

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

In re:

WOODBRIIDGE GROUP OF COMPANIES,  
LLC, et al.

Debtors.<sup>1</sup>

Chapter 11

Case No. 17-12560 (KJC)

Jointly Administered

**Re: Docket No. 514, 515, 524**

**DECLARATION OF MATTHEW DIAZ  
IN SUPPORT OF THE DEBTORS' MOTION UNDER BANKRUPTCY CODE SECTIONS  
105(a) AND 363(b) FOR AUTHORIZATION TO EMPLOY AND RETAIN FREDERICK  
CHIN AS CHIEF EXECUTIVE OFFICER *NUNC PRO TUNC* TO JANUARY 29, 2018**

Pursuant to 28 USC Section 1746, Matthew Diaz declares as follows:

1. I am a Senior Managing Director with FTI Consulting, Inc., together with its wholly owned subsidiaries ("FTI"), an international consulting firm. I submit this declaration (the "Declaration") in support of the Debtors' *Motion Under Bankruptcy Code Sections 105(a) and 363(b) for Authorization to Employ and Retain Frederick Chin as Chief Executive Officer Nunc Pro Tunc to January 29, 2018* [D.I. 514] (the "Application"). Unless otherwise noted, I have personal knowledge of the facts set forth herein.<sup>2</sup>

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. On December 14,

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<sup>1</sup> The last four digits of Woodbridge Group of Companies, LLC's federal tax identification number are 3603. The mailing address for Woodbridge Group of Companies, LLC is 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](http://www.gardencitygroup.com/cases/WGC), or by contacting the proposed counsel for the Debtors.

<sup>2</sup> 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.

2017, the Office of the United States Trustee appointed the Official Committee of Unsecured Creditors (the “Committee”) in these cases. On January 18, 2018, the order [D.I. 321] approving FTI’s retention as the financial advisor to the Committee was entered by the Court.

3. On February 7, 2018, the Debtors filed the Application to retain Frederick Chin (the “CEO”) as the Chief Executive Officer of WGC Independent Manager LLC, the manager of the Debtors. The Application was initially presented to the Court on February 13, 2018 (the “Hearing”).

4. At the Hearing, the Court requested that the Debtors present further support for Mr. Chin’s proposed compensation package as set forth in the Application and adjourned consideration of the Application until the March 7, 2018 omnibus hearing. The Debtors, after consultation with the Committee, requested that FTI prepare and submit a declaration addressing the CEO’s proposed compensation package that demonstrates why the proposed compensation, including but not limited to, the proposed Base Salary, is competitive within the market for Mr. Chin’s position as CEO of the Debtors. A copy of my compensation analysis is attached hereto as Exhibit A.

5. The Debtors’ operations are unique considering that it is a real estate development and finance company that primarily operates in two geographic areas (Los Angeles, California and Aspen, Colorado) and only develops luxury, high-end residential homes with values ranging from \$1 million to over \$100 million. Adding to the operational complexity of the situation are the allegations of fraud and violation of securities laws by the Debtors’ former founder and principal, Robert Shapiro that precipitated the Debtors’ bankruptcy filings.

6. I selected four sets of comparables for my analysis: (i) Publicly Traded U.S. Residential Real Estate Development Companies with a market cap \$500 million to \$1.5 billion; (ii) the 2017 National Association of Real Estate Investment Trust (NAREIT) Compensation

Survey on Residential Property Sector REITs, (iii) U.S. Chapter 11 Bankruptcy Interim Management Appointments filed between August 1, 2016 and February 23, 2018 with liabilities of \$500 million to \$1.0 billion, and; (iv) a prior Frederick Chin Interim Management Appointment. I surveyed data within each of the first three sets of comparables and compared the median and average total cash compensation of each comparable group to Mr. Chin's proposed compensation package. For the fourth comparable, I spoke with Mr. Chin, reviewed a historical engagement letter and compared Mr. Chin's prior compensation to his proposed compensation package.

7. Mr. Chin's compensation consists of: (i) a Base Salary of \$110,000 per month less applicable tax withholdings; (ii) to the extent eligible, participation in the Debtors' employee benefit plans, and; (iii) payment of relocation and living expenses in the amount of \$10,000 per month ("CEO Total Compensation"). For purposes of calculating Mr. Chin's annualized compensation, his Base Salary of \$110,000 per month was added to his payment of relocation and living expenses of \$10,000 per month to get \$120,000 per month, or \$1.4 million on an annual basis. For purposes of this analysis, his benefits were excluded from this calculation to be comparable with certain of the benchmarks used.

8. The CEO Total Compensation for Mr. Chin is competitive within the market for his position and responsibilities. A review of the median and average annualized total compensation from each of the comparables identified above and detailed on Exhibit A, as well as Mr. Chin's historical compensation in other real estate engagements reveals that the CEO Total Compensation is competitive in the market for the chief executive officer position.

