IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
WOODBRIDGE GROUP OF COMPANIES LLC, *et al.*,[1]	:	Case No. 17-12560 (KJC)
	:	(Jointly Administered)
Debtors.	:	**Hearing Date (proposed): December 21, 2017 at 9:00 a.m. ET** **Objection Deadline (proposed): At the hearing**

MOTION OF THE AD HOC COMMITTEE OF HOLDERS OF PROMISSORY NOTES OF WOODBRIDGE MORTGAGE INVESTMENT FUND ENTITIES AND AFFILIATES PURSUANT TO SECTION 1102(a)(2) OF THE BANKRUPTCY CODE DIRECTING THE APPOINTMENT OF AN OFFICIAL COMMITTEE OF NOTEHOLDERS

The Ad Hoc Committee of Holders of Promissory Notes of Woodbridge Mortgage Investment Fund Entities and Affiliates (the "Ad Hoc Committee"), by and through its undersigned counsel, hereby moves (the "Motion") pursuant to section 1102(a)(2) of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code") for entry of an order directing the Office of the United States Trustee to appoint an official committee of holders of promissory notes of the Woodbridge Mortgage Investment Fund entities and their affiliates (collectively, the "Noteholders"). In support of this Motion, the Ad Hoc Committee 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 14225 Ventura Boulevard #100, 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.

PRELIMINARY STATEMENT

1. This $1 billion Ponzi-scheme bankruptcy case is about victims—nearly 9,000 individuals who were fraudulently induced to invest $750 million as Noteholders, all based on the lie that their investments would enjoy first-priority lien status. Based upon the Debtors' disclosures to date, these obligations represent well over 90%, and perhaps as much as 99%, of the claims against the Debtors, disregarding intercompany claims. Upon information and belief, a majority of the Noteholders are retired individuals who had entrusted the Debtors' fraudulent lending vehicles with most or all of their retirement assets, and for whom the losses on their investments would cause grievous financial and personal hardship. At the December 14, 2017, creditors' committee formation meeting (the "Formation") counsel for the Ad Hoc Committee and other Noteholders who were present in person or by proxy urged the Office of the United States Trustee for Region Three (the "OUST") to form an official committee of unsecured creditors that could capably represent Noteholders' interests. But the Official Committee of Unsecured Creditors (the "UCC") appointed at the Formation is structured to be *directly adverse* to the interests of the Noteholders, as discussed further below. The many retired Noteholders who incurred the expense and disruption of traveling to Wilmington on a snowy day were left in the cold to fend for themselves in perhaps the most significant Ponzi fraud case ever filed in this Court. What occurred—and what didn't occur—at the Formation rendered these cases broken as a fair instrumentality to reckon with the interests of victims, instead turning the tables heavily against them.

2. What occurred at the Formation made the defrauded Noteholders feel victimized yet again, by none other than the United States government. The OUST required Noteholders seeking committee membership to waive any and all lien rights in order to be considered eligible

for appointment to the sole committee being formed. Of the *more than 50* Noteholder questionnaires represented in person or by proxy at the Formation meeting, to a person, the immediate response was to question why the OUST would require victims to waive their rights, and to reject the OUST's request to waive their rights. Fortunately, most Noteholders had counsel, whether through counsel to the Ad Hoc Committee or otherwise. Only two Noteholders acceded to the OUST's request to waive their lien rights. Those two Noteholders were subsequently appointed by the OUST to a three-member UCC, consisting of themselves and one trade creditor. Even assuming the UCC could be said to be representative of Noteholders (it is not), in a case of this magnitude, this is a perilously small representative body with no diversification and material risk of governance problems to the extent even a single member is unavailable at the time of any critical decision point.[2] Juries in even small civil cases have several back-up jurors; in these complex $1 billion fraud cases, the OUST appointed a UCC that is working without a net, even setting aside the other profound issues with the OUST's formation errors.

