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2 A Limited Liability Partnership

3 Including Professional Corporations

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7 Attorneys for Secured Creditor Socotra Capital, Inc.

8 UNITED STATES BANKRUPTCY COURT

9 NORTHERN DISTRICT OF CALIFORNIA, SANTA ROSA DIVISION

10 In re

11 LEFEVER MATTSON, a California
12 corporation, et al.,

Debtor.¹

Case No. 24-10545 (CN)

(Joint Administration Requested)

Chapter 11

**OMNIBUS LIMITED OBJECTION AND
RESERVATION OF RIGHTS OF SOCOTRA
CAPITAL, INC. TO MOTIONS OF
DEBTORS FOR: (I) INTERIM AND FINAL
ORDERS AUTHORIZING DEBTORS TO
USE CASH COLLATERAL; AND
(2) INTERIM AND FINAL ORDERS (I)
APPROVING CONTINUED USE OF THE
DEBTORS' CASH MANAGEMENT SYSTEM
AND BANK ACCOUNTS; (II)
AUTHORIZING THE DEBTORS TO OPEN
AND CLOSE BANK ACCOUNTS; AND (III)
AUTHORIZING BANKS TO HONOR
CERTAIN PREPETITION TRANSFERS**

*Supporting Declaration of Adham Sbeih Filed
Concurrently Herewith*

Hearing to Be Held on Shortened Time:

Judge: Hon. Charles Novack

Date: September 18, 2024

Time: 2:00 p.m.

Dept.: Courtroom 215

1300 Clay Street

Oakland, CA 94162

¹ The last four digits of LeFever Mattson's tax identification number are 7537. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed claims and noticing agent at <https://veritaglobal.net/LM>. The address for service on the Debtors is 6359 Auburn Blvd., Suite B, Citrus Heights, CA 95621.



1 Secured creditor Socotra Capital, Inc. ("Socotra"), through its undersigned counsel,
2 respectfully submits this limited objection and reservation of rights (the "Limited Objection")² to
3 certain motions (collectively, the "First Day Motions") filed by LeFever Mattson, a California
4 corporation ("LeFever Mattson"),³ a debtor and debtor in possession in the above-captioned
5 chapter 11 bankruptcy cases (the "Chapter 11 Cases"), and its affiliated debtors and debtors in
6 possession (collectively with LeFever Mattson, the "Debtors"). Specifically, Socotra objects, on a
7 limited basis, to those First Day Motions seeking interim relief in the form of orders authorizing
8 Debtors to, among other things: (1) use the Cash Collateral of the Accepting Lenders for Property
9 Level Expenses as stated in the Property Budgets, including, among other Secured Lenders,
10 Socotra, for Property Level Expenses of the properties against which Socotra has recorded first
11 priority deeds of trust (the "Socotra Properties") (as requested under the "Cash Collateral Motion"
12 [ECF No. 17]); and (2) continue using their current Cash Management System, Bank Accounts,
13 and Business Forms and related relief, including, but not limited to, the maintenance of Debtors'
14 current Bank Accounts, without the need to close them and open new debtor in possession
15 accounts (as requested under the "Cash Management Motion" [ECF No. 13]). In support of this
16 Limited Objection, Socotra represents:

17 **I.**

18 **PRELIMINARY STATEMENT**

19 Socotra has concerns regarding some of the requested relief under two of the First Day
20 Motions - - Cash Collateral and Cash Management. As to the Cash Collateral Motion, Socotra
21 should receive typical adequate protection to the extent Debtors wish to use Socotra's Cash
22 Collateral. With respect to Cash Management Motion, Socotra has no objection to Debtors
23

24 ² By that *Motion of Debtors for Entry of an Order (I) Directing the joint Administration of the Debtors' Chapter 11*
25 *Cases and (II) Granting Certain Related Relief* [ECF No. 6], the Debtors seek joint administration of, among other
26 Chapter 11 Cases, the pending chapter 11 case of Windscape Apartments, LLC (Case No. 24-10417 (CN)), which
27 case commenced on August 6, 2024 (the "Windscape Case"). Socotra has filed in the Windscape Case an omnibus
28 limited objection and reservation of rights (the "Windscape Limited Objection"), which currently is pending. *See*
Windscape Case, at ECF No. 42. Socotra renews and reiterates those arguments presented in the Windscape Limited
Objection and incorporates herein by this reference the Windscape Limited Objection as if fully set forth in this
Limited Objection.

³ Capitalized terms not otherwise defined in this Limited Objection shall have the same meanings ascribed to them in
the Windscape Limited Objection, the concurrently filed Declaration of Adham Sbeih, and the applicable First Day
Motion.

1 maintaining their current cash management system so long as *after* Debtors collect rents from their
2 tenants on Socotra Properties (so as not to disrupt Debtor's operations), Debtors segregate such
3 rents as required by Bankruptcy Code Section 363(c)(4) by transferring them into one bank
4 account that holds all of Socotra's Cash Collateral and only Socotra's Cash Collateral.

