

**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

**NOTICE OF SUBMISSION OF SUMMARY PLAN TERM SHEET ENTERED INTO BY
THE DEBTORS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, THE
AD HOC NOTEHOLDER GROUP, AND THE AD HOC UNITHOLDER GROUP**

PLEASE TAKE NOTICE that the above-captioned debtors and debtors-in-possession (the “Debtors”) have filed the *Summary Plan Term Sheet*, attached hereto as Exhibit I (the “Plan Term Sheet”), entered into by the Debtors, the Official Committee of Unsecured Creditors, the Ad Hoc Noteholder Group, and the Ad Hoc Unitholder Group.

PLEASE TAKE FURTHER NOTICE that the Plan Term Sheet is not a solicitation for any proposed plan and any transaction is contingent upon the negotiation and execution of definitive documentation and satisfaction or waiver of all conditions contained in the definitive documentation, including confirmation of a plan and occurrence of an effective date related thereto.

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.

Dated: March 27, 2018
Wilmington, Delaware

/s/ Edmon L. Morton

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Exhibit I

Plan Term Sheet

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Any transaction is contingent upon the negotiation and execution of definitive documentation and satisfaction or waiver of all conditions contained in the definitive documentation, including confirmation of the plan and occurrence of its effective date. This document is not a solicitation or a vote for any proposed plan, but rather memorializes a broad agreement in principle among the Debtors and each of the Committees, while also providing a basis for further discussion regarding the specific details of a plan and related transactions, which details remain subject to further review, comment, and final approval by the parties. Capitalized terms used in this document (that are not otherwise defined herein) are defined in Exhibit A.

A. Conceptual Overview

This document is structured around the following broad concepts:

On the Effective Date, the Liquidation Trust and the Wind-Down Entity will be formed. The Liquidation Trust will be vested with the Liquidation Trust Assets. The Wind-Down Entity will be vested with the Wind-Down Assets.

The Liquidation Trust will be administered by the Liquidation Trustee under the supervision of the Liquidation Trust Supervisory Board. The Wind-Down Entity will be administered by the Wind-Down CEO under the supervision of the Wind-Down Board for the ultimate benefit of the Liquidation Trust.

On a quarterly basis, the Wind-Down Entity will distribute all excess cash generated by the sale of the Wind-Down Assets to the Liquidation Trust. Such cash will be used to administer the Liquidation Trust and make distributions as set forth herein.

Under the Plan, the Fund Debtors will be substantively consolidated as one group and the Other Debtors will be substantively consolidated as a separate group.

B. Plan Classification And Treatment

1. Class 1: Third-Party Secured Claims

Any amounts owed on the existing DIP loan facility will be indefeasibly paid in full in cash on the Effective Date.

All allowed third-party secured claims held by persons that are not affiliates of the Debtors or the Debtors, but excluding claims arising under the DIP loan facility, will be classified as a single class (with claims secured by liens on different collateral deemed to be separate subclasses) and will be unimpaired by the Plan. For the avoidance of doubt, intercompany claims and claims arising from the Notes are not classified or treated as secured claims under

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the Plan as a result of the settlement and compromise of, among other things, the associated intercompany claims pledged as Notes collateral.

2. Class 2: Priority Claims

All allowed non-tax claims with priority under Bankruptcy Code section 507(a) will be classified as a single class and will be unimpaired by the Plan. Priority tax claims will not be classified and will either be paid in full or receive delayed payments to the extent permitted by the Bankruptcy Code.

3. Class 3: Note Claims

All allowed claims arising from the Notes will be classified as a single class.

Noteholders will receive the following treatment under the Plan:

A. A distribution of the Initial Distribution Fund, with such distribution targeted to occur before December 31, 2018, and calculated pursuant to the Note Distribution Formula.

B. A distribution of Class A Liquidation Trust Interests, allocated pursuant to the Note Distribution Formula. Subsequent distributions on account of the Class A Liquidation Trust Interests will be made in accordance with the Liquidation Trust Interests Waterfall.