3. The OUST committed several serious errors here, each of which compounds the problems for Noteholder victims, and for that matter the cases in their entirety. The waiver demand was completely improper for several reasons, chief among them being that some Noteholders appear to have been unrepresented by counsel at the Formation. The waiver condition was also unnecessary, and should have never been demanded. For whatever reason, the OUST incorrectly felt constrained to appoint a garden-variety official unsecured creditors committee, with an unnecessarily myopic view that even an alleged and potentially unperfected lien was disqualifying. The OUST then tried to hammer the actual creditor constituencies here

[2] Section 1102(a)(1) provides that the UCC should "ordinarily" consist of seven members.

into something different from what they actually are, just to fit into the UCC "box" as viewed by the OUST. What should have happened is obvious: if the OUST viewed the "pure" UCC formation as an absolute statutory mandate, that mandate could have been satisfied easily by appointing what would amount to a trade committee. It would then have been clearly incumbent upon the OUST to appoint a separate official Noteholders committee *on the spot*, while the dozens of Noteholders were present at the Formation. Indeed, the OUST did just this only a few months ago when, in the Takata bankruptcy cases, after summoning all creditors to a formation meeting for a single official committee, the OUST opted to appoint two official committees on the spot.

4. In its inexplicable zeal to limit these cases to a single, pure-unsecured UCC, the OUST spent hours taking individual Noteholders one-by-one into their interview room, to have a table full of OUST representatives—three attorneys and at least three other staff—press them to waive rights or potentially be precluded from being able to serve in an official representative capacity. None of that heavy-handed approach was necessary or warranted. Frankly, the OUST's decision-making process needs to be investigated to determine why the government would ask victims to waive rights instead of simply forming a committee that could leave Noteholders' rights unimpaired, and at the same time give Noteholders adequate official representation. The Ad Hoc Committee respectfully urges the Court to correct this situation immediately, in order to give voice to the Noteholder victims in these cases.

JURISDICTION

5. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 1334 and 157, and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated February 29, 2012. This is a core matter within the meaning of 28

U.S.C. § 157(b), and the Court may enter a final order consistent with Article III of the United States Constitution.

6. The statutory predicates for the relief requested herein are sections 105(a) and 1102(a)(2) of the Bankruptcy Code.

BACKGROUND

The Notes and these Chapter 11 Cases

7. As discussed in the "first-day" declaration of Lawrence Perkins, the Debtors' Chief Restructuring Officer [D.I. 12] (the "Perkins Declaration"),[3] the Funds issued short-term notes to retail investors (the "Notes"), which were secured by a pledge of certain promissory notes and related loan and security agreements, deeds of trust, or mortgages from the PropCos to the Funds (the "Collateral Loan Documents"). On information and belief, the Debtors, their in-house salespeople, and their outside broker network touted the Notes to the investors as secured by first-priority liens in the underlying real property owned by the PropCos.[4] But in reality, it appears the Noteholders had a security interest in the Collateral Loan Documents. And it does not appear there was ever a collateral agent established for the benefit of the Noteholders; nor does it appear that there were UCC-1 financing statements filed on behalf of the Noteholders with respect to the Collateral Loan Documents.

8. On information and belief, the Debtors were selling Notes to retail investors as recently as November 20, 2017.

[3] Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Perkins Declaration.

[4] Attached as Exhibit B hereto is a June 8, 2016, blog post from Woodbridge Wealth entitled "The Importance of Having a First Lien Position," explaining the importance of having a first-lien position on real property. This was still online as of December 17, 2017.

9. The Debtors stopped making payments on the Notes less than two weeks later, on or about December 1, 2017.

10. On December 4, 2017 (the "Petition Date"), the Debtors commenced these chapter 11 cases. As of the Petition Date, the Debtors estimate there were approximately $750 million Notes outstanding, held by approximately 9,000 investors.

11. The Debtors entered into a $100 million debtor-in-possession (DIP) financing agreement with Hankey Capital, LLC (the "DIP Lender"), secured by first-priority priming liens on 28 real properties that constitute collateral of certain Funds under Collateral Loan Documents (and thus, indirect collateral of certain Noteholders under the applicable Notes). The Debtors intend to use the proceeds of the DIP borrowing to fund a free-fall chapter 11 reorganization process, and they insisted to the Court and those present at the "first-day" hearing on December 5, 2017, that the Debtors have a viable business that is just in need of a recapitalization.

12. In a footnote in the Perkins Declaration, the Debtors took the position that the Noteholders' security interests in the Collateral Loan Documents are unperfected. Accordingly, the Debtors stated they "intend to commence adversary proceedings [9,000 of them, apparently?] seeking the avoidance of these security interests." (Perk. Decl. at 8 n.9.)