5 Socotra holds first priority deeds of trust against certain commercial (including office and
6 mixed-use) and residential real properties, as well as vacant land, that Debtors hold or hold and
7 lease to third parties to generate rental income to fund their operations. These deeds of trust
8 secure certain commercial loans that Socotra made (collectively, the "Socotra Loans") to KS
9 Mattson Partners L.P. ("KSM"), and debtors Buckeye Tree LP and Red Spruce Tree LP. All the
10 Socotra Properties that were owned by KSM are currently owned by Debtors, having been
11 transferred subject to Socotra's liens without Socotra's knowledge or consent. The Socotra Loans
12 and deeds of trust provide that, the rents, issues, revenues, income, proceeds, profits, and other
13 benefits to which the borrowers or record title owner of the Socotra Properties comprise Socotra's
14 Cash Collateral ("Socotra Cash Collateral").

15 Socotra understands that many of the Socotra Properties generate rental income for
16 Debtors. Socotra does not object to Debtors' use of Cash Collateral generated by the Socotra
17 Properties to preserve and maximize the value of the Socotra Properties, including to pay for
18 Property Level Expenses that include payment of (a) Insurance Obligations related to policies that
19 insure the Socotra Properties and (b) Taxes and Assessments related to the Socotra Properties.
20 But if Debtors seek to use Socotra Cash Collateral to fund Property Level Expenses, including
21 insurance premiums and Taxes and Assessments related to Properties against which Socotra does
22 not hold a lien, Socotra objects.

23 Socotra understands from the Cash Collateral Motion and the Budgets (defined below) that
24 (i) Debtors propose to pay Socotra monthly payments of \$11,000 per month with respect to the
25 Fulton Property, which proposal Socotra accepts, and (ii) because the Budgets provide for no
26 adequate protection payments to Socotra on any Socotra Properties other than the Fulton Property,
27 other than with Socotra's express prior consent, Debtors are not under the pending Cash Collateral
28

1 Motion seeking to use Socotra's Cash Collateral generated from any Socotra Properties except the
2 Fulton Property. If Socotra's understanding is incorrect, Socotra requests that the Debtors explain.

3 Further, Debtors' current Cash Management System results in the inappropriate
4 commingling of Socotra Cash Collateral with the Cash Collateral of other Secured Lenders.
5 Socotra recognizes that directing tenants on Socotra Properties to remit payments to a different
6 bank account could be disruptive and slow down the collections process. However, transferring
7 rent payments once received into a separate account would not be disruptive or interfere at all.
8 Socotra simply requests that the Court require Debtors to segregate Socotra Cash Collateral *after*
9 Debtors collect rental income from their third-party tenants, as described in greater detail below.

10 II.

11 BACKGROUND

12 Over the years, Socotra has made certain loans to KSM, the principal of which (Kenneth
13 Mattson ("Mattson")) currently is a business partner of Timothy LeFever, and until earlier this
14 year, was the CEO of Debtor LeFever Mattson. *See* Sbeih Decl. at ¶ 6. Prepetition, Socotra also
15 made one loan each to debtors Buckeye Tree LP and Red Spruce Tree LP. *Id.* at ¶ 5.

16 Debtors represent that based on transfers that Mattson caused KSM to make to certain
17 Debtors, certain of the Debtors currently hold properties obtained through the Mattson Property
18 Sales. As set forth on the Property Budgets attached to the Sharp Declaration and similar budgets
19 (the "Windscape Budgets")⁴ appended to the *Declaration of Bradley D. Sharp in Support of*
20 *Chapter 11 Petition and First Day Motions* filed in the Windscape Case at ECF No. 25 (the
21 "Sharp Windscape Declaration"), the Debtors currently hold at least 57 separate Properties
22 (collectively, the "Socotra Properties") against which Socotra made at least 37 loans to KSM and
23 one loan each to Buckeye Tree LP and Red Spruce Tree LP (collectively, the "Socotra Loans").
24 *See* Sharp Windscape Decl., at Ex. A, pp. 2 of 18, 10-18 of 18; and Sharp Decl., at Ex. 4, pp. 3-4
25 of 76, and 41-66 of 76.

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27
28 ⁴ Collectively, the Property Budgets and the Windscape Budgets shall be referenced in this Limited Objection as the
"Budgets."

1 The Socotra Loans and the indebtedness thereunder are evidenced by those certain
2 Promissory Notes Secured by Deed of Trust and Deeds of Trust, and Assignments of Leases and
3 Rents, Fixture Filings, and Security Agreements (collectively, the “Socotra Loan Documents”).⁵
4 *See* Sbeih Decl., ¶ 8. Under the Socotra Loan Documents, the Socotra Properties, and any rents
5 generated therefrom (i.e., Socotra’s Cash Collateral) are Socotra’s collateral (collectively, the
6 “Socotra Collateral”). In the ordinary course of Socotra’s business, Socotra recorded the Deeds of
7 Trust and Assignment of Leases and Rents, Fixture Filings, and Security Agreements securing
8 Socotra’s interests in the Socotra Properties with the Sonoma County Clerk-Recorder-Assessor or
9 the Placer County Clerk-Recorder. *Id.* at ¶ 9.

