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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SANTA ROSA DIVISION

In re: LEFEVER MATTSON, a California corporation, *et al.*,[1] Debtors.	Case No.: 24-10545 (Jointly Administered) Chapter 11
In re: KS MATTSON PARTNERS, LP, Debtor.	Case No.: 24-10715 (CN) Chapter 11 **MOTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR SUBSTANTIVE CONSOLIDATION OF DEBTOR LEFEVER MATTSON AND KS MATTSON PARTNERS, LP AND FOR RELATED RELIEF** **Hearing** Date: July 18, 2025 at 11:00 a.m. Place: United States Bankruptcy Court 1300 Clay Street, Courtroom 215 Oakland, CA 94612 Judge: Hon. Charles Novack

[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' 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.

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CASES

The Official Committee of Unsecured Creditors (the "Committee") appointed in the chapter 11 cases (the "Cases") of LeFever Mattson ("LFM") and its affiliated debtors and debtors in possession (collectively, the "LFM Debtors") hereby moves (the "Motion") the Court for entry of an order, pursuant to section 105 of Title 11 of the United States Code (the "Bankruptcy Code"), substantively consolidating the estates of LFM and KS Mattson Partners, LP ("KSMP") and granting related relief as set forth in the proposed Order attached hereto as Exhibit A. This Motion is supported by the accompanying Memorandum of Points and Authorities, the record in these Cases, the declarations to be submitted in support of the Motion, and such other and further evidence and argument as may be adduced at the hearing on the Motion.

MEMORANDUM OF POINTS AND AUTHORITIES

I. PRELIMINARY STATEMENT[1]

The LFM and KSMP estates should be substantively consolidated. As a result of the malfeasance of Kenneth W. Mattson ("Mattson"), the business and financial affairs of KSMP and LFM are so intertwined and poorly documented as to render the exercise of disentangling their affairs needlessly expensive, complicated, and likely futile. Immediate consolidation of LFM's and KSMP's estates[2] will spare Investors the very substantial cost of employing a separate and duplicative set of estate professionals to grapple with the same tangled mess of facts that the LFM Debtors' and Committee's professionals have been working through for nearly nine months.

For over 15 years, Mattson operated a Ponzi scheme that depended on his unfettered control of LFM and KSMP and his ability to commingle their assets – conduct for which Mattson was arrested on May 22, 2025 pursuant to a federal grand jury indictment charging him with wire fraud and money laundering (among other crimes). On the same date, the United States Securities and Exchange Commission (the "SEC") filed a complaint (the "Mattson SEC Complaint") against

[1] A capitalized term used but not defined in this Preliminary Statement shall have meaning ascribed to it *infra*.

[2] While the Committee respectfully submits that the facts set forth herein constitute overwhelming cause for substantive consolidation not just of LFM and KSMP, but for all of the LFM Debtors, it will reserve seeking such global relief until plan confirmation to afford more time to individual Investors to assess their individual rights vis-à-vis their prospective treatment under the plan.

Mattson and KSMP,[3] alleging that Mattson had run a Ponzi-like scheme since approximately 2007.[4]

A central feature of Mattson's fraudulent enterprise, which included KSMP, the LFM Debtors, and other non-debtor entities affiliated with Mattson and/or KSMP (the "Mattson Enterprise"), was a single bank account at Bank of the West (later BMO) ending in -1059 (the "1059 Account"). Although the 1059 Account was opened in LFM's name, it was not integrated into LFM's books and records and was used to effect Mattson's Ponzi scheme. New Investor funds were deposited in the 1059 Account and then those same funds were distributed to old Investors; ***over just the past seven years, there were more than 50,000 transactions in excess of $250 million in the aggregate passing through the 1059 Account***. The 1059 Account was also used to pay the financial obligations of KSMP; over the last seven years more than $80 million was transferred to KSMP or third parties for KSMP's benefit.

The entanglement of LFM and KSMP was not limited to the 1059 Account. Among another things:

- KSMP and LFM routinely transferred Properties between each other or their related Entities without proper documentation and often at artificially inflated prices. For example, of the 170 Properties owned by the LFM Debtors as of the LFM Debtors' Petition Date, 81 (nearly 50%) were acquired from KSMP. These Property transfers were usually made subject to a Third-Party Loan taken out on the Property by KSMP, the terms (if not the existence) of which were not disclosed to LFM. More than 50 Properties owned by the LFM Debtors as of the Petition Date are encumbered by these loans, which are asserted to total more than $75 million in the aggregate.

- The creditor bodies of LFM and KSMP substantially overlap – 47% of investor families that filed an Investor Claim in the LFM Debtors' Cases indicated that they have a claim against KSMP or a KSMP-affiliated Entity or otherwise purchased an interest in an LFM Debtor from KSMP and 66% of tenants in common on Properties with KSMP have also asserted a claim against an LFM Debtor.

- KSMP had no employees of its own. Instead, KSMP utilized the LFM Debtors' employees, frequently without any payment (or even allocation) of costs between the LFM Debtors and KSMP.

[3] A true and correct copy of the Mattson SEC Complaint is attached hereto as Exhibit B.

[4] *Id.* ¶ 1.

- Between January 1, 2017 and September 30, 2024 alone, there were ***more than 11,500 cash transactions***, totaling approximately ***$176 million***, between the LFM Debtors, on one hand, and KSMP accounts and associated KSMP Properties, on the other hand.

In filing its proof of claim against LFM,[5] KSMP admitted to both the entanglement between LFM and KSMP and the lack of documentation of the tens of thousands of transactions among them. KSMP asserts that it has made at least $82 million of monetary transfers "on behalf of and for the benefit" of the LFM Debtors, including "Mortgage Payments," "Investor Distributions," "Utility Payments," "Operational Expenses," "Insurance Payments," and "Loans" (including an undocumented "coerced" loan made by KSMP to LFM in May 2024).[6] KSMP also admits that it "lacks specific detail as to the nature of" transfers between LFM and KSMP.[7]

The time and expense necessary to attempt to untangle the complex web of financial and real estate transactions between the LFM Debtors and KSMP is estimated to cost more than $20 million. And while there is no guarantee that the costly exercise would be successful, what is assured is that the effort itself would be severely detrimental to creditor recoveries. As a result, the hallmark test of substantive consolidation – hopeless entanglement – is readily satisfied.

Creditors – including Mattson's victims – will not be harmed by substantive consolidation. There is potentially more than $50 million of equity value in Property owned by KSMP – a significant source of recovery for Mattson's victims. Critically, substantive consolidation of LFM and KSMP will avoid the substantial cost and associated delay of engaging a separate set of estate professionals to contend with the same issues being addressed by the Committee and the LFM Debtors – including claims reconciliation, real estate sales, and plan negotiations.

The Ninth Circuit confirmed in *Bonham*[8] that (a) bankruptcy courts have authority under section 105(a) of the Bankruptcy Code and their equitable powers to enter an order of substantive

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[5] *See* Proof of Claim No. 1427, a true and correct copy of which is attached hereto as Exhibit C (the "KSMP Proof of Claim").

[6] *Id.* at 4.

[7] *Id.*

[8] *Alexander v. Compton (In re Bonham)*, 229 F.3d 750 (9th Cir. 2000).

consolidation, and (b) such substantive consolidation of affiliated companies and other entities is justified where there is fraud and malfeasance by a debtor or insider for its own benefit by improperly commingling funds, other assets, and operations through affiliated companies. Notably, *Bonham* involved a Ponzi scheme in which, as here, investment contracts were interchangeably issued by the debtor and affiliated companies to investors.

As further detailed below, the facts overwhelmingly support substantive consolidation of the LFM and KSMP bankruptcy estates. The Motion should be granted.

II. JURISDICTION AND VENUE

This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24 (N.D. Cal.), and Rule 5011-1(a) of the Bankruptcy Local Rules. This is a core proceeding under 28 U.S.C. § 157(b)(2). Venue of the Cases is proper in this district under 28 U.S.C. §§ 1408 and 1409.

III. STATEMENT OF FACTS

A. General Background

1. The LFM Debtors' Cases

The LFM Debtors commenced the Cases by the filing of their respective voluntary petitions for relief under chapter 11 of the Bankruptcy Code in August and September 2024 (as applicable, the "LFM Petition Date"). The Cases are being jointly administered for procedural purposes under the lead case of LFM.[9] No trustee or examiner has been appointed in the LFM Debtors' Cases. The LFM Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

As of the LFM Petition Date, Mr. Timothy LeFever ("LeFever") and Mattson (each a 50% equity owner of LFM) resigned from any director or officer positions with any of the Debtors. Since the LFM Petition Date, LFM's Board of Directors has been comprised of two independent directors: Rishi Jain and Lance Miller. Mr. Bradley Sharp of Development Specialists, Inc.

[9] By this Motion, the Committee does not seek to substantively consolidate all of the LFM Debtors. However, the Committee, together with the LFM Debtors, intend to seek the substantive consolidation of all (or substantially all) of the LFM Debtors in connection with the confirmation of a joint chapter 11 plan.

("DSI") is the LFM Debtors' Chief Restructuring Officer, whose designation as CRO and related retention of DSI were approved by the Bankruptcy Court.[10]

On October 9, 2024, the United States Trustee appointed the Committee.[11] On November 25, 2024, the U.S. Trustee filed an amended Committee appointment notice.[12]

2. KSMP / Mattson

KSMP was formed as a California limited partnership on August 16, 1999 to manage and develop the Mattson family assets.[13] KSMP's partnership interests are held by each of Mattson (49%), Mattson's wife Stacy (49%), and K S Mattson Company, LLC ("KSMC") (2%).[14] KSMC is the general partner of KSMP;[15] each of Mr. and Mrs. Mattson holds 50% of the membership interests in KSMC, with Mattson serving as KSMC's managing member.

On November 22, 2024, an involuntary chapter 11 petition for relief was filed against Mattson (the "Mattson Involuntary Petition"), commencing Case No. 24-10714 (Bankr. N.D. Cal.),[16] by creditor LFM (listing a claim on the petition of more than $420,000). Mattson moved to dismiss the involuntary petition,[17] which LFM and the Committee opposed.[18] After a hearing held on February 28, 2025, the Court denied the motion to dismiss the Mattson Involuntary Petition.[19] Mattson filed his Answer to the Mattson Involuntary Petition on March 21, 2025.[20] This matter remains pending before the Court.

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[10] *See* Docket No. 160.

[11] *See* Docket No. 135.

[12] *See* Docket No. 368.

[13] *See* Limited Partnership Agreement of K S Mattson Partners, LP (the "KSMP LP Agreement"), a true and correct copy of which is attached hereto as Exhibit D, art. I, § 3.

[14] *See* Exhibit D at STCA Bates Order no. 1637773 0395.

[15] *Id.*

[16] References herein to "Mattson Docket No." are to the docket numbers in *In re Kenneth W. Mattson*, No. 24-10714 (Bankr. N.D. Cal.).

[17] *See* Mattson Docket No. 24.

[18] *See* Mattson Docket Nos. 26, 30.

[19] Mattson Docket No. 48.

[20] Mattson Docket No. 51.

On November 22, 2024, an involuntary chapter 11 petition was filed against KSMP, commencing Case No. 24-10715 (Bankr. N.D. Cal.),[21] by creditors LFM (listing a claim over $420,000) and LFM Debtor Windtree, LP (listing a claim over $1 million). KSMP, through its counsel, moved to dismiss the involuntary petition,[22] which LFM and the Committee opposed.[23] After a hearing held on February 28, 2025, the Court denied the motion to dismiss[24] and set a deadline for KSMP to answer and briefing schedule on the involuntary petition.

After more than six months of contested proceedings, on June 6, 2025, KSMP consented to the entry of a stipulated order for relief in the involuntary case, which order was entered by the Court on June 9, 2025.[25]

B. Brief History of the Mattson Enterprise

1. Background of LeFever Mattson

In 1990, Timothy LeFever purchased 50% of a real estate investment business owned by Mattson, which was re-named LeFever Mattson. Since at least the early 2000s, LFM would generally[26] co-invest in real estate (usually single-family homes and eventually multi-unit residential properties) with tenants in common ("TICs"), including KSMP. LFM's original investment strategy was to provide their co-investors with a fixed monthly distribution (usually 6% of the amount of the investor's principal investment in a parcel of real property (a "Property")), which was to be paid from the Property's reserves. This original investment strategy assumed LFM's ability to transfer each Property before the reserves were exhausted, within about 3 to 5 years.[27] Upon information and belief, Mattson frequently likened investing with the

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[21] References herein to "KSMP Docket No." are to the docket numbers in *In re KS Mattson Partners, LP*, No. 24-10715 (Bankr. N.D. Cal.).

[22] KSMP Docket No. 18.

[23] KSMP Docket Nos. 28, 31.

[24] KSMP Docket No. 55.

[25] KSMP Docket No. 131.

[26] During this period, LFM created a handful of limited partnerships or limited liability companies (many of which were later converted to limited partnerships) (each, an "Entity") for specific purposes, some of which were TICs in Properties.

[27] *See* LM_01989454, a true and correct copy of which is attached hereto as Exhibit E (the "LeFever Letter"), at 1.

Mattson Enterprise to an investor putting money in a "savings account," going so far as to characterize the monthly distributions made to Investors as "owner withdrawals."

The relationships among the co-investor TICs were generally governed by an Agreement of Co-Tenancy (a "Co-Tenancy Agreement"), which disclaimed the creation of a partnership or joint venture among the co-investor TICs.[28] Co-Tenancy Agreements provided that each co-investor TIC was entitled to distributions from the Positive Operating Cash Flow (as defined in each Co-Tenancy Agreement) with respect to the subject Property.[29] Further, the Co-Tenancy Agreements provided that LFM would receive a commission equal to 2% of the purchase price of the Property plus the exclusive right to "sell the Property or any interest therein" with compensation "at least 2.5% of the purchase price."[30] As contemplated by each Co-Tenancy Agreement, each Property was managed by Home Tax Services of America, Inc. d/b/a LeFever Mattson Property Management ("LMPM"), one of the LFM Debtors, pursuant to a Property Management Agreement between LMPM and the co-investor TICs (a "Property Management Agreement").[31] Each Property Management Agreement provided for the payment of various fees and expenses to LMPM (including a 5% fee on gross rent collected and a 10 – 20% markup on the provision of various services).[32] In addition, each Property Management Agreement contemplated that LMPM could "invest reserve funds" that included "short term loans to other properties managed by [LMPM]."[33] However, these "loans" were represented to Investors as being made "for property improvements or operating expenses."[34]

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[28] *See, e.g.,* "Sharis Apartments Co-Tenancy Agreement," a true and correct copy of which is attached hereto as Exhibit F, ¶ 4.1 ("This Agreement does not create, nor is it intended to create, a partnership or joint venture. It is merely an arrangement for the management of the jointly owned Property.").

[29] *Id.* ¶ 13.

[30] *Id.* ¶ 35.

[31] *Id.* ¶ 6.

[32] *See, e.g.,* "Apartment Property Management Agreement," a true and correct copy of which is attached hereto as Exhibit G, ¶ 4.

[33] *See, e.g., id.* ¶ 7.

