication and installation	\$ 5,150.00	TBD
28	12/12/2017	Check: 135	EDVA Construction Inc.	n/a	Invoice 1659 Wine room cabinets and panels	\$ 6,500.00	TBD
EDVA Construction Other Payment Sub-total						\$ 11,650.00	
29	12/12/2017	Check: 136	Javid Construction, Inc.	n/a	Invoice 010CO#1 Construction progress complete	\$ 26,973.91	TBD
30	12/12/2017	Check: 138	Dobkin Construction Inc.	n/a	Invoice 1430 Progress payment	\$ 500,000.00	\$ 573,649.00
31	12/12/2017	Check: 148	Dane Coyle Custom Homes	24055 Hidden Ridge	Invoice 16.1 HR55 Voided: 01/10/18 \$3,992.08	\$ 3,992.08	TBD
32	12/12/2017	Check: 149	Dane Coyle Custom Homes	25210 Jim Bridger	Invoice 6.1 JB10	\$ 163,162.50	TBD
33	12/12/2017	Check: 150	Dane Coyle Custom Homes	25211 Jim Bridger	Invoice # 8.1 JB11	\$ 281,716.80	\$ 281,717.00
34	12/12/2017	Check: 152	Dane Coyle Custom Homes	24025 Hidden Ridge	Invoice 20.1 HR25	\$ 291,393.50	TBD
35	12/12/2017	Check: 159	Dane Coyle Custom Homes	24055 Hidden Ridge	Invoice 16.1 HR55	\$ 39,923.08	TBD
36	1/4/2018	Check: 442	Dane Coyle Custom Homes	25211 Jim Bridger	25211 Jim Bridger	\$ 273,600.00	TBD
37	1/4/2018	Check: 443	Dane Coyle Custom Homes	25210 Jim Bridger	25210 Jim Bridger	\$ 301,150.00	TBD
38	1/4/2018	Check: 444	Dane Coyle Custom Homes	24025 Hidden Ridge	24025 Hidden Ridge	\$ 299,750.00	TBD
Dane Coyle Custom Homes Other Payment Sub-total						\$ 1,654,687.96	
39	12/12/2017	Check: 157	OHS Design & Development LLC	1432 Tanager	Invoice # 4	\$ 145,800.00	\$ 145,800.00
40	12/12/2017	Check: 158	OHS Design & Development LLC	n/a	Invoice 15	\$ 196,200.00	TBD
41	1/4/2018	Check: 449	OHS Design & Development	1432 Tanager	1432 Tanager	\$ 91,800.00	TBD
OHS Design & Development Other Payment Sub-total						\$ 433,800.00	
42	1/4/2018	Check: 450	I Grace Company	1520 Carla Ridge	1520 Carla Ridge	\$ 480,308.18	Not assumed
43	1/4/2018	Check: 451	I Grace Company	1484 Carla Ridge	1484 Carla Ridge	\$ 514,041.52	\$ 857,180.57
I Grace Company Other Payment Sub-total						\$ 994,349.70	

Total disbursements on 12/12/17	\$ 6,358,075.30	Total	\$ 4,241,805.52
Total disbursements on 12/15/17	\$ 1,249,091.34		
Total for 12/12 & 12/15	\$ 7,607,166.64	Cure	
Total disbursements on 1/4/18	\$ 3,614,328.31		
Total for 12/12, 12/15, & 1/4	\$ 11,221,494.95		

Sources/Notes:

- [1] Woodbridge_united bank account activity_inception to 1.7.2018.xlsx
- [2] Debtors' contract assumption motion filed 12/19/17 (ECF No. 106), Response of G3 Group LA, Inc to Debtors' contract assumption motion filed 1/2/18 (ECF No. 161) and Limited Objection of The I-Grace Company to Debtors' motion to assume certain executory contracts (ECF No. 163).
- [3] Represents aggregate cure amount of \$206,785 per ECF No. 106 and \$395,030 per ECF No. 161 for 9127 Thrasher.
- [4] Represents Debtors' cure amount for 9040 Alto Cedro only (per ECF No. 106). Debtors' contract assumption motion does not assume 2600 Hutton or 1241 Loma Vista.