10 III.

11 **LIMITED OBJECTION TO DEBTORS’ PROPOSED USE OF CASH COLLATERAL** 12 **AND DEMAND FOR ALTERNATE TERMS**

13 A. **Debtors’ Proposed Use of Cash Collateral**

14 Socotra does not object in concept to Debtors’ use of Cash Collateral for payment of
15 ordinary, reasonable and necessary operating expenses, particularly if, with respect to the
16 proposed use of Socotra Cash Collateral, such use is to preserve and maximize the value of
17 Socotra Properties and approved in advance by Socotra. Specifically, Socotra would consent, and
18 indeed requests that Debtors commit to using Socotra Cash Collateral to fund Taxes and
19 Assessments and Insurance Obligations, subject to the provision, by Debtors, of additional
20 information and detail than the line items currently set forth in the Budgets and Socotra’s express
21 written consent. Notwithstanding the foregoing, Socotra does not, under any circumstance,
22 consent to Debtors’ use of Socotra Cash Collateral for Property Level Expenses or and other
23 amounts, including debt service payments, operating expenses, overhead expenses, or other
24 expenses, for Properties against which Socotra does not have first priority liens (i.e., Properties
25 where other Secured Lenders hold first priority or other liens).

26
27

⁵ Socotra has not attached to the Sbeih Declaration copies of the Socotra Loan Documents due to their voluminous
28 nature and in the interests of time. Socotra will provide true and correct copies of the Socotra Loan Documents to
parties that request them.

1 Further, to the extent that footnote 5 of the Cash Collateral Motion means that, for Socotra
2 Properties, Debtors propose to pay to Socotra monthly adequate protection payments of \$11,000
3 per month (the “Fulton Adequate Protection Payment”) in connection with that certain Socotra
4 Property at 1319 -1362 Fulton Avenue, Sonoma, California (the “Fulton Property”), Socotra does
5 not object to this proposed use of Socotra Cash Collateral. To ensure that Debtors and Socotra
6 fully understand each other, however, Socotra further requests that the Debtors confirm their intent
7 to pay to Socotra the Fulton Adequate Protection Payment as well as their intent to deem Socotra a
8 Nonaccepting Lender as to all other Socotra Properties and not to make any other or additional
9 adequate protection payments to Socotra under the pending Cash Collateral Motion without
10 Socotra’s prior express written consent.

11 **B. Lack of Sufficient Detail in Budgets**

12 Socotra requests that the Court require Debtors to supplement the Budgets submitted to
13 date with additional specific and sufficient detail regarding the Property Level Expenses listed
14 therein. As noted in the Windscape Limited Objection and repeated here, the Budgets list line-
15 item expenses for some of the Socotra Properties described as “Administrative” without any
16 explanation of what “Administrative” expenses are. Do the Debtors intend to pay overhead, rather
17 than Property specific costs under this line item? Similarly, line items described as “Maintenance”
18 and “Replacement”⁶ are insufficient and do not give Socotra, or any other Secured Lender,
19 visibility into the specific Property Level Expenses Debtors intend to pay using Cash Collateral,
20 subject to consent from a Secured Lender. Additionally, Socotra requests that Debtors distinguish
21 between “Taxes” and “Insurance” as line-item expenses, rather having one line item that covers
22 both, especially given Debtors seek separate authority and relief to pay Taxes and Assessments
23 and Insurance Obligations under the First Day Motions.

24 More specifically, with respect to the twelve (12) properties on Badger Lane and Quail
25 Court aka Pinyon Creek II, *see* Sharp Declaration, at Exhibit 4, page 4 of 76, there is one
26 aggregate budget, *see id.*, at page 66 of 76. Socotra needs more information regarding Pinyon

27 _____
28 ⁶ Presumably, Maintenance and Replacement expenses are not “Operating Expenses,” for which there are often
separate line items for operating expenses.

1 Creek II. Socotra understands that the 12 homes are rented at \$6,000 per month each, which is
2 \$72,000 per month. Yet the Budget shows only \$38,850 per month in rent income. Socotra needs
3 more information and suggests that Debtors should prepare a budget for each home. Socotra also
4 needs more time to do additional research regarding the Budgets, which it may be able to do in
5 connection with a final hearing on cash collateral. Socotra will work with Debtors regarding
6 additional information Socotra requires to reach a mutually agreeable protocol.

7 Socotra further notes that the Budgets and the concept of Accepting Lenders versus
8 Nonaccepting Lenders reflect Debtors' intent to make debt service payments to certain Secured
9 Lenders on account of certain Properties (including Socotra with respect to the Fulton Property),
10 but not others. Moreover, certain Secured Lenders will receive debt service payments *even though*
11 *the related Properties do not generate positive net cash flow* over the 13-week period reflected in
12 the Budgets that would cover the amount of proposed debt payment. *See, e.g., Sharp Decl., at Ex.*
13 *4, pp. 6, 13, 30, 31, 34, 35, 36, 38 and 40.* In some instances, Debtors propose making monthly
14 adequate protection payments where the subject Property does not generate *any* income
15 whatsoever, and the Budgets show no source of receipts from which the monthly adequate
16 protection payments will be made. Without additional information and detail regarding each
17 Property Budget, or a global, comprehensive budget that discloses the cash flow projections for
18 Debtors' entire enterprise, Socotra cannot ascertain the source of adequate protection payments to
19 be made to lenders with insufficient cash collateral or no cash collateral at all to fund the adequate
20 protection payments. It certainly is possible that Debtors propose to use Cash Collateral of one
21 lender to fund adequate protection payments to another lender. Debtors' Budgets should be
22 comprehensive to include all re inflows and outflows.