[34] *See, e.g., id.*

2. The Fraudulent Mattson Enterprise

Around 2008 or 2009, LFM's investment model began to crack. LFM began to experience cash flow issues, which were compounded by restrictions on secured lending. LeFever believed that LFM was able to "weather [the] cash shortage and come out all right when lending and sales return without having to cause financial disruption to so many investors" by "rel[ying] on interproperty loans[,] the management company deferring collections, and in some cases new capital coming in or loans."[35] Even though LFM could have done so, it did not "cut back the owner withdrawals [or] make capital calls."[36]

LeFever recognized that LFM needed "to increase the pace of new funds coming in,"[37] stating:

> New capital will dilute equity. But, we are doing so in properties that have increased in value since purchase. Portfolio wide we are paying down principal at approximately $320,000 per month and increasing due to the nature of the predominant index used. Our goal right now is to remain roughly stable portfolio wide. New capital coming in and new loans should be roughly balanced out by principal decrease and small gains in value in the relative short term. If this does not occur, we have various means of adjusting the results including forgiving funds owed to the management company and credit back from LeFever Mattson from brokerage fees upon transfer and/or from our equity.[38]

a. The Mattson Transactions

Mattson, who controlled Investor intake and investment decisions for the entire Mattson Enterprise, needed a steady supply of Investors, and therefore, a ballooning supply of Properties—whether they were good investments or not. Thus, to keep the facade of a legitimate investment business going, Mattson engaged in numerous fraudulent activities and transactions (collectively, the "Mattson Transactions") that spanned the entire Mattson Enterprise, which Mattson Transactions took several forms, including (1) the sale of fictitious interests; (2) encumbering properties with secret high-interest loans; (3) transferring vast sums of money between LFM and KSMP; and (4) transferring properties from KSMP to LFM Debtors at inflated prices.

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[35] Exhibit E at 1-2.

[36] *Id.* at 1.

[37] *Id.* at 2.

[38] *Id.*

(1) ***Sale of Phantom Interests***.

Mattson solicited new investments (from both existing Investors and new Investors), ostensibly in a Property or Entity (collectively, "Investment Vehicles") to secure additional cash to pay earlier Investors. Rather than selling recorded interests in Investment Vehicles (*i.e.*, an interest that was properly reflected in the LFM Debtors' books and records), Mattson sold "off-book" interests in Investment Vehicles (collectively, the "Phantom Interests"), collecting Investors' money and giving them nothing in return. The sale of Phantom Interests did not merely consist of Mattson selling an Investor an interest in an LFM-affiliated Entity that was not recorded in the LFM Debtors' records. Rather, Mattson's sale of Phantom Interests took numerous forms, each with their own complexities, including:

- Purportedly selling an interest in a real Entity without reflecting such sale in the LFM Debtors' books and records. These transactions took numerous forms, including:
  - LFM (through Mattson) sold a portion of its interest in another LFM Debtor, with such transfer never being reported to LFM and not reflected in the LFM Debtors' books and records;
  - KSMP (through Mattson) sold a portion of its interest in another LFM Debtor, with such transfer never being reported to LFM and not reflected in the LFM Debtors' books and records; and
  - Purportedly selling an interest in an Entity (specifically LFM Debtors Divi Divi Tree, LP and Butcher Road Partners, LLC)[39] to Investors through self-directed IRA custodians (an "IRA Custodian"), none of which were reflected in the LFM Debtors' books and records.
- Purportedly selling an interest in an Entity that did not (and does not) exist. These transactions took numerous forms, including:
  - Selling an interest in a non-existent limited liability company;[40]
  - Selling an interest in a non-existent[41] limited partnership pursuant to a non-existent limited partnership agreement;[42] and

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[39] KSMP appears to have engaged in similar behavior, purportedly selling interests in Specialty Properties Partners, LLC, which was converted to Specialty Properties Partners, LP ("SPP"), through IRA Custodians. In doing so, KSMP used LFM's account relationship with the IRA Custodians, rather than establishing its own. Indeed, Mattson appears to have caused LFM to represent to IRA Custodians that LFM was transferring its interest in SPP when, as a matter of fact, LFM held no interests in SPP.

[40] For example, the Investor Claims attach documentation reflecting that Mattson sold some Investors interests in "Fulton Village Partners, LLC, a California limited liability company." According to the California Secretary of State's website, no such entity exists or has ever existed.

- Selling an interest in a non-existent partnership related to a Property when that Property was held in a manner other than through a partnership.[43]

- Purportedly selling LFM's or KSMP's interest in a real Entity, but where the seller held no interests (or insufficient interests) in such Entity, which included:

  - KSMP (by Mattson) purporting to sell its interest in a LFM Debtor or LFM-owned Property in which KSMP did not hold sufficient interest;[44] and

  - LFM (by Mattson) purporting to sell its interest in a KSMP-affiliated Property or Entity in which LFM did not hold any interest.[45]

- Purportedly selling an interest in an Entity that was represented to the Investor as having an interest in a specific Property but in which, at the time of the sale (and, in many instances, at all times) such Entity held no interest in the relevant Property.[46]

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[41] "In order for a limited partnership to be formed, a certificate of limited partnership must be filed with and on a form prescribed by the Secretary of State and, either before or after the filing of a certificate of limited partnership, the partners shall have entered into a partnership agreement." Cal. Corp. Code § 15902.01(a).

[42] For example, Investor Claims attach Mattson-signed agreements purporting to evidence the transfer of interests in limited partnerships created pursuant to the "Agreement of Limited Partners of CERES WEST MHP" (upon information and belief, no such document exists, nor has any such limited partnership been formed with the State of California), the "Agreement of Limited Partners of Comstock Building Partners, L.L.C." (aside from the fact that a limited liability company does not have limited partners, upon information and belief, no such document exists, nor has any such limited partnership or limited liability company been formed with the State of California), and the "Agreement of Napa Enterprise Partners" (upon information and belief, no such document exists, nor has any such limited partnership been formed with the State of California).

[43] For example, an Investor Claim reflects that Mattson purported to sell KSMP's Interests in a partnership created pursuant to the "Agreement of Co-tenants of Spring Glen Apartments, dated as of October 1, 2006." While the Spring Glen Apartments were held as a tenancy in common, which TICs included LFM Debtors Vaca Villa Apartments LP and Tradewinds Apartments LP, KSMP was never a TIC of or otherwise on title to Spring Glen Apartments.

[44] For example, according to the LFM Debtors' books and records, KSMP first acquired an interest in the Country Oaks Apartments located at 333 E. Enos Drive, Santa Maria, CA ("Country Oaks Apartments") between July 8, 2015 and September 30, 2015, when KSMP became a 3.117% limited partner in LFM Debtor Country Oaks I, LP. Notwithstanding the fact that KSMP had no interest in the Country Oaks Apartments to convey, the Investor Claims reflect that prior to July 8, 2015, KSMP (by Mattson) purported to sell not less than 14.966% of Phantom Interests in the Country Oaks Apartments to thirteen different Investors. In total, those thirteen investors paid Mattson $1.942 million in exchange for these Phantom Interests in the Country Oaks Apartments.

[45] For example, one Investor Claim attaches an *Agreement of Transfer and Purchase of Partnership Interest* pursuant to which LFM (by Mattson) purports to sell a portion of LFM's interest in Perris Freeway Plaza, LP ("PFP"). However, upon information and belief, LFM has never held any limited partnership interest in PFP; KSMP is PFP's general partner and holds a substantial limited partnership interest therein.

[46] For example, at least 12 Investor Claims included an *Agreement of Transfer and Purchase of Partnership Interest* indicating that KSMP sold Investors interests in Ponderosa Pines LP, which Entity Mattson represented owned the Property located at 7456 Foothills Boulevard in Roseville, CA. According to the Placer County, California real property records, Ponderosa Pines LP has never held any record interest in 7456 Foothills Boulevard. As another example, according to the Sacramento County, California real property records, starting in May 2021, Mattson caused KSMP to sell 18% more TIC interests in the Comstock Building (8340 – 8350 Auburn Boulevard in Citrus Heights) than existed (*e.g.*, at one point, Mattson had sold 118% ownership interest in the Comstock Building).

(2) ***Third-Party Loans***.

The Mattson Enterprise frequently took out loans from third party financing sources (the "Third Party Loans"). Among the Third Party Loans were hard-money loans from Socotra Capital and its affiliates ("Socotra"). KSMP started taking out loans from Socotra at least as early as 2011 (the "Socotra Loans"). Since 2017, KSMP has taken out at least ninety-four Socotra Loans, which are characterized by short terms, high interest rates, and substantial transaction fees.[47] Mattson would typically cause KSMP to purchase Properties in KSMP's name and encumber those Properties with the Socotra Loans, either as acquisition financing or post-acquisition funding. Following Socotra's funding and recordation of a deed of trust securing the Socotra Loans, Mattson caused title on scores of Properties to be deeded to an LFM Debtor, subject to the deed of trust. The Third Party Loans (including the Socotra Loans) were used by KSMP to, among other things:

- Acquire new Properties, which were often subsequently transferred to an LFM Debtor subject to the deed of trust in favor of Socotra;[48]
- Extract value from unencumbered Properties that KSMP did not own,[49] which often necessitated transferring the subject property to KSMP, misappropriating the Socotra Loan proceeds, and then transferring the now-encumbered Property back to a LFM Debtor subject to the Socotra Loan;
- Refinancing existing secured debt on encumbered Properties (some of which were not wholly owned by KSMP), including "cash-out" refinancings of Third Party Loans;[50]
- Engaging in "cash-out" property purchases (*i.e.*, purchasing new real property with secured debt in excess of the purchase price).[51]

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[47] Socotra asserts that the default interest rate under all of the Socotra Loans is 25%.

[48] For example, KSMP purchased real property located at 171 W. Spain Street, Sonoma, CA ("171 W. Spain") on July 21, 2021 (with the associated Grant Deed recorded on July 30, 2021) using the proceeds of Socotra Loan No. 21-100CF. Just 16 days later, by Grant Deed dated August 6, 2021 (recorded on August 9, 2021), KSMP transferred 171 W. Spain to LFM Debtor Sienna Pointe LLC, subject to the Socotra Loan.

[49] For example, pursuant to a Grant Deed recorded on March 1, 2022, LFM transferred its interests in 10334 Badger Lane, Truckee, CA ("10334 Badger") to KSMP. Pursuant to a Deed of Trust and related documents dated February 23, 2022 (but recorded on March 1, 2022), KSMP took out Socotra Loan No. 22-29CF in the principal amount of $990,000, encumbered by 10334 Badger. In so doing, KSMP received over $950,000 that, upon information and belief, was never transferred to the LFM Debtors, even though 10334 Badger was transferred back to LFM by KSMP by Grant Deed dated March 1, 2022 (that was recorded on July 17, 2024).

[50] Additionally, Mattson pulled, and used for other purposes, equity out of refinancings of Properties that KSMP did not own 100% (i.e., held with other Investors as TICs).

[51] For example, on or about April 26, 2022, KSMP purchased two parcels of real property in Sonoma, CA (786 Broadway and 790 Broadway) using the proceeds of Socotra Loan No. 22-73CF, which Socotra Loan was also

(3) ***Insider Cash Transfers***.

When one Investment Vehicle[52] had cash and another Investment Vehicle needed cash, LFM would cause one Investment Vehicle to transfer cash to another (an "Insider Cash Transfer"). Insider Cash Transfers shifted funds from a performing Investment Vehicle to a non-performing Investment Vehicle at below-market rates (generally between 6.5% and 8%) and, in so doing, deprived one Investment Vehicle (and, as a consequence, its Investors) of equity in their investment.[53] Insider Cash Transfers also included the frequent movement of cash between LFM and KSMP ("LFM/KSMP Cash Transfers"), commonly in round amounts and without any discernible relationship to a legitimate transaction between the entities. Upon information and belief, from January 1, 2017 through September 30, 2024, there were approximately $176 million in LFM/KSMP Cash Transfers pursuant to more than 11,500 individual transactions. Specifically, from January 1, 2017 through September 30, 2024:

- The LFM Debtors' Yardi[54] accounting records reflect that in excess of $39 million in LFM/KSMP Cash Transfers were made between LFM and KSMP, executed through more than 1,800 individual transactions.
- The LFM Debtors' Yardi accounting records indicate that over $19 million in LFM/KSMP Cash Transfers were associated with KSMP Properties, effected through more than 8,400 discrete entries.
- The 1059 Account records reveal that there were more than $92 million in LFM/KSMP Cash Transfers through more than 950 checks and wire transfers.
- The 1059 Account records reveal that approximately $25 million in disbursements were made from the 1059 Account in connection with KSMP Properties, comprised of over 375 checks and wire transfers.

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collateralized by two additional properties located in Sonoma (856 4th Street E. and 1014 1st Street W.). The $3.565 million principal amount of Socotra Loan No. 22-73CF funded KSMP's $3 million purchase of the two Sonoma parcels, with approximately $495,000 in additional cash payment to KSMP. Socotra Loan No. 22-73CF is among the Socotra Loans discussed *infra* that is cross-collateralized by Properties currently owned by both the LFM Debtors and KSMP; KSMP transferred 786 and 790 Broadway to LFM Debtor Firetree I, LP by Grant Deeds dated April 29, 2022 (recorded on June 6, 2022).

[52] LFM characterized certain of these as transfers as "inter-property loans." However, a parcel of real property cannot loan money to another parcel of real property and thus, as a legal matter, LFM caused one group of TICs to transfer money to another group of TICs.

[53] As of the LFM Debtors' Petition Date, according to the LFM Debtors' books and records, there were over $30 million of these "inter-property loans" outstanding among the LFM Debtors.

[54] Yardi is a real estate asset management and accounting software that, upon information and belief, was utilized by the LFM Debtors and accurately reflects the official books and records of the LFM Debtors.

(4) ***Property Transfers Among The Mattson Enterprise***.

A critical component of Mattson's fraudulent scheme was the transfer of real property between KSMP and the LFM Debtors. As of the commencement of the LFM Debtors' Chapter 11 Cases, the LFM Debtors owned approximately 170 Properties, of which 81 (nearly 50%) were acquired from KSMP.[55] These intercompany transfers were not arm's-length transactions. Rather, Mattson would front-run the LFM Debtors and cause KSMP to purchase Properties from third parties and then (sometimes in a matter of months or even days) "sell" those Properties to the LFM Debtors at an inflated price.[56]

For example, on September 16, 2022, Mattson caused KSMP to purchase two adjoining parcels of real property in Sonoma (the "Duggans Parcels") from Duggans Mission Chapel ("Duggans") for $6.5 million. KSMP financed the purchase in part with a $4,875,000 loan from Duggans (the "Duggans Note"). Less than two months later – Mattson caused LFM Debtor Windscape Apartments LLC to purchase the Duggans Parcels from KSMP for $7.5 million, subject to the Duggans Note – a quick $1 million gain for KSMP.[57]

Mattson also frequently used KSMP as a real estate pit stop – where KSMP would load the Property up with expensive debt before transferring it to the LFM Debtors, without disclosing the terms of (or in some cases, the existence of) the Third Party Loan. For example, Mattson would often cause KSMP to encumber the property with a Socotra Loan and then cause KSMP to transfer the property to an LFM Debtor subject to that Socotra Loan – without disclosing the existence of the Socotra Loan to employees of the LFM Debtors or the Investors or otherwise causing the loan to be formally assigned to an LFM Debtor. As set forth on Exhibit I, more than 50 properties owned by LFM Debtors are encumbered by these Socotra Loans where KSMP is the obligor. Moreover, for at least 19 Properties encumbered by a Socotra Loan, an LFM Debtor held fee ownership, but then Mattson (a) caused the applicable LFM Debtor to transfer the real estate to

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[55] Exhibit H identifies each Property owned by an LFM Debtor where KSMP was the immediate transferor to the LFM Debtors.

[56] Exhibit H also identifies the date of acquisition by KSMP and the date of acquisition by the LFM Debtor.

[57] *See* LFM-S_01048167, a true and correct copy of which is attached hereto as Exhibit J, and LFM-S_00246754, a true and correct copy of which is attached hereto as Exhibit K.

