

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

In re:

WOODBIDGE GROUP OF COMPANIES,  
LLC, et al.,

Debtors.<sup>1</sup>

Chapter 11

Case No. 17-12560 (KJC)

Jointly Administered

**Re: Docket Nos. 85, 86, and 88**

**OBJECTION OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS TO  
CORRECTED MOTION OF THE AD HOC COMMITTEE OF HOLDERS OF  
PROMISSORY NOTES OF WOODBRIDGE MORTGAGE INVESTMENT FUND  
ENTITIES AND AFFILIATES FOR ENTRY OF AN ORDER SHORTENING NOTICE  
WITH RESPECT TO THE AD HOC COMMITTEE'S MOTION PURSUANT TO  
SECTION 1102(A)(2) OF THE BANKRUPTCY CODE DIRECTING THE  
APPOINTMENT OF AN OFFICIAL COMMITTEE OF NOTEHOLDERS**

The Official Committee of Unsecured Creditors (the "Committee") appointed in the above-captioned chapter 11 cases of Woodbridge Group of Companies, LLC, *et al.* (collectively, the "Debtors"), hereby objects to the *Corrected Motion of the Ad Hoc Committee of Holders of Promissory Notes of Woodbridge Mortgage Investment Fund Entities and Affiliates for Entry of an Order Shortening Notice with Respect to the Ad Hoc Committee's Motion Pursuant to Section 1102(a)(3) of the Bankruptcy Code Directing the Appointment of an Official Committee of Noteholders* [D.I. 88] (the "Motion to Shorten"), filed on December 18, 2017. In support of this Objection, the Committee respectfully states as follows:

<sup>1</sup> The last four digits of Woodbridge Group of Companies, LLC's federal tax identification number are 3603. The mailing address for Woodbridge Group of Companies, LLC is 14225 Ventura Boulevard #100, Sherman Oaks, California 91423. The 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 noticing and claims agent at [www.gardencitygroup.com/cases/WGC](http://www.gardencitygroup.com/cases/WGC).

**PRELIMINARY STATEMENT**

1. Expedited consideration of the Noteholder Motion filed by the Ad Hoc Committee of 4 Noteholders holding an aggregate of \$700,000 in claims (of approximately 9000 Noteholders who hold interests in either first, second or third lien notes on approximately 138 separate properties totaling in excess of \$750,000,000) is not justified. Other than the hearing on interim debtor in possession financing scheduled for December 21, 2017, there are no matters to be heard by the Court until the second day hearings scheduled for January 10, 2018. Indeed, the Motion to Shorten implicitly acknowledges that no matters pending in these cases require immediate attention or justify a hearing on the extraordinary relief requested by the Ad Hoc Committee – the appointment of a second statutory committee on less than three days’ notice.

2. There is no emergency here. The Debtors’ cases were filed on December 4, 2017, and the first day hearing was held on December 6, 2017. At the first day hearing, all matters requiring a final hearing, other than a second interim hearing on debtor-in-possession financing, were scheduled for (and are currently scheduled for) January 10, 2018. Upon the urging of the United States Trustee, the Debtors agreed to reduce the initial draw under the DIP Facility<sup>2</sup> from \$25 million to \$6 million and to schedule another interim hearing on the DIP Facility for December 21, 2017, to give the Committee time to review the DIP Facility.

3. The Committee was appointed on December 14, 2017, and is (and has been) engaged in discussions with the Debtors regarding the interim financing hearing scheduled for December 21, 2017. The Committee represents the interests of general unsecured creditors with respect to additional interim financing and the United States Trustee has also filed an

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<sup>2</sup> As defined in the Debtors’ *Motion for Entry of Interim Order (I) Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, 507, and 552 Authorizing Debtors to (A) Obtain Postpetition Secured Financing, (B) Use Cash Collateral, (C) Grant Adequate Protection to Prepetition Secured Parties; (II) Modifying Automatic Stay; (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c); and (IV) Granting Related Relief* [D.I. 22] (the “DIP Motion”)

opposition. The Ad Hoc Committee does not need an official committee to file an objection to the additional interim financing and be heard at the December 21 hearing.

4. Under the Local Rules, specific exigencies are required to shorten notice. In this instance, there are none. The Ad Hoc Committee does not assert that the interim hearing on the DIP Facility or any other emergent matter requires shortened notice on the Noteholder Motion. Accordingly, the extraordinary timing relief requested by the Ad Hoc Committee should be denied.