23 **C. Socotra Is Entitled to Adequate Protection**

24 **Adequate Protection Payments.**

25 Socotra is entitled to monthly adequate protection payments equal to no less than the
26 interest due to Socotra each month under the Loan Documents. Under the Cash Collateral Motion,
27 as supported by the Budgets, Debtors propose to make adequate protection payments to Socotra
28

1 only on account of the Fulton Property. As to the other Socotra Properties, Debtors appear to
2 deem Socotra a Nonaccepting Lender that will not receive any adequate protection payments and
3 therefore Debtors will not use Socotra's Cash Collateral except as to the Fulton Property. Socotra
4 requests confirmation that its understanding is correct.

5 In any case, Debtors reserve the right to seek to use Cash Collateral generated from other
6 Socotra Properties. Debtors also indicate that no adequate protection payments would be
7 necessary because the Socotra Properties have sufficient equity cushions. Debtors have not met
8 their burden.

9 Debtors assert that "an equity cushion, monthly payments, or other forms of protection
10 contemplated" under the Bankruptcy Code adequately protects or adequately will protect
11 Nonaccepting Lenders. *See* Cash Collateral Mot. at 6:1-2; and Sharp Decl. ¶ 75. In arguing
12 against adequate protection payments for Non-Accepting Lenders, Debtors allege various
13 estimated property value and equity cushion amounts for the Properties, including each Socotra
14 Property. However, Debtor provides no evidence supporting such alleged values and equity
15 cushions. Debtor merely has a column in the Budgets alleging values of each Socotra Property at
16 the time that such Properties were acquired (typically over four years ago).

17 Bankruptcy Code Section 363(p)(1) provides that debtors bear the burden of proof on
18 adequate protection. Thus, a column in the Budgets asserting "Acquisition Values" (in the case of
19 the Windscape Budgets) or "Estimated Values" based on "Acquisition Price" (in the case of the
20 Property Budgets) is woefully insufficient to meet Debtor's burden on adequate protection. What
21 *is* clear, however, is that based on the monthly accrual of interest and legal fees, Socotra is
22 suffering a diminution in the value of its interest in the Socotra Properties.

23 Prohibition on Using Socotra Cash Collateral for Expenses of Other Properties. The Court
24 should prohibit Debtors from using Socotra Cash Collateral to make any payments related to
25 Property Level Expenses or any other payments other than those specifically related to the Socotra
26 Properties. That is, Debtors should not use Socotra Cash Collateral to pay expenses of Properties
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28

1 on which another Secured Lender asserts a lien, senior in priority to Socotra or otherwise, against
2 that Property.

3 Replacement Liens and Superpriority Administrative Status. Socotra should be granted
4 replacement liens on the Socotra Collateral, as well as superpriority administrative status, to cover
5 any diminution in value of the Socotra Collateral or Socotra Cash Collateral from Debtors' use of
6 Socotra Cash Collateral.

7 Other Protections. Furthermore, Socotra requests as additional protection for use of the
8 Socotra Cash Collateral, the following reporting on a bi-weekly basis: (1) a budget vs. actual
9 variance report, (2) a leasing activity report that includes any changes in the tenancy at the subject
10 Properties, (3) a copy of a current bank statement for Debtors' (single) separate debtor in
11 possession bank account into which Socotra Cash Collateral is swept and/or transferred and
12 maintained on a segregated basis (see below objection to the Cash Management Motion); and (4)
13 an expenditure report that includes details for historical (going back at least 3 years) and projected
14 (going forward at least one year) expenditures related to the Socotra Properties.

15 **D. Specific Additional Terms to Be Included in Any Order Authorizing Debtors' Use of**
16 **Cash Collateral**

17 In addition to the adequate protection noted above, Socotra requests that the following
18 provisions be included in any order approving use of the Socotra Cash Collateral:⁷

- 19 1. Debtors' interim use of cash shall only be permitted for a very limited period of
20 time sufficient for the Court to hear a noticed motion in mid-October 2024, and to
21 enter a more comprehensive final order or approve a more comprehensive longer-
22 term agreement or stipulation;
- 23 2. Debtors shall not sell any of the Socotra Collateral or its unencumbered assets, if
24 any, without Socotra's consent or Court approval;
- 25 3. The terms of any interim or final order on Cash Collateral shall survive and be
26 binding in the event of the appointment of a trustee or conversion of the Chapter 11
27 Case;
- 28 4. The Socotra Loan Documents shall remain in full force and effect;

⁷ The following terms relate only to interim use of Cash Collateral. Socotra will request, and is entitled to, additional
protections in exchange for final use of Cash Collateral. This Limited Objection is without prejudice to Socotra's
right to request additional protections in any final order on Debtors' use of Cash Collateral.

1 Socotra Cash Collateral from their other receipts, including cash collateral of other Secured
2 Lenders, there exists significant risk that Socotra Cash Collateral will be used for purposes
3 unrelated to the Socotra Properties, especially since per Debtors' Budgets, Debtors propose to
4 make adequate protection payments to other lenders from unknown sources.