13. The SEC appeared at the "first-day" hearing and expressed skepticism about the Debtors' reorganization prospects, requesting that no borrowing or non-emergency expenditures be permitted until a further interim hearing, to preserve the status quo until investors' interests could be adequately represented in the cases. The OUST expressed similar concerns, particularly about the size of the interim DIP borrowing request ($25 million), which seemed excessive in light of the Debtors' actual projected cash needs. To resolve the OUST's concerns,

the Debtors and the DIP Lender agreed to reduce the interim DIP borrowing request to $6 million, pending a further interim hearing on December 21, 2017.

14. The Court approved the DIP financing on an interim basis, as modified, by order dated December 5, 2017 [D.I. 56], which was latter corrected on December 6, 2017 [D.I. 59] (the "Interim DIP Order").

15. The OUST scheduled the Formation for December 14, 2017, and sent notice of the same to the creditors on the Debtors' top-20 list and, upon information and belief, to an unknown sampling of the Noteholders from each of the Funds. On Friday, December 8, 2017, the Debtors served the Interim DIP Order by mail (and, upon information and belief, the underlying motion) on approximately 7,000 of the 9,000 Noteholders. [*See* D.I. 78, Ex. G.] The timing of the Interim DIP Order mailing suggests that the very first actual notice of these chapter 11 cases received by most Noteholders was December 11 or 12, just days before the Formation. In any event, as it stands today, it appears there are approximately 2,000 Noteholders who still have not received any formal notice of the pendency of these chapter 11 cases.

16. Noteholders who become aware of these chapter 11 cases and visit Garden City Group's case management website for information are steered to an "Investor Inquiries" website, telephone hotline, and email address maintained by Epiq Systems.[5] While it is not unusual for chapter 11 debtors to hire an outside crisis communications firm to provide information and help absorb the increased call and email volume, and for such firm to present facts in a light favorable to the debtors and consistent with their story of the case, some of the material on the Epiq website is misleading and borderline propagandistic.

[5] *See* http://cases.gardencitygroup.com/wgc/#main ("Investor Inquiries").

17. For instance, in the "General Information" section it advises Noteholders that their claims "will be considered as general unsecured claims in the restructuring proceedings" (which is *false*—unless and until the Noteholders' security interests are avoided, the Noteholders hold secured claims); it states the Debtors will "continue to cooperate fully" with the ongoing SEC investigation (which is not how the SEC would likely characterize it, since there is a *contempt motion* pending against the Debtors and scheduled for hearing in Miami federal court on December 21, 2017[6]); and it tells Noteholders "do not be alarmed" by any of the bankruptcy-related notices that they are receiving in the mail (one of which is the notice of the entry of the Interim DIP Order and the hearing to approve a $100 million DIP financing that *primes them*!).[7]

18. Also, the "FAQs" section of the Epiq website contains this gem: "[Q:] Does Bob Shapiro stepping down mean he did something wrong? [A:] Bob initiated the management changes so that the Company could focus on restructuring. The management changes were implemented as part of the plan to secure the Company's future." This of course omits that the timing of the "management changes" and bankruptcy filing coincided with the escalation of the SEC's contempt motion in its administrative subpoena enforcement proceeding in Miami federal court, which the Debtors attempted (unsuccessfully) to halt by asserting the automatic stay (the Miami court correctly concluded that the SEC enforcement action was excepted from the stay under section 362(b)(4) of the Bankruptcy Code). And it further omits that Mr. Shapiro has attempted to invoke his Fifth Amendment right against self-incrimination in the context of the SEC enforcement proceeding.

[6] *See generally SEC v. Woodbridge Group of Companies LLC*, No. 17-mc-22665 (S.D. Fla., filed July 17, 2017).

[7] *See* http://dm.epiq11.com/#/case/woodbridge/info ("General Information").

19. Nowhere on the Epiq website is it disclosed that Epiq is a retained (or to-be-retained) professional of the Debtors, as distinct from an agent of the Court like Garden City Group. And unlike the Garden City Group website, which appropriately and conspicuously discloses that Garden City Group cannot provide legal advice in connection with these cases, the Epiq website contains no such disclosure (except buried in response to one of the FAQs), and in fact provides what could easily be construed by Noteholders as legal advice. In addition, the "FAQs" section of the Epiq website states in a number of places that the Debtors intend to resume interest payments to Noteholders during the bankruptcy case, which is difficult (if not impossible) to square with the Debtors' stated intention to commence avoidance actions with respect to the Noteholders' liens.

