

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

In re:	:	Chapter 11
	:	
WOODBRIIDGE GROUP OF	:	Case No. 17-12560 (KJC)
COMPANIES LLC, <i>et al.</i> , ¹	:	
	:	(Jointly Administered)
	:	
Debtors.	:	Objection Deadline: Mar. 26, 2018 at 4:00 p.m. ET
	:	Hearing Date: April 5, 2018 at 11:00 a.m. ET
	:	

**MOTION OF THE AD HOC NOTEHOLDER GROUP FORMED PURSUANT
TO JANUARY 23, 2018, ORDER [D.I. 357] FOR EXTENSION OF THE
DEADLINE TO FILE COMPLAINTS UNDER SECTION 523(c) OF THE
BANKRUPTCY CODE, TO THE EXTENT APPLICABLE**

The Ad Hoc Group of Noteholders Formed Pursuant to January 23, 2018, Order [D.I. 357] (the “Noteholder Group”), by and through its undersigned proposed counsel, hereby moves (the “Motion”) pursuant to section 105(a) of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), Rule 4007(c) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 9006-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), for entry of an order extending the deadline for filing complaints under section 523(c) of the Bankruptcy Code (the “523(c) Deadline”), to the extent applicable. In support of this Motion, the Ad Hoc Noteholder Group respectfully represents as follows:

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. A complete list of the Debtors, the last four digits of their federal tax identification numbers, and their addresses may be obtained on the website of the Debtors’ noticing and claims agent at www.gardencitygroup.com/cases/WGC.

JURISDICTION

1. The Court has jurisdiction over the Motion under 28 U.S.C. §§ 1334(b) and 157(b), and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated February 29, 2012. The Motion is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2), and the Court may enter a final order consistent with Article III of the United States Constitution. Venue of the Motion in this district is proper under 28 U.S.C. § 1409.

2. The statutory and procedural predicates for the relief sought in the Motion are section 105(a) of the Bankruptcy Code, Bankruptcy Rule 4007(c), and Local Rule 9006-2.

GENERAL BACKGROUND

3. On December 18, 2017, the Ad Hoc Committee of Promissory Notes of Woodbridge Mortgage Investment Fund Entities and Affiliates (the “Movant Ad Hoc Committee”) filed a motion [D.I. 85] (the “Committee Appointment Motion”) pursuant to section 1102(a)(2) of the Bankruptcy Code for entry of an order directing appointment of an official committee of Woodbridge noteholders (the “Noteholders”). The motion was opposed by the Official Committee of Unsecured Creditors (the “Creditors’ Committee”) [D.I. 288]. On January 23, 2018, the Court entered an order approving a global resolution of several pending contested matters, including the Committee Appointment Motion [D.I. 357] (the “Settlement Order”).

4. On February 2, 2018, in accordance with the Settlement Order, the Movant Committee formed the Noteholder Group [D.I. 470].

5. Under the Settlement Order, the Noteholder Group is “tasked with litigating and/or negotiating any aspects of Noteholder treatment in the cases,” (Sett. Ord. Ex. 1 ¶ 12), and

is required to provide access to information to, and solicit and receive comments from, non-member Noteholders (*id.* ¶ 13). In furtherance of these responsibilities, Noteholder Group was invested with party-in-interest status under section 1109 of the Bankruptcy Code, as well as the right to perform such services as are in the interests of Noteholders. (*Id.*)

BACKGROUND RELEVANT TO THE RELIEF REQUESTED

6. Paragraph 8 of the Notice of Commencement mailed to parties in these chapter 11 case provided as follows:

<p>8. Exception to discharge Deadline The bankruptcy clerk’s office must receive a complkaint and any required filing fee by the following deadline.</p>	<p>If § 523(c) applies to your claim and you seek to have it excepted from discharge, you must start a judicial proceeding by filing a complaint by the deadline stated below.</p> <p>Deadline for filing the complaint: March 12, 2018</p>
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7. Section 523(c) of the Bankruptcy Code provides that the exceptions to discharge of debts specified in section 523(a)(2), (4), and (6) must be established after notice and a hearing upon request of a creditor—in other words, the exceptions are not automatic and self-executing. Sections 523(a)(2), (4), and (6), in turn, provide exceptions to discharge for certain debts arising from fraud, misrepresentation, or willful misconduct. While the exceptions to discharge in section 523(a) generally apply only in the case of “an individual debtor,” 11 U.S.C. § 523(a), the section 523(a)(2) exception can apply to “a debtor that is a corporation” with respect to certain debts, including those “owed to a person as the result of an action filed under subchapter III of chapter 37 of title 31^[2] or any similar State statute,” 11 U.S.C. § 1141(d)(6)(A).

