

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re

WOODBRIIDGE GROUP OF COMPANIES,
LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 17-12560 (KJC)

(Jointly Administered)

Ref. Docket Nos. 85, 150, 157, 198, 240, 250

ORDER, PURSUANT TO SECTIONS 105(a) AND 1102 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 9019, APPROVING THE CONSENSUAL RESOLUTION OF (A) 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, (B) EMERGENCY MOTION OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR ENTRY OF AN ORDER DIRECTING THE APPOINTMENT OF A CHAPTER 11 TRUSTEE PURSUANT TO 11 U.S.C. § 1104, (C) MOTION BY THE U.S. SECURITIES AND EXCHANGE COMMISSION FOR ORDER DIRECTING THE APPOINTMENT OF A CHAPTER 11 TRUSTEE, (D) JOINDER OF ADDITIONAL NOTEHOLDERS TO 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, AND (E) MOTION OF THE AD HOC COMMITTEE OF UNITHOLDERS OF WOODBRIDGE MORTGAGE INVESTMENT FUND ENTITIES PURSUANT TO 11 U.S.C. § 1102(A)(2) DIRECTING APPOINTMENT OF AN OFFICIAL COMMITTEE OF UNITHOLDERS

Upon the (a) *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 Committee Motion”); (b) *Emergency Motion of Official Committee of*

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. 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 proposed undersigned counsel for the Debtors.

Unsecured Creditors for Entry of an Order Directing the Appointment of a Chapter 11 Trustee Pursuant to 11 U.S.C. § 1104 [Docket No. 150] (the “Committee’s Trustee Motion”); (c) Motion by the U.S. Securities and Exchange Commission for Order Directing the Appointment of a Chapter 11 Trustee [D.I. 157] (the “SEC Motion”); (d) Joinder of Additional Noteholders to 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. 198] (the “Noteholder Committee Motion Joinder”); and (e) Motion of the Ad Hoc Committee of Unitholders of Woodbridge Mortgage Investment Fund Entities Pursuant to 11 U.S.C. § 1102(a)(2) Directing Appointment of an Official Committee of Unitholders [D.I. 250] (the “Unitholder Committee Motion” and together with the Noteholder Committee Motion, Committee’s Trustee Motion, the SEC Motion, and the Noteholder Committee Motion Joinder, the “Motions”); and upon review of the Debtors’ Objection to Motions of (I) Official Committee of Unsecured Creditors and (II) the U.S. Securities and Exchange Commission for Entry of an Order Directing the Appointment of a Chapter 11 Trustee [D.I. 240] (the “Debtors’ Response”) as well as all other statements filed with respect to the Motions; and upon further consideration of the term sheet attached hereto as Exhibit 1 for approval (the “Term Sheet”).²

It is hereby **ORDERED, ADJUDGED, AND DECREED THAT:**

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334(b) and 157, and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012.

² Capitalized terms used herein, but not otherwise defined, have the meanings given to them in the Term Sheet.

2. Venue of these cases and the Motions in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409, and this matter is a core proceeding pursuant to 28 U.S.C. § 157(b).
3. This Court may enter a final order consistent with Article III of the United States Constitution.
4. Notice of the Motions has been given as set forth in the Motions and such notice is adequate and no other or further notice need be given.
5. The Term Sheet is approved pursuant to sections 105(a) and 1102 of the Bankruptcy Code and Bankruptcy Rule 9019.
6. Upon entry of this order (the "Order"), the Motions shall be deemed to be consensually resolved in accordance with the terms of the Term Sheet, except that resolution of the SEC Motion is subject to approval by the SEC Commission. For avoidance of doubt, entry of this Order shall not constitute this Court's decision on the merits for any of the Motions.
7. Effective upon entry of this Order, David J. (Jan) Baker, Robert E. Gerber and James M. Peck shall be exculpated and released for any and all actions taken or omitted to be taken in connection with and in contemplation of these cases and their service as members of the Debtors' board of managers.
8. Compensation in the amount of \$25,000 each for David J. (Jan) Baker, Robert E. Gerber and James M. Peck is hereby approved for their service as board members.
9. The following provisions shall be applicable with respect to the New Board (as such term is defined in the Term Sheet):
 - a. Unless and until otherwise ordered by the United States Bankruptcy Court for the District of Delaware (the "Court"), WGC Independent Manager LLC ("WGCIM"), under the direction of the New Board, shall have the authority to manage the affairs of the Debtors in their respective chapter 11 cases.