The Formation

20. The Formation was held at the Doubletree Hotel here in Wilmington on December 14, 2017, and the main room was filled to capacity with creditors, creditors' attorneys, and proxy holders (so much so, that professionals were relegated to the hallways). Dozens of individual Noteholders were present in person or through counsel, all drawn to Delaware in the hopes of getting some answers and being able to contribute their time, perspective, and in some instances, pertinent expertise (e.g., as a real estate developer, or an attorney), as a member of the UCC or other official committee. Some of these Noteholders had been pre-interviewed by the OUST over the phone prior to the Formation. On information and belief, the OUST did not advise these Noteholders at any time prior to the Formation that they would be asked to waive their lien rights as a precondition to serving on the UCC—a fact that, had they known beforehand, may well have influenced their decision whether to expend time, energy, and money traveling to Delaware.

21. The OUST brought a substantial contingent to work through the creditor interviews at the Formation, which took about six hours. Toward the end of the interviews, counsel for the Ad Hoc Committee learned that the OUST was asking Noteholders if they would waive their lien rights (and by some accounts, actually pressuring them to do so) in order to sit on the UCC. On information and belief, all or virtually all Noteholders who were represented by counsel, or who had consulted with counsel for the Ad Hoc Committee, *unanimously declined* to waive their lien rights.

22. The OUST summoned counsel for the Ad Hoc Committee to discuss the issue, and counsel explained the Ad Hoc Committee's position that the Noteholders were entitled to sit on the UCC notwithstanding their secured status,[8] that it was inappropriate for the federal government to, in effect, re-victimize these people giving them a Hobson's choice between giving up potentially valuable lien rights, on the one hand, or else having a UCC with no Noteholder representation (and wasting a trip to Delaware), on the other hand. Counsel for the Ad Hoc Committee advised the OUST that if it persisted in excluding non-waiving Noteholders from the UCC, and did not itself form a separate committee of Noteholders, then the Ad Hoc Committee would seek relief from the Court.

23. The OUST formed a single, three-member committee consisting of (i) the only two Noteholders who acceded to the OUST's request to waive their lien rights, and (ii) a trade creditor. The dozens of other creditors (both trade and Noteholder alike) who had shown up to

[8] Section 1101(a)(1) of the Bankruptcy Code provides for the formation of a committee of holders of unsecured claims. It does not say that the holders must hold *only* unsecured claims. Each of the Noteholders presently holds both (i) a secured claim on account of his or her Note and collateral pledge of the Collateral Loan Documents, which is presently unliquidated due to the lack of knowledge as to the value of the underlying collateral, and (ii) contingent, unliquidated unsecured claims on account of any deficiency or that may result from any future avoidance of the Noteholders' liens.

volunteer their time, perspective, and expertise were sent packing, leaving these large and complex chapter 11 cases with a single, unusually small, creditors' committee[9] that, by virtue of the OUST-engineered waiver of the Noteholder members' lien rights, cannot adequately represent the interests of the non-waiving Noteholders who are, overwhelmingly, the largest creditor constituency in these chapter 11 cases.

RELIEF REQUESTED

24. By this Motion, the Ad Hoc Committee seeks entry of an order substantially in the form attached as Exhibit A hereto directing the OUST to appoint an official committee of Noteholders.

BASIS FOR RELIEF REQUESTED

25. Section 1102(a)(2) of the Bankruptcy Code provides that, on request of a party in interest, the Court may order the appointment of an additional committee of creditors "if necessary to assure [their] adequate representation."

26. The term "adequate representation" is not defined in the Bankruptcy Code, leaving courts to make case-by-case determinations based on particular facts and circumstances. *In re Dow Corning Corp.*, 194 B.R. 121, 141 (Bankr. E.D. Mich. 1996); *In re Beker Indus.*, 55

[9] On information and belief, the OUST backed into this odd result by (i) concluding (correctly) that under the circumstances of these cases, a unitary creditors' committee should have a majority of its members drawn from the Noteholder constituency, (ii) concluding (incorrectly) that a secured Noteholder could not serve on a unitary creditors' committee, and (iii) being unable to procure lien waivers from any more than two Noteholders (thus precluding more than one trade creditor from being on the UCC, so as not to upset the Noteholder majority). It is baffling why, under these circumstances, and with so much creditor interest in serving on an official creditors' committee, the OUST would not have simply formed a trade-only UCC and a separate committee of Noteholders, each populated with a variety of the creditors who showed up at the Formation, and thus benefiting from those creditors' diverse perspectives, experience, and expertise.