KSMP; (b) encumbered the Property with a Socotra Loan through a refinance of an existing Socotra Loan or a new Socotra Loan (in either event, without KSMP transferring any cash to the LFM Debtors that it had taken out of the LFM Debtors' equity in the Property through the Socotra Loan); and (c) transferred the now-encumbered real estate back to the LFM Debtors – ***often in a matter of days or even hours***.

These loans were not reflected on the LFM Debtors' books and records. Instead, Mattson used Investor funds from the 1059 Account to service KSMP's payment obligations arising under these Socotra Loans. In particular, over the past seven years, Mattson transferred more than $20 million from the 1059 Account to Socotra on account of loans secured by the LFM Debtors' Property where KSMP – not the LFM Debtors – was the borrower and primary obligor.

b. Concealing the Scheme

In order to perpetuate his fraud, Mattson used his control of KSMP and LFM to conceal his fraudulent footsteps. As discussed further below, Mattson caused LFM to establish an off-balance sheet, commingled bank account to collect Investor funds and, among other things, pay KSMP's and Mattson's own obligations.

(1) ***The 1059 Account***.

At least 15 years ago,[58] Mattson caused LFM to establish a bank account at Bank of the West (subsequently acquired by BMO) ending in -1059 (the "1059 Account"). Mattson held *de facto* control of the 1059 Account. Despite the 1059 Account being in LFM's name, Mattson did not permit the LFM account to be integrated into LFM's accounting system and LFM employees did not reconcile or otherwise account for the 1059 Account transactions—only Mattson himself did. Unlike all other LFM bank account statements that were sent to LFM's offices in Citrus Heights, statements for the 1059 Account were sent to P.O. Box 5490, Vacaville, California 95696 (the "P.O. Box") – a post office box that is in Mattson's name, which only Mattson was authorized

[58] The Committee has obtained records of the 1059 Account from 2017 onward, but BMO has represented to the Committee that it does not maintain earlier account records. Through submitted proofs of claim and proofs of interest, as well as other discovery obtained by the Committee, the Committee knows that the 1059 Account has been in existence since at least 2010.

to access, and which Mattson used as a mailing address for KSMP and other Entities within the Mattson Enterprise that are not LFM Debtors.[59]

Mattson used the 1059 Account to perpetuate his fraud, which included commingling Investor funds and using those funds to, among other things, pay his personal debts and the financial obligations of KSMP. Over the past seven years, approximately 50,000 transactions took place in the 1059 Account, moving more than $250 million in and out. Specifically, more than $60 million was transferred to KSMP or entities controlled by KSMP or Mattson (other than the LFM Debtors) and more than $30 million was transferred to lenders for which KSMP was the borrower and obligor. In other words, the 1059 Account – although held in the name of LFM – was Mattson's slush fund, shielded from LFM employees and used to collect money from Investors and pay the obligations of the entire Mattson Enterprise, including KSMP - all without a written agreement between LFM and KSMP.

(2) ***Creation of Fraudulent Tax Documents***.

Mattson prepared all of the LFM Debtors' annual tax filings, which included the Form K-1 for each Investor of record in the applicable Entity. However, because Mattson was purporting to sell interests in real limited partnerships, to maintain the appearance of legitimacy, he had to create fraudulent Form K-1s for the investors to whom he sold Phantom Interests.

C. The Criminal and SEC Proceedings Against Mattson

1. Mattson Indictment

On May 22, 2025, Mattson was arrested pursuant to a federal grand jury indictment (the "Mattson Indictment") charging him with, *inter alia*, wire fraud (18 U.S.C. § 1343), money laundering (18 U.S.C. § 1957) and obstruction of justice in a federal investigation (18 U.S.C. § 1519).[60]

The Mattson Indictment discussed certain interrelationships between Debtor LFM and KSMP and the myriad improper or suspect transfers and transactions involving them:

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[59] *See Declaration of Robbin L. Itkin in Support of Motion of Debtor for Entry of an Order (I) Extending Time to File Schedules of Assets and Liabilities, Statements of Financial Affairs and List of Equity Security Holders, and (II) Suspending the Nongovernmental Bar Date* [KSMP Docket No. 150] (the "Itkin Dec."), ¶ 9(b).

[60] A true and correct copy of the Mattson Indictment is attached hereto as Exhibit L.

- "MATTSON also engaged in similar fraudulent conduct through another real-estate holding entity over which he exercised sole business control—KS Mattson Partners, LP (KSMP)."[61]

- "Divi Divi Tree, LP (Divi Divi) was a California limited partnership. Divi Divi was formed in 2002. Divi Divi was formed to acquire and maintain a large multi-unit apartment community called the "Sienna Pointe Apartments." Divi Divi had approximately 19 original investors and limited partners, who contributed more than $10,000,000 in initial capital. LM was the General Partner. Over time, LM, KSMP, and others purchased the interests of other investors, such that by December 2023, the official books and records maintained by Home Tax reflected only four partners with interests in Divi Divi."[62]

- "LENDING ENTITY 1 was a hard money lender headquartered in Sacramento, California. LENDING ENTITY 1 described itself as a premier private lender with over 2,000 loan transactions totaling over $2 billion worth of loans. Between 2011 and 2024, LENDING ENTITY 1 provided more than $180,000,000 in loans to KSMP for various properties across California."[63]

- "In a bank account which MATTSON maintained in the name of LM with an account number ending in 1059 (the 1059 Account), MATTSON co-mingled funds, including investor money, with money from at least two other accounts: one that he held in the name of KSMP and a third account he controlled. For example, MATTSON transferred funds between the accounts and used the 1059 Account to pay for millions of dollars of personal expenses, such as mortgages on homes owned by KSMP in Piedmont, California and Del Mar, California. Between 2019 and 2024, the 1059 Account had declining cash balances on January 1 of each year, such that without new investments, the 1059 Account would have had a cumulative net negative balance of approximately $26,000,000. Between 2019 and 2024, these three accounts alone had total debits of approximately $346,000,000 and total credits of $341,000,000, resulting in net activity of nearly negative $5,000,000."[64]

2. The Mattson SEC Complaint

On May 22, 2025, the SEC filed the Mattson SEC Complaint against Mattson and KSMP (as Relief Defendant). According to the Mattson SEC Complaint, from approximately 2007 through April 2024, Mattson ran a Ponzi-like scheme offering and selling fake interests in various Entities created and managed by LFM (alleged to be run by Mattson during this period).[65] Through his fraud, fraudulent representations, and other securities violations (*i.e.*, the antifraud provisions of the Securities Act of 1933 and Securities Exchange Act of 1934, and securities registration provisions of the Securities Act), the SEC alleges that Mattson raised more than $46

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[61] *Id.* at 3.

[62] *Id.* at 3 – 4.

[63] *Id.* at 4.

[64] *Id.* at 13-14.

[65] Exhibit B ¶ 1.

million from approximately 200 investors in the last five years alone, including many retired seniors with IRAs investing in Phantom Interests.[66] Echoing similar allegations raised by others discussed herein, Mattson falsely told the defrauded Investors that their investments would buy them equity in specific LFM-affiliated Entities, entitling them to distributions of the income generated by the underlying Properties.[67] Mattson commingled new Investor funds with other personal and business funds in an LFM bank account that he controlled (*i.e.*, the 1059 Account) and used the commingled funds to make Ponzi-like payments to existing Investors (with 6% or more annual returns).[68] He also misappropriated Investor money to fund certain real estate transactions through his personal partnership, KSMP, pay expenses of KSMP, and pay for his own personal expenses.[69]

Among other specific allegations of malfeasance, including many discussed in detail herein, according to the SEC, Mattson (i) instructed his assistant not to discuss the defrauded Investors with anyone else at LFM; (ii) kept documents related to his fraudulent scheme, including bookkeeping records, on his laptop; and (iii) deleted his bookkeeping software and hundreds of files (including those with file names containing the names of defrauded Investors), after receiving a subpoena from the SEC's Division of Enforcement.[70] According to the SEC, the Mattson Enterprise's business records are incomplete, false, and/or inaccurate relating to the fraudulent scheme, and were compromised and deleted in some cases by Mattson.[71]

The Mattson SEC Complaint further alleges that KSMP (which the SEC is also pursuing for unjust enrichment) was an integral part of Mattson's scheme.[72] Among other malfeasance, the SEC alleges that at least $9.9 million in Investor money was used to fund real estate purchases by KSMP, and additional monies were used to pay KSMP's other obligations and expenses, including

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[66] *Id.*

[67] *Id.* ¶ 56.

[68] *Id.* ¶ 39.

[69] *Id.* ¶ 72.

[70] *Id.* ¶ 69.

[71] *Id.* ¶ 5.

[72] *Id.* ¶¶ 8, 70 – 74.

$13 million of interest on several high-interest loans that Mattson had taken out to purchase other Properties in KSMP's name.[73]

IV. RELIEF REQUESTED

The Committee requests an order substantively consolidating the cases of LFM and KSMP pursuant to the Court's general equity powers under section 105 of the Bankruptcy Code and applicable Ninth Circuit law. A proposed form of order is attached hereto as Exhibit A.

V. ARGUMENT

A. Applicable Law

The primary purpose of substantive consolidation is to "ensure the equitable treatment of all creditors," and to thwart a debtor's ability to insulate money from creditors through transfers among separate, but related entities.[74] This purpose is accomplished by combining "the assets and liabilities of separate and distinct—but related—legal entities into a single pool and treat[ing] them as though they belong to a single entity."[75] From this single fund of assets, all claims against the consolidated debtors are satisfied.[76]

In the Ninth Circuit, a bankruptcy court may use its equity powers under section 105 of the Bankruptcy Code[77] to substantively consolidate separate, but related, legal entities when either: (i) creditors dealt with the subject entities as a single economic unit and did not rely on their separate identities in extending credit (at times referred to as the "single entity test"); or (ii) the affairs of

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[73] *Id.* ¶ 72.

[74] *Bonham*, 229 F.3d at 764; *see also id.* ("Without the check of substantive consolidation, debtors could insulate money through transfers among inter-company shell corporations with impunity.").

[75] *Id.*; *see also Leslie v. Mihranian (In re Mihranian)*, 937 F.3d 1214, 1216 (9th Cir. 2019) (approvingly quoting *Bonham*).

[76] *Bonham*, 229 F.3d at 764; *see also Mihranian*, 937 F.3d at 1216 (approvingly quoting *Bonham*).

[77] *See Bonham*, 229 F.3d at 763 ("The bankruptcy court's power of substantive consolidation has been considered part of the bankruptcy court's general equitable powers since the passage of the Bankruptcy Act of 1898."). As *Bonham* demonstrates, bankruptcy courts have the power to enter a substantive consolidation order. The Supreme Court's decision in *Law v. Siegel,* 571 U.S. 415 (2014), does not compel a different result. There, the Supreme Court held that "a bankruptcy court may not contravene specific statutory provisions" of the Bankruptcy Code. *Id.* at 421. Ordering substantive consolidation, however, does not contravene specific provisions of the Bankruptcy Code. While the Bankruptcy Code does not explicitly authorize substantive consolidation, neither does the Bankruptcy Code forbid it. *See also Bank of Am., N.A. v. CD-04, Inc. (In re Owner Mgmt. Serv., LLC)*, 530 B.R. 711, 722-23 (Bankr. C.D. Cal. 2015), *aff'd sub nom. OMS, LLC v. Bank of Am., N.A.*, No. 15-3876-R, 2015 U.S. Dist. LEXIS 152622 (C.D. Cal. Nov. 6, 2015).

the debtors are so entangled that consolidation will benefit all creditors (at times referred to as the "hopeless entanglement" test).[78] The satisfaction of either test will support an order of substantive consolidation.[79] The party moving for substantive consolidation has the initial burden.[80] However, once the moving party establishes a close interrelationship between the entities, there is then a presumption that creditors did not rely on their separate credit and the burden of proof shifts to any party opposing substantive consolidation to show otherwise.[81]

No uniform guideline exists to determine substantive consolidation, and courts must make the determination on a case-by-case basis with reference to the facts to ensure that consolidation achieves its purpose of "fairness to all creditors."[82] Courts (both inside and outside of the Ninth Circuit) have, however, cited numerous factors in furtherance of a substantive consolidation finding, which can be distilled into five overarching categories: (i) common ownership and control; (ii) the state of books and records; (iii) shared finances; (iv) asset and property transfers; and (v) creditor confusion.[83] Each of these categories are evaluated with an eye towards

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[78] *Bonham*, 229 F.3d at 766 (adopting the Second Circuit's test in *In re Augie/Restivo Baking Co.*, 860 F.2d 515, 518 (2d Cir. 1988)); *see also Sharp v. Salyer (In re SK Foods, L.P.)*, Nos. S-10-810-LKK, 10-811, 10-812, 2010 U.S. Dist. LEXIS 136178, at *19 (E.D. Cal. Dec. 9, 2010).

[79] *Bonham*, 229 F.3d at 766.

[80] *Clark's Crystal Springs Ranch, LLC v. Gugino (In re Clark)*, 548 B.R. 246, 254 (B.A.P. 9th Cir. 2016), *aff'd*, 692 F. App'x 946 (9th Cir. 2017) (citing *Luxury Jewels, LLC v. Akers (In re Aroonsakool)*, No. SC-13-1206-JuKuPa, 2014 Bankr. LEXIS 1234, at *24 (B.A.P. 9th Cir. March 28, 2014)).

[81] *Id.* (citing *Bonham,* 229 F.3d at 767).

[82] *Bonham*, 229 F.3d at 765. *See also Branch Banking & Tr. Co. v. Shapiro (In re R&S St. Rose Lenders, LLC)*, 756 F. App'x 731, 733 (9th Cir. 2019) (substantive consolidation "is an equitable remedy evaluated on a case-by-case basis with an eye towards 'fairness to all creditors.'"); *Team Spirit Am., LLC v. Kriegman (In re LLS Am., LLC)*, Nos. EW-11-1524-DHPa, 11-1550, 2012 Bankr. LEXIS 2603, at *31 (B.A.P. 9th Cir. June 5, 2012) ("The primary purpose of substantive consolidation is to ensure the equitable treatment of all creditors.") (internal citation omitted); *In re Stayton SW Assisted Living, LLC*, No. 09-cv-6082-HO, 2009 U.S. Dist. LEXIS 119186, at *12 (D. Or. Dec. 22, 2009) (allowing substantive consolidation and finding that the language "benefit of all creditors" does not mean each and every creditor but the creditor body as a whole).

[83] In *Bonham*, for example, the court found that substantive consolidation was appropriate, pointing to, among other things: (i) the commingling of assets of the debtor and affiliated entities; (ii) the interchangeable use of the names of the various entities and investment contracts to investors as part of a Ponzi scheme; (iii) the use of the other entities' funds for the debtor's liabilities and other personal purposes; (iv) supporting testimony of control by the debtor; (v) evidence that the entities were not operated as separate entities; (vi) evidence that creditors relied solely on the debtor's credit and not on the separate credit of the two corporations; (vii) the lack of independent financial statements and corporate tax returns; and (viii) evidence (including the lack of debtor's cooperation) that the exercise of disentangling the entities' affairs would be needlessly expensive and possibly futile. *Bonham,* 229 F.3d at 767-69. Similarly, in *In re LLS America LLC*, the Bankruptcy Court for the Eastern District of Washington granted substantive consolidation based on its findings that: (i) the affairs of the debtor and each of the non-debtor companies were intertwined and entangled, (ii) the companies had substantially the same creditors,

determining the degree of difficulty in disentangling each entity's assets and liabilities and whether substantive consolidation will fulfill its purpose of ensuring the equitable treatment of all creditors.