- b. The Debtors are authorized to fund the compensation of the members of the New Board and their reasonable expenses, specifically including, without limitation, travel expenses and the fees and expenses of their counsel incurred in connection with (i) the New Board's appointment and (ii) legal advice and services in matters within the New Board's responsibility as to which the Debtors' counsel cannot appropriately act.
- c. The members of the New Board shall receive the benefit of Section 17 (Exculpation and Indemnification) of WGCIM's amended and restated operating agreement dated January 16, 2018 (the "Operating Agreement"). In addition to and not in limitation of any rights of indemnification under the Operating Agreement, the Debtors will, to the maximum extent permitted by applicable law, indemnify and hold harmless the members of the New Board from any and all loss, claim, damage or cause of action, including reasonable attorneys' fees related thereto ("Claims") incurred by the New Board members in the performance of their duties and obligations as such; provided that a New Board member shall not be so indemnified for Claims if they arise from such New Board member's bad faith, gross negligence, or willful misconduct. The benefits of this provision shall survive the termination of each New Board member's service as such.
- d. Unless otherwise ordered by the Court, Robert Shapiro shall not have any removal rights with respect to New Board members.

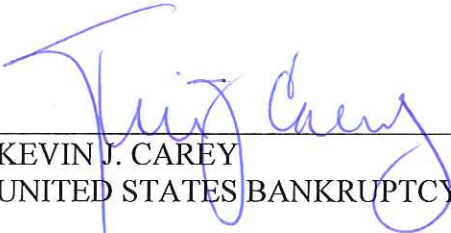
10. The resolution set forth in the Term Sheet is in the best interests of the Debtors, their estates, their creditors, the Committee, and all other parties in interest; the legal and factual bases of the Term Sheet establish just cause for the relief granted herein; and the terms set forth in the Term Sheet constitute a fair resolution of the issues raised in the Motions. Notwithstanding any provision in the Bankruptcy Rules to the contrary, the Debtors, the Committee, and all other parties in interest are authorized to take any and all actions necessary and appropriate to consummate the terms of the Term Sheet, including, without limitation, executing and delivering any documents, agreements or instruments and remitting payments, as may be necessary or appropriate to implement the Term Sheet.

11. Neither the terms of the Term Sheet nor entry of this Order shall constitute an admission by any party with respect to any allegations contained in the Motion or any responses or statements filed with respect thereto.

12. This Order and the Term Sheet shall be binding on all the parties in these cases, except that the SEC's obligations under the Term Sheet are subject to approval by the SEC Commission.

13. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to the Motions, the Term Sheet, or the implementation of this Order.