4. Class 4: General Unsecured Claims

All allowed General Unsecured Claims will be classified as a single class.

On or as soon as reasonably practicable after the Effective Date, the Liquidation Trustee will fund a reserve or escrow account with the GUC Settlement Fund.

Once the allowed amount of all General Unsecured Claims has been finally determined, the holders of such allowed General Unsecured Claims will receive a pro rata distribution of the GUC Settlement Fund. In the event that the allowed amount of all General Unsecured Claims is less than \$5,000,000, the excess amount of the GUC Settlement Fund will be returned to the Liquidation Trust for purposes of making future distributions to the holders of Liquidation Trust Interests. No postpetition or post-confirmation interest will be allowed or paid on any General Unsecured Claims.

5. Class 5: Unit Claims

All allowed claims arising from the Units will be classified as a single class.

Unitholders will receive the following treatment under the Plan

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- A. A distribution of the Initial Distribution Fund, with such distribution targeted to occur before December 31, 2018, and calculated pursuant to the Unit Distribution Formula.
- B. A distribution of Class A Liquidation Trust Interests, allocated pursuant to the Unit Distribution Formula. Subsequent distributions on account of the Class A Liquidation Trust Interests will be made in accordance with the Liquidation Trust Interests Waterfall.
- C. A distribution of Class B Liquidation Trust Interests, allocated by a fraction in which (1) the numerator shall equal the face amount of the Unit Claims held by a particular Unitholder, *minus* the aggregate amount of all Prepetition Distributions received by such Unitholder; and (2) the denominator shall equal the face amount of all Unit claims held by all Unitholders, *minus* the aggregate amount of all Prepetition Distributions received by such Unitholders. Subsequent distributions on account of the Class B Liquidation Trust Interests will be made in accordance with the Liquidation Trust Interests Waterfall.

6. Class 6: Subordinated Claims

Subordinated Claims will be classified as a single class. The holders of Subordinated Claims will retain a residual right to receive any funds that remain in the Liquidation Trust after the final administration of all Liquidation Trust Assets and the complete satisfaction of all senior payment rights within the Liquidation Trust Interests Waterfall. The Debtors have determined not to solicit the votes of the holders of any Class 6 claims, and such holders shall be deemed to have rejected the Plan and therefore such holders are not entitled to vote on the Plan.

7. Class 7: Equity Interests

Equity interests in all of the Debtors will be classified as a single class. As of the Effective Date, all such equity interests shall be deemed void, cancelled, and of no further force and effect. On and after the Effective Date, holders of such equity interests shall not be entitled to, and shall not receive or retain any property or interest in property under the Plan on account of such equity interests. Class 7 will be deemed to reject the Plan and will not vote on the Plan.

C. Certain Other Plan Provisions

1. The Plan will be structured in the most tax-efficient manner reasonably possible.
2. The Plan will be presented to the Bankruptcy Court as a global settlement of myriad intercompany and intercreditor disputes and the Debtors will file a motion under Bankruptcy Rule 9019 to approve the global settlement, which motion will be set for hearing contemporaneously with the confirmation hearing. In order to give effect to the Plan's comprehensive compromise and settlement:

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(a) Subject to the rights of allowed third-party secured and priority claims, the Fund Debtors will be substantively consolidated and the Other Debtors will be substantively consolidated;

(b) Any intercompany claims that could be asserted by one Debtor against another Debtor will be extinguished on the Effective Date with no recovery on account of any such claims and any liens that could be asserted by one Debtor regarding any Estate Assets owned by another Debtor will be deemed released and discharged on the Effective Date;

(c) The Plan will admit and acknowledge that the Debtors were operating a Ponzi scheme since at least August 2012 and that the date of discovery of such scheme was in December 2017; and

(d) The holders of allowed claims in Class 3, Class 4, and Class 5 shall receive the treatment provided for such holders under the Plan as set forth above.

3. The Plan will provide that the Released Parties will be released by the Releasing Parties on the Effective Date and that the Exculpated Parties will be exculpated on the Effective Date.

