

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

In re:) Chapter 11
)
WOODBRIIDGE GROUP OF COMPANIES,) Case No. 17-12560-(KJC)
LLC, et al., ¹)
) Jointly Administered
Debtors.)
) Hearing Date: 3/28/18 @ 9 a.m.
) Objection Deadline: 3/21/18 @ 4 p.m.
) Re Docket Nos. 22, 713, 714

**OBJECTION OF ANGELINE DESAI AND SURESHCHANDRA DESAI, AND
JONATHAN GREENLEAF TO DEBTORS’ MOTION FOR ENTRY OF AN ORDER (I)
AUTHORIZING THE SALE OF 11541 BLUCHER AVENUE, GRANADA HILLS,
CALIFORNIA PROPERTY OWNED BY THE DEBTORS FREE AND CLEAR OF
LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS; (II) APPROVING
THE RELATED PURCHASE AGREEMENT; AND (III) GRANTING RELATED
RELIEF**

Angeline Desai and Sureshchandra Desai, and Jonathan Greenleaf (together the “Secured Creditors”) through undersigned counsel, in support of their objection to the *Debtors’ Motion for Entry of an Order (i) Authorizing the Sale of 11541 Blucher Avenue, Granada Hills, California Property Owned by the Debtors Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (ii) Approving the Related Purchase Agreement; and (iii) Granting Related Relief* [D.I. 713] states as follows:

The Secured Creditors Have Valid, Perfected Security Interests in Real Property

1. In the Woodbridge Group of Companies, LLC, et al. (the “Debtors”) financing motion the Debtors’ assert that mortgage noteholders such as the Secured Creditors are unsecured

¹The 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. The complete list of 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 noticing and claims agent at www.gardencitygroup.com/cases/wgc.

creditors who do not hold perfected interests in real property (paragraphs 11-12 of the DIP financing motion). The Secured Creditors do not agree with this assertion, and the facts will show the Secured Creditors hold valid, perfected security interests in the property located at 11541 Blucher Avenue, Granada Hills, CA (the “Property”).

2. The Secured Creditors have priority for a variety of reasons, including the decision in *In Re First T.D. & Investment, Inc.*, a case from the United States Court of Appeals for the Ninth Circuit with a similar fact pattern that upholds the perfection of security interests similar to those of the Secured Creditors.

3. The Secured Creditors each hold Promissory Notes and Collateral Assignments in specific properties. An example of one of these notes is attached as **Exhibit A**. While the Debtor and Unsecured Creditors Committee argue that these creditors hold notes against a Woodbridge related fund, in fact, Woodbridge was a broker for these Secured Creditors and were holding the original note in that capacity for the Secured Creditors, similar to the *In Re First T.D.* case.

4. Furthermore, all Secured Creditors have either filed a Proof of Claim reflecting their secured status or will be filing proofs of claim.

Secured Creditors are Entitled to Adequate Protection

5. As a result, the Debtors’ must provide adequate protection pursuant to Bankruptcy Code Section 364 for the Secured Creditors.

The Sale of 11541 Blucher Avenue, Granada Hills, CA

6. Debtor moves pursuant to section 363(f) of the Bankruptcy Code to sell the Property free and clear of liens, claims, encumbrances, and other interests.

7. We do not dispute the Debtors’ right to sell the property pursuant to section 363(f).

8. We also do not object to the Debtors paying the Broker Fee and Other Closing Costs as defined in the motion.

Objection to the Use of the Proceeds From the Sale of 11541 Blucher Avenue, Granada Hills, CA

9. The Debtors plan to pay all proceeds from the sale of the Property (the “Proceeds”) to the general account of the Debtors in accordance with the Final DIP order as defined in the motion.

10. Pursuant to the Final DIP Order, the Debtors will set aside 10% of the Proceeds to provide adequate protection for noteholders such as the Secured Creditors. The Secured Creditors do not believe that a 10% carve out provides adequate protection for their claims.

11. Until there has been a determination of the Secured Creditors claim that they have perfected security interests in the Property, the Proceeds should be segregated from the general accounts of the Debtors, and the use of the Proceeds should be subject to a motion before this court in which the Debtors provide proof of the necessity to use the funds.

For the aforementioned reasons, the Secured Creditors request that the proceeds from the sale of 11541 Blucher Avenue, Calabasas, CA be segregated into a separate account and, additionally, that to be use the proceeds of the sale the Debtor must receive Court approval.