5 But there is an easy fix. Socotra requests that Debtors establish a single new bank
6 account⁸ at an authorized depository into which all of Socotra's Cash Collateral can be transferred
7 daily from Debtors' other bank accounts after receipt from tenants. This procedure should be in
8 place irrespective of whether and to what extent Debtors use Socotra's Cash Collateral.

9 Socotra submits that requiring Debtors to open and maintain just one separate deposit
10 account to transfer and hold Socotra Cash Collateral *after* collection of Rents and other receivables
11 by Debtors is a simple safeguard prescribed under the Bankruptcy Code to protect secured
12 creditors. *See* 11 U.S.C. § 363(c)(4). Thus, the Court should require Debtors to maintain a debtor
13 in possession account that contains only Socotra Cash Collateral, to be used only for Property
14 Level Expenses related to the Socotra Properties with Socotra's express consent, except as
15 otherwise provided in this Limited Objection. Further, such deposit account shall comply with all
16 the designations and related business forms required by the OUST.

17 V.

18 **CONCLUSION**

19 Socotra respectfully requests that this Court impose the conditions, safeguards and
20 protections set forth herein, and that any order authorizing Debtors' use of Cash Collateral and
21 continued use of their Cash Management System, Bank Accounts, and Business Forms include the
22 relief requested in this Limited Objection.

23 Dated: September 17, 2024 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

24 By /s/ Theodore A. Cohen
25 THEODORE A. COHEN

26 Attorneys for Socotra Capital, Inc.

27 _____
28 ⁸ Notably, Socotra does not request that the Debtors open a separate new bank account for each Socotra Property, but rather one bank account for Socotra Cash Collateral derived from all Socotra Properties.

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3 Including Professional Corporations

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7 Attorneys for Secured Creditor Socotra Capital, Inc.

8
9 UNITED STATES BANKRUPTCY COURT

10 NORTHERN DISTRICT OF CALIFORNIA, SANTA ROSA DIVISION

11 In re

12 LEFEVER MATTSON, a California
13 corporation, et al.,

14 Debtor.¹

Case No. 24-10545 (CN)

(Joint Administration Requested)

Chapter 11

15 **DECLARATION OF ADHAM SBEIH IN**
16 **SUPPORT OF SECURED CREDITOR**
17 **SOCOTRA CAPITAL, INC.'S OMNIBUS**
18 **LIMITED OBJECTION AND**
19 **RESERVATION OF RIGHTS TO**
20 **MOTIONS OF DEBTORS FOR:**

- 21 1. INTERIM AND FINAL ORDERS
22 AUTHORIZING DEBTORS TO USE
23 CASH COLLATERAL; AND
24 2. INTERIM AND FINAL ORDERS (I)
AUTHORIZING THE DEBTORS TO
OPEN AND CLOSE BANK
ACCOUNTS; AND (II)
AUTHORIZING THE DEBTORS TO
OPEN AND CLOSE BANK
ACCOUNTS; AND (III)
AUTHORIZING BANKS TO HONOR
CERTAIN PREPETITION
TRANSFERS

25 ¹ The last four digits of LeFever Mattson's tax identification number are 7537. Due to the large
26 number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last
27 four digits of their federal tax identification numbers is not provided herein. A complete list of
28 such information may be obtained on the website of the Debtors' proposed claims and noticing
agent at <https://veritaglobal.net/LM>. The address for service on the Debtors is 6359 Auburn Blvd.,
Suite B, Citrus Heights, CA 95621.

Judge: Hon. Charles Novack
Date: September 18, 2024
Time: 2:00 p.m.
Dept.: Courtroom 215
1300 Clay Street
Oakland, CA 94162

I, Adham Sbeih, declare as follows:

INTRODUCTION

1. I am the Chief Executive Officer (“CEO”) of Socotra Capital, Inc. (“Socotra”), a secured creditor in the above-captioned chapter 11 bankruptcy cases and am authorized to make this declaration in this capacity.

2. I have personal knowledge of the facts set forth herein, which are known by me to be true and correct, or knowledge of the facts set forth herein based on Socotra’s books and records maintained in the ordinary course of business, and if called as a witness, I could and would competently testify thereto. As to the following facts, I know them to be true of my own knowledge, or have gained knowledge from business records of Socotra, which were made at or about the time of the events recorded and which are maintained in the ordinary course of Socotra’s business at or near the time of the acts, conditions or events to which they relate. Socotra employs systems and procedures in the ordinary course of its business to accurately record transactions and events related to the Socotra Loan Documents (defined below) at or about the time of such transactions or events. Socotra employees review such records to confirm their accuracy and Socotra maintains such records. I know from my experience with Socotra that these records are accurate and trustworthy.