8. On February 22, 2018, the Court entered an order [D.I. 645] approving a stipulation between the Debtors, the SEC, the Creditors’ Committee, the Noteholder Group, and

² The federal False Claims Act, 31 U.S.C. §§ 3729-3733, allows private citizens in certain circumstances to bring “*qui tam*” suits against wrongdoers on behalf of the federal government.

the Unitholder Group (the “SEC Stipulation”), providing the SEC an extension of the 523(c) Deadline, to the extent applicable, through the earlier of (i) the deadline to file objections with respect to any disclosure statement filed in these cases, or (ii) July 10, 2018.

9. Both before and after entry of the SEC Stipulation, several Noteholders, as well as counsel for Noteholders, have reached out to the Noteholder Group’s counsel to inquire about the 523(c) Deadline and whether it is necessary or advisable for them to take any action prior to its expiration. Based on the volume and frequency of these inquiries, the potential disruption to these bankruptcy cases that would result from the commencement of litigation over the dischargeability of debts, and the fact that any such litigation at this stage (prior to the filing of the Debtors’ schedules of liabilities, the establishment of a claims bar date, or the proposal of any chapter 11 plan) would be premature at best, the Noteholder Group decided to seek an extension of the 523(c) Deadline, to the extent applicable, on behalf of all Noteholders.

10. While counsel for the Noteholder Group cannot provide (and has not provided) legal advice to the inquiring Noteholders about the 523(c) Deadline, counsel have represented to inquiring Noteholders that the Noteholder Group would be seeking to extend the deadline.

RELIEF REQUESTED

11. By this Motion, the Noteholder Group seeks entry of an order, substantially in the form of the proposed order attached as Exhibit A hereto (the “Proposed Order”), extending the 523(c) Deadline for Noteholders, to the extent applicable, through the earlier of (i) the deadline to file objections with respect to any disclosure statement filed in these cases, or (ii) July 10, 2018.³

³ By operation of Local Rule 9006-2, the filing of this Motion serves to extend the 523(c) Deadline through the date of the hearing on this Motion, without necessity of a bridge order.

BASIS FOR RELIEF REQUESTED

12. Bankruptcy Rule 4007(c), which provides the procedural basis for establishment of the 523(c) Deadline, provides that the deadline may be extended “for cause” on motion by a party in interest. Section 105(a) of the Bankruptcy Code provides that the Court may enter any order that is “necessary or appropriate to carry out the provisions of” the Bankruptcy Code.

13. The Noteholder Group submits that there is ample cause for extension of the 523(c) Deadline because litigation of dischargeability issues at this stage of these chapter 11 cases would be premature and not an efficient use of time or resources for the Debtors’ estates, the Noteholders themselves, or the Court. Even assuming for the sake of argument that there are Noteholders with claims that could be excepted from discharge in these chapter 11 cases by means of a section 523(c) complaint,⁴ it remains to be seen whether the Debtors would be eligible for a discharge in any event, because (i) no plan has been filed for the Debtors, and (ii) it is unclear whether any such plan would provide for the liquidation of the Debtors, or any of them, which would render them ineligible for discharge, *see* 11 U.S.C. § 1141(d)(3).

14. Given the uncertainty whether dischargeability will ever become an issue in these chapter 11 cases, the Noteholder Group respectfully submits that it makes little sense to require Noteholders to take a position on dischargeability now, at peril of potential loss of their procedural rights and remedies should they fail to do so.

NOTICE

15. Notice of this Motion will be provided to (i) the Office of the United States Trustee, (ii) counsel for the Debtors, (iii) counsel for the Debtors’ post-petition lender,

⁴ The Noteholder Group notes that the universe of such claims would appear to be limited to *qui tam* claims filed under the federal False Claims Act or applicable state-law equivalents. *See* 11 U.S.C. § 1141(d)(6).

(iv) counsel for the Official Committee of Unsecured Creditors, (v) counsel for the Ad Hoc Unitholder Group, and (vi) any party who has requested notice and service of papers in accordance with Local Rule 2002-1. The Noteholder Group submits that, in light of the relief requested in this Motion, no other or further notice is necessary.

CONCLUSION

WHEREFORE, the Noteholder Group respectfully requests that the Court enter the Proposed Order attached as Exhibit A hereto and award the Noteholder Group such other and further relief as is just and proper.