B.R. 945, 948 (Bankr. S.D.N.Y. 1985). Non-exclusive factors considered by the courts in making these determinations include the following:

- **Nature of the case.** Large and complex cases are more likely to have a need for an additional committee.
- **The various groups of creditors and their interests.** Because determining the adequacy of representation of a given creditor group requires a balancing of that group's interests against the interests of the other creditor groups, it is necessary to identify those groups and interests.
- **Composition of the unsecured creditors' committee.** Determining whether there is proper balance, and thus adequate representation, on a committee requires an understanding of the committee's composition.
- **Ability of the unsecured creditors' committee to properly function.** If conflicts of interest on the committee effectively disenfranchise particular groups of creditors, those creditors' interests may not be adequately represented by that committee.

Dow Corning, 194 B.R. at 142. Each of the *Dow Corning* factors supports the formation of a Noteholder committee in these cases.

27. These cases are unquestionably large and complex, with almost three hundred filing entities, scores of non-filing affiliates, hundreds of millions of dollars in assets (so we are told), and over a billion dollars of claims and interests, all of which the Debtors' own professionals are only beginning to get their arms around.

28. The primary creditor constituencies are (i) the approximately 9,000 Noteholders owed approximately $750 million, whose claims against the Funds are presently secured by liens that may or may not be perfected and may or may not be undersecured; (ii) trade creditors owed approximately $6 million, whose claims are likely against Woodbridge Group of Companies, LLC, the indirect parent of the Funds (and thus structurally subordinated to the claims of the Noteholders); and (iii) the two Noteholder members of the UCC who waived their liens at the request of the OUST in order to obtain their seats on the UCC. The UCC is composed of a

single trade creditor and the two lien-waiving Noteholders—the non-waiving Noteholders, who make up more than 90% of the claims in these chapter 11 cases, do not have any seats on the UCC. And every member of the UCC has a conflict of interest with the non-waiving Noteholders. The trade creditor is conflicted because it is structurally subordinated to the Noteholders and thus incentivized to go along with the Debtors' reorganization strategy in the hopes it will generate a recovery to the trade (despite that it places the risk of undervaluation squarely on the Noteholders). The lien-waiving Noteholders are conflicted because their acceding to the OUST's lien waiver request, in a terrible irony, makes those individuals' claims legally subordinate in right of recovery to the non-waiving Noteholders. The two UCC member Noteholders, given their lien waivers, would now benefit from the Debtors' lien avoidance strategy against all other victim Noteholders. Successful avoidance of all Noteholders' lien rights would make the other Noteholders *pari passu* with the UCC member Noteholders. In sum, no member of the UCC has any legal or economic interest in defending the non-waiving Noteholders' liens from being primed by the DIP liens or avoided by the Debtors. The non-waiving Noteholders have been effectively disenfranchised from any official representation, despite that they are by far the largest creditor constituency in these cases.

29. Given the primacy of the Noteholders' interests in these chapter 11 cases, and the fact the UCC appointed by the OUST is structurally incapable of representing these interests, the Court should exercise its discretion to appoint an official committee of Noteholders. *See Beker Indus.*, 55 B.R. at 949 (appointing special committee of potentially undersecured debenture holders who had been excluded from the unsecured creditors' committee); *In re Fidelity Am. Mortgage Co.*, No. 81-00386G, 1981 Bankr. LEXIS 3272, *1 (Bankr. E.D. Pa. July 29, 1981) (appointing special committee of putative mortgage secured noteholders, finding that, while the

claims "may, in fact, ultimately prove to be unsecured, the [creditor] asserts an interest differing, at least in part, from that of the original unsecured creditors' committee and, as such, are entitled to be represented by a committee whose membership is dedicated to representing its position").

NOTICE

30. Notice of this Motion will be provided to (i) the OUST, (ii) counsel for the Debtors, (iii) counsel for the DIP Lender, (iv) counsel for the UCC, and (v) all parties who have entered an appearance or request for service of papers in these chapter 11 cases. In light of the nature of the relief requested herein, the Ad Hoc Committee respectfully represents that no other or further notice is necessary.