3. This declaration (“Declaration”) is submitted in support of Socotra’s *Omnibus Limited Objection and Reservation of Rights to Motions of Debtor for: (1) Interim and Final Orders Authorizing Debtors to Use Cash Collateral; and (2) Interim and Final Orders (I) Approving Continued Use of the Debtors’ Cash Management System and Bank Accounts; (II)*

1 *Authorizing the Debtors to Open and Close Bank Accounts; and (III) Authorizing Banks to Honor*
2 *Certain Prepetition Transfers (the “Limited Objection”).*²

3 4. By this reference to my declaration (the “First Sbeih Declaration”) in support of
4 Socotra’s limited objection and reservation of rights to certain “first day motions” (the
5 “Windscape Limited Objection”) filed by debtor Windscape Apartments, LLC (“Windscape”), I
6 incorporate into this Declaration as if fully stated each of the statements I made in the First Sbeih
7 Declaration. Both the First Sbeih Declaration and this Declaration, as well as the Windscape
8 Limited Objection and this Limited Objection, apply to both Windscape and all the debtors who
9 filed for bankruptcy protection on September 12, 2024.

10 **SOCOTRA PROPERTIES**

11 5. Beginning in 2010 through 2023, Socotra made certain loans to KS Mattson
12 Partners L.P. (“KSM”). Socotra also made one loan each to Buckeye Tree LP and Red Spruce
13 Tree LP.

14 6. I am informed and, on that basis, believe that Kenneth Mattson (“Mattson”) (i)
15 currently is a business partner of Timothy LeFever, and (ii) was until earlier this year the CEO of
16 LeFever Mattson, a debtor in possession (“Debtor”) ³ in the Chapter 11 Cases. I understand
17 Debtors represent, among other things, that based on transfers that Mattson caused KSM to make
18 to multiple Debtors, ⁴ certain Debtors came to own certain real properties (collectively with those
19 certain real properties transferred or otherwise caused to be owned by Windscape and the
20 properties securing the loans by Socotra to Buckeye Tree LP and Red Spruce Tree LP, the
21 “Socotra Properties”), in which the borrowers granted to Socotra security interests to secure loans
22 made by Socotra (collectively, the “Socotra Loans”). The Debtors have identified the Socotra
23 Properties on (a) pages 3 to 4 of 76 and 41 to 66 of 76 of Exhibit 4 (collectively, the “Budget”) to
24

25 ² Capitalized terms not otherwise defined in this declaration shall have the same meanings
ascribed to them in the Limited Objection.

26 ³ “Debtor,” individually, and “Debtors,” collectively, shall mean those debtors and debtors in
possession in the above-captioned chapter 11 bankruptcy cases (the “Chapter 11 Cases”), for
27 which joint administration has been requested, including Windscape.

28 ⁴ Socotra takes the position that each of the transfers by KSM to a Debtor was a breach of the
Socotra Loan Documents (defined below) entered into by and between Socotra and KSM.

1 the *Declaration of Bradley D. Sharp in Support of Chapter 11 Petitions and First Day Motions* in
2 these cases (the “Sharp Declaration”) [Dkt. No. 5], and (b) pages 2 of 18 and 10 to 18 of 18 of
3 Exhibit A (collectively with the Budget, the “Budgets”) to the *Declaration of Bradley D. Sharp in*
4 *Support of Chapter 11 Petitions and First Day Motions* in the Windscape case (collectively with
5 the Sharp Declaration, the “Sharp Declarations”) [Case No. 24-10417, Dkt. No. 25].

6 7. I have reviewed the Sharp Declarations and the Budgets. Between the Socotra
7 Properties held by Windscape and the Socotra Properties that are held by the rest of the Debtors,
8 the Budgets reflect that 12 Socotra Properties securing the Socotra Loans do not generate rents.
9 These Socotra Properties are: (a) 789 Cordilleras Drive; (b) 16721 Hwy 12; (c) 596 3rd Street
10 East; (d) 1870 Thornsberry Road; (e) 141-145 E. Napa Street; (f) 921 Broadway; (g) 171 W. Spain
11 Street; (h) 302, 304, 310 1st Street East; (i) 18701 Gehricke Road; (j) 1025 Napa Road; (k) 24120
12 Arnold Drive; and (l) 24160 Turkey Road/24737 Arnold Drive. The remainder of the Socotra
13 Properties generate rents.

14 **SOCOTRA LOANS**

15 8. The Socotra Loans and the indebtedness thereunder are evidenced by those certain
16 Promissory Notes Secured by Deed of Trust, Deeds of Trust, and Assignments of Leases and
17 Rents, Fixture Filings, and Security Agreements (collectively, the “Socotra Loan Documents”).
18 Due to the voluminous nature of the Socotra Loan Documents, and in the interest of time, I have
19 not attached the Socotra Loan Documents to this Declaration. Socotra is willing to provide true
20 and correct copies of the Socotra Loan Documents to parties that request them.

21 9. Under the Socotra Loan Documents, the Socotra Properties, and any rents
22 generated therefrom (i.e., Socotra’s Cash Collateral), serve as Socotra’s collateral (collectively, the
23 “Socotra Collateral”). In the ordinary course of Socotra’s business, Socotra recorded the Deeds of
24 Trust and Assignments of Leases and Rents, Fixture Filings, and Security Agreements securing
25 Socotra’s interests in the Socotra Properties with the Sonoma County Clerk-Recorder-Assessor or
26 the Placer County Clerk-Recorder. In fact, each of the Deeds of Trust and Assignments of Leases
27 and Rents, Fixture Filings, and Security Agreements were so recorded.