Dated: March 21, 2018
Wilmington, DE

THE ROSNER LAW GROUP LLC

/s/ Frederick B. Rosner
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Scott J. Leonhardt (DE #4885)
824 Market Street, Suite 810
Wilmington, DE 19801
Telephone: (302) 777-1111

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-and-

THE SARACHEK LAW FIRM

Joseph E. Sarachek (NY Bar No. 2163228)²
The Sarachek Law Firm
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² Pro Hac vice in process of being submitted

EXHIBIT A

Property ID : Blucher Avenue - Granada Hills, CA
Principal : \$50,000.00
Int. Rate : 8.00%

PROMISSORY NOTE

February 13, 2017
Sherman Oaks, California

\$50,000.00

FOR VALUE RECEIVED, the undersigned, **WOODBIDGE MORTGAGE INVESTMENT FUND 4, LLC**, a Delaware limited liability company having an office and a mailing address at 14225 Ventura Boulevard, Suite 100, Sherman Oaks, California 91423 (hereinafter referred to as the "**Borrower**") does hereby promise to pay to the order of **MAINSTAR TRUST, CUSTODIAN FBO JON GREENLEAF #T2176438**, an entity having an address of 214 W. 9th Street, P.O. Box 420, Onaga, Kansas 66521 (hereinafter referred to as "**Lender**"), at such place as the Lender may designate by written notice to Borrower, the principal sum of Fifty Thousand and 00/100 Dollars (\$50,000.00), together with interest on all unpaid balances beginning as of the date hereof, at the fixed rate per annum as set forth in Section 1 hereof.

1. **Interest Rate.** The unpaid balance of the principal sum of Fifty Thousand and 00/100 Dollars (\$50,000.00) shall bear interest from the date hereof through March 1, 2018, at a fixed rate of interest equal to eight and 00/100 percent (8.00%) per annum. After March 1, 2018, the unpaid balance of this Note shall bear interest at a fixed rate equal to nine and 00/100 percent (9.00%) per annum. The rate of interest charged hereunder shall never exceed the maximum amount, if any, allowable by law. Interest shall be charged on the principal balance from time to time outstanding on the basis of the actual number of days elapsed computed on the basis of a 360 day year.

2. **Default Interest Rate.** During the continuance of any Event of Default (as more particularly defined in Paragraph 6 below) under this Note by acceleration or otherwise, interest shall accrue from and after such Event of Default at four (4) percentage points above the interest rate then in effect hereunder (the "**Default Interest Rate**").

3. **Repayment.** Borrower promises to pay the interest and principal on this Note, as set forth below:

Monthly payments of interest shall be made commencing on March 1, 2017 and continuing on the same day of each and every month to occur thereafter, both before and after maturity by acceleration or otherwise.

The entire principal balance plus accrued and unpaid interest thereon, and all other sums and charges due to the Lender hereunder, unless sooner paid, shall be due and payable on June 1, 2018 (the "**Maturity Date**"). Upon and after the eighth (8th) day following Borrower's receipt of written notice from Lender of Borrower's failure to pay the entire principal balance plus accrued and unpaid interest on the Maturity Date as required, any outstanding amounts due under this Note shall bear interest at a fixed rate of twenty-four and 00/100 percent (24.00%) per annum.

4. **Application of Payments.** All payments pursuant to this Note shall be made in legal tender of the United States of America and shall be applied first to the payment of delinquency or late charges, if any; second, to the payment of accrued and unpaid interest on this Note; and third, the balance on account of the principal of this Note.

5. **Cure Period and Notice of Default.** Failure of Borrower to pay by its due date any installment of the principal or of interest within thirty (30) days from the date the same becomes due and payable, shall constitute a "**Payment Default**" under this Note. Borrower shall have a cure period of not less

Property ID : Blucher Avenue - Granada Hills, CA
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than thirty (30) days after receipt of written notice ("Notice of Default") of any alleged breach or Payment Default under the terms of this Note to cure the same.

6. **Event of Default.** Any alleged breach or Payment Default under this Note that is not fully cured following the expiration of the applicable cure period specified in a given Notice of Default shall constitute an event of default ("Event of Default") under this Note.

