

**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. Docket No. 530

**DEBTORS' OBJECTION TO MOTION TO SHORTEN NOTICE AND
OBJECTION PERIODS FOR, AND TO SCHEDULE EXPEDITED HEARING ON,
TINTARELLA LLC'S MOTION FOR RELIEF FROM THE AUTOMATIC STAY
PURSUANT TO 11 U.S.C. § 362 AND/OR FOR ADEQUATE PROTECTION**

Woodbridge Group of Companies, LLC and its affiliated debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors") hereby submit this objection (the "Objection") to the *Motion to Shorten Notice and Objection Periods for, and to Schedule Expedited Hearing on, Tintarella LLC's Motion for Relief From the Automatic Stay Pursuant to 11 U.S.C. § 362 and/or for Adequate Protection* [D.I. 530] (the "Motion to Shorten"), filed by Tintarella LLC ("Tintarella") on February 8, 2018. In support of this Objection, the Debtors respectfully represent as follows:

OBJECTION

1. Concurrently with the Motion to Shorten, Tintarella filed its *Motion for Relief from the Automatic Stay and/or for Adequate Protection* [D.I. 529] (the "Motion for Relief").²

Although the Motion for Relief is subject to the 18-day notice requirement of Local Rule 9006-

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.

² Defined terms used but not defined herein shall have the meanings given to them in the Motion for Relief.

1(c)(i) (21 days if service is by first class mail), Tintarella seeks a notice period of as few as 11 days given its request for a hearing during the week of February 19, 2018. Under Local Rule 9006-1(e), Tintarella must “specify[] the exigencies justifying shortened notice.” The Motion to Shorten fails to do so.

2. The Motion for Relief (at ¶ 8) claims that Tintarella must “immediately exercise its remedies under California law to protect its interests by timely completing the work on the Property in accordance with the permits.” Yet, the Motion to Shorten (at ¶ 6) states that the June 10, 2018 deadline (to maintain the permits by completing 75% of the construction) is “*now impossible to meet.*” (*Emphasis added.*) Although the Debtors disagree with that statement (indeed, the Debtors are currently exploring a sale of the Property and taking other steps to maintain the permits), Tintarella’s assertion that the deadline is “impossible to meet” directly undermines its claim of exigency.

3. Further, Tintarella misleads the Court by claiming that “GMI has done nothing to move the construction of the residences on the Property along.” Motion for Relief ¶ 5. However, this ignores the fact that Tintarella’s one-year interest-only purchase-money loan to GMI *expressly prohibited* GMI from developing the Property until the loan was repaid in full. *See* Bowen Decl. [D.I. 531], Exh. C (Deed of Trust) § 5.4 (prohibiting GMI from constructing any “Improvements” on the Property, including any “buildings, structures and replacements thereof,” without Tintarella’s prior written consent). Thus, Tintarella specifically imposed contractual covenants that created the very situation it now seeks to claim as an exigency.

4. Furthermore, even accepting for the sake of argument³ Tintarella’s \$26,250,000 appraisal of the Property in the event that Tintarella is unable to foreclose immediately,

³ The Debtors believe that Tintarella’s appraisal of the Property significantly undervalues the Property, even if no improvements were made to maintain the permits.

Tintarella admits that this amount exceeds the balance owed to Tintarella and that the Debtors have equity in the Property. Motion for Relief ¶¶ 8, 13.

5. Finally, Tintarella’s core argument that it “stands to lose \$7,850,000 of value,” *id.* ¶ 15, directly contradicts a fundamental concept of California law. The debt at issue arose from Tintarella’s sale of the Property to GMI. As such, it is purchase-money debt subject to California’s “anti-deficiency statute,” California Code of Civil Procedure section 580b, which provides in relevant part:

[N]o deficiency shall be owed or collected, and no deficiency judgment shall lie, for any of the following:

(1) After a sale of real property or an estate for years therein for failure of the purchaser to complete his or her contract of sale.

(2) Under a deed of trust or mortgage given to the vendor to secure payment of the balance of the purchase price of that real property or estate for years therein....

Cal. Code Civ. Proc. § 580b(a)(1)-(2); *see also Roseleaf Corp. v. Chierighino*, 59 Cal. 2d 35, 41 (1963) (“Section 580b was apparently drafted in contemplation of the standard purchase money mortgage transaction, in which the vendor of real property retains an interest in the land sold to secure payment of part of the purchase price.”).

6. Section 580b thus prevents Tintarella from recovering more than the value of the Property under any circumstance. *See Brown v. Jensen*, 41 Cal. 2d. 193, 197 (1953) (§ 580b barred junior lienor from enforcing purchase money note after senior lien had been extinguished because “plaintiff t[ook] a purchase money trust deed on the property when it was purchased” and thus “section 580b is applicable and she may look only to the security. That is the clear import of the wording of section 580b. The one taking such a trust deed knows the value of his security and assumes the risk that it may become inadequate.”).

7. The purpose of section 580b is to deter a seller of real property from overvaluing the property. If there may ultimately be any shortfall in value arising from the seller's overvaluation of its collateral, the statute absolutely bars any recovery by the seller and thus shifts the entire valuation risk to the seller. *Roseleaf*, 59 Cal. 2d at 42 (“Section 580b places the risk of inadequate security on the purchase money mortgagee. A vendor is thus discouraged from overvaluing the security.”); *DeBerard Props., Ltd. v. Lim*, 20 Cal. 4th 659, 663 (1999) (“Historically we have discerned two reasons for the Legislature’s decision to protect purchasers in purchase money secured land transactions. First, section 580b is a transaction-specific stabilization measure: it stabilizes purchase money secured land sales by keeping the vendor from overvaluing the property and by suggesting to the purchaser its true value. Second, it is a macroeconomic stabilization measure: if property values drop and the land is foreclosed upon, the purchaser’s loss is limited to land that he or she used as security in the transaction, purchasers as a class are harmed less than they might otherwise be during a time of economic decline, and the economy benefits.”).

8. Thus, even if a loss of the permits somehow threatened to diminish the Property’s value, Tintarella is not at risk of losing that value, as it assumes, because under § 580b Tintarella is never entitled to such value in the first place. Moreover, as the Debtors will further address in response to the Motion for Relief, Tintarella is not entitled to adequate protection payments with respect to a purported Property value that exceeds the debt owed to Tintarella.

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CONCLUSION

Because no exigency exists, the Debtors respectfully request that the Court deny the Motion to Shorten and schedule the Motion for Relief on regular notice.

Dated: February 9, 2018
Wilmington, Delaware

/s/ Ian J. Bambrick

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-

GIBSON, DUNN & CRUTCHER LLP
Samuel A. Newman (CA No. 217042)
Oscar Garza (CA No. 149790)
Daniel B. Denny (CA No. 238175)
333 South Grand Avenue
Los Angeles, California 90071
Tel: (213) 229-7000
Fax: (213) 229-7520

-and-

J. Eric Wise (NY No. 3000957)
Matthew K. Kelsey (NY No. 4250296)
Matthew P. Porcelli (NY No. 5218979)
200 Park Avenue
New York, New York 10166
Tel: (212) 351-4000
Fax: (212) 351-4035

Counsel to the Debtors and Debtors in Possession