1 10. The addresses of the Socotra Properties are as set forth on the relevant pages of the
2 Budgets cited in paragraph 6 of this declaration.

3 11. Due to the emergency nature of the Debtors' requests for "first day" relief, Socotra
4 has not yet been able to gather the total amount outstanding under the Socotra Loans. Socotra
5 reserves all rights to continue its investigation of the Socotra Loans secured by the Socotra
6 Properties and to supplement its Limited Objection and this Declaration with amounts outstanding,
7 including, but not limited to, fees and costs due and owing under the Socotra Loan Documents.

8 12. The Socotra Loan Documents require, at a minimum, monthly interest payments.
9 Since approximately May 2024, Socotra has not received payments on account of multiple Socotra
10 Loans, if not all of them. The payments required under the Socotra Loan Documents include, but
11 are not limited to, monthly interest, late charges, and default interest due and owing to Socotra (for
12 each Socotra Loan that is in default even if Socotra has not yet recorded notices of default under
13 the Socotra Loan Documents). Thirty-four of the Socotra Loans secured by real property held by
14 the Debtors (including nine held by Windscape) have matured by their terms and remain unpaid.

15 **CASH COLLATERAL**

16 13. For each Socotra Loan, Socotra is entitled to monthly adequate protection
17 payments equal to no less than the interest due to Socotra each month under the Socotra Loan
18 Documents. I believe that without such monthly interest payments, the value of the Socotra
19 Collateral will deteriorate as the balance due under the Socotra Loans, each of which continues to
20 accrue interest, will increase.

21 14. Socotra accepts Debtors' proposal to pay to Socotra monthly adequate protection
22 payments in the amount of \$11,000 per month in connection with the Socotra Loan secured by that
23 certain Socotra Property located at 1319-1362 Fulton Ave, Sonoma, California (the "Fulton
24 Property").

25 15. Based on the Budgets, which provide for no adequate protection payments to
26 Socotra on any Socotra Properties except the Fulton Property, Socotra understands that Debtors
27 are not under the pending motion seeking to use Socotra's Cash Collateral generated from any
28 Socotra Properties except the Fulton Property.

1 16. Socotra objects to the use of its Cash Collateral for Debtors' Properties against
2 which Socotra does not have liens (i.e., Properties where other Secured Lenders hold first priority
3 or other liens) or non-property specific expenses. Without limiting the foregoing, Socotra objects
4 to Debtors using Socotra's Cash Collateral for any of the following to the extent not for Socotra
5 Properties: debt service payments, operating expenses, overhead expenses, or other expenses.
6 Further without limiting the foregoing, while Socotra consents to Debtors using Socotra's Cash
7 Collateral to pay pre and post petition property taxes and insurance for the Socotra Properties,
8 Socotra objects, and does not consent, to the use of Socotra Cash Collateral to pay any property
9 taxes or insurance for Properties other than Socotra Properties.

10 17. Socotra is entitled to replacement liens on the Socotra Collateral to compensate
11 Socotra for any diminution in value of the Socotra Collateral.

12 **CASH MANAGEMENT**

13 18. I understand Debtors seek to continue using its current Cash Management System,
14 Bank Accounts, and Business Forms. Under Debtors' current cash management system, Socotra's
15 Cash Collateral is commingled with the Cash Collateral of the other Secured Lenders.

16 19. Socotra objects to Debtor's continued use of the Bank Accounts and current Cash
17 Management System without reasonable safeguards to protect Socotra and its Collateral, including
18 its Cash Collateral. Socotra understands Debtors' concern that directing tenants to make payments
19 to new Bank Accounts could be disruptive and slow down Debtors' collections. Socotra is willing
20 to consent to Debtors keeping their Bank Accounts and Cash Management System in place so long
21 as Debtors segregate Socotra's Cash Collateral *after* receipt by Debtors from their tenants by
22 establishing one new bank account into which Debtors, on a daily basis, transfer Rents and any
23 other receipts derived from the Socotra Properties and received by Debtors (and no rents and other
24 receipts from other Properties). This should be required for all Socotra Cash Collateral
25 irrespective of whether and if so to what extent Debtors are using Socotra's Cash Collateral.
26 Socotra is not requesting a separate bank account for each Socotra Property. Socotra is requesting
27 only one bank account for Cash Collateral from all Socotra Properties.

20. The Budgets generally contain some vague categories - - for example, “Administrative”, “Maintenance”, “Replacement”, “CAM” and “Non-CAM”. Moreover, taxes and insurance are a combined entry. Debtors should be required to provide more specificity.

22. Moreover, Socotra needs more time to do additional research regarding the Budgets, which it may be able to do in connection with a final hearing on cash collateral. Socotra is willing to work with the Debtors regarding additional information Socotra requires to reach a mutually agreeable protocol.

Executed on this 17th day of September, 2024, at Sacramento, California.

—63EF870C65804AF..