Dated: Jan 23, 2018
Wilmington, Delaware



KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1
TERM SHEET

Settlement Term Sheet¹

A. Corporate Governance Matters and Selection and Retention of Professionals

1. The New Board. The Debtors' current board of managers will be reconstituted as a 3-person Board (the "New Board"). The members of New Board will be Richard Nevins, Freddie Reiss and Michael Goldberg. If any Board Member steps down from that role, the party that recommended the particular Board Member that resigned shall designate the replacement Board Member which Board Member shall be reasonably acceptable to the remaining Board Members. Each member of the New Board will be compensated at the rate of \$25,000 per month payable prospectively, on or before the first day of each month, through the Effective Date of any Plan of Reorganization and will be entitled to reimbursement for reasonable expenses, specifically including, without limitation, travel expenses and the fees and expenses of their counsel incurred in connection with (a) the New Board's appointment and (b) legal advice and services in matters within the New Board's responsibility as to which the Debtors' counsel cannot appropriately act;
2. CEO/CRO. The New Board will select as soon as practicable a CEO or CRO. The New Board's retention of a CEO or CRO is subject to the Committee and the SEC's consent, which consent shall not be unreasonably withheld;
3. Debtors' Professionals. Within seven (7) business days from the effective date of this term sheet, the New Board shall notify the SEC of its intent to select new counsel for the Debtors or reconfirm Gibson Dunn and Young Conaway as counsel. The New Board may also elect to retain additional professionals for the Debtors under Section 327 of the Code and provide prior notification to the SEC. Within five (5) business days of receipt of any of the foregoing notifications, the SEC shall notify the New Board whether it consents to the selection or reconfirmation, which consent shall not be unreasonably withheld. If the SEC withholds its consent, the Debtors shall have five (5) business days from the notification of the withholding of consent to file a motion objecting to the SEC's decision. The SEC and New Board may mutually agree to extend any of the deadlines in this paragraph without Court order. Gibson Dunn and Young Conaway shall be employed by Court order from the Petition Date through the date of employment as provided in this paragraph. Notwithstanding such retention order, the SEC reserves all rights to withhold consent of any decision by the New Board to reconfirm either firm as counsel with respect to services to be performed on a prospective basis. The Committee shall retain all of its rights to comment or object to any professional retained by the Debtors other than Gibson Dunn and Young Conaway;
4. SRC Transition. Employees of SRC continue to work on Woodbridge matters and will transition out of that role unless the New Board and the newly appointed CEO/CRO

¹ The terms set forth herein remain subject to (i) documentation acceptable to the Debtors, Committee and SEC necessary to implement this term sheet and (ii) approval by the SEC Commission as described in this term sheet. The parties may make subsequent reasonable modifications to this term sheet upon consent of the parties.

conclude that some or all of the SRC employees and/or contractors should continue working on Woodbridge matters, which should be presented to the Committee and the SEC, with the Committee and SEC having consent rights regarding the continuing role of SRC employees and/or consultants, which consent shall not be unreasonably withheld.

5. Disposition of Trustee Motion. The Committee's Trustee Motion will be dismissed with prejudice; provided however, that nothing herein shall prevent the Committee from filing a motion to appoint a chapter 11 trustee based on newly discovered facts or subsequent events;
6. Contingency. The Parties' rights and obligations under Paragraphs 1 through 5 above are not contingent on the SEC Commissioners' authorization of the dismissal of the SEC's motion for a receiver, as described below.

B. Resolution of Pending Bankruptcy Court and District Court Litigation

7. The SEC staff will recommend that the SEC Commission authorize the staff to dismiss the pending request for a receiver over any entity under the control of the New Board;
8. The SEC will consent to a motion by the entities under the control of the New Board to a sixty (60) day extension from the February 20th response deadline;
9. The Debtors and the SEC, in advance of the January 25, 2018 hearing, will jointly advise the District Court that the SEC is seeking the Commission's approval to dismiss its claim for a receiver, that Debtors and related entities are seeking the unopposed 60-day extension, and that the Debtors and the related entities under their control are not seeking to stay the matter at this time subject to their right to seek such a stay at the conclusion of the 60-day extension or if the SEC staff does not obtain the authority described in paragraph 7;
10. If the SEC staff receives the authorization described in paragraph 7, then
 - a. The SEC's Trustee Motion will be dismissed with prejudice; provided however, that nothing herein shall prevent the SEC from filing a motion to appoint a chapter 11 trustee based on newly discovered facts or subsequent events;
 - b. All parties will cooperate in having the non-debtor entities, subject to the asset freeze by the District Court, come under the control of the New Board and under the jurisdiction of the Bankruptcy Court administering the Woodbridge chapter 11 cases;
 - c. The Debtors will withdraw the Adversary Proceeding and the SEC Injunction Motion without prejudice; and

- d. The SEC will withdraw without prejudice its pending request in the District Court for the appointment of a receiver for the Debtors and, upon their entry into bankruptcy, the non-Debtor entities under the control of the New Board.