B. LFM and KSMP are "Hopelessly Entangled"

Substantive consolidation of LFM and KSMP is warranted because they are hopelessly entangled. The Ninth Circuit has described the "hopeless entanglement" test as "justified only where 'the time and expense necessary even to attempt to unscramble [the multiple entities] is so substantial as to threaten the realization of any net assets for all the creditors' or where no accurate identification and allocation of assets is possible."[84] Truly impossible entanglement of assets and affairs is not necessary to satisfy the "hopeless entanglement" test; there just must be enough entanglement that the time and resources necessary for disentanglement would be prohibitive so as to materially impact creditors' recoveries.[85] Some courts have also found that the nature of a Ponzi scheme fulfills the test for "hopeless commingling."[86]

(iii) the companies had been operated as one business enterprise with a common business purpose, (iv) creditors had dealt with the companies as a single economic unit; (v) creditors did not rely on any of the companies' separate identities in extending credit, (vi) it would be cost prohibitive and detrimental to creditors to unwind the companies' affairs; and (vii) there would be no prejudice to creditors from the order of substantive consolidation. *See In re LLS Am., LLC*, No. 09-06194-PCW11, 2011 Bankr. LEXIS 3429, at *1, *9-10, *12-13 (Bankr. E.D. Wash. Sept. 8, 2011), *aff'd*, Nos. EW-11-1524-DHPa, 11-1550, 2012 Bankr. LEXIS 2603 (B.A.P. 9th Cir. June 5, 2012).

[84] *Bonham*, 229 F.3d at 766 (quoting *In re Augie/Restivo*, 860 F.2d at 519).

[85] *See Gugino v. Clark's Crystal Springs Ranch, LLC (In re Clark),* 525 B.R. 107, 129 (Bankr. D. Idaho 2014) ("[T]he manner of record-keeping and the conflation of individual, Trust and LLC activities, assets, and obligations has resulted in a situation that defies the ability to segregate the assets and liabilities in order to separately administer the same. . . . The time, effort and expense involved in such an exercise would grossly outweigh the benefit to all creditors."), *aff'd,* 548 B.R. 246 (B.A.P. 9th Cir. 2016); *see also In re SK Foods, L.P.*, 2010 U.S. Dist. LEXIS 136178, at *20-21 ("[T]he evidence . . . submitted demonstrates a fair chance on the success on the merits of the claim that the time and expense necessary even to attempt to unscramble [the assets] is so substantial as to threaten the realization of any net assets for all the creditors. . . . Evidence of specific transactions does not defeat the Trustee's claim, but rather may be seen as supporting the degree of entanglement of the debtor and non-debtor entities.") (citation omitted); *In re Stayton SW Assisted Living, LLC,* 2009 U.S. Dist. LEXIS 119186, at *12-13 ("The affairs of the Sunwest Enterprise are inextricably entangled and any effort to untangle them will result in damage to all Claimants and would threaten the realization of any recovery for Claimants. . . . The fact that the entanglement resulted in and was used in furtherance of violations of federal and state securities laws created another layer of legal entanglement . . . .").

[86] *See, e.g.*, *In re Woodbridge Grp. of Cos., LLC*, 592 B.R. 761, 778 (Bankr. D. Del. 2018) ("(1) [T]his Ponzi scheme is the type of compelling circumstance that overcomes the general expectation of recognizing corporate separateness; (2) substantive consolidation addresses the harm caused by the Debtors to the creditors; (3) the Plan's substantive consolidation accomplishes more than 'administrative convenience' because it results in equitable treatment of defrauded creditors; and (4) substantive consolidation is being used defensively to remedy

Here, LFM's and KSMP's shared finances, the multitude of asset and property transfers between them, the widely-held creditor confusion, and LFM's and KSMP's common ownership and control make clear that LFM and KSMP are hopelessly entangled and that the time and resources necessary for disentanglement would be prohibitive so as to materially impact creditors' recoveries—if such disentanglement is even possible given the state of KSMP's books and records, discussed in further detail below. As such, substantive consolidation of KSMP and LFM is justified.

1. Common Ownership and Control

Common ownership and control is one category of facts that courts consider in determining whether separate entities should be substantively consolidated. In evaluating this factor, courts examine, among other things, the ownership of the entities to be consolidated, whether the entities share employees or management, and the existence of intercompany guarantees of major secured obligations.[87] This factor supports the Committee's request for substantive consolidation.

While the ownership structure of LFM and KSMP is not identical, Mattson played a substantial role in both the ownership and control of LFM and KSMP. Mattson is a 50% owner of LFM and served as its President until his resignation in April 2024. In his capacity as President of LFM, Mattson acted as chief executive officer of LFM, and subject to the control of the Board of Directors (which, prior to the LFM Petition Date, consisted of Mattson and LeFever), had "general supervision, direction, and control of the business and the officers of the Corporation."[88]

Mattson's asserted responsibilities on paper also carried through to how LFM and the other LFM Debtors operated. Numerous Investors noted in their proofs of interest that their business

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the harm to creditors caused by the commingling of assets in the Ponzi scheme—and is not being used offensively to disadvantage a particular group of creditors.").

[87] *See In re Food Fair, Inc.,* 10 B.R. 123, 126 (Bankr. S.D.N.Y. 1981) (evaluating the ownership of the debtors); *see also In re Vecco Constr. Indus., Inc.*, 4 B.R. 407, 410-11 (Bankr. E.D. Va. 1980) (considering the shared officers and directors of the debtors and the existence of an inter-company guarantee of a major secured obligation); *Sharp v. Salyer (In re SK Foods, LP)*, 499 B.R. 809, 835-36 (Bankr. E.D. Cal. 2013) (considering who employed the management and administrative staff of each debtor).

[88] *See Amended and Restated Bylaws of LeFever Mattson*, a true and correct copy of which is attached hereto as Exhibit M, art. IV, § 7.

relationship with LFM was through Mattson—he (or his assistant, when Mattson was not reachable) was the person Investors contacted (or he contacted them) to inquire about making an investment in an LFM Debtor and facilitated the investment transactions. On the back end, the LFM Debtors' employees took direction from Mattson as to what Properties needed to be sold or transferred, how funds received were to be applied and transferred to or from LFM's bank accounts, and what to tell Investors who inquired about their investments and monthly distribution checks. At bottom, Mattson had considerable control over LFM's business. Similarly, Mattson owns 49% of KSMP and 50% of KSMC, which itself is the general partner and 2% owner of KSMP. Mattson had complete control of KSMP's business operations as well.

KSMP had no employees of its own. Instead, KSMP utilized the LFM Debtors' employees, frequently without any payment (or even allocation) of costs between the LFM Debtors and KSMP. Since 2010, at least eleven of the LFM Debtors' employees provided substantial (and, in certain instances, exclusive) services to KSMP, yet KSMP never reimbursed the LFM Debtors' for these employees' services. When certain employees conducted business on behalf of KSMP, they would use their email domain associated with the LFM Debtors and their signature block would list "LeFever Mattson – KS Mattson Partners, LP – Home Tax Service of America." Thus, LFM's and KSMP's common ownership and control weighs in favor of substantive consolidation.

2. State of Books and Records

Another set of facts that courts consider in determining whether separate entities should be substantively consolidated is the state of the entities' books and records. In evaluating this category, courts have examined, among other things, whether records of the entities are stored together (whether physical or electronic records)[89] and have noted that instances where courts have ordered substantive consolidation "often involve accounting records in disarray, when they

[89] *See, e.g., SK Foods*, 499 B.R. at 821; *Owner Mgmt. Serv.*, 530 B.R. at 734 (noting that the "records were grouped together").

are not absent in whole or in part."[90] Here, several facts related to the state of the LFM Debtors' and KSMP's books and records support the Committee's request for substantive consolidation:

- Many of the LFM Debtors' and KSMP's records were stored together. For example, upon information and belief, certain of the LFM Debtors' physical records (including many critical books and records related to Investors and Properties) were stored in boxes at Mattson's assistant's home office along with KSMP's records.
- Upon information and belief, Mattson had possession of many electronically-stored documents of both LFM and KSMP.
- Business records of both LFM and KSMP that could tie Mattson to fraudulent behavior (for example, bank statements for the 1059 Account) were sent to the P.O. Box in Vacaville exclusively accessible to Mattson.
- To the extent that Mattson maintained records (including, for example, as to the 1059 Account), many of LFM's and KSMP's critical books and records are not accessible to either LFM or KSMP.[91]

3. Shared Finances

In connection with substantive consolidation, courts examine the extent of entities' shared finances. Among other things, courts have substantively consolidated entities where money was transferred back and forth between entities without a contract or discernible exchange of goods or services,[92] where there were unexplained withdrawals and transactions from the entities' bank accounts,[93] where liabilities incurred by one entity were paid for by the other entity,[94] and where there are corporate guarantees involving the entities to be consolidated.[95]

For well over a decade, the finances of LFM and KSMP have been inextricably intertwined. Among other things, (i) the 1059 Account was used as an off-balance sheet slush fund to pay LFM and KSMP expenses with little or no accounting of transactions; (ii) LFM and KSMP transferred money between each other with little or no documentation or explanation; (iii) the LFM Debtors and KSMP transferred real properties between each other without properly

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[90] *In re Petters Co.*, 506 B.R. 784, 794 (Bankr. D. Minn. 2013).

[91] *See, e.g.,* Itkin Dec. ¶ 4 ("I have been unable to locate any traditional books and records detailing the assets, liabilities and operations of [KSMP].")

[92] *See, e.g., SK Foods*, 499 B.R. at 835.

[93] *See, e.g., Owner Mgmt. Serv.*, 530 B.R. at 733.

[94] *See, e.g., Owner Mgmt. Serv.*, 530 B.R. at 733-34; *SK Foods*, 499 B.R. at 828.

[95] *See, e.g., Eastgroup Props. v. S. Motel Assoc., Ltd.*, 935 F.2d 245, 249 (11th Cir. 1991).

assigning the underlying mortgages, creating a morass of properties owned by an LFM Debtor where the mortgagor is KSMP; and (iv) numerous mortgages on Properties owned separately by an LFM Debtor and KSMP that are cross-collateralized.

LFM and KSMP Paid Each Other's Expenses. As discussed above, within the past seven years, through the 1059 Account, (i) LFM transferred more than $60 million to KSMP or entities controlled by KSMP; (ii) LFM transferred an additional $30 million to lenders for which KSMP was the borrower and obligor; (iii) LFM paid more than $7 million of credit card charges on behalf of KSMP or its affiliates; and (iv) LFM – over the course of 3,700 separate transactions – paid more than $20 million on account of various Property-related expenses on account of LFM or KSMP - ***all without a written agreement between LFM and KSMP or any discernible accounting***.

Moreover, KSMP asserts in its proof of claim filed against LFM that KSMP has paid, on behalf of LFM, various expenses, including, mortgage payments, investor distributions, utility payments, operational expenses, and insurance payments, ***totaling more than $82 million***. KSMP also asserts that it made (undocumented) loans to LFM, going so far as to allege that LFM "coerced" KSMP into loaning $3.5 million to LFM in or around May 2024 – and that this loan was "just one of numerous loan contributions to the operational expenses of LeFever Mattson. . . ."[96]

Lack of Written Transfer Documentation. LFM's accounting records are littered with transfers to KSMP without meaningful descriptions or other supporting documentation. This lack of supporting evidence or documentation is not limited to the 1059 Account, but rather afflicts the entire LFM cash management system. Upon information and belief, from January 1, 2017 through September 30, 2024, there were approximately $176 million in LFM/KSMP Cash Transfers pursuant to more than 11,500 individual transactions, including transactions to and from the 1059 Account, most of which cannot be easily tied to any written agreement or specific, documented transaction between LFM and KSMP. For example, the Committee's investigation has revealed that LFM's general ledger reflects funds transferred to KSMP and documented as "reclass

[96] *See* Exhibit C, at 4, n.1.

payment" or "record transfer." As one extreme example, there is a ledger entry in the LFM Debtors' records dated December 21, 2017 that reflects a $1.5 million wire transfer to KSMP with an account name of "Suspense" and a description of "Wire Out – KS Mattson Partners."

Financial Guarantees and Cross-Collateralized Loans. LFM and KSMP frequently guaranteed each other's financial obligations.[97] For example, LFM and KSMP are joint guarantors on not less than six separate Third-Party Loans, totaling nearly $50 million in contingent liabilities:

	Lender	Borrower(s)	Approx. Balance
1	Citizens Business Bank	Treehouse Investments LP	$4.2 million
2	NexBank	Pinecone LP	$1.9 million
3	Umpqua Bank	Sienna Pointe LLC	$19.4 million
4	Umpqua Bank	River Birch LP	$1.7 million
5	Umpqua Bank	Autumn Wood I LP; Pinewood Condominiums LP; Vaca Villa Apartments LP	$14.3 million
6	Umpqua Bank	RT Golden Hills LP	$6.3 million

In addition, certain of the LFM Debtors' and KSMP's real property is or was cross-collateralized under at least four separate Third-Party Loans, as depicted in the chart below:

Loan	Debtor Property	KSMP Property	Approx. Balance
1	1870 Thornsberry Road	1221 Apple Tree Court[98]	$2.2 million
2	222-226 West Spain Street	282 Patten Street[99]	$1.5 million
3	24265 Arnold Drive 24321 Arnold Drive	1549 E. Napa Street	$3.9 million

[97] In addition to the guarantees and cross-collateralizations discussed herein, the practical effect of the Socotra Loans on the LFM Debtors is functionally equivalent to the LFM Debtors' guaranteeing KSMP's obligations under the Socotra Loans; notwithstanding the LFM Debtors' lack of contractual privity with Socotra, upon the sale of each LFM Debtor-titled Property that is encumbered by a Socotra Loan, the applicable LFM Debtor will be required to pay off the applicable Socotra Loan, thereby releasing KSMP of its financial obligations thereunder.

[98] Upon information and belief, 1221 Apple Tree Court was sold on May 2, 2024.

[99] Upon information and belief, 282 Patten Street was sold on July 11, 2024.

Loan	Debtor Property	KSMP Property	Approx. Balance
4	786 Broadway 790 Broadway	1014 1st Street West 856 4th Street East	$4.8 million

4. Asset and Property Transfers

In determining whether separate entities should be substantively consolidated, courts also examine asset and property transfers between entities. Evaluating such facts, courts have examined, among other things, a lack of proper documentation of transfers and other transactions between entities,[100] improper diversion of assets,[101] and shared overhead costs without rational allocation among entities.[102] Here, numerous facts related to property transfers between the LFM Debtors and KSMP support substantive consolidation, including:

- Not less than 81 Properties owned by the LFM Debtors as of the LFM Petition Date were previously owned by KSMP. KSMP encumbered many—if not most—of these Properties with Third-Party Loans (a fact, upon information and belief, unknown to the non-Mattson LFM personnel at the time of the transfer). Until the Mattson Enterprise collapsed, Mattson would make payments on these secured loans—sometimes from KSMP funds and sometimes from LFM funds—without the knowledge of the LFM Debtors' personnel.

- In addition to the foregoing, not less than nine Properties owned by the LFM Debtors prior to the LFM Petition Date were previously owned by KSMP. Similar to the above, KSMP encumbered many of these Properties with secured loans (a fact unknown to the non-Mattson LFM personnel at the time of the transfer).

- Not less than three Properties currently owned by KSMP were previously owned by an LFM Debtor.[103]

- Very few of the transfers of Properties between the LFM Debtors and KSMP occurred through a third-party escrow agent. Moreover, such transfers often lacked the paperwork expected of large-scale real property transfers (and generally, when

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[100] *See, e.g., SK Foods*, 499 B.R. at 828, 839; *Clark*, 548 B.R. at 255; *In re WorldCom, Inc.*, No. 02-13533 (AJG), 2003 Bankr. LEXIS 1401, at *41 – 42 (Bankr. S.D.N.Y. Oct. 31, 2003); *see also Bonham*, 229 F.3d at 765 n.10 (noting that the "transfers of assets without formal observance of corporate formalities" is a factor that a court "should consider" in connection with substantive consolidation) (citing cases).

[101] *SK Foods*, 499 B.R. at 823 – 24.

[102] *Id.* at 839 – 40.

[103] Specifically, (a) 1549 E. Napa Street was purchased by KSMP on January 23, 2020, transferred by KSMP to LFM Debtor Napa Elm LP on April 20, 2020, transferred by Napa Elm LP to LFM on July 6, 2022, transferred by LFM to LFM Debtor RT Capitol Mall LP on July 7, 2022, and transferred by RT Capitol Mall LP to KSMP on November 13, 2023; (b) 62 Farragut Avenue was purchased by LFM on July 14, 1999 and transferred to KSMP on November 3, 2014; and (c) 3557 Golf View Terrace was purchased by LFM on July 27, 2011 and transferred to KSMP on August 21, 2020.

there was such paperwork, like a purchase agreement, Mattson signed on behalf of both buyer and seller).

- The tens of millions of dollars that were moved between LFM and KSMP were not supported by any formal documentation, such as an intercompany note, and the purposes of such transfers are rarely ascertainable.

5. Creditor Confusion

Since Mattson's inception of his fraudulent scheme and shell game using LFM and KSMP in defrauding new Investors, many Investors and other creditors have been confused and misled as to the identity, affiliations, and role of LFM and KSMP in the applicable transactions – further evidencing the hopeless entanglement of LFM and KSMP:[104] As evidenced by the proofs of claim and proofs of interest filed by Investors in the LFM Debtors' Cases (the "Investor Claims"), among other things:

- A substantial number of investors entered into agreements with KSMP to purchase purported Interests in LFM Debtors and/or LFM-owned Properties but received payments on account of such purported Interests from both LFM and KSMP.
- A substantial number of investors entered into agreements with LFM to purchase purported Interests in LFM Debtors and/or LFM-owned Properties but received payments on account of such purported Interests from both LFM and KSMP.
- Certain investors purchased purported Interests in LFM Debtors and/or LFM-owned Properties but paid their investment principal to KSMP.
- Investors frequently expressed confusion regarding the relationship between LFM, the other LFM Debtors, and KSMP (and its affiliated Investment Vehicles), with some investors believing that KSMP was another LFM-related Investment Vehicle.
- Certain of the LFM Debtors' employees (all of whom only had LFM email addresses) had email signatures that included both LFM and KSMP.
- Indeed, even the LFM Debtors and KSMP were confused about the complex Entity structure, a fact only compounded by poor recordkeeping. For example, upon

[104] *See, e.g., SK Foods*, 499 B.R. at 819-21, 828 ("The number of related entities and their relationships have caused confusion as to on whose behalf certain acts have been taken"; confusion existed among parties including about which entity owned certain assets); *Clark*, 548 B.R. at 256 ("[M]any of the [nondebtor] LLC's creditors were also creditors in Debtor's [Jay Clark] bankruptcy case. One of the creditors testified that he had no good understanding of the difference between the LLC and Debtor. Other creditors did not draw distinctions, as shown by various checks made out to 'Crystal Springs Ranch,' 'Jay Clark,' 'Clark's Crystal Springs,' and 'Clark's Crystal Springs Ranch.'"); *In re Geo. W. Park Seed Co.*, No. 10-02431-jw, 2010 Bankr. LEXIS 4632, at *5-6, *10, *13 (Bankr. D.S.C. June 22, 2010) ("The majority of the Debtors' employees are under the impression that they work for one of the five Debtors, either Park Retail or one of the Jackson & Perkins entities, and do not recognize that they actually work for five entities. This confusion extends to customers and vendors, who are often confused regarding the identity of the Debtors."; "The operations were so entangled that customers, employees, and vendors had difficulty distinguishing between the Debtors and were often confused by the different Debtor entities."; "Creditors were often confused with regard to the identity of the Debtor, and many creditors treated the Debtors as if they were one entity.").

information and belief, certain of the LFM Debtors may have been (at some point) contemplated to be owned and managed by KSMP, yet LFM was (and is) listed as such Entities' general partner, with LeFever named as such Entities' registered agent.

- In at least one instance (Treehouse Partners, LP), while the California Secretary of State's records and the text of the limited partnership agreement indicated that KSMP was the Entity's general partner, the signature block of the limited partnership agreement indicated that LFM was the Entity's general partner, with KSMP only a limited partner.

C. Substantive consolidation will benefit creditors.

Substantive consolidation of KSMP and LFM will benefit the creditor body, including the defrauded Investors. In evaluating whether to substantively consolidate entities, courts must "balance the benefits that substantive consolidation would bring against the harms that it would cause."[105] This does not mean that each and every creditor must benefit from substantive consolidation, but rather that there is a benefit to the creditor body as a whole.[106] Further, there is no bright line rule on whether the court must consider the highest number of creditors versus the creditors with the highest claim value. Instead, the court must make this determination "with an eye towards 'fairness to all creditors.'"[107] Here, at least four factors show that substantive consolidation of LFM and KSMP will benefit the Mattson Enterprise's creditor body as a whole.

First, if it is even possible to do so, it would be prohibitively expensive to fully disentangle KSMP and LFM such that doing so would materially impact creditor recoveries.[108] Given, among other things, the fact that there are no less than 12,000 individual transactions among the LFM Debtors and KSMP ***just since 2017***, the state of the LFM Debtors' and KSMP's books and records, the lack of formal documentation of transactions, and the decades of history of the Mattson Enterprise, the Committee expects that it would cost ***at least $20 million*** to fully

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[105] *Owner Mgmt. Serv.*, 530 B.R. at 723–24 (citing *Bonham*, 229 F.3d at 765); *see also In re Gyro-Trac (USA), Inc.*, 441 B.R. 470, 488 (Bankr. D.S.C. 2010) ("Substantive consolidation will not affect distributions to [Investors] but will actually facilitate implementation of Debtor's Plan and will allow [Investors] to be paid more efficiently. Allowing consolidation will also eliminate substantial confusion for [Investors] in determining who to look to for distributions and will ensure that creditors are paid using the reorganized debtor's combined resources.").

[106] *Owner Mgmt. Serv.*, 530 B.R. at 739 (citing *In re Stayton SW Assisted Living, L.L.C.*, No. 09-cv-6082-HO, 2009 U.S. Dist. LEXIS 119186, at *12 (D. Ore. Dec. 22, 2009)).

[107] *In re R&S St. Rose Lenders, LLC*, 756 F. App'x at 733 (quoting *Bonham*, 229 F.3d at 765).

[108] In addition, based on the information currently available to the Committee, the Committee believes that there is equity value in the Properties owned (in whole or in part) by KSMP above the secured debt on account of such Properties.

disentangle the affairs of KSMP and LFM—or, come to the conclusion that disentanglement is not even possible.

Second, there is substantial overlap between the creditor body of the LFM Debtors and the creditor body of KSMP and KSMP's affiliates. As of the date hereof, based on the records available to the Committee, KSMP is the borrower under 17 Third-Party Loans that are encumbered by Property in which KSMP has an interest.[109] Of those Third-Party Loans, 14 (or approximately 82.4%) are Socotra Loans, including two Socotra Loans that are cross-collateralized by Property owned by both KSMP and an LFM Debtor. In addition, based on the Investor Claims filed in the Cases, 206 of the 434 investor families[110] (representing 47% of the investor families) indicated that they purchased an interest from KSMP, whether for an interest in an LFM Debtor or a non-LFM Debtor (such as an Entity or Property associated with KSMP). Further, of the 35 TICs with KSMP on various Properties, 23 (66%) have filed an Investor Claim against an LFM Debtor (and other such TICs may have formerly invested through an LFM Debtor). Therefore, the disentanglement of the LFM Debtors and KSMP would also necessarily involve complicated, time-consuming, and expensive resolution of the LFM Debtors' and KSMP's individual liabilities under the Investor Claims. Absent substantive consolidation, the LFM Debtors and KSMP would each have to reconcile and potentially object to (and litigate) such Investor Claims *vis-à-vis* each Entity's liabilities thereunder, further increasing costs (and thus decreasing recoveries) while causing "substantial confusion for [Investors] in determining who to look to for distributions."[111]

Third, substantively consolidating LFM and KSMP would lead to increased efficiencies and an overall reduction of professional fees. Through the LFM Debtors' Cases, the LFM Debtors and Committee have, among other things: (i) created a unique proof of interest form and

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[109] In addition, there are four loans encumbered by Property owned by KSMP but under which KSMP is not the borrower. For two such loans, Mattson is the borrower; for the other two, like the LFM Debtors, KSMP took ownership of the Property subject to an existing loan in the seller's name.

[110] In reviewing and working to reconcile the Investor Claims, the Committee has grouped Investors into "investor families" based on how Investors invested with the Mattson Enterprise. Specifically, an investor family includes (as applicable) all investments of an Investor, their spouse, their IRA, and any investment trust.

[111] *Gyro-Trac*, 441 B.R. at 488.

established confidentiality procedures for Investor proofs of interest and proofs of claim;[112] (ii) jointly retained FTI Consulting, Inc. as real estate advisor, who has worked closely with various real estate brokers to market the LFM Debtors' Properties;[113] (iii) established specialized procedures for Property sales;[114] and (iv) built a searchable database repository for information necessary to investigate and reconcile investor proofs of interest (including hundreds of already-filed proofs of interest against KSMP or KSMP-affiliated Properties and Entities).[115] Moreover, the Committee has been investigating all aspects of the Mattson Enterprise for nearly eight months, issuing 30 subpoenas pursuant to Bankruptcy Rule 2004 and receiving over 1.1 million documents with nearly 4.4 million total pages in response thereto. Substantive consolidation would benefit KSMP's estate by leveraging the work that has already been done in the LFM Debtors' Cases and avoid the cost of (and delay inherent in) another set of professionals starting this intensive process from scratch. Moreover, substantive consolidation of LFM and KSMP will eliminate the continued expense associated with the months-long litigation between the LFM Debtors and the Committee, on one hand, and KSMP, on the other hand, inuring to the benefit of creditors and Investors.

Finally, substantive consolidation would result in equitable treatment of defrauded creditors. As outlined above, KSMP and LFM each purportedly entered into investment agreements with hundreds of Investors and received and transferred money among the Mattson Enterprise and to Investors as part of Mattson's fraud. In this situation, substantive consolidation would help remedy the harm caused by the commingling of LFM's and KSMP's assets to

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[112] *See Order (1) Establishing Bar Date; (2) Approving Form and Manner of Notice of Bar Date and Procedures with Respect Thereto; and (3) Approving Confidentiality Protocols* [Docket No. 459].

[113] *See Order Authorizing Employment of FTI Consulting, Inc. as Real Estate Advisors, Effective as of November 12, 2024* [Docket No. 641].

[114] *See Order Establishing Omnibus Procedures for Real Property Sales* [Docket No. 971]; *see also Order Establishing Omnibus Procedures for Real Property Sales (Socotra Collateral)* [Docket No. 1381].

[115] *See First Supplemental Declaration of Steven J. Fleming in Support of the Application of the Official Committee of Unsecured Creditors for Order Authorizing Employment and Retention of PwC US Business Advisory LLP as Financial Advisor to the Official Committee of Unsecured Creditors* [Docket No. 1093].

perpetuate Mattson's fraud.[116] Accordingly, substantively consolidating KSMP and LFM would provide a benefit to all creditors.

* * *

For the reasons discussed above, substantive consolidation is appropriate in this case because LFM's and KSMP's assets, liabilities, and affairs could be disentangled—if at all—only at a prohibitively high cost such that the cost of doing so would substantially reduce any recovery to the Investors. Prepetition, LFM, KSMP, and the other LFM Debtors (i) operated as an integrated or collective entity controlled by Mattson; (ii) mostly without proper documentation and recordkeeping, commingled and shuffled around many tens (if not hundreds) of millions of dollars in funds, assets, and receipts, and notably, used many millions of dollars from LFM's 1059 Account for the benefit of KSMP; (iii) interchangeably and/or in other combinations used the names of LFM, KSMP, and other related entities, in entering into investment agreements with hundreds of investors and receiving and transferring money as part of Mattson's fraud; and (iv) became so intertwined in a secret scheme, with incomplete and suspect records, rendering it virtually impossible to obtain an accurate and substantially complete picture of these entities' affairs.

VI. CONCLUSION

WHEREFORE, the Committee respectfully requests that the Court grant the relief requested herein and enter the proposed order substantively consolidating the bankruptcy estates of LFM and KSMP, and granting such other and further relief as this Court deems just, proper and equitable.

[116] *See In re Woodbridge Grp. of Cos.*, 592 B.R. at 778.

Dated: June 20, 2025

PACHULSKI STANG ZIEHL & JONES LLP

/s/ Jason H. Rosell

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EXHIBIT A

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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SANTA ROSA DIVISION

In re LEFEVER MATTSON, a California corporation, *et al.*,[1] Debtor.	Case No.: 24-10545 (Jointly Administered) Chapter 11 Case No.: 24-10715 (CN)
In re KS MATTSON PARTNERS, LP, Debtor.	**ORDER SUBSTANTIVELY CONSOLIDATING DEBTOR LEFEVER MATTSON AND KS MATTSON PARTNERS, LP AND GRANTING RELATED RELIEF**

The *Motion of the Official Committee of Unsecured Creditors for Substantive Consolidation of Debtor LeFever Mattson and KS Mattson Partners, LP and for Related Relief* (the "Motion") [Docket No. ___] came on for hearing on _____, 2025.[2] Appearances were made as noted in the record of these proceedings. The Court having found that notice of the Motion was properly given in the circumstances; the Court having considered the Motion, the

[1] The last four digits of LeFever Mattson's tax identification number are 7537. Due to the large number of debtor entities in the above-captioned 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' claims and noticing agent at *https://veritaglobal.net/LM*. The address for service on the Debtors is 6359 Auburn Blvd., Suite B, Citrus1 Heights, CA 95621.

[2] A capitalized term used but not defined herein shall have the meaning ascribed to it in the Motion.

memorandum and declarations filed in connection therewith, the evidence presented, and the representations and arguments of counsel at the hearing on the Motion, and the record in the above-captioned chapter 11 cases of LeFever Mattson ("LFM") and its affiliate Debtors (together with LFM, the "LFM Debtors"); and the Court having determined that good cause exists to exercise its equitable powers pursuant to 11 U.S.C. § 105(a) to substantively consolidate LFM and KS Mattson Partners, LP ("KSMP" and together with LFM, the "Consolidated Debtors") for the reasons stated on the record; and the Court finding that substantive consolidation of the Consolidated Debtors and their respective estates into a single entity is fair, equitable, reasonable, and in the best interests of the Consolidated Debtors, their estates, and the holders of claims against and interests in the Consolidated Debtors;

IT IS HEREBY ORDERED THAT:

1. The Motion is granted;

2. The Consolidated Debtors and their estates are substantively consolidated for all purposes (including the purposes of voting on a plan and distribution under a plan) into a single Consolidated Debtor under Case No. 24-10715 (CN) (the "Consolidated Case");

3. As a result of the substantive consolidation of the estates of the Consolidated Debtors: (a) all property of the Consolidated Debtors shall vest in, and constitute the property of, the Consolidated Debtors; (b) all guarantees of any Consolidated Debtor of the payment, performance, or collection of obligations of another Consolidated Debtor shall be eliminated and cancelled; (c) all joint obligations of the Consolidated Debtors and multiple claims against such entities on account of such joint obligations shall be treated and allowed as a single Claim against the Consolidated Debtors; (d) all intercompany claims between or among the Consolidated Debtors are deemed cancelled; and (e) each claim filed or scheduled in the chapter 11 case of either Consolidated Debtor shall be deemed filed against the Consolidated Debtors and a single obligation of the Consolidated Debtors.

4. Upon entry of this Order, and without the need for any further motions or applications to be filed with the Court, (i) the LFM Debtors' professionals are deemed employed by the Consolidated Debtor in the Consolidated Case; (ii) the LFM Debtors' Chief Restructuring

Officer is deemed to be the Chief Restructuring Officer of the Consolidated Debtor in the Consolidated Case; and (iii) the Committee in the LFM Debtors' chapter 11 cases is deemed to be the official committee of unsecured creditors in the Consolidated Case.

5. Notwithstanding any other provision herein, the substantive consolidation provided for in this Order shall not: (i) affect the separate legal existence of the Consolidated Debtors for purposes other than under chapter 11 of the Bankruptcy Code; or (ii) constitute or give rise to any defense, counterclaim, or right of netting or setoff with respect to any cause of action of the estate of either Consolidated Debtor.

6. The entry of this Order is without prejudice to the Debtors seeking to substantively consolidate any of the Debtors with any other party, including the Consolidated Debtors.

EXHIBIT B

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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs. KENNETH MATTSON, Defendant, and KS MATTSON PARTNERS LP, Relief Defendant.	Case No. COMPLAINT **DEMAND FOR JURY TRIAL**

Plaintiff Securities and Exchange Commission (the "Commission") alleges:

SUMMARY OF THE ACTION

1. From approximately 2007 through April 2024, Defendant Kenneth Mattson ("Mattson") orchestrated a Ponzi-like scheme that involved offering and selling fake interests in various legitimate limited partnerships created and managed by his company LeFever Mattson, a California corporation ("LeFever Mattson"). In the last five years alone, since around January

2020, Mattson fraudulently raised more than $46 million from approximately 200 investors, many of whom were retired senior citizens that Mattson met through his church community.

2. The limited partnerships in which Mattson purported to sell interests (the "LeFever Mattson-affiliated limited partnerships") were real and invested in residential and commercial real estate. The LeFever Mattson-affiliated limited partnerships were managed and partly owned by LeFever Mattson, a Citrus Heights, California-based company, which Mattson co-founded and ran as both the entity's chief executive officer and chief financial officer. LeFever Mattson has been in business since 1989 and boasted an approximately $400 million portfolio of real estate investments, most of which consisted of ownership interests in 50 limited partnerships.

3. While the LeFever Mattson-affiliated limited partnerships were real, and were in fact owned by a defined set of real investors, Mattson fraudulently raised funds from another set of investors by falsely purporting to sell them ownership stakes in those same LeFever Mattson-affiliated limited partnerships. Mattson falsely told the defrauded investors that their investments would buy them a portion of LeFever Mattson's ownership interests in specific LeFever Mattson-affiliated limited partnerships and would entitle them to proportional distributions of the income generated by the underlying properties. These lies were material to investors.

4. Mattson took deceptive steps to hide his fraudulent scheme from people associated with LeFever Mattson, including by using a personal post office box to receive documents from investors, receiving investor funds and sending purported distributions from a bank account in the name of LeFever Mattson that only Mattson could fully access, and instructing his personal assistant not to discuss the defrauded investors with anyone else at LeFever Mattson.

5. Mattson also kept documents related to his fraudulent scheme, including commercial bookkeeping records, on his laptop, and he deleted those documents after receiving an investigative subpoena from the staff of the Commission's Division of Enforcement that required him to produce certain records concerning, among other things, the LeFever Mattson-affiliated limited partnerships.

6. Because he concealed his fake limited partnership sales from people associated with LeFever Mattson, the fake sales were not reflected in the legitimate records demonstrating ownership percentages of the LeFever Mattson-affiliated limited partnerships.

7. As a result, the investors who purchased the fake interests in certain LeFever Mattson-affiliated limited partnerships from Mattson never became actual limited partners or acquired any actual ownership interests, and they never received legitimate distributions from the limited partnerships in which they thought they invested.

8. Instead, Mattson commingled new investor funds with other personal and business funds in a bank account that he controlled and used the commingled funds to make Ponzi-like payments to existing investors. He also misappropriated investor money to fund certain real estate transactions through his personal partnership, Relief Defendant KS Mattson Partners LP ("KS Mattson Partners"), pay expenses of KS Mattson Partners, and pay for personal expenses.

9. Mattson concealed from investors the fact that he was orchestrating a Ponzi-like scheme by, among other things, using some new investor funds to make payments to deceive existing investors, and providing investors with altered limited partnership documents. Mattson also prepared a separate set of false tax records for the defrauded investors, which contradicted the legitimate annual tax filings for the LeFever Mattson-affiliated limited partnerships that he signed and submitted to the Internal Revenue Service ("IRS").

10. LeFever Mattson discovered Mattson's misconduct in late 2023. In around April 2024, following an internal investigation, Mattson resigned from his positions as chief executive officer and chief financial officer, although he remains a significant owner of the company. Later, in September 2024 and October 2024, LeFever Mattson and all of its affiliated limited partnerships filed for Chapter 11 bankruptcy protection.

11. As a result of the conduct alleged in this Complaint, Defendant Mattson violated the antifraud provisions of the Securities Act of 1933 ("Securities Act") and the Securities Exchange Act of 1934 ("Exchange Act") as well as the securities registration provisions of the Securities Act. Relief Defendant KS Mattson Partners was unjustly enriched by Mattson's violations.

12. In this action, the Commission seeks against Defendant Mattson a permanent injunction, disgorgement of ill-gotten gains with prejudgment interest, and civil monetary penalties. The Commission also seeks an order prohibiting Mattson from serving as an officer or director of a public company as well as from participating in the issuance, purchase, offer, or sale of any security. Additionally, the Commission seeks disgorgement of ill-gotten gains with prejudgment interest from Relief Defendant KS Mattson Partners.

JURISDICTION AND VENUE

13. The Commission brings this action and this Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), 20(e), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), 77t(e), and 77v(a)] and Sections 21(d), 21(e), and 27(a) of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa(a)].

14. Mattson, directly or indirectly, made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, transactions, practices, and courses of business alleged in this Complaint.

15. Venue is proper in this District pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)], because acts, transactions, practices, and courses of business that form the basis for the violations alleged in this Complaint occurred in this District. In addition, venue is proper in this district because Mattson resided in Alameda County and Sonoma County during the conduct alleged in this Complaint.

DIVISIONAL ASSIGNMENT

16. Under Civil Local Rules 3-2(d) and 3-5, this civil action should be assigned to the San Francisco Division or the Oakland Division because a substantial part of the events or omissions which give rise to the claims alleged herein occurred in Napa County and Sonoma County.

DEFENDANT AND RELIEF DEFENDANT

17. Defendant **Kenneth Mattson**, age 63, is a resident of Piedmont and Sonoma, California. He was the CEO and CFO of LeFever Mattson from 1989 until April 2024.

18. Relief Defendant **KS Mattson Partners LP** is a California limited partnership with its principal place of business in Vacaville, California. KS Mattson Partners is owned 49% by Mattson; 49% by Mattson's spouse; and 2% by KS Mattson Company LLC, Mattson's wholly owned limited liability company.

RELATED ENTITIES

19. **LeFever Mattson, a California corporation**, is a California corporation with its principal place of business in Citrus Heights, California that primarily creates, manages, and holds ownership interests in 50 limited partnerships, which, in turn, own and invest in residential and commercial real estate. Mattson and a business partner each own 50% of LeFever Mattson.

20. **Home Tax Service of America d/b/a LeFever Mattson Property Management** ("Home Tax") is a California corporation with its principal place of business in Citrus Heights, California. Home Tax has approximately 40 employees who manage the business of the LeFever Mattson-affiliated limited partnerships. LeFever Mattson owns approximately 66.67% of the equity of Home Tax.

FACTUAL ALLEGATIONS

A. Background on LeFever Mattson and Its Affiliated Limited Partnerships

21. LeFever Mattson's primary business involves forming and acting as the general partner of 50 limited partnerships that purchase and invest in real estate. LeFever Mattson maintains an ownership interest in each limited partnership for which it acts as general partner.

22. During his tenure as LeFever Mattson's CEO and CFO, Mattson primarily was responsible for finding real estate investment opportunities and soliciting investors to contribute capital to fund real estate purchases.

23. After LeFever Mattson decided to buy a specific property, it formed a limited partnership, which was the entity that made the purchase and also served as the owner of the property. A group of initial investors, which included LeFever Mattson, provided the funds necessary to buy the property. The initial investors, who became the limited partners, then split up and proportionally allocated 100% of the limited partnership interests based on the amount of each

investor's capital contribution. The percentage ownership of each limited partner was recorded in a document titled "Schedule A," which was attached to the limited partnership agreement.

24. LeFever Mattson has no employees. It relied on an affiliated property management company, Home Tax, to manage the limited partnerships. Of particular relevance to this Complaint, Home Tax was responsible for maintaining and updating the limited partnership agreements as well as the attached Schedules A.

25. After a limited partnership was formed and the limited partnership interests were fully distributed among the initial investors, there was no opportunity for new investors to join the limited partnership unless they purchased an interest from an existing limited partner. On a number of occasions, LeFever Mattson or KS Mattson Partners bought out a limited partner in one of the limited partnerships and thereby increased its ownership share; in certain other cases, LeFever Mattson sold portions of its own interests in particular limited partnerships to new or existing investors.

26. In these legitimate transactions involving LeFever Mattson and KS Mattson Partners, Mattson coordinated the signing of an "Agreement of Transfer and Purchase of Partnership Interest" (a "transfer agreement") by the buyer and the seller that specified the percentage interest that was being transferred. Mattson then sent the signed transfer agreement to Home Tax, and Home Tax updated the relevant limited partnership's Schedule A and other internal records to reflect the change in limited partners and their respective ownership percentages.

27. Each of the LeFever Mattson-affiliated limited partnerships is regulated by the California Department of Real Estate, and is required by state law to use a separate trust account to collect rental income for the limited partnership and to distribute funds to its limited partners. Home Tax was responsible for opening the separate accounts and distributing funds.

28. The distributions to limited partners were made at the discretion of the general partner, LeFever Mattson, but, typically, limited partners received a 6% to 8% annual return on their investments. At times, certain limited partnerships, at the direction of Mattson, bought or

sold real estate, which resulted in additional income for that particular limited partnership. When those transactions happened, Home Tax increased the distribution to the relevant limited partners.

29. Each LeFever Mattson-affiliated limited partnership is required to file a partnership tax return with the IRS on a Form 1065. As part of that process, the limited partnership must send each of its limited partners a Schedule K-1 showing the limited partner's share of profits, losses, and capital. In addition, on the Form 1065 itself, the limited partnership has to identify the number of limited partners that it has and attach each Schedule K-1. The Form 1065 partnership tax returns were primarily prepared by an employee of Home Tax, but were reviewed and signed by Mattson. After Mattson reviewed a Form 1065, including the associated Schedules K-1, Home Tax sent out the Schedules K-1 to the real limited partners.

B. Kenneth Mattson Defrauded Investors by Selling Fake Limited Partnership Interests

30. In the last five years alone, Mattson sold at least $46 million of fake interests in LeFever Mattson-affiliated limited partnerships to approximately 200 investors throughout the United States, including many in the San Francisco Bay Area. Mattson met many of the defrauded investors through his church, where several of the investors were also members. A majority of the defrauded investors are over age 65, and many are retired. Some invested their life savings with Mattson.

31. Mattson's fraudulent Ponzi-like scheme took two main forms, but the general contours were the same for both: Mattson held himself out to potential investors as the CEO of LeFever Mattson, and he offered them the opportunity to purchase interests in certain LeFever Mattson-affiliated limited partnerships from LeFever Mattson. He had the investors sign what appeared to be limited partnership agreements and other related documents, and he accepted their funds. However, Mattson did not record these purported sales in LeFever Mattson's books and records, or submit the signed documents to Home Tax so that the Schedules A and other limited partnership records would be updated. As a result, the defrauded investors never became limited partners or acquired any ownership interests.

32. To continue his deception, Mattson made payments to the defrauded investors that he mischaracterized as limited partnership distributions from a bank account that was held in the name of LeFever Mattson, but over which only he had control (the "Mattson Controlled Account"). He also created and provided the defrauded investors with fake Schedules K-1 that purported to show their financial interests in their specific limited partnerships.

33. In one iteration of Mattson's fraudulent scheme, Mattson made false offers and sales of LeFever Mattson-owned interests in about 25 different LeFever Mattson-affiliated limited partnerships to at least 120 defrauded investors.

34. In the other version of his fraudulent scheme, Mattson helped approximately 180 defrauded investors (some of whom also purchased fake interests in other LeFever Mattson-affiliated limited partnerships) change their individual retirement accounts ("IRA") so that they could use their IRA money to make purported investments in one particular LeFever Mattson-affiliated limited partnership called Divi Divi Tree LP (the "Divi Divi LP").

1. *Mattson's False Offers and Sales of Interests in LeFever Mattson-Affiliated Limited Partnerships*

35. Mattson's false offers and sales of LeFever Mattson's interests in certain limited partnerships raised at least $30 million from January 2020 through March 2024.

36. Mattson negotiated these sales himself, often during in-person meetings with the investors. Some meetings took place in the homes of the investors. In most cases, Mattson presented the investor with a limited partnership agreement for a particular LeFever Mattson-affiliated limited partnership that stated the investor would be a limited partner and would receive distributions commensurate with the investor's ownership interest. Typically, Mattson, claiming to act on behalf of LeFever Mattson, and the investor both signed the limited partnership agreement during the in-person meeting. Mattson also often falsely represented that the distributions would result from rental income or profits from real estate transactions involving the property owned by the limited partnership. Moreover, Mattson usually had the investor sign a transfer agreement that purported to identify the percentage of partnership interests being transferred.

37. The defrauded investors wired money to, or gave Mattson checks that were deposited into, the Mattson Controlled Account. All the investor funds were paid into the single Mattson Controlled Account without regard to the specific limited partnerships that investors were supposedly investing in.

38. Mattson knew, or was reckless in not knowing, that he did not follow LeFever Mattson's well-established internal steps to inform Home Tax about the purported sales of partnership interests and to have the sales recorded. Indeed, he did not provide the signed limited partnership agreements and transfer agreements with the defrauded investors to Home Tax. As a result, Home Tax did not list the defrauded investors on the appropriate Schedules A for the limited partnerships that they had supposedly joined as limited partners. Mattson, who did send this documentation to Home Tax following his legitimate transactions on behalf of LeFever Mattson or KS Mattson Partners, hid his false sales from Home Tax.

39. Mattson also knew, or was reckless in not knowing, that his concealment of the sales meant that the new investors were not receiving distributions from the specific trust accounts for their limited partnerships, as required by California law. Instead, for any purported income distributions, Mattson used newly invested funds that had been commingled with other funds in the Mattson Controlled Account to make Ponzi-like payments to existing defrauded investors. Mattson knew, or was reckless in not knowing, that these payments were not true distributions because, as both the head of LeFever Mattson as well as the owner of KS Mattson Partners, he regularly received legitimate limited partnership distributions from Home Tax through the applicable limited partnerships' separate trust accounts.

40. Mattson did not tell investors that he would hide their investments from Home Tax and others associated with LeFever Mattson, or that they would receive purported distributions directly from Mattson rather than the limited partnerships that they invested in.

41. Every year, Mattson prepared false Schedule K-1 tax documents for certain of the defrauded investors that purported to show the percentage of the limited partnerships owned by the investors. Because Mattson also reviewed and signed the legitimate Form 1065 and Schedule K-1 documents submitted to the IRS, which did not list the defrauded investors as limited partners,

Mattson knew, or was reckless in not knowing, that the defrauded investors did not actually own interests in any of the LeFever Mattson-affiliated limited partnerships and that the Schedules K-1 provided to the defrauded investors contained false information.

2. *Mattson Obtained IRA Retirement Funds from Investors in Exchange for Fake Divi Divi LP Interests*

42. In addition, Mattson made material misrepresentations to defrauded investors who used their IRA retirement money to purchase fake interests of Divi Divi LP. In total, over the last 18 years, Mattson sold at least $55 million of fake Divi Divi LP interests to more than 180 investors, and, in the last five years alone, he sold around $16 million of fake Divi Divi LP interests to approximately 75 investors.

43. IRAs are a type of retirement account that provide investors with certain tax benefits for retirement savings. Generally, IRAs maintained and managed by major financial institutions and brokerages are limited to holding stocks, mutual funds, and bonds.

44. In order to invest in less common assets, investors must open so-called self-directed IRAs. The companies that act as custodians for self-directed IRAs permit accountholders to invest in a wider array of assets, including real estate, promissory notes, private placement securities, and limited partnership interests like the ones at issue in this Complaint. Investors who have existing IRAs invested in equities and bonds can roll over their funds into self-directed IRAs.

45. As part of his fraudulent scheme, Mattson solicited investors to transfer funds from their existing IRAs to self-directed IRAs in order to invest in interests of Divi Divi LP. Mattson falsely told investors that they were purchasing interests from LeFever Mattson, which owned a significant stake of Divi Divi LP. He also falsely represented that, as limited partners, investors would receive a guaranteed annual return of 6% on their investment that would come from the income generated by Divi Divi LP's properties.

46. Mattson directed interested investors to work with his personal assistant to open self-directed IRA accounts at specific IRA custodians with which Mattson had established relationships. Mattson and his personal assistant communicated with investors by email and telephone. Mattson also directed the Divi Divi LP investors to wire money to the self-directed

IRA custodians, and he instructed the custodians to transfer the money to the Mattson Controlled Account.

47. Mattson also provided defrauded investors who invested before 2016 with falsified Schedules A that purported to show their percentage ownership interest in Divi Divi LP. These falsified documents listed several dozen investors as limited partners and identified the fractional interest that they each purportedly owned of Divi Divi LP, with the total adding up to 100%. In fact, the true Schedule A for Divi Divi LP maintained by Home Tax only listed 19 real limited partners at its peak, and never included any of the defrauded investors.

48. Because the ownership interests could not add up to more than 100%, Mattson eventually ran out of fractional interests that he could pretend to assign to new Divi Divi LP investors. Starting in 2016, Mattson directed investors to work with a new self-directed IRA custodian, and, at the same time, he stopped sending falsified Schedules A to new Divi Divi LP investors. Those new investors were not told what percentages of Divi Divi LP they were supposedly buying with their investments.

49. In an effort to deceive the defrauded investors, also starting in 2016, Mattson knowingly or recklessly provided the new self-directed IRA custodian, which is based outside of California, with an altered version of the Divi Divi LP limited partnership agreement that omitted the signatures of the true Divi Divi LP limited partners. The custodian then provided the altered agreement to investors, who had to sign the agreement as part of their account-opening and investing process. In turn, the custodian returned the signed altered agreements to Mattson and his personal assistant.

50. Certain defrauded Divi Divi LP investors over age 72 were required by law to take minimum distributions from their IRAs. For those investors, Mattson wired money every month from the Mattson Controlled Account to the self-directed IRA custodians with instructions to distribute the money to the particular investors. The source of the funds used to pay distributions to defrauded investors included new investor money commingled with other funds in the Mattson Controlled Account. Other defrauded Divi Divi LP investors, who did not take distributions, were

told that their putative 6% return on investment "rolled over" into their initial investments, which increased the value of their investments on paper.

51. Mattson did not record any of his purported sales of Divi Divi LP interests to the defrauded investors in LeFever Mattson's books and records or report them to Home Tax. He therefore knew, or was reckless in not knowing, that none of the defrauded Divi Divi LP investors ever actually purchased Divi Divi LP interests or became limited partners in Divi Divi LP.

52. As of April 2024, LeFever Mattson estimated that the total value of Divi Divi LP's real estate assets was $34 million, which represents an increase over time. However, as noted above, over the years Mattson collected from defrauded investors more than $55 million, an amount that well exceeded the value of Divi Divi LP.

C. Mattson Made Materially False and Misleading Statements to Investors

53. In both versions of his scheme, Mattson made numerous materially false and misleading statements to defrauded investors, including the following: Mattson falsely told the defrauded investors that they were purchasing interests, from LeFever Mattson, in certain LeFever Mattson-affiliated limited partnerships that were created and managed by LeFever Mattson, and he omitted to tell investors that, in fact, their investments would be commingled with other funds and used to make Ponzi-like payments to prior investors. Mattson directed many defrauded investors to sign limited partnership agreements and transfer agreements, both of which purported to specify the rights and obligations of the defrauded investors. But Mattson did not inform Home Tax of his purported sales to the defrauded investors, and the defrauded investors therefore were not listed on the appropriate Schedules A. As a result, the defrauded investors never became partners in the LeFever Mattson-affiliated limited partnerships they believed they were investing in, and they never owned any interests in those limited partnerships.

54. Mattson also misrepresented to investors that they would receive a 6% to 8% distribution from the LeFever Mattson-affiliated limited partnership they believed they were investing in. But these investors, who were not recorded as real limited partners, never received a legitimate distribution from a LeFever Mattson-affiliated limited partnership, because legitimate distributions were only made with funds from the trust account in the name of the specific limited

partnership and were made by representatives of Home Tax. Instead, Mattson sent certain investors Ponzi-like payments from the Mattson Controlled Account that came from new investments by defrauded investors commingled with other funds. For certain other investors in the Divi Divi LP, Mattson did not send Ponzi-like payments, but instead provided quarterly statements showing the purported increase in value of their investments on paper.

55. Mattson was the maker of the false and misleading statements to the defrauded investors. He personally made verbal misrepresentations to investors. Additionally, he was the maker of the false and misleading statements in the limited partnership agreements and related documents that he provided to investors, which purported to reflect sales from LeFever Mattson to the investors. He also sent falsified and altered documents concerning Divi Divi LP to self-directed IRA custodians even though he knew, or was reckless in not knowing, that the custodians were providing those documents to investors.

56. Mattson's false and misleading representations about Divi Divi LP and other LeFever Mattson-affiliated limited partnerships were material to a reasonable investor, as well as the actual defrauded investors who bought the fake limited partnership interests. It was important to investors that they were acquiring ownership interests in specific LeFever Mattson-affiliated limited partnerships, and that they were thus entitled to distributions from those limited partnerships. Because the limited partnerships owned real estate, they had a source of income and could make reliable distributions. The fake or altered investment documents and false Schedule K-1 documents were also important to investors because they appeared to confirm that the investors did in fact own interests in the limited partnerships.

D. Mattson Acted with Scienter in Carrying Out His Scheme

57. Mattson's scheme to offer and sell the fake interests in the LeFever Mattson-affiliated limited partnerships was conducted knowingly or recklessly by Mattson.

58. With respect to Mattson's offers and sales, Mattson acted with scienter in representing to investors that their signature on limited partnership agreements and transfer agreements and payment of money would purchase interests in LeFever Mattson-affiliated limited partnerships, because he knew, or was reckless in not knowing, that the defrauded investors'

purported interests were not being recorded in the relevant books and records and that the defrauded investors were not becoming true limited partners.

59. Moreover, Mattson knew, or was reckless in not knowing, that the false Schedules K-1 provided to the defrauded investors were not legitimate in light of his role in reviewing and signing the true tax forms filed with the IRS by the LeFever Mattson-affiliated limited partnerships.

60. With respect to Mattson's offers and sales through self-directed IRA custodians, Mattson acted with scienter in falsely representing to investors that their completion of paperwork with a self-directed IRA custodian, including their signature on an altered version of the Divi Divi LP limited partnership agreement and payment of money, would purchase interests in Divi Divi LP, because he knew, or was reckless in not knowing, that the defrauded investors' purported interests were not being recorded in the relevant books and records and that the defrauded investors were not becoming true limited partners.

61. Mattson further knew, or was reckless in not knowing, that his representation that investors would receive a distribution from the LeFever Mattson-affiliated limited partnerships was false and misleading because Mattson was paying defrauded investors purported distributions using new investor money commingled with other funds in the Mattson Controlled Account.

62. In addition, in February 2024, prior to his resignation, Mattson signed an indemnity agreement with LeFever Mattson in which he agreed to indemnify LeFever Mattson for claims related to "Third Party Transactions," which was defined in the agreement as "numerous transactions with individuals and/or entities pursuant to which Indemnitor has secured funds on terms and conditions not clearly documented." The agreement further stated, among other things, that "none of the Third Party Transactions were presented to the Board or shareholders of LeFever Mattson prior to the date that the Third Party Transactions were entered into"; "none of the Third Party Transactions were authorized or approved by the Board or shareholders of LeFever Mattson at any time prior to or after the date that the Third Party Transactions were entered into"; and neither Mattson's business partner nor "LeFever Mattson received any benefit, directly or

indirectly, economic or otherwise, in connection with or as a result of the Third Party Transactions."

E. Mattson Perpetuated and Concealed His Fraud by Using the Mattson Controlled Account

63. To facilitate his schemes, Mattson used the Mattson Controlled Account, which he opened in the name of LeFever Mattson. Until April 2024, Mattson was the only person who controlled the Mattson Controlled Account and could access its statements, which were mailed to Mattson's personal post office box per his instruction.

64. Mattson used the Mattson Controlled Account to receive wire transfers and deposit checks from the defrauded investors and to pay them purported distributions from LeFever Mattson-affiliated limited partnerships. Defrauded investors sent more than $46 million to the Mattson Controlled Account between January 2020 and March 2024.

65. Mattson sent out hundreds of checks each month through the mail from the Mattson Controlled Account to defrauded investors that contained the memo-line notation "Owner WD [withdrawal]," as well as the name of the limited partnership that was supposedly paying the distribution. Mattson knew, or was reckless in not knowing, that these memo-line statements were false and misleading because legitimate distributions from any LeFever Mattson-affiliated limited partnership were only paid from the trust account in the limited partnership's name, and were exclusively handled by employees of Home Tax.

66. Images of the checks that Mattson sent to defrauded investors show that he used commercial bookkeeping software to generate the checks.

67. In around early-May 2024, Mattson received an investigative subpoena from the staff of the Commission's Division of Enforcement that required him to produce certain records, including documents and communications related to his purported offers and sales of interests in Divi Divi LP and other LeFever Mattson-affiliated limited partnerships.

68. Subsequently, in late May 2024, federal criminal authorities executed a judicially authorized search warrant and seized, among other things, a laptop belonging to Mattson.

69. A forensic analysis of the laptop conducted by federal criminal authorities revealed that in May 2024, after Mattson received the Commission's subpoena, Mattson deleted from his laptop certain commercial bookkeeping software as well as hundreds of files, including ones with file names that contained the names of defrauded investors as well as Divi Divi LP and other LeFever Mattson-affiliated limited partnerships.

F. Mattson's Misuse and Misappropriation of Investor Funds

70. Mattson misappropriated millions of dollars of defrauded-investor funds for his own purposes, and to pay for the expenses of KS Mattson Partners.

71. Mattson commingled new investments from defrauded investors in the Mattson Controlled Account with money from other sources, including proceeds from real estate sales, distributions received based on LeFever Mattson's legitimate ownership interests in the LeFever Mattson-affiliated limited partnerships, and transfers from a bank account in the name of KS Mattson Partners.

72. Mattson used these commingled funds to make approximately $2.1 million in payments against multiple personal loans collateralized by properties including his primary and non-primary residences, and to pay for approximately $4.2 million in credit card bills for accounts in his name, among other personal expenses. He also spent approximately $9.9 million from the Mattson Controlled Account to buy real estate in the name of KS Mattson Partners. In addition, he paid approximately $13 million of interest on several high-interest loans that he had taken out to purchase other real estate properties in the name of KS Mattson Partners.

73. KS Mattson Partners had no legitimate claim to the ill-gotten funds of the defrauded investors, who were told by Mattson that they were investing in particular LeFever Mattson-affiliated limited partnerships and were not told that their funds would be used to pay for KS Mattson Partners' investments and expenses.

74. Mattson did not disclose these expenditures to the defrauded investors, who believed, based on Mattson's material misrepresentations, that they were investing in specific LeFever Mattson-affiliated limited partnerships. Mattson's failure to disclose his intention to misappropriate investment funds, and past practice of doing so, was material to a reasonable

investor, as well as the actual defrauded investors who bought the fake limited partnership interests. It was important to investors to know that the money they were sending Mattson was in fact being used to purchase the promised limited partnership interests, rather than to pay existing investors; buy properties and pay expenses for Mattson's personal entity, KS Mattson Partners; or pay for certain of Mattson's other personal expenses.

G. The Registration Violations

75. The LeFever Mattson-affiliated limited partnership interests that Mattson offered and sold to the defrauded investors were securities.

76. No registration statements were filed with the Commission for the LeFever Mattson-affiliated limited partnership interests that Mattson offered and sold to defrauded investors and none of the exceptions to the registration requirements applied to the offering.

77. Mattson directly participated in the offer of the LeFever Mattson-affiliated limited partnership interests to the defrauded investors by holding in-person meetings with the defrauded investors.

78. Mattson also had the defrauded investors sign limited partnership agreements for a particular LeFever Mattson-affiliated limited partnership and other investment related documents.

79. Mattson additionally gave the defrauded investors instructions on how to transfer the funds needed to invest in the limited partnerships and encouraged many defrauded investors to use their IRA retirement money to invest in the limited partnerships.

80. Defrauded investors sent Mattson money in the belief that they were purchasing LeFever Mattson-affiliated limited partnership interests from Mattson.

81. Mattson led the defrauded investors to believe that by investing in the LeFever Mattson-affiliated limited partnerships they were investing in a common enterprise and that their fortunes were linked to the fortunes of Mattson and LeFever Mattson, who often also owned interests in the limited partnerships.

82. The money invested by the defrauded investors was pooled together and commingled in the Mattson Controlled Account and used by Mattson to pay existing defrauded investors as part of his Ponzi-like scheme, among other expenses.

83. The defrauded investors passively received distributions and did not manage, or expect to participate in the management of, the LeFever Mattson-affiliated limited partnerships. Indeed, Mattson led the defrauded investors to believe they would earn profits based solely on the efforts of Mattson, LeFever Mattson, and others, who would use their expertise to choose real estate investments and manage acquired properties, which would result in profits for the defrauded investors derived from rents or real estate transactions.

84. Mattson engaged in a general solicitation of investors by offering the LeFever Mattson-affiliated limited partnerships interests to individuals located throughout the United States and by offering the limited partnership interests to individuals with whom Mattson had no pre-existing substantive relationship.

85. Mattson failed to take reasonable steps to verify that the defrauded investors he offered the limited partnership interests to were accredited investors. For instance, Mattson did not require the defrauded investors to provide any IRS forms reporting the investors' income, bank statements, brokerage statements, certificates of deposit information, tax assessments, or appraisal reports issued by an independent third party to verify their accredited status.