5. The Committee will file a comprehensive opposition to the substantive relief requested in the Motion at the appropriate time and wholly disagrees with the Ad Hoc Committee's argument that Noteholders were purportedly disenfranchised and need a second official committee to adequately protect their interests. The appointment of a second official committee is an extraordinary remedy warranted only to ensure the adequate protection of otherwise unrepresented similarly situated creditors. The Ad Hoc Committee fails to demonstrate that extraordinary circumstances exist warranting the relief requested in the Noteholder Motion. As the Ad Hoc Committee acknowledges, two noteholders were appointed to the Committee. The Ad Hoc Committee complains that because the two noteholder Committee members waived their liens they do not adequately represent all Noteholders. If the Noteholders' secured claims are avoidable because they have not been properly perfected as alleged by the Debtors, then they hold general unsecured claims and are adequately represented by the Committee. Alternatively, if they hold valid secured claims, then a single committee cannot possibly represent the divergent interest of creditors who hold first, second, and third liens against 138 separate properties.

**OBJECTION**

6. Contemporaneously with the Motion to Shorten, the Ad Hoc Committee filed its *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* [D.I. 85] (the “Noteholder Motion”).

7. Although the Noteholder Motion is subject to the 21-day notice requirement of Bankruptcy Rule 2002(a)(3), by the Motion to Shorten, the Ad Hoc Committee seeks a notice period of **less than three days** between the time of the filing of the Noteholder Motion on the afternoon of December 18, 2017 and the proposed hearing on Thursday, December 21, 2017, at 9:00 a.m. (eastern time).

8. Local Rule 9006-1(e) requires specific exigencies for shortening time. In this instance, there are none. To justify its request for the shortened time for notice and a hearing, the Ad Hoc Committee asserts that expedited consideration is essential for the “protection of the 9000 Noteholder victims in these cases” that were disenfranchised by the appointment of the Committee. Noteholder Motion, ¶¶ 17-18. The Committee opposes the Motion to Shorten because the Ad Hoc Committee’s stated reasons for shortened notice are neither sufficient nor appropriate justifications for a hearing on such extraordinary relief on only three days’ notice.

9. The Noteholder Motion can be heard on regular, 21-day notice under Bankruptcy Rule 2002(a)(3), if set for a hearing on January 10, 2018. The only matter scheduled to be addressed before January 10, 2018, is the Debtors’ request for additional interim financing scheduled for December 21, 2017. However, the Ad Hoc Committee does not assert that the interim hearing on the DIP Facility is a reason for the shortened notice. In fact, the Ad Hoc

Committee has not weighed in on the interim financing. Nor does the Ad Hoc Committee assert that there is any other emergent matter pending before the Court that requires shortened notice. The complete lack of any mention of any pending relief that requires shortened time derails the Motion to Shorten. Quite simply, the Ad Hoc Committee's complaints as to the Committee selection process and purported disenfranchisement of Noteholders are not sufficient exigencies that support shortened relief.

10. The Ad Hoc Committee's arguments as to disenfranchisement are also to no avail. First, as the 2019 Statement filed by the Ad Hoc Committee indicates, it is only comprised of 4 Noteholders holding an aggregate of \$700,000 in claims. *See Verified Statement of Drinker Biddle & Reath LLP Pursuant to Rule 2019 of the Federal Rules of Bankruptcy Procedure for the Ad Hoc Committee of Holders of Promissory Notes of Woodbridge Mortgage Investment Fund Entities and Affiliates* [D.I. 72]. The Ad Hoc Committee's complaints as to the Noteholders' disenfranchisement ring hollow in light of the small fraction of Noteholders that comprise its informal committee that purports to represent the 9000 Noteholders holding in excess of \$750,000,000 in claims that are purportedly disenfranchised.

11. Second, the Noteholders are adequately represented by the Committee. To the extent that Noteholders' claims are secured, which the Ad Hoc Committee acknowledges may not be the case, their interests are preserved by their collateral. In any event, it will be impossible for a Noteholders' committee that includes Noteholders who hold first, second and third lien claims on approximately more than 138 different properties to operate effectively, for example, when some of those secured creditors, if not avoided, are likely oversecured and others undersecured, or have no value for their security at all. Conversely, to the extent that the Noteholders' claims are unsecured, their interests are adequately represented by the Committee

that contains two noteholders with unsecured claims. Moreover, as demonstrated by the Noteholder Motion, to the extent that Noteholders' interests do align, they are capable of organizing informally and do not require the extraordinary remedy of a second statutory committee to assure their adequate representation.

**CONCLUSION**

12. Since no exigency exists, there is no basis to set the Noteholder Motion on shortened notice. The Court should deny the Motion to Shorten and schedule the Noteholder Motion on regular notice.

*[Remainder of page intentionally left blank]*

WHEREFORE, the Committee respectfully requests that the Court: (a) deny the Motion to Shorten and schedule a hearing on the Noteholder Motion no sooner than the regularly scheduled hearing date of January 10, 2018, and (b) grant such other and further relief as the Court may deem proper.

Dated: December 19, 2017

PACHULSKI STANG ZIEHL & JONES LLP

*/s/ Bradford J. Sandler*

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