EXHIBIT C

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

In re:

WOODBRIIDGE GROUP OF COMPANIES,
LLC, et al.

Debtors.¹

Chapter 11

Case No. 17-12560 (KJC)

Jointly Administered

**DECLARATION OF KELLY GOEBEL
IN SUPPORT OF THE COMMITTEE'S EMERGENCY MOTION (A) AUTHORIZING
THE DEBTORS TO MAKE ADDITIONAL CRITICAL VENDOR PAYMENTS, (B)
APPROVING CERTAIN PAYMENTS PREVIOUSLY MADE, AND (C) AUTHORIZING
THE BANK TO HONOR AND PROCESS CHECKS AND ELECTRONIC
TRANSFER REQUESTS RELATED TO THE FOREGOING**

Pursuant to 28 USC Section 1746, Kelly Goebel declares as follows:

1. I am the Chief Financial Officer of G3 Group ("G3"), a member of the Official Committee of Unsecured Creditors (the "Committee") in the above-captioned cases. I submit this declaration (the "Goebel Declaration") in support of the *Committee's Emergency Motion (A) Authorizing the Debtors to Make Additional Critical Vendor Payments, (B) Approving Certain Payments Previously Made, and (C) Authorizing the Bank to Honor and Process Checks and Electronic Transfer Requests Related to the Foregoing* (the "Emergency Motion").² Unless otherwise noted, I have personal knowledge of the facts set forth herein.

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 have been 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 counsel for the Debtors.

² Capitalized terms not otherwise defined herein shall have their meaning as set forth in the Motion.

2. On December 4, 2017, the Debtors commenced these cases by filing voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code.

3. On December 19, 2017, the Debtors filed the *Debtors' First Omnibus Motion for an Order Pursuant to 11 U.S.C. § 365 (A) Authorizing the Debtors to Assume Certain Executory Contracts; (B) Fixing Cure Amounts with Respect Thereto; and (C) Granting Authorization to Request the Omnibus Assumption of the Assumed Contracts by this Motion* [D.I. 106] (the "Assumption Motion").

4. The Assumption Motion sought to assume twelve (12) separate agreements (the "Assumed Contracts") with a network of architects, contractors and construction companies, including, but not limited to, G3 (collectively, the "Contractors"). The Debtors asserted that the Assumed Contracts are critical to the ongoing success of the Debtors' property development and sales business. The total cure amount listed for the Assumed Contracts was \$4,475,354 in the aggregate. The total cure amount listed for G3 in the Assumption Motion was \$2,358,961.

5. On January 2, 2018, G3 filed its *Response of G3 Group, LA* to the Assumption Motion [D.I. 161] (the "G3 Response"). As indicated in the G3 Response, the total cure amounts for G3 are \$2,753,990.59.

6. The Assumption Motion was preceded by a meeting by and among the Debtors and certain of the Contractors on or about December 7, 2017 (the "Contractors' Meeting").

7. G3 and the other Contractors were informed at the Contractors' Meeting that the Debtors intended to resume payments to the Contractors.

8. Following the Contractors' Meeting, in December 2017 and January 2018, the Debtors made the payments to G3 on the dates and in the amounts set forth on Exhibit A

annexed to the *Declaration of Mary Ann Kaptain* filed in support of the Emergency Motion (the “December Payments” and “January Payments”).

9. The December Payments and January Payments created significant confusion, concerns and questions because G3 (and the other Contractors) had questions as to how, if at all, Contractors were permitted to apply the such payments.

10. The confusion, concerns and questions over the application of the December Payments and January Payments increased after the Committee and Securities and Exchange Commission’s filed their motions to appoint a chapter 11 trustee.

11. G3 believes that to allay the Contractors’ confusion, concerns and questions, and to allow the Contractors to continue or immediately recommence construction necessary to maintain, improve, and complete construction at the properties owned by the Debtors, the Additional Critical Vendor Payments should be treated as if requested and paid by the Debtors pursuant to the Critical Vendor Motion.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 22nd day of January, 2018

/s/ Kelly Goebel

Kelly Goebel