Dated: March 12, 2018
Wilmington, Delaware

DRINKER BIDDLE & REATH LLP

/s/ Patrick A. Jackson

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*Proposed Counsel to the Ad Hoc Noteholder
Group Formed Pursuant to January 23, 2018,
Order [D.I. 357]*

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

In re:	:	Chapter 11
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WOODBRIDGE GROUP OF COMPANIES LLC, <i>et al.</i> , ¹	:	Case No. 17-12560 (KJC)
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	:	(Jointly Administered)
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Debtors.	:	Objection Deadline: Mar. 26, 2018 at 4:00 p.m. ET
	:	Hearing Date: April 5, 2018 at 11:00 a.m. ET
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**NOTICE OF MOTION OF THE AD HOC NOTEHOLDER GROUP FORMED
PURSUANT TO JANUARY 23, 2018, ORDER [D.I. 357] FOR EXTENSION OF THE
DEADLINE TO FILE COMPLAINTS UNDER SECTION 523(c) OF THE
BANKRUPTCY CODE, TO THE EXTENT APPLICABLE**

PLEASE TAKE NOTICE that the Ad Hoc Noteholder Group Formed Pursuant to January 23, 2018, Order [D.I. 357] the “Noteholder Group”), by and through its undersigned proposed counsel, has filed the attached *Motion of the Ad Hoc Noteholder Group Formed Pursuant to January 23, 2018, Order [D.I. 357] for Extension of the Deadline to File Complaints Under Section 523(c) of the Bankruptcy Code, to the Extent Applicable* the “Motion”).

PLEASE TAKE FURTHER NOTICE that any objections to the Motion must be filed by **March 26, 2018 at 4:00 p.m. (ET)** with the United States Bankruptcy Court for the District of Delaware, 3rd Floor, 824 N. Market Street, Wilmington, Delaware 19801. If you file an objection, you must serve a copy upon the undersigned counsel to the Noteholder Group.

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PLEASE TAKE FURTHER NOTICE THAT A HEARING ON THE MOTION WILL BE HELD ON APRIL 5, 2018 AT 11:00 A.M. (ET) BEFORE THE HONORABLE KEVIN J. CAREY IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 N. MARKET STREET, 5TH FLOOR, COURTROOM NO. 5, WILMINGTON, DELAWARE 19801.

PLEASE TAKE FURTHER NOTICE THAT, IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE.

Dated: March 12, 2018
Wilmington, Delaware

DRINKER BIDDLE & REATH LLP

/s/ Patrick A. Jackson

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*Proposed Counsel to the Ad Hoc Noteholder
Group Formed Pursuant to January 23, 2018,
Order [D.I. 357]*

EXHIBIT A

Proposed Order

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

In re:	:	Chapter 11
	:	
WOODBRIIDGE GROUP OF COMPANIES LLC, <i>et al.</i> , ¹	:	Case No. 17-12560 (KJC)
	:	
	:	(Jointly Administered)
	:	
Debtors.	:	Ref. Docket No. ____
	:	
	:	

**ORDER EXTENDING THE DEADLINE FOR NOTEHOLDERS
TO FILE COMPLAINTS UNDER SECTION 523(c) OF THE
BANKRUPTCY CODE, TO THE EXTENT APPLICABLE**

Upon the motion (the “Motion”)² of the Ad Hoc Group of Noteholders Formed Pursuant to January 23, 2018, Order [D.I. 357] (the “Noteholder Group”) pursuant to section 105(a) of the Bankruptcy Code, Bankruptcy Rule 4007(c), and Local Rule 9006-2 for entry of an order extending the deadline for filing complaints under section 523(c) of the Bankruptcy Code (the “523(c) Deadline”), to the extent applicable; and the Court having jurisdiction over the Motion under 28 U.S.C. §§ 1334(b) and 157(b), and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated February 29, 2012; and the Motion being a core proceeding within the meaning of 28 U.S.C. § 157(b)(2), and it appearing that the Court may enter a final order consistent with Article III of the United States Constitution; and venue of the Motion in this district being proper under 28 U.S.C. § 1409; and

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

the Court having determined that notice of the Motion was due and proper under the circumstances, and that no other or further notice need be provided; and after due deliberation, and sufficient cause appearing therefor, it is HEREBY ORDERED as follows:

1. The Motion is GRANTED as set forth herein.
2. The Section 523(c) Deadline as applicable in any chapter 11 case is hereby extended for Noteholders through and including the earlier of (i) the deadline to file objections with respect to any disclosure statement filed in such case and (ii) July 10, 2018 (the “Extended Deadline”), without prejudice to the Noteholder Group’s or any Noteholder’s right to seek further extensions, and without prejudice to the rights of other parties in interest to oppose any such extensions or to seek to set a deadline (after the Extended Deadline) for the filing of a complaint pursuant to section 523(c) of the Bankruptcy Code.
3. The Court retains jurisdiction over any matters relating to the interpretation or enforcement of this Order.

Dated: _____, 2018
Wilmington, Delaware

HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE