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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SANTA ROSA DIVISION

14
15 In re:
16 LEFEVER MATTSON, a California
17 corporation, *et al.*,¹
18 Debtors.

Lead Case No. 24-10545 (CN)

Chapter 11 (Jointly Administered)

**JOINT STATUS CONFERENCE
STATEMENT**

Date: April 25, 2025

Time: 11:00 a.m.

Place: United States Bankruptcy Court
1300 Clay Street, Courtroom 215
Oakland, CA 94612

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26 ¹ The last four digits of LeFever Mattson’s tax identification number are 7537. Due to the
27 large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the
28 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’ 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 LeFever Mattson, a California corporation (“LeFever Mattson”), and certain of its affiliates
2 that are debtors and debtors in possession (the “Debtors”) in the above-captioned chapter 11 cases
3 (the “Chapter 11 Cases”) and the Official Committee of Unsecured Creditors (the “Committee”)
4 hereby jointly submit the following statement in advance of the April 25, 2025 status conference:

5 **I. PRELIMINARY STATEMENT**

6 Since the filing of the Chapter 11 Cases, the Debtors’ new management and professionals
7 have not only continued the Debtors’ pre-petition business of operating nearly two hundred
8 properties, but also worked tirelessly to investigate the Debtors’ true financial situation and
9 develop a resolution that provides a fair and equitable distribution to creditors, including the
10 hundreds of investors whose financial lives have been upended. This has included close
11 cooperation with the Committee and its professionals on several strategic fronts that are vital to
12 the formulation and solicitation of any plan.

- 13 • Plan Process – Counsel for the Debtors and the Committee are meeting regularly to
14 negotiate the potential terms of a plan, including evaluating whether stakeholders
15 will be best served by a single, joint plan or multiple plans addressing one or more
16 Debtors.² The Debtors hope to present a term sheet in the near future.
- 17 • Forensic Investigations – The Debtors and the Committee continue to investigate
18 the financial transactions that led to these Chapter 11 Cases, mindful of the Court’s
19 admonitions regarding cost. They have advised their professionals to limit
20 expenses wherever possible and seek only information that will be necessary to
21 support the findings of fact and conclusions of law required to confirm a plan.
- 22 • The Claims Process – The Debtors and the Committee continue to review the
23 approximately 1800 proofs of claim and proofs of interest that were filed prior to
24 the bar date on February 14, 2025. The filed claims and interests have yielded
25 information that has facilitated the forensic investigations and will be critical to
26 both plan formulation and the estates’ causes of action against third parties.

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28 ² The singular “plan” is used throughout this statement for easier reading.

- 1 • The Mattson Involuntary Cases – Two Debtors have initiated chapter 11
2 involuntary cases against the Debtors’ former CEO Kenneth Mattson and his
3 company KS Mattson Partners, LP (“KSMP” and together with Mr. Mattson, the
4 “Mattson Parties”). The Debtors believe that they have substantial claims against
5 the Mattson Parties, and that many of the Debtors’ investors do as well.
- 6 • Liquidation of Real Estate – The Debtors and their professionals are working to
7 maximize the value of the Debtors’ real estate portfolio through property sales.
8 Over fifty properties are currently on the market, and the Debtors expect to begin
9 executing sale contracts within the next month. These sales will help fund the
10 administrative expenses of these Chapter 11 Cases and any distributions to creditors
11 and investors through a plan.

12 The Debtors’ Chief Restructuring Officer, the Committee, and the various estate
13 professionals have continued to communicate with investors regarding progress on these strategic
14 fronts, most recently through a virtual town hall hosted by the Committee on April 2, 2025. A
15 video of the town hall has been posted to the case website and is available at
16 <https://veritaglobal.net/lm/info/14065>.

17 **II. PLAN PROCESS**

18 Counsel for the Debtors and Committee meet regularly to discuss plan formulation. Any
19 plan is expected to provide for the liquidation of real property, prosecution of estate claims against
20 third parties, and distribution of proceeds to creditors and investors. A key issue in plan
21 formulation will be the scope and effect of consolidating the claims and assets of the sixty-one
22 Debtors. At this time, based on information gathered from their investigations into the Debtors’
23 finances, the Debtors and the Committee believe that the facts in these Chapter 11 Cases merit
24 some form of consolidation. The details of each of these issues with a prospective plan are both
25 critical and complex. Recognizing their stakeholders’ urgent interest in clarity, the Debtors and
26 Committee are working as quickly as possible to complete their confidential negotiations so that a
27 joint term sheet may be shared broadly.

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1 **III. INVESTIGATIONS**

2 The Debtors’ Chief Restructuring Officer has continued to direct the forensic accounting
3 experts at DSI in their analysis of the complex web of the Debtors’ historical financial transactions.
4 This investigation is creating a picture of the transactions leading to the Chapter 11 Cases and is
5 expected to provide the necessary support for a confirmable plan and potential recovery from third
6 parties.

7 A primary focus of the forensic analysis has been a bank account in LeFever Mattson’s
8 name that was held at Bank of the West (subsequently acquired by BMO), ending in –1059 (the
9 “1059 Account”). The 1059 Account appears to have been used to make payments to investors
10 whose interests in the Debtors are not reflected in the Debtors’ books and records—and, indeed, a
11 preliminary review of proofs of claim and interest has found copies of checks from the 1059
12 Account purporting to be owner distributions to investors whose interests were never reflected on
13 the Debtors’ books and records.

14 The Debtors are also continuing to cooperate with the United States Department of Justice
15 and the Securities and Exchange Commission regarding those agencies’ investigations into the
16 financial transactions that preceded these Chapter 11 Cases. The Debtors are aware that the FBI
17 has set up a website pertaining to its investigation that includes a short questionnaire for parties to
18 submit information.³

19 On the Committee side, the Committee’s counsel and PwC US Business Advisory LLC
20 (“PwC”) are working to efficiently obtain and digest the voluminous information provided by third
21 parties to understand the claims and interests pool (as discussed below) and causes of action the
22 Debtors may have against third parties. Like the Debtors’ investigation, findings from the
23 Committee’s investigation are expected to provide the necessary support for a confirmable plan
24 and potential recovery from third parties.

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27 ³ Seeking Investor Information: LeFever Mattson, *available at*: [https://www.fbi.gov/how-
28 we-can-help-you/victim-services/seeking-victim-information/seeking-investor-information-
lefever-mattson](https://www.fbi.gov/how-we-can-help-you/victim-services/seeking-victim-information/seeking-investor-information-lefever-mattson).

1 Furthermore, the Debtors and Committee have stipulated to grant the Committee standing
2 to prosecute, mediate, and/or settle on behalf of the Debtors' estates all claims and causes of action
3 against Mr. Mattson, Mr. LeFever, and/or their non-Debtor affiliates that are property of the
4 Debtors' estates, that arise under sections 544, 546, 547, 548, 549, and 550 of the Bankruptcy
5 Code, or that arise under section 510 of the Bankruptcy Code. *See* Dkt. No. 1222. The Court
6 approved this stipulation on April 8, 2025. *See* Order at Dkt. No. 1239.

7 **IV. CLAIMS AND INTERESTS FILED**

8 On December 13, 2024, the Court entered the *Order (1) Establishing Bar Date;*
9 *(2) Approving Form and Manner of Notice of Bar Date and Procedures with Respect Thereto; and*
10 *(3) Approving Confidentiality Protocols* [Dkt. No. 459] (the "Bar Date Order"). The Bar Date
11 Order fixed February 14, 2025, as the last day to file proofs of claim and proofs of interest in the
12 Chapter 11 Cases (the "Bar Date").

13 On February 14, 2025, the Debtors filed their *Reservation of Rights Regarding Interdebtor*
14 *Claims and Interests* [Dkt. No. 836]. As discussed above, the investigations of the Debtors and
15 the Committee into the Debtors' prepetition transactions, assets, and claims are ongoing, and the
16 Debtors and the Committee have received material information to support these investigations
17 through the proof of interest and/or proof of claim forms and supporting documentation that has
18 been filed. The submissions, including the many attached supporting documents, *e.g.*, copies of
19 checks, partnership agreements, tax documents, and bank statements, are yielding valuable
20 information in support of the forensic investigations, the potential estate claims against third
21 parties, and the formulation of a plan, as well as assisting the Committee with evaluating the proof
22 of interest and proof of claim forms filed by investors.

23 **V. INVOLUNTARY BANKRUPTCIES AGAINST MATTSON PARTIES**

24 On November 22, 2024, Debtor LeFever Mattson filed an involuntary chapter 11 petition
25 against Kenneth W. Mattson, and Debtors LeFever Mattson and Windtree, LP filed an involuntary
26 chapter 11 petition against KSMP. Those chapter 11 cases are currently pending before this Court
27 as Case Nos. 24-10714 and 24-10715, respectively. The filing of these involuntary petitions
28

1 caused any claims of the Debtors against the Mattson Parties to be stayed pursuant to section 362(a)
2 of the Bankruptcy Code.

3 No order for relief has yet been entered against either Mattson Party. At a hearing held on
4 February 28, 2025, the Court denied the motions to dismiss of the Mattson Parties and set a
5 discovery cut-off of June 30, 2025, in both involuntary cases. A further status conference in the
6 cases has been set for July 2, 2025.

7 At a hearing on April 11, 2025, the Court issued orders pursuant to section 303(f) of the
8 Bankruptcy Code restricting the sale, transfer, or encumbrance of real and personal property by
9 the Mattson Parties. The hearing on this issue has been further continued to April 25, 2025, to
10 allow further time for negotiations between the Debtors and the Mattson Parties regarding KSMP's
11 consent to an order for relief in its chapter 11 case. The Debtors expect to have more information
12 at the April 25 hearing.

13 **VI. REAL PROPERTY ADMINISTRATION**

14 The Debtors have started listing their properties on the real estate market, and they expect
15 to market and sell substantially all of their real property in an orderly fashion, in consultation with
16 their real estate experts and the Committee. The proceeds of these property sales will help fund
17 the administration of these Chapter 11 Cases, allow for payment of claims secured by the Debtors'
18 real property, and maximize the available funds for distribution to the creditors and investors in
19 the Chapter 11 Cases. Whatever property is not sold will either be abandoned to the secured lender
20 or have its secured debt reorganized through a plan.

21 In support of these objectives, the Debtors and the Committee have jointly retained FTI
22 Consulting, Inc. and FTI Consulting Realty, Inc. (collectively, "FTI") to provide certain real estate
23 and tax advisory services in these Chapter 11 Cases. *See* Order at Dkt. No. 641. To assist with
24 any specialized legal issues relating to the Debtors' real estate and the disposition of the properties,
25 the Debtors have retained SSL Law Firm LLP ("SSL"). *See* Order at Dkt. No. 644. Finally, with
26 the assistance of FTI and SSL, the Debtors have entered into listing agreements with six real estate
27 brokers, whose employment has been approved by the Court, to sell the majority of the Debtors'
28 properties. *See* Orders at Dkt. Nos. 969, 972, 973, 1077, 1253, and 1342.

1 To expedite the Debtors' property sales, the Court recently granted the Debtors' motion for
2 an order establishing real estate sale procedures (the "Sale Procedures"). *See* Dkt. No. 971. A
3 similar sale procedures motion concerning the real property that is collateral of Socotra Capital is
4 currently pending and set for the April 25 hearing. *See* Dkt. No. 1158. While certain properties
5 have been excluded from the Sale Procedures—and the Debtors reserve the right not to use the
6 Sale Procedures for the sale of any given property and instead file a separate motion pursuant to
7 section 363 of the Bankruptcy Code—the Debtors believe that implementation of the Sale
8 Procedures will save the estates significant administrative costs and allow for more speed and
9 certainty in closing transactions.

10 As of this filing, 165 properties are listed with brokers, and 56 of those properties are live
11 on the market. An additional 15 of those properties are expected to go on the market within the
12 next two weeks. Most of the remaining 94 properties are still being prepared for marketing. The
13 Debtors and their professionals are actively working through a variety of issues with individual
14 properties to improve potential outcomes from the marketing process. A small number of
15 properties are not yet listed with any brokers for a variety of reasons including, but not limited to,
16 lack of sufficient information about a property or issues with tenants-in-common on the property's
17 title.

18 Pursuant to the Sale Procedures, the Debtors must allow for a minimum 21-day marketing
19 period prior to considering offers. The Debtors expect to begin reviewing offers for the initial
20 round of listed properties in the last week of April. The Debtors then expect to begin filing the
21 sale notices, as prescribed by the Sale Procedures, in late May or early June, after they have
22 negotiated and documented sale agreements with prospective purchasers. The Debtors will
23 continue to work with Committee, FTI, and SSL to maximize the value of their real estate for the
24 benefit of their estates.