4. The Wind-Down CEO will be compensated as follows:

A. \$750,000 base salary;

B. No living expenses;

C. The Committees, the Debtors, and Fred Chin will negotiate in good faith contingent compensation for Fred Chin in the aggregate amount of \$5.0 million, which will be allocated conceptually as follows: (i) a specified amount of additional compensation can be earned by Fred Chin as a result of total distributions to creditors in the range of \$530 million - \$650 million, excluding distributions from the Estate Assets initially transferred to the Liquidation Trust on the Effective Date; and (ii) an additional specified amount, which amount will be payable in three equal installment amounts in years 2019, 2020, and 2021 based on a schedule of distributions to the creditors from the Wind-Down Entity, and excluding distributions from the Estate Assets initially transferred to the Liquidation Trust on the Effective Date.

5. Any claims asserted by any prepetition insider of any of the Debtors, any non-debtor affiliates of the Debtors, or any "broker" or other salesperson of either Notes or Units will be identified as a disputed claim that will not receive any distributions unless and until such claim is allowed by a final order of the Bankruptcy Court.

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6. Any reserves established in respect of the Noteholders under the DIP financing order entered by the Bankruptcy Court will be treated as generalized cash available to the Debtors on the Effective Date for making distributions or payments under the Plan.

7. The Plan will include provisions reasonably intended to enhance the liquidity of the Liquidation Trust Interests, including, without limitation,

A. Initial and quarterly public reporting by the Liquidation Trustee;

B. Efforts to list the Liquidation Trust Interests on a trading index; and

C. Division of the Liquidation Trust Interests in a fashion designed to produce a price that would support subsequent trading.

8. The parties will use reasonable efforts to cause the confirmation order to be entered on or before September 28, 2018.

9. With respect to the professional fees of the professionals retained by the Unitholder Committee, the amount budgeted for such professionals by that certain order entered by the Bankruptcy Court on January 23, 2018 [Docket No. 357] will be increased from \$1.5 million to \$2.1 million; *provided, however*, that the allowed fees and expense of such professionals shall in no circumstance exceed \$2.1 million.

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Exhibit A

Certain Key Defined Terms

Class A Liquidation Trust Interests: The Liquidation Trust Interests to be distributed to the Noteholders and the Unitholders under the Plan.

Class B Liquidation Trust Interests: The Liquidation Trust Interests to be distributed to the Unitholders under the Plan.

Committees: Collectively, the Noteholder Committee, the Unitholder Committee, and the Unsecured Creditors' Committee.

Effective Date: The effective date of the Plan.

Estate Assets: Collectively, (i) any and all right, title, and interest of the Debtors and their estates in and to property of whatever type or nature, including, without limitation, their books and records and all avoidance actions and causes of action, as of the Effective Date; and (ii) any assets contributed to or recovered by the Liquidation Trust or the Wind-Down Entity after the Effective Date.

Exculpated Parties: Collectively, (a) the Debtors, (b) the New Board, (c) the Committees, and (d) each of the preceding's respective Related Parties that are occupying and acting in such capacities as of the Effective Date and, in the case of the Debtors, were retained by the New Board; *provided, however*, that the Exculpated Parties shall not include any prepetition insider of any of the Debtors, any non-debtor affiliates of the Debtors, or any "broker" or other salesperson of either Notes or Units.

Fund Debtors: Collectively, Woodbridge Mortgage Investment Fund 1, LLC, Woodbridge Mortgage Investment Fund 2, LLC, Woodbridge Mortgage Investment Fund 3, LLC, Woodbridge Mortgage Investment Fund 3a, LLC, Woodbridge Mortgage Investment Fund 4, LLC, Woodbridge Commercial Bridge Loan Fund 1, LLC, and Woodbridge Commercial Bridge Loan Fund 2, LLC.

General Unsecured Claims: Any unsecured, non-priority claim asserted against any of the Debtors or the Debtors' estates that is not a Note Claim, Subordinated Claim, or Unit Claim, but excluding any claims arising from assumed executory contracts and vendor claims satisfied in the ordinary course of business or as critical vendor claims.