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2 Including Professional Corporations
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10 Attorneys for Creditor SOCOTRA CAPITAL, INC.
11

12 UNITED STATES BANKRUPTCY COURT

13 NORTHERN DISTRICT OF CALIFORNIA, SANTA ROSA DIVISION

14 In re

15 LEFEVER MATTSON, a California
corporation, et al.,

16 Debtor.¹

Case No. 24-10545 (CN)

(Joint Administration Requested)

Chapter 11

CERTIFICATE OF SERVICE

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27 ¹ The last four digits of LeFever Mattson's tax identification number are 7537. Due to the large number of debtor
entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax
28 identification numbers is not provided herein. A complete list of such information may be obtained on the website of
the Debtors' proposed claims and noticing agent at <https://veritaglobal.net/LM>. The address for service on the
Debtors is 6359 Auburn Blvd., Suite B, Citrus Heights, CA 95621.

1 At the time of service, I was over 18 years of age and **not a party to this action**. I am
2 employed in the County of San Francisco, State of California. My business address is Four
Embarcadero Center, 17th Floor, San Francisco, CA 94111-4109.

3 On September 17, 2024, I served true copies of the following document(s) described as:

4 **OMNIBUS LIMITED OBJECTION AND RESERVATION OF RIGHTS OF SOCOTRA**
5 **CAPITAL, INC. TO MOTIONS OF DEBTORS FOR: (1) INTERIM AND FINAL ORDERS**
6 **AUTHORIZING DEBTORS TO USE CASH COLLATERAL; AND (2) INTERIM AND**
7 **FINAL ORDERS (I) APPROVING CONTINUED USE OF THE DEBTORS' CASH**
8 **MANAGEMENT SYSTEM AND BANK ACCOUNTS; (II) AUTHORIZING THE**
9 **DEBTORS TO OPEN AND CLOSE BANK ACCOUNTS; AND (III) AUTHORIZING**
10 **BANKS TO HONOR CERTAIN PREPETITION TRANSFERS**

11 **DECLARATION OF ADHAM SBEIH IN SUPPORT OF SECURED CREDITOR**
12 **SOCOTRA CAPITAL, INC.'S OMNIBUS LIMITED OBJECTION AND RESERVATION**
13 **OF RIGHTS TO MOTIONS OF DEBTORS FOR: 1. INTERIM AND FINAL ORDERS**
14 **AUTHORIZING DEBTORS TO USE CASH COLLATERAL; AND 2. INTERIM AND**
15 **FINAL ORDERS (I) APPROVING CONTINUED USE OF THE DEBTORS' CASH**
16 **MANAGEMENT SYSTEM AND BANK ACCOUNTS; (II) AUTHORIZING THE**
17 **DEBTORS TO OPEN AND CLOSE BANK ACCOUNTS; AND (III) AUTHORIZING**
18 **BANKS TO HONOR CERTAIN PREPETITION TRANSFERS**

13 on the interested parties in this action as follows:

14 **SEE ATTACHED SERVICE LIST**

15 ☐ **BY MAIL:** I enclosed the document(s) in a sealed envelope or package addressed to the
16 persons at the addresses listed in the Service List and placed the envelope for collection and
17 mailing, following our ordinary business practices. I am readily familiar with the firm's practice
18 for collecting and processing correspondence for mailing. On the same day that correspondence is
placed for collection and mailing, it is deposited in the ordinary course of business with the United
States Postal Service, in a sealed envelope with postage fully prepaid. I am a resident or employed
in the county where the mailing occurred.

19 ☐ **BY CM/ECF NOTICE OF ELECTRONIC FILING:** I electronically filed the
20 document(s) with the Clerk of the Court by using the CM/ECF system. Participants in the case
21 who are registered CM/ECF users will be served by the CM/ECF system. Participants in the case
who are not registered CM/ECF users will be served by mail or by other means permitted by the
court rules.

22 I declare under penalty of perjury under the laws of the State of California that the
23 foregoing is true and correct.

24 Executed on September 17, 2024, at San Francisco, California.

25 /s/ Jeannie Kim
26 Jeannie Kim

1 **Registered Electronic Participants**

- 2 • Theodore A. Cohen TCohen@sheppardmullin.com,
3 mtzeng@sheppardmullin.com
- 4 • Office of the U.S. Trustee / SR USTPRegion17.SF.ECF@usdoj.gov
- 5 • Thomas B. Rupp trupp@kbklp.com
- 6 • Bennett G. Young byoung@jmbm.com, jb8@jmbm.com
- 7

8 **Request for Service**

9 Office of the United States Trustee
Attn: Phillip J. Shine
10 450 Golden Gate Avenue, 5th Flr, Ste #05-0153
San Francisco, CA 94102

11 Duggan's Mission Chapel
12 c/o Bennett G. Young
Jeffer Mangels Butler & Mitchell LLP
13 Two Embarcadero Center, 5th Floor
San Francisco, CA 94111-3824

14 Office of the United States Trustee
15 Attn: Jared A. Day
C. Clifton Young Federal Building
16 300 Booth Street, Room 3009
Reno, NV 89509

17 Office of the United States Trustee
18 Attn: Deanna K. Hazelton
2500 Tulare Street, Suite 1401
19 Fresno, CA 93721

20 Ally Bank Lease Trust – Assignor to Vehicle Asset Universal Leasing Trust
Ally Bank, c/o AIS Portfolio Services, LLC
21 4515 N. Santa Fe Avenue, Dept. APS
Oklahoma City, OK 73118

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