CONCLUSION

31. WHEREFORE, for the reasons set forth above, the Ad Hoc Committee respectfully requests that the Court enter the proposed order attached as Exhibit A hereto and award the Ad Hoc Committee such other and further relief as is just and proper.

Dated: December 18, 2017
Wilmington, Delaware

DRINKER BIDDLE & REATH LLP

/s/ Steven K. Kortanek

Steven K. Kortanek (Del. Bar No. 3106)
Patrick A. Jackson (Del. Bar No. 4976)
222 Delaware Avenue, Suite 1410
Wilmington, Delaware 19801
Telephone: (302) 467-4200
Facsimile: (302) 467-4201
steven.kortanek@dbr.com
patrick.jackson@dbr.com

-and-

James H. Millar
1177 Avenue of the Americas, 41st Floor
New York, New York 10036-2714
Telephone: (212) 248-3140
Facsimile: (212) 248-3141
james.millar@dbr.com

Counsel to the Ad Hoc Committee of Holders of Promissory Notes of Woodbridge Mortgage Investment Fund Entities and Affiliates

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
WOODBRIDGE GROUP OF COMPANIES LLC, *et al.*,[1]	:	Case No. 17-12560 (KJC)
	:	(Jointly Administered)
Debtors.	:	**Hearing Date (proposed): December 21, 2017 at 9:00 a.m. ET** **Objection Deadline (proposed): At the hearing**

NOTICE OF MOTION OF THE AD HOC COMMITTEE OF HOLDERS OF PROMISSORY NOTES OF WOODBRIDGE MORTGAGE INVESTMENT FUND ENTITIES AND AFFILIATES PURSUANT TO SECTION 1102(a)(2) OF THE BANKRUPTCY CODE DIRECTING THE APPOINTMENT OF AN OFFICIAL COMMITTEE OF NOTEHOLDERS

PLEASE TAKE NOTICE that the Ad Hoc Committee of Holders of Promissory Notes of Woodbridge Mortgage Investment Fund Entities and Affiliates (the "Ad Hoc Committee"), by and through its undersigned counsel has filed the attached *Motion of the Ad Hoc Committee of Holders of Promissory Notes of Woodbridge Mortgage Investment Fund Entities and Affiliates Pursuant to Section 1102(a)(2) of the Bankruptcy Code Directing the Appointment of an Official Committee Of Noteholders* (the "Motion").

PLEASE TAKE FURTHER NOTICE that any objections to the Motion may be filed before, or raised orally at, the hearing on **December 21, 2017 at 9:00 a.m. (ET)** at the United States Bankruptcy Court for the District of Delaware, 3rd Floor, 824 N. Market Street,

[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 14225 Ventura Boulevard #100, 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.

Wilmington, Delaware 19801. If you file an objection, you must serve a copy upon the undersigned counsel to the Ad Hoc Committee.

PLEASE TAKE FURTHER NOTICE THAT A HEARING ON THE MOTION WILL BE HELD ON **DECEMBER 21, 2017 AT 9:00 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: December 18, 2017
Wilmington, Delaware

DRINKER BIDDLE & REATH LLP

/s/ Steven K. Kortanek

Steven K. Kortanek (Del. Bar No. 3106)
Patrick A. Jackson (Del. Bar No. 4976)
222 Delaware Avenue, Suite 1410
Wilmington, Delaware 19801
Telephone: (302) 467-4200
Facsimile: (302) 467-4201
steven.kortanek@dbr.com
patrick.jackson@dbr.com

-and-

James H. Millar
1177 Avenue of the Americas, 41st Floor
New York, New York 10036-2714
Telephone: (212) 248-3140
Facsimile: (212) 248-3141
james.millar@dbr.com

Counsel to the Ad Hoc Committee of Holders of Promissory Notes of Woodbridge Mortgage Investment Fund Entities and Affiliates

EXHIBIT A

Proposed Order

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
WOODBRIDGE GROUP OF COMPANIES LLC, *et al.*,[1]	:	Case No. 17-12560 (KJC)
	:	(Jointly Administered)
Debtors.	:	**Ref Docket No. __**