GUC Settlement Fund: Cash in the amount of \$5.0 million.

Initial Distribution Fund: Cash in a target amount of \$85.0 million.

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Liquidation Trust: A liquidation trust established on the Effective Date to administer the Liquidation Trust Assets, review and reconcile claims, and make distributions to creditors.

Liquidation Trust Actions: Collectively, all avoidance actions and causes of action held by the Debtors, the Debtors' estates, and any individual creditor claims that are assigned to the Liquidation Trust, in each case as against any person that is not a Released Party.

Liquidation Trust Assets: Together, (a) the Liquidation Trust Actions, (b) the Liquidation Trust Seed Funding, (c) the GUC Settlement Fund, and (d) 100% of the equity interests in the Wind-Down Entity and all proceeds thereof.

Liquidation Trust Interests: Together, the Class A Liquidation Trust Interests and the Class B Liquidation Trust Interests.

Liquidation Trust Interests Waterfall:

a. Until the conditions below occur, the holders of the Class A Liquidation Trust Interests will share ratably in all available proceeds based on the number of Class A Liquidation Trust Interests held by each such holder;

b. If and only if the aggregate amount of all distributions made on account of the Class A Liquidation Trust Interests pursuant to clause a. above equals the sum of (i) the face amount of all Note claims held by all Noteholders and (ii) the face amount of all Unit claims held by all Unitholders, multiplied by the Unit Settlement Coefficient, then, until the conditions below occur, the holders of the Class B Liquidation Trust Interests will share ratably in all available proceeds based on the number of Class B Liquidation Trust Interests held by each such holder;

c. If and only if the aggregate amount of all distributions made on account of the Class B Liquidation Trust Interests pursuant to clause b. above equals the face amount of all Unit claims held by all Unitholders multiplied by .275, then, until the conditions below occur, the holders of the Class A Liquidation Trust Interests and the Class B Liquidation Trust Interests will share ratably in all available proceeds based on the number of Liquidation Trust Interests held by each such holder; and

d. If and only if the aggregate amount of all distributions made on account of the Liquidation Trust Interests pursuant to clauses a., b., and c. above equals the face amount of all Note claims held by all Noteholders, the face amount of all Unit claims held by all Unitholders, and postpetition interest on all Notes and Units calculated at a per annum rate of 10%, then any remaining funds will be available for distribution to the holders of Subordinated Claims.

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Liquidation Trust Seed Funding: Cash in the amount of \$5.0 million.

Liquidation Trust Supervisory Board: A supervisory board for the Liquidation Trust, whose initial members shall be identified at or before the Confirmation Hearing and shall be selected as follows: three people nominated by the Unsecured Creditors' Committee, one person nominated by the Noteholder Committee, and one person nominated by the Unitholder Committee. If any member of the Liquidation Trust Supervisory Board selected by the Unsecured Creditors' Committee is no longer available for any reason, the two members selected by the Unsecured Creditors' Committee shall select the third member. If either of the other two members is no longer available for any reason, then the former members of the Noteholder Committee and Unitholder Committee shall be requested to select a replacement for the Noteholder or Unitholder designee, respectively; *provided, however*, that if no former members of the Noteholder Committee or the Unitholder Committee, as applicable, can be located, then the remaining four members shall select the fifth member of the Liquidation Trust Supervisory Board. The Liquidation Trust Supervisory Board will have all rights and powers of a corporate board appointed under Delaware law. The members of the Liquidation Trust Supervisory Board will be indemnified by the Liquidation Trust, which will also defend any member from any and all claims and causes of action.

Liquidation Trustee: Michael Goldberg and any successor thereto appointed pursuant to the agreement governing the Liquidation Trust, which successor appointment will require approval of the Liquidation Trust Supervisory Board. The Liquidation Trustee will receive (i) base compensation at an hourly rate of \$550 per hour for 2018, with 10% rate raises in calendar years 2019 and 2020; (ii) incentive compensation as determined by the Liquidation Trust Supervisory Board; and (iii) reimbursement of reasonable expenses.