7. **Waiver of Rights.**

a. BORROWER HEREBY WAIVES TRIAL BY JURY IN ANY COURT AND IN ANY SUIT ACTION OR PROCEEDING OR ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE FINANCING TRANSACTIONS OF WHICH THIS NOTE OR THE COLLATERAL ASSIGNMENT DOCUMENTS (AS DEFINED BELOW) ARE A PART AND/OR THE ENFORCEMENT OF ANY OF LENDER'S RIGHTS AND REMEDIES. BORROWER ACKNOWLEDGES THAT IT MAKES THIS WAIVER KNOWINGLY, VOLUNTARILY AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER.

b. Borrower hereby waives diligence, demand, presentment for payment, protest and notice of protest, and notice of any renewals or extensions of this Note, and agrees that the time for payment of this Note may be changed and extended at Lender's sole discretion, without impairing its liability thereon, and further consents to the release of any party liable for this obligation, or the release of all or any part of the collateral given as security for the payment of this Note, without affecting its liability with respect hereto.

8. **Lender's Rights.** Lender's rights hereunder shall be cumulative and not exclusive and may be exercised at the sole discretion of Lender with respect to priority, order and type of collateral or security realized upon or applied toward the indebtedness evidenced hereby until this Note and all accrued and unpaid interest and other sums and charges due hereunder shall have been paid in full. Further, no failure on the part of Lender to exercise any right or remedy hereunder, whether before or after the occurrence of an Event of Default hereunder, shall constitute a waiver thereof, and no waiver of any past default shall constitute waiver of any future default or of any other default.

9. **Prepayment.** The Borrower shall have the right to prepay this Note in whole or in part at any time without penalty.

10. **Binding Effect.** This Note shall bind the successors and assigns of Borrower and shall inure to the benefit of the Lender, its successors and assigns.

11. **Captions and Section Headings.** The captions and section headings used in this Note are for convenience only and shall not be used to interpret, modify or affect in any way the covenants and agreements herein contained.

12. **Severability.** In the event that any one or more of the provisions of this Note shall for any reason be held to be invalid, illegal or unenforceable, in whole or in part, or in any respect, or in the event that any one or more of the provisions of this Note shall operate or would prospectively operate, to invalidate this Note, then the remaining provisions of this Note shall remain operative and in full force and effect, shall be valid, legal and enforceable and shall in no way be affected, prejudiced or disturbed thereby.

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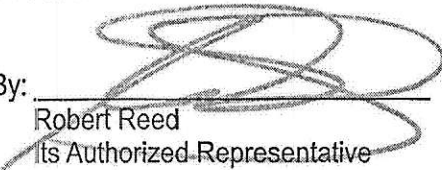
13. **Governing Law.** This Note shall be governed by and construed in accordance with the laws of the State of Delaware.

14. **No Assignment.** Neither this Note, the Loan Agreement of even date herewith between Borrower and Lender, nor all other instruments executed or to be executed in connection therewith (collectively, the "Collateral Assignment Documents") are assignable by Lender without the Borrower's written consent and any such attempted assignment without such consent shall be null and void.

15. **Commercial Transaction.** Lender and Borrower each acknowledge and stipulate that the Loan is a commercial transaction.

16. **Security.** This Note will be secured inter alia by the Collateral Assignment Documents upon execution thereof.

**WOODBIDGE MORTGAGE
INVESTMENT FUND 4, LLC**

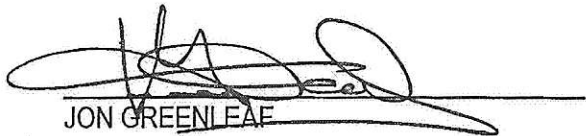
By: 
Robert Reed
Its Authorized Representative

Accepted and Agreed to by Lender:

**MAINSTAR TRUST, CUSTODIAN
FBO JON GREENLEAF #T2176438**

By: _____
Name:
Title:

Accepted and Agreed to by Account Holder:


JON GREENLEAF

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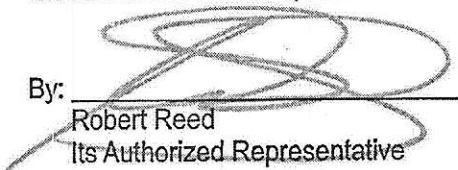
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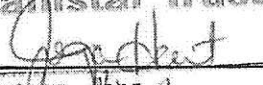
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**WOODBIDGE MORTGAGE
INVESTMENT FUND 4, LLC**


By: 
Robert Reed
Its Authorized Representative

Accepted and Agreed to by Lender:

**MAINSTAR TRUST, CUSTODIAN
FBO JON GREENLEAF #T2176438**

By: 
Name: Joyce
Title: Account Officer

Accepted and Agreed to by Account Holder:


JON GREENLEAF