25 **VII. OTHER ADMINISTRATIVE ISSUES**

26 **A. Cash Collateral**

27 The Court has entered orders authorizing the Debtors' use of the cash collateral of nearly
28 all of their secured creditors. *See e.g.*, Dkt. Nos. 355, 449, 503, 510, 681, and 712. The Debtors

1 have negotiated the great many of these orders consensually, resulting in significantly less
2 administrative expense than might have been generated through multiple contested matters and
3 evidentiary hearings. The Debtors are continuing to work cooperatively with secured lenders
4 regarding issues related to their collateral.

5 **B. Financing Issues**

6 In December 2024, the Debtors negotiated a \$6 million DIP facility with Serene Investment
7 Management, LLC, which was approved on a final basis by the Court in January 2025. *See* Dkt.
8 No. 643. The Debtors anticipated that the DIP facility would support their operations and
9 administrative costs until property sales begin to cover those costs. However, because the sale
10 timeline for the Debtors' real property has taken longer than expected, the Debtors are considering
11 either expanding the DIP Facility or borrowing from another lender to ensure that their operational
12 needs are met.

13 Separate from funding administrative expenses, the Debtors are considering obtaining
14 financing to fund the completion of the 10 partially-constructed homes in the Pinyon Creek
15 development in Truckee, California. The Debtors are in the process of discussing with FTI and
16 the Committee whether the sale of completed lots will likely yield an outcome for their estates that
17 justifies the costs of financing.

18 **C. Operating Reports**

19 The Debtors have been filing monthly operating reports on an ongoing basis and have
20 worked diligently with their professionals to become current on them. All operating reports
21 through March 2025 have been filed. The process has taken longer than anticipated because of
22 the difficulties in translating the Debtors' books and records (which were commonly recorded by
23 property) into the format of the monthly operating reports (which are on a debtor-by-debtor basis).

24 In addition to the required monthly operating reports, the Debtors are providing regular
25 financial reporting to numerous secured lenders (with copies to the Committee) in compliance with
26 their various cash collateral agreements.

27 The Debtors also timely filed the *Periodic Report Regarding Value, Operations, and*
28 *Profitability of Entities in Which the Debtor's Estate Holds a Substantial or Controlling Interest*

1 on April 15, 2025 [Dkt. No. 1273] (the “Periodic Report”). The Periodic Report provides
2 information on the operations of the two non-debtor corporations that are each wholly owned by
3 LeFever Mattson.

4 **D. Post-Petition Taxes**

5 The Debtors may contest certain property taxes and assessments that came due post-
6 petition. The Debtors are also in the process of verifying any taxes that may be due on certain
7 properties transferred to the Debtors by Mr. Mattson prior to the commencement of these Chapter
8 11 Cases. The Debtors expect that most undisputed property taxes will be paid through the
9 anticipated sale transactions for the properties discussed herein. The Debtors believe that they are
10 current on all other liquidated, undisputed post-petition taxes.

11 **E. Insurance**

12 The Debtors have submitted appropriate insurance documentation to the United States
13 Trustee in connection with the Initial Debtor Interview and have provided updated insurance
14 documentation whenever policies are renewed or new policies are purchased. The Debtors believe
15 that the insurance program in place is appropriate and adequate to protect the estates’ assets.

16 **F. Quarterly Fees**

17 The Debtors anticipate that they will be able to timely pay all of their actual or estimated
18 quarterly fees for the first quarter of 2025. Should any actual quarterly fees be greater than the
19 estimated amounts, the Debtors will pay the difference.

20 **VIII. CONCLUSION**

21 The Debtors and their professionals are working diligently to administer these Chapter 11
22 Cases, and they greatly appreciate the cooperation and efforts of the Committee and their counsel
23 as well as the United States Trustee and her office. More importantly, the Debtors and their
24 professionals are grateful for the continued trust that the investors and other creditors have placed
25 in them as they pursue a successful resolution of these Chapter 11 Cases. The Debtors and
26 Committee will address any questions from the Court at the status conference.

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Dated: April 22, 2025

KELLER BENVENUTTI KIM LLP

By: /s/ Thomas B. Rupp

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Dated: April 22, 2025

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