New Board: The "New Board" as defined in and approved by that certain order entered by the Bankruptcy Court on January 23, 2018 [Docket No. 357].

Non-Compensatory Penalty Claims: Any claim, secured or unsecured, for any fine, penalty, or forfeiture, or for multiple, exemplary, or punitive damages, to the extent such fine, penalty, forfeiture, or damages are not compensation for actual pecuniary loss suffered by the holder of such claim.

Note Distribution Formula: A fraction shall be calculated in which

(1) the numerator shall equal the face amount of the Note claims held by a particular Noteholder, *minus* the aggregate amount of all Prepetition Distributions received by such Noteholder, and

(2) the denominator shall equal the sum of: (A) the face amount of all Note claims held by all Noteholders, *minus* the aggregate amount of all Prepetition Distributions received by

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such Noteholders; and (B) the face amount of all Unit claims held by all Unitholders, *minus* the aggregate amount of all Prepetition Distributions received by such Unitholders, with the difference then multiplied by the Unit Settlement Coefficient,

and the resulting fraction shall be multiplied by the consideration to be distributed under the Plan.

Noteholder: An individual holder of one or more Notes, after aggregating holdings common to a single beneficial natural person owner or his or her estate, as applicable.

Noteholder Committee: The Official Ad Hoc Committee of Noteholders appointed in the Chapter 11 Cases as of January 23, 2018, as it may be reconstituted from time to time.

Notes: Any and all investments, interests, or other rights with respect to any of the Fund Debtors that were styled, marketed, or sold as “notes.”

Other Debtors: All Debtors other than the Fund Debtors.

Prepetition Distribution: Any consideration that was transferred from any person to a Noteholder or a Unitholder on account of its Notes or Units, as applicable, during the period before the Petition Date, including in respect of holders of Notes that were converted to Units or vice versa, but excluding payments representing the return of or repayment of principal owed on a Note or a Unit.

Related Parties: Collectively, all of the respective accountants, agents, assigns, attorneys, bankers, consultants, directors, employees, executors, financial advisors, investment bankers, managers, members, officers, partners, predecessors, principals, professional persons, representatives, and successors of the reference person.

Released Parties: Collectively, (a) the Debtors, (b) the Settling Noteholders, (c) the Settling Unitholders, (d) the New Board, (e), the Committees, and (f) each of the preceding’s respective Related Parties that are occupying and acting in such capacities as of the Effective Date and, in the case of the Debtors, were retained by the New Board; *provided, however*, that the Released Parties shall not include any insiders of any of the Debtors, any non-debtor affiliates of the Debtors, or any “broker” or other salesperson of either Notes or Units.

Releasing Parties: Collectively, (a) the Debtors, (b) the Debtors’ estates, and (c) any person that has sought or could seek to exercise any rights of the estates, including, without limitation, each of the Committees (but not their individual members), the Wind-Down Administrator, the Liquidation Trustee, and any other successor to the Debtors or any other estate representative that is or could be appointed or selected pursuant to Bankruptcy Code section 1123(b)(3) or otherwise.

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Settling Noteholder: Any Noteholder that votes to accept the Plan.

Settling Unitholder: Any Unitholder that votes to accept the Plan.

Subordinated Claim: Collectively, (a) any Non-Compensatory Penalty Claims and (b) any other claim that is subordinated to General Unsecured Claims pursuant to Bankruptcy Code section 510, a final order, or by consent.

Unit Distribution Formula: A fraction shall be calculated in which

(1) the numerator shall equal the face amount of the Unit claims held by a particular Unitholder, *minus* the aggregate amount of all Prepetition Distributions received by such Unitholder, with the difference then multiplied by the Unit Settlement Coefficient, and

(2) the denominator shall equal the sum of: (A) the face amount of all Note claims held by all Noteholders, *minus* the aggregate amount of all Prepetition Distributions received by such Noteholders; and (B) the face amount of all Unit claims held by all Unitholders, *minus* the aggregate amount of all Prepetition Distributions received by such Unitholders, with the difference then multiplied by the Unit Settlement Coefficient,

and the resulting fraction shall be multiplied by the consideration to be distributed under the Plan.