9. In concluding that the CEO Total Compensation is competitive within the market, I found it significant that the Mr. Chin's annualized total compensation of \$1.4 million was below both the median and average of the cash compensation for Publicly Traded U.S. Residential Real

Estate Development Companies (\$1.9 million and \$1.9 million, respectively). Additionally, in many cases, I noted that CEOs of Publicly Traded U.S. Residential Real Estate Development Companies also were given non-cash compensation such as stock and option awards. While I did not consider this type of compensation in my comparison, had I included it in my analysis, Mr. Chin's total compensation would have been significantly under the market comparables.

10. I also compared Mr. Chin's annualized total compensation to the median and average of the compensation reported for Chief Executive Officers in the 2017 NAREIT Survey on Residential Property Sector REITs. This survey of 126 respondents, included 10 companies within the residential property sector that reported median and average annual CEO cash compensation of \$1.8 million and \$1.7 million, respectively.

11. I also found it significant that in the context of 11 recent Chapter 11 Bankruptcy Cases<sup>3</sup> in which interim management was retained,<sup>4</sup> Mr. Chin's annualized total compensation was comparable or below that paid to interim managers in other cases. My analysis indicated the median and average annual amounts paid were \$1.9 million and \$1.8 million, respectively.

12. Finally, I examined Mr. Chin's executive retention in another real estate case (MPG Office Trust), which supports the proposed CEO Total Compensation. In MPG Office Trust, Mr. Chin was retained initially as restructuring advisor and later as COO, serving from December 2010 to October 2013. His compensation during this period was \$115,000 per month, or \$1.4 million per year, plus reimbursement of reasonable expenses.

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<sup>3</sup> I evaluated bankruptcy cases with \$500 million to \$1.0 billion in liabilities as reported in the Deal.com filed within the last 18 months or since August 2016.

<sup>4</sup> Of note, it was rare to identify chief executive officer appointments and I did not identify any appointments during the aforementioned search criteria. As a comparable, chief restructuring and chief financial officers' compensation were used.

13. Overall, the proposed CEO Total Compensation is within the general market ranges of competitiveness for Mr. Chin's position as CEO of the Debtors.

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

Executed this 2<sup>nd</sup> day of March, 2018

/s/ Matthew Diaz

Matthew Diaz

**EXHIBIT A**

**GEO Compensation Comparison Summary**

Woodbridge vs. Median U.S. Residential Real Estate Company CEO Compensation and U.S. Chapter 11 Bankruptcy Interim Management Appointments										
	Subject		Comparable 1		Comparable 2		Comparable 3		Comparable 4	
	Woodbridge		Publicly Traded U.S. Residential Real Estate Development Companies (Market Cap: \$500M - \$1.5B) [2]		2017 NAREIT Compensation Survey on Residential Property Sector REITs [4]		U.S. Ch. 11 Bankruptcy Interim Management Appointments (Liabilities of \$500M - \$1B) [5]		Frederick Chin Prior Interim Management Appointment [6]	
	Frederick Chin's Proposed Total Compensation [1]		Median CEO Total Cash Comp. [3]	Variance to Subject (%)	Median CEO Total Cash Comp.	Variance to Subject (%)	Median Interim Management Comp. Rate	Variance to Subject (%)	Interim Management Comp. Rate	Variance to Subject (%)
Annual	\$ 1,440,000	\$	1,917,750	33%	\$ 1,812,500	26%	\$ 1,924,000	34%	\$ 1,380,000	-4%
Monthly	120,000		159,813	33%	151,042	26%	160,333	34%	115,000	-4%

Woodbridge vs. Average U.S. Residential Real Estate Company CEO Compensation and U.S. Chapter 11 Bankruptcy Interim Management Appointments										
	Subject		Comparable 1		Comparable 2		Comparable 3		Comparable 4	
	Woodbridge		Publicly Traded U.S. Residential Real Estate Development Companies (Market Cap: \$500M - \$1.5B) [2]		2017 NAREIT Compensation Survey on Residential Property Sector REITs [4]		U.S. Ch. 11 Bankruptcy Interim Management Appointments (Liabilities of \$500M - \$1B) [5]		Frederick Chin Prior Interim Management Appointment [6]	
	Frederick Chin's Proposed Total Compensation [1]		Average CEO Total Cash Comp. [3]	Variance to Subject (%)	Average CEO Total Cash Comp.	Variance to Subject (%)	Average Interim Management Comp. Rate	Variance to Subject (%)	Interim Management Comp. Rate	Variance to Subject (%)
Annual	\$ 1,440,000	\$	1,867,610	30%	\$ 1,676,570	16%	\$ 1,807,127	25%	\$ 1,380,000	-4%
Monthly	120,000		155,634	30%	139,714	16%	150,594	25%	115,000	-4%

**Footnotes:**

[1] Proposed total compensation includes base salary of \$110,000 per month and \$10,000 per month for relocation and living expenses plus benefits.