C. Formation and Appointment of the Additional Statutory Groups (Noteholders and Unitholders) and Retention of Their Respective Professionals

11. In settlement of the motion to form an official Unitholders committee filed on January 8, 2018 (Docket No. 250), the Unitholders will be permitted to form a single 1-2 member Ad Hoc Unitholder Group with an all-in professional budget not to exceed \$1.5 million through January 1, 2019. Not to duplicate the Committee's or the proposed Ad Hoc Noteholders (who claim they are secured) responsibilities, the Ad Hoc Unitholder Group will be tasked with litigating and/or negotiating (a) whether Unitholders should be treated as creditors or equity security holders in these chapter 11 cases, including in connection with any plan or asset disposition and (b) whether substantive consolidation is in the best interests of the Unitholders;
12. In settlement of the motion to form an official Noteholder committee, the Noteholder movants (who claim they are secured) will be permitted to form a single 6 - 9 member Ad Hoc Noteholder Group (with the Ad Hoc Unitholder Group, the "Ad Hoc Groups") with an all-in professional budget of \$2.25 million through January 1, 2019. Not to duplicate the Committee's or the proposed Ad Hoc Unitholders Group's responsibilities, the Ad Hoc Noteholder Group will be tasked with litigating and/or negotiating any aspects of Noteholder treatment in the cases, focused primarily on whether Noteholders are secured, whether if secured the Noteholders are better off with substantive consolidation of the estates or not, and traditional secured creditor protections such as adequate protections for the Noteholders and upon sales of properties the use of the sales proceeds;
13. The Ad Hoc Groups and their members shall (i) be considered fiduciaries of the Unitholders/Noteholders which such Ad Hoc Group and its members represent, (ii) be deemed parties in interest under Section 1109 of the Bankruptcy Code, (iii) with respect to parties who hold Units or Notes, as the case may be, and who are not members of the representative Ad Hoc Group (a) provide access to information to such parties, (b) solicit and receive comments from such parties and (c) be subject to a court order that compels any additional report or disclosure to be made to such parties, and (iv) have the rights to (a) select and authorize the employment of one or more attorneys, accountants or other agents to represent and/or perform services for such Ad Hoc Group, subject to the all-in budgets described in paragraphs 11 and 12, above, (b) subject to the tasks described in paragraphs 11 and 12 above (I) consult with the Debtors and their advisors or any trustee appointed in these cases concerning administration of the case, (II) investigate the acts, conduct, assets, liabilities and financial condition of the Debtors, the operation of the Debtors' businesses and the desirability of the continuance of such business and any other matter relevant to the case or to the formulation of a plan, (III) participate in the formulation of a plan, advise those represented by such Ad Hoc Group of such Ad Hoc Group's determination as to any plan formulated, (IV) request the appointment of a

trustee or examiner under section 1104 of the Bankruptcy Code and (V) perform such other services as are in the interests of those represented;²

14. Professionals for the Ad Hoc Groups shall be retained pursuant to Court order and shall file fee applications each month with the Bankruptcy Court, and shall be subject to approval of fee amounts by the Bankruptcy Court and review of fees in accordance with the Bankruptcy Rules, the Local Rules, the U.S. Trustee Guidelines and as otherwise ordered by the Bankruptcy Court, including sections 330 and 331, with parties in interest encouraged to meet and confer on scope and budget issues promptly with respect to such fee applications;
15. The Ad Hoc Groups shall be granted regular access to the Debtors' advisors in a manner consistent with that typically granted to official statutory committees;
16. In an effort to avoid duplication by financial advisors to the various groups, FTI will provide information to the Ad Hoc Groups. FTI will not render any opinions or recommendations to the Ad Hoc Groups, other than as their role as financial advisor to the Committee. In no way will FTI be deemed to represent either or both of the Ad Hoc Groups and in the event of any litigation or other form of dispute resolution FTI will represent the Committee's interests and no other constituency in the case and no conflict claim may be made by any party that FTI cannot represent the Committee in any dispute with any other party. All applicable privileges between the Committee, its other retained professionals (Pachulski Stang Ziehl and Jones LLP) and FTI are preserved and are not waived; and
17. In the event that an Ad Hoc Group seeks to augment their budget or scope as set forth in paragraphs 11 and 12 above, such requests shall require the moving party to establish appropriateness of the request by clear and convincing evidence.

² The appointment of the Ad Hoc Groups shall not in any way limit the Committee's duties and responsibilities under the Bankruptcy Code.