Unit Settlement Coefficient: 0.725.

Unitholder: An individual holder of one or more Units, after aggregating holdings common to a single beneficial natural person owner or his or her estate, as applicable.

Unitholder Committee: The Official Ad Hoc Committee of Unitholders appointed in the Chapter 11 Cases as of January 23, 2018, as it may be reconstituted from time to time.

Units: Any and all investments, interests, or other rights with respect to any of the Fund Debtors that were styled, marketed, or sold as “units.”

Unsecured Creditors’ Committee: The official committee of unsecured creditors, as contemplated under Bankruptcy Code section 1102, which was appointed in the Chapter 11 Cases as of December 14, 2017, as it may be reconstituted from time to time.

Wind-Down Assets: All Estate Assets other than the Liquidation Trust Assets.

Wind-Down Board: The board of directors of the Wind-Down Entity, which will initially consist of Fred Chin, Richard Nevins, and M. Freddie Reiss. The compensation of the non-CEO

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members of the Wind-Down Board will be \$20,000 per month for each calendar month during the first year after the Effective Date and \$15,000 per month for each calendar month after the first year after the Effective Date.

Wind-Down CEO: Fred Chin. At any time if Fred Chin is no longer CEO, the Liquidation Trust Supervisory Board shall determine if Fred Chin shall be replaced on the Wind-Down Board and, if so, by whom.

Wind-Down Entity: An entity established on the Effective Date in which all Wind-Down Assets will be vested and administered by the Wind-Down CEO, subject to the supervision and oversight of the Wind-Down Board and the Liquidation Trustee.

Wind-Down Shareholders Agreement: An agreement delineating the rights of the Liquidation Trust and the Liquidation Trust Supervisory Board based on the Liquidation Trust's 100% ownership of the Wind-Down Entity, including, without limitation, in respect of:

A. Selecting a new Wind-Down Board member in the event the Wind-Down Board loses a member for any reason, or if Fred Chin resigns or is terminated for cause;


B. The Wind-Down Board and Wind-Down CEO shall advise the Liquidation Trust Supervisory Board regarding the status of the affairs of the Wind-Down Entity on at least a monthly basis;

C. The Wind-Down CEO and Wind-Down Board will advise the Liquidation Trust Supervisory Board regarding any material actions by the Wind-Down Board including, without limitation, the sale of any property prior to entering into a contract of sale, or the change in course of the business plan agreed to as part of the Plan. If there is any disagreement between the Wind-Down Board and the Liquidation Trust Supervisory Board as to a material matter, in the first instance the Wind-Down Board and the Liquidation Trust Supervisory Board shall seek to resolve their dispute over the material matter. In the event the Wind-Down Board and the Liquidation Trust Supervisory Board cannot resolve the dispute, then no action will be taken regarding such material matter absent an order of the Bankruptcy Court; and


D. From and after the Effective Date and until final distributions are made, the Liquidation Trust Supervisory Board shall determine what reserves should be maintained for operations and for litigation and related expenses. Any cash realized by the Wind-Down Entity in excess of such reserves will be remitted to the Liquidation Trust at the end of each calendar quarter.

Understood and Agreed in Principle as of March 22, 2018


THE DEBTORS

By: 
Name: *Donald B. ...*
Title: *CEO*

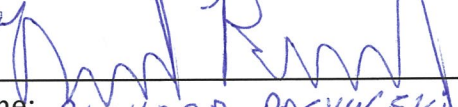
THE NOTEHOLDER COMMITTEE

By: 
Name: *STEVEN KORTANEK*
Title: *PARTNER, DRUMBLER BIDDLE*

THE UNITHOLDER COMMITTEE

By: 
Name: *ANDREW J. LORIE*
Title: *COUNSEL TO THE UNITHOLDER COMMITTEE*

THE UNSECURED CREDITORS' COMMITTEE

By: 
Name: *RICHARD PACHUCSKI*
Title: *COUNSEL*