[2] Methodology for identifying comparable public companies based on two (2) screening tools: 1) Yahoo! Finance using the following criteria: a) U.S. region, b) industrial goods and financial sectors, c) market capitalization between \$500 million and \$1.5 billion, and d) real estate development and residential construction industries; and 2) Factiva using the following criteria: a) listed ownership type, b) U.S. region, c) land subdividers and developers, except cemeteries, operators of apartment buildings, operators of dwellings other than apartment buildings, general building contractors-residential industries, and d) market capitalization between \$500 million and \$1.5 billion. The results were then further reduced by excluding mobile/manufactured homebuilders and other non-residential companies based on review of their business descriptions on Yahoo! Finance and Factiva. Market capitalization as of 2/23/2018.

[3] Source: CEO total cash compensation from company proxy filings.

[4] Source: 2017 National Association of Real Estate Investment Trust (NAREIT) Compensation Survey; Residential Property Sector REITs.

[5] Methodology: U.S. Chapter 11 bankruptcies filed within the last 18-months (i.e., 8/1/2016 - 2/23/2018) with liabilities between \$500M and \$1B (as reported in TheDeal.com) and Debtor motion to employ a CRO, CEO, or CFO. For purposes of greater comparability to Woodbridge and the resulting number of examples (11), we chose BK cases with liabilities between \$500M and \$1B. Source: TheDeal.com and respective case dockets.

[6] Represents Mr. Chin's role as the COO and/or Restructuring Advisor for MPG Office Trust from December 2010 to October 2013. He was retained through his firm, Atalon Management. The monthly rate of \$115,000 does not include reimbursements for reasonable travel and out-of-pocket expenses.

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CEO Compensation Study

**Data Supporting CEO Compensation Comparison Details**

Comparable 1: Publicly Traded U.S. Residential Real Estate Developers (Market Capitalization between \$500M to \$1.5B) [1]														
No.	Name	Ticker	Market Cap (\$M) [2]		City	State	Comp. Year [3]	Cash Bonus/ Incent. Plan			Stock Awards	Option Awards	Total Cash/Equity Comp.	
								Salary	Comp.	Total Cash Comp.				
1	LGI Homes, Inc.	LGIH	\$ 1,429		The Woodlands	TX	2016	\$ 700,000	\$ 1,561,280	\$ 2,261,280	\$ 980,005	\$ -	\$ 3,241,285	
2	The St. Joe Company	JOE	1,214		Watersound	FL	2016	346,154	450,000	796,154	-	-	796,154	
3	Forestar Group, Inc.	FOR	1,051		Austin	TX	2016	500,000	450,000	950,000	350,003	-	1,300,003	
4	William Lyon Homes	WLH	1,020		Newport Beach	CA	2016	650,000	1,085,500	1,735,500	1,500,000	-	3,235,500	
5	M/I Homes, Inc.	MHO	889		Columbus	OH	2016	900,000	2,322,495	3,222,495	777,038	624,525	4,624,058	
6	HomeFed Corp.	HOFD	788		Carlsbad	CA	2016	383,108	211,493	594,601	-	10,535	605,136	
7	Green Brick Partners, Inc.	GRBK	549		Plano	TX	2016	1,400,000	700,000	2,100,000	343,542	-	2,443,542	
8	Beazer Homes USA, Inc.	BZH	541		Atlanta	GA	2017	900,000	2,380,849	3,280,849	2,380,694	-	5,661,543	
								Salary	Cash Bonus/ Incent. Plan Comp.	Total Cash Comp.	Stock Awards	Option Awards	Total Cash/Equity Comp.	
								Median	\$ 675,000	\$ 892,750	\$ 1,917,750	\$ 563,521	\$ -	\$ 2,839,521
								Average	722,408	1,145,202	1,867,610	791,410	79,383	2,738,403

Comparable 2: Residential Property Sector REITs [4]									
REIT Type	No. of Companies [5]	Base Salary		Total Cash Comp. (incl. cash bonus / incentive)		Long-Term Incentive Award (Stock / Options)		Total Remuneration	
		Median	Average	Median	Average	Median	Average	Median	Average
Residential Property Sector	13	\$ 650,000	\$ 624,618	\$ 1,812,500	\$ 1,676,570	\$ 1,412,000	\$ 2,146,235	\$ 2,939,022	\$ 3,932,542

**Footnotes:**

[1] Methodology for identifying comparable public companies based on two (2) screening tools: 1) Yahoo! Finance using the following criteria: a) U.S. region, b) industrial goods and financial sectors, c) market capitalization between \$500 million and \$1.5 billion, and d) real estate development and residential construction industries; and 2) Factiva using the following criteria: a) listed ownership type, b) U.S. region, c) land subdividers and developers, except cemeteries, operators of apartment buildings, operators of dwellings other than apartment buildings, general building contractors-residential industries, and d) market capitalization between \$500 million and \$1.5 billion. The results were then further reduced by excluding mobile/manufactured homebuilders and other non-residential companies based on review of their business descriptions on Yahoo! Finance and Factiva.