ORDER DIRECTING THE APPOINTMENT OF AN OFFICIAL COMMITTEE OF NOTEHOLDERS

AND NOW, upon the motion (the "Motion")[2] of the Ad Hoc Committee of Holders of Promissory Notes of Woodbridge Mortgage Investment Fund Entities and Affiliates (the "Ad Hoc Committee") pursuant to section 1102(a)(2) of the Bankruptcy Code for entry of an order directing the Office of the United States Trustee to appoint an official committee of Noteholders; and the Court having jurisdiction over the Motion pursuant to 28 U.S.C. §§ 1334 and 157 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated February 29, 2012; and this matter being a core proceeding under 28 U.S.C. § 157(b), in which the Court may enter final orders and judgments consistent with Article III of the United States Constitution; and it appearing that notice of the Motion was proper under the circumstances, and that no other or further notice is necessary; and on the record of these chapter 11 cases; and after due deliberation, and sufficient cause appearing therefor; it is hereby

[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 14225 Ventura Boulevard #100, 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.

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

ORDERED that the Office of the United States Trustee for the District of Delaware is hereby directed to appoint an official committee of Noteholders; and it is further

ORDERED that the Court shall retain jurisdiction with respect to all matters arising from or related to the implementation, enforcement, or interpretation of this Order.

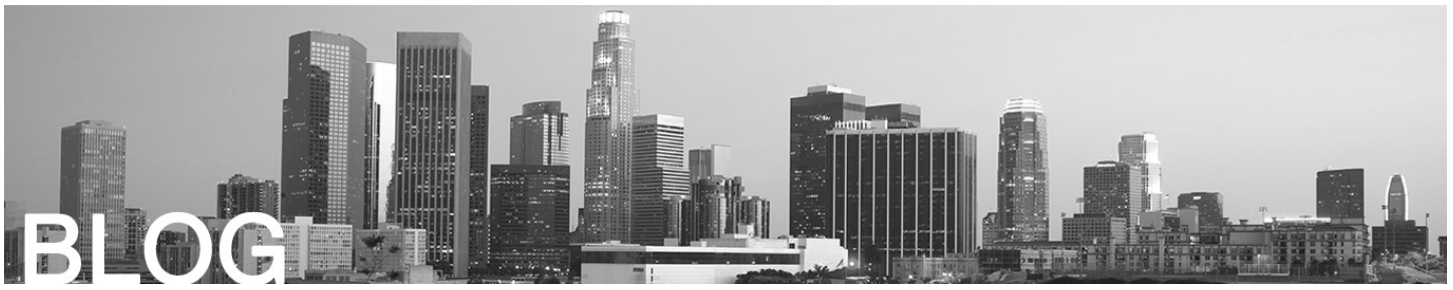
Dated: December __, 2017

_____

THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Excerpt from Woodbridge Wealth blog



The Importance of Having a First Lien Position | Woodbridge Wealth

06 08 2016

When providing financing to a real estate borrower, the lien position a lender has recorded with title is important because the lender with a first lien position has priority over all other claims against a real property. The lien position has direct implications on the lender's rights and ability to recoup their money back should a borrower default on their loan obligation and the property goes into foreclosure.

Depending on the state and legal circumstances surrounding the lien on a real property, a lien can commonly be referred to as a mortgage, deed of trust, promissory note, or a security instrument. For the purpose of this article the term "mortgage" will be used to refer to all types of liens against a real estate property.

In general, a mortgage that is recorded first against a real property will have priority. This is a valuable position to have when a borrower obtains a second mortgage against their property, such as a line-of-credit secured by the property. Some borrowers even manage to place third lien positions against their property.

If a borrower is able to pay all their property related debt obligations in full and in a timely manner, then regardless of the position a lender has, each lender remains whole. However, if the borrower falls behind on their payments and a property foreclosure sale is enacted by one of the lenders with interest, then each lenders lien position will determine how much and if they are able to recoup the money owed to them. The lower a lien is in priority, the less likely it will be that a lender will be paid back in full after a foreclosure sale. This fact is the main reason a lender with a lower position would be less likely to enact a foreclosure sale in lieu of working out some kind of repayment plan with a borrower. In some cases, although the lender with first position is able to receive their money back, the sales proceeds were not enough to cover a second lien or any other lien thereafter. Because a foreclosure sale that involve multiple lenders can be complex, there are circumstances and negotiated agreements between the lenders which can determine the final outcome of how much each lender will ultimately receive.

Nevertheless, a lender with a first lien position is in the best position and has the advantage of receiving proceeds from a foreclosure sale before all other lenders.

Return to News

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– Sheldon Goldman