[2] Based on market capitalization as of 2/23/2018.

[3] Compensation year based on company proxy filings.

[4] Source: 2017 NAREIT (National Association of Real Estate Investment Trust) Compensation Survey.

[5] Representative number of companies out of 126 total survey respondents that fall within the residential property sector.



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CEO Compensation Study

**Data Supporting CEO Compensation Comparison Details**

Comparable 3: U.S. Chapter 11 Bankruptcy Cases with Interim Management appointments and liabilities between \$500 - \$1B Filed in last 18-Months (8/1/2016 to 2/23/2018) [6]									
No.	Debtor	Filing Date	District (Case No.)	Liab. (\$M) [7]	Interim Management Advisor	Interim Management Role	Interim Management Rate Type	Interim Management Rate (Hourly) [8]	Interim Management Rate (Monthly) [8]
1	ExGen Texas Power LLC	11/7/2017	Delaware (17-12377)	\$ 677	FTI Consulting, Inc.	CRO	Monthly	\$ 750	\$ 130,000
2	Appvion Inc.	10/1/2017	Delaware (17-12082)	715	AlixPartners	CRO	Hourly	1,110	192,400
3	Nuverra Environmental Solutions Inc.	5/1/2017	Delaware (17-10949)	535	AlixPartners	CRO	Hourly	985	170,733
4	Gander Mountain Co.	3/10/2017	Minnesota (17-30673)	602	Lighthouse Management Group	CRO	Hourly	390	67,600
5	Answers Holdings Inc.	3/3/2017	Southern District of New York (17-10496)	614	Alvarez & Marsal	CRO	Hourly	790	136,933
6	BCBG Max Azria Global Holdings LLC	2/28/2017	Southern District of New York (17-10466)	651	AlixPartners	CRO	Hourly	1,110	192,400
7	BCBG Max Azria Global Holdings LLC	2/28/2017	Southern District of New York (17-10466)	651	AlixPartners	CFO	Hourly	985	170,733
8	Homer City Generation LP	1/11/2017	Delaware (17-10086)	500	Zolfo Cooper LLC	CRO	Hourly	1,035	179,400
9	American Apparel LLC	11/14/2016	Delaware (16-12551)	595	Berkeley Research Group LLC	CRO	Hourly	925	160,333
10	BPS US Holdings Inc.	10/31/2016	Delaware (16-12373)	608	Alvarez & Marsal	CRO	Hourly	900	156,000
11	Roadhouse Holding Inc.	8/8/2016	Delaware (16-11819)	533	Mackinac Partners LLC	CRO	Hourly, but cap of \$100K per month	650	100,000
								Interim Management Rate (Hourly)	Interim Management Rate (Monthly)
								Median \$ 925	\$ 160,333
								Average 875	150,594

Comparable 4: Frederick Chin Prior Interim Management Appointment [9]					
Company	Term	Interim Management Role	Interim Management Rate Type	Interim Management Rate (Hourly) [8]	Interim Management Rate (Monthly) [8]
MPG Office Trust	Dec 2010 - Oct. 2013	COO / Restructuring Advisor	Monthly	\$ 663	\$ 115,000

**Footnotes:**

[6] Methodology: U.S. Chapter 11 bankruptcies filed within the last 18-months (i.e., 8/1/2016 - 2/23/2018) with liabilities between \$500M and \$1B (as reported in TheDeal.com) and Debtor motion to employ a CRO, CEO, or CFO. For purposes of greater comparability to Woodbridge and the resulting number of examples (11), we chose BK cases with liabilities between \$500M and \$1B. Source: TheDeal.com and respective case dockets.

[7] As reported in TheDeal.com.

[8] If rate type is hourly, monthly rate calculation is based on hourly rate x 40 hours x 52 weeks / 12 months. If rate type is monthly, hourly rate calculation is based on monthly rate x 12 months / 52 weeks / 40 hours.

[9] Mr. Chin was retained through his firm, Atalon Management. While MPG retained Atalon, he was the sole employee of Atalon dedicated full time to MPG. Mr. Chin's monthly rate of \$115,000 does not include reimbursement for reasonable travel and out-of-pocket expenses.