FIRST CLAIM FOR RELIEF (Mattson Only)

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

86. The Commission re-alleges and incorporates by reference Paragraph Nos. 1 through 85.

87. Mattson, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, or of the facilities of a national securities exchange, with scienter:

a. Employed devices, schemes, or artifices to defraud;

b. Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and

c. Engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers of securities.

88. By reason of the foregoing, Mattson violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF (Mattson Only)

Violations of Section 17(a) of the Securities Act

89. The Commission re-alleges and incorporates by reference Paragraph Nos. 1 through 85.

90. Mattson, by engaging in the conduct described above, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails:

a. with scienter, employed devices, schemes, or artifices to defraud;

b. obtained money or property by means of untrue statements of material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

c. engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon purchasers.

91. By reason of the foregoing, Mattson violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM FOR RELIEF (Mattson Only)

Violations of Sections 5(a) and 5(c) of the Securities Act

92. The Commission re-alleges and incorporates by reference Paragraph Nos. 1 through 85.

93. The LeFever Mattson-affiliated limited partnership interests offered and sold by Mattson are securities under Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 77c(a)(10)].

94. By engaging in the conduct described above, Mattson, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, to offer to sell or to sell securities through the use or medium of any prospectus or otherwise, or carried or caused to be carried through the mails or in interstate commerce, by means or instruments of transportation, securities for the purpose of sale or for delivery after sale, when no registration statement had been filed or was in effect as to such securities, and when no exemption from registration was applicable.

95. By reason of the foregoing, Mattson violated, and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

FOURTH CLAIM FOR RELIEF (KS Mattson Partners Only)

Relief Defendant – Unjust Enrichment

96. The Commission re-alleges and incorporates by reference Paragraph Nos. 1 through 95.

97. As described above, Mattson engaged in a scheme to defraud investors in connection with the offer, purchase, or sale of interests in the LeFever Mattson-affiliated limited partnerships and to use the money raised to unjustly enrich himself and Relief Defendant KS Mattson Partners.

98. KS Mattson Partners has no legitimate claim to the funds, property, and benefits described above, and has thus been unjustly enriched under circumstances in which it is not just, equitable, or conscionable for it to retain such profits.

99. By reason of the foregoing, it would be inequitable for KS Mattson Partners to retain the proceeds resulting from Mattson's violations of the federal securities laws and such proceeds should be disgorged.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Enter an order permanently enjoining Mattson from directly or indirectly violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

II.

Enter an order permanently enjoining Mattson from directly or indirectly, including, but not limited to, through any entity owned or controlled by him, participating in the issuance, purchase, offer, or sale of any security, provided, however, that such an injunction shall not prevent Mattson from purchasing or selling securities for his own personal accounts, pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Sections 21(d)(1) and 21(d)(5) of the Exchange Act [15 U.S.C. §§ 78u(d)(1) and 78u(d)(5)].

III.

Enter an order permanently barring Mattson from serving as an officer or director of any issuer having a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78*l*] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)], pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)].

IV.

Enter an order requiring Mattson to disgorge all ill-gotten gains received as a result of his unlawful conduct plus prejudgment interest thereon pursuant to Sections 21(d)(3), 21(d)(5), and 21(d)(7) of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u(d)(5), and 78u(d)(7)].

V.

Enter an order requiring Mattson to pay civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

VI.

Enter an order requiring KS Mattson Partners to disgorge the ill-gotten gains or unjust enrichment it obtained or derived from Mattson's unlawful conduct, together with prejudgment interest on all such amounts.

VII.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VIII.

Grant such other and further relief as this Court may determine to be just and necessary.

JURY DEMAND

Pursuant to Federal Rule of Civil Procedure 38 and L.R. 3-6, the Commission demands a trial by jury on all issues so triable.

Dated: May 22, 2025

Respectfully submitted,

/s/ Duncan C. Simpson LaGoy
Duncan C. Simpson LaGoy
Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION

EXHIBIT C

Fill in this information to identify the case:

Debtor 1 LeFever Mattson, a California Corporation

Debtor 2 (Spouse, if filing) _____

United States Bankruptcy Court for the: Northern District of Califor (State)

naCase number 24-10545 (Jointly Administered)

Official Form 410

Proof of Claim

12/24

Read the instructions before filling out this form. This form is for making a claim for payment in a bankruptcy case. Do not use this form to make a request for payment of an administrative expense. Make such a request according to 11 U.S.C. § 503.

Filers must leave out or redact information that is entitled to privacy on this form or on any attached documents. Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. **Do not send original documents;** they may be destroyed after scanning. If the documents are not available, explain in an attachment.

A person who files a fraudulent claim could be fined up to $500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Fill in all the information about the claim as of the date the case was filed. That date is on the notice of bankruptcy (Form 309) **that you received.**

Part 1: Identify the Claim

1. **Who is the current creditor?**

KS Mattson Partners, LP
Name of the current creditor (the person or entity to be paid for this claim)

Other names the creditor used with the debtor _____

2. **Has this claim been acquired from someone else?**

☒ No
☐ Yes. From whom? _____

3. **Where should notices and payments to the creditor be sent?**
Federal Rule of Bankruptcy Procedure (FRBP) 2002(g)

Where should notices to the creditor be sent?

Micheline N. Fairbank c/o Fennemore
Name

7800 Rancharrah Pkwy
Number Street

Reno NV 89511
City State ZIP Code

Contact phone 775-788-2200

Contact email mfairbank@fennemorelaw.com

Where should payments to the creditor be sent? (if different)

Name

Number Street

City State ZIP Code

Contact phone _____

Contact email _____

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4. **Does this claim amend one already filed?**

☒ No
☐ Yes. Claim number on court claims registry (if known) _____ Filed on _____ MM / DD / YYYY

5. **Do you know if anyone else has filed a proof of claim for this claim?**

☒ No
☐ Yes. Who made the earlier filing? _____

5910545250214000000000141

Part 2: Give Information About the Claim as of the Date the Case Was Filed

6. **Do you have any number you use to identify the debtor?**
   - ☒ No
   - ☐ Yes. Last 4 digits of the debtor's account or any number you use to identify the debtor: _____

7. **How much is the claim?** $ Unknown; See Attachment "A" . **Does this amount include interest or other charges?**
   - ☒ No
   - ☐ Yes. Attach statement itemizing interest, fees, expenses, or other charges required by Bankruptcy Rule 3001(c)(2)(A).

8. **What is the basis of the claim?**
   Examples: Goods sold, money loaned, lease, services performed, personal injury or wrongful death, or credit card.
   Attach redacted copies of any documents supporting the claim required by Bankruptcy Rule 3001(c).
   Limit disclosing information that is entitled to privacy, such as health care information.
   See Attachment "A"

9. **Is all or part of the claim secured?**
   - ☒ No
   - ☐ Yes. The claim is secured by a lien on property.

   Nature of property:
   - ☐ Real estate. If the claim is secured by the debtor's principal residence, file a *Mortgage Proof of Claim Attachment* (Official Form 410-A) with this *Proof of Claim*.
   - ☐ Motor vehicle
   - ☐ Other. Describe: _____

   Basis for perfection: _____
   Attach redacted copies of documents, if any, that show evidence of perfection of a security interest (for example, a mortgage, lien, certificate of title, financing statement, or other document that shows the lien has been filed or recorded.)

   Value of property: $ _____
   Amount of the claim that is secured: $ _____
   Amount of the claim that is unsecured: $ _____ (The sum of the secured and unsecured amounts should match the amount in line 7.)

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   VERITA GLOBAL

   Amount necessary to cure any default as of the date of the petition: $ _____

   Annual Interest Rate (when case was filed) _____%
   - ☐ Fixed
   - ☐ Variable

10. **Is this claim based on a lease?**
    - ☒ No
    - ☐ Yes. **Amount necessary to cure any default as of the date of the petition.** $ _____

11. **Is this claim subject to a right of setoff?**
    - ☒ No
    - ☐ Yes. Identify the property: _____

12. **Is all or part of the claim entitled to priority under 11 U.S.C. § 507(a)?**

A claim may be partly priority and partly nonpriority. For example, in some categories, the law limits the amount entitled to priority.

☒ No

☐ Yes. *Check one:*

Amount entitled to priority

☐ Domestic support obligations (including alimony and child support) under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B). $_____

☐ Up to $3,350* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use. 11 U.S.C. § 507(a)(7). $_____

☐ Wages, salaries, or commissions (up to $15,150*) earned within 180 days before the bankruptcy petition is filed or the debtor's business ends whichever is earlier 11 U.S.C. § 507(a)(4). $_____

☐ Taxes or penalties owed to governmental units. 11 U.S.C. § 507(a)(8). $_____

☐ Contributions to an employee benefit plan. 11 U.S.C. § 507(a)(5). $_____

☐ Other. Specify subsection of 11 U.S.C. § 507(a) (_____) that applies. $_____

* Amounts are subject to adjustment on 4/01/25 and every 3 years after that for cases begun on or after the date of adjustment.

Part 3: Sign Below

The person completing this proof of claim must sign and date it. FRBP 9011(b).

If you file this claim electronically, FRBP 5005(a)(3) authorizes courts to establish local rules specifying what a signature is.

A person who files a fraudulent claim could be fined up to $500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Check the appropriate box:

☐ I am the creditor.

☒ I am the creditor's attorney or authorized agent.

☐ I am the trustee, or the debtor, or their authorized agent. Bankruptcy Rule 3004.

☐ I am a guarantor, surety, endorser, or other codebtor. Bankruptcy Rule 3005.

I understand that an authorized signature on this *Proof of Claim* serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

I have examined the information in this *Proof of Claim* and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on date _____
MM / DD / YYYY

_____
Signature

Print the name of the person who is completing and signing this claim:

Name: Stacy (First name) Middle name Mattson (Last name)

Title: _____

Company: _____
Identify the corporate servicer as the company if the authorized agent is a servicer.

Address: Post Office Box 459 (Number Street)
Vacaville (City) CA (State) 95696 (ZIP Code)

Contact phone: 775-788-2200 Email: mfairbank@fennemorelaw.com

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FEB 14 2025
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51198042.1/069731.0012

ATTACHMENT A

To Official Form 410

Proof of Claim

***In re: LeFever Mattson*, a California Corporation, Case No. 24-10545**

8. What is the Basis of the claim:

K.S. Mattson Partners, a California Limited Partnership, has paid on behalf of and for the benefit, either directly or indirectly through deposits into LeFever Mattson's and/or its subsidiaries, including, but not limited to, Home Tax Services of America, Inc., dba LeFever Mattson Property Management, banking account(s). These expenses, in which the total amount is presently undetermined, includes expenses for the following categories:

1. Mortgage Payments
2. Investor Distributions
3. Utility Payments
4. Operational Expenses
5. Insurance Payments
6. All subrogation rights, including the right to payments, arising from payments or other satisfaction of obligations made on account of personal or corporate indemnity or guarantee agreements or obligations
7. Loans to LeFever Mattson[1]
8. Other contributions in an amount and basis, yet to be determined.

Currently, K.S. Mattson Partners can identify deposits and wire transfers to and from accounts held by LeFever Mattson, Inc., but lacks specific detail as to the nature of the transfers. K.S. Mattson Partners recognizes that some of the transfers from LeFever Mattson may offset claims of K.S. Mattson Partners, but sufficient detail is presently unavailable to accurately determine whether, and to what extent, such transfers offset the claims of K.S. Mattson Partners. At this time, the claim is understood to be <u>at least</u> $82,742,043.74.

---

[1] In connection with the sale of real property held by Hagar Properties, LP in or around May 2024, LeFever Mattson coerced K.S. Mattson Partners to loan K.S. Mattson Partners' proceeds from the sale of the property to LeFever Mattson in the amount of $3,500,000.00. This is just one of numerous loan contributions to the operational expenses of LeFever Mattson that K.S. Mattson Partners made for the benefit of LeFever Mattson and it's entities, either those wholly owned or which LeFever Mattson operates as the General Partner of such entities.

Further, information and details prior to calendar year 2019 necessary to support K.S. Mattson Partners' claims are unavailable to K.S. Mattson Partners, as such information is currently in the custody and control of the United States Department of Justice, which has not agreed to provide access to such documents for duplication and use to support K.S. Mattson Partners' claims at this time.[2]

The specific amount of monies claimed pursuant to this Proof of Claim will be supplemented as information becomes available to identify the specific dollar amount of the monies owed in accordance with 11 U.S.C. § 501(c) and Fed. R. Bankruptcy Pro. Rule 3002.[3]

---

[2] K.S. Mattson Partners acknowledges that its claims are duplicative of those of Kenneth W. and Stacy Mattson, husband and wife, and are not intended to compound the interests, but to identify the interests of the entity, as well as the partner's interests in K.S. Mattson Partner's claims against LeFever Mattson and its debtor entities.

[3] This Proof of Claim includes monies attributed to LeFever Mattson in Case No. 24-10545 and as proofs in all matters are amended, as necessary, any duplication of claim amounts will be resolved.

EXHIBIT D

Limited Partnership Agreement
of
K S MATTSON PARTNERS, LP
A California Limited Partnership

Tax Identification Number 94-3335060

LAW OFFICES
DEAN YUEN ALLISON, LLP
ESTATE AND CHARITABLE TAX PLANNING & ADMINISTRATION
555 CAPITOL MALL, SUITE 645
SACRAMENTO, CALIFORNIA 95814
(916) 329-0200

K S MATTSON PARTNERS, LP

Table of Contents

Exhibit

Securities Law Disclosure

The units or percentages of ownership of the K S MATTSON PARTNERS, LP have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state. The units or percentages of ownership are offered and sold in reliance on exemptions from the registration requirement of the Securities Act and such laws, and particularly regulations enacted by the Securities and Exchange Commission effective April 15, 1982 pertaining to certain offers and sales of securities without registration under the Securities Act of 1933.

The Partnership will not be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and will not file reports, proxy statements and other information with the Securities and Exchange Commission, or any state securities commission.

The limited partnership interests of the K S MATTSON PARTNERS, LP have not, nor will be, registered or qualified under federal or state securities laws. The limited partnership interests of the K S MATTSON PARTNERS, LP may not be offered for sale, sold, pledged, or otherwise transferred unless so registered or qualified, or unless an exemption from registration or qualification exists. The availability of any exemption from registration or qualification must be established by an opinion of counsel for the owner thereof, which opinion of counsel must be reasonably satisfactory to the K S MATTSON PARTNERS, LP.

No Partner may register any interest in this partnership under any federal or state securities law without the express written consent of all partners.

K S MATTSON PARTNERS, LP
A California Limited Partnership

Article One

Creation of the Partnership

Section 1. The Limited Partnership

This Agreement, which is dated July 21, 1999, forms and establishes a Limited Partnership under the laws of the State of California, and specifically under the auspices of Uniform Limited Partnership Act as amended from time to time. The Partnership shall be effective upon the filing of a Certificate of Limited Partnership as required by the State of California. The Partners and their percentages of ownership are identified in the schedule attached to this Agreement as Exhibit "A".

This Agreement sets forth the rights, duties, obligations and responsibilities of the partners with respect to the partnership.

In consideration of the mutual promises, obligations and agreements set forth in this Agreement, the parties to this Agreement agree to be legally bound by its terms.

Section 2. The Name of the Partnership

The name of the Partnership is the K S MATTSON PARTNERS, LP. The General Partner may change the name of the Partnership or operate the Partnership under different names.

Section 3. Purpose and Scope of the Partnership

This Partnership is organized to accomplish the following purposes:

a. to provide consolidated management of the assets held by the Partnership.

b. to manage and/or develop real estate in 'California or elsewhere owned or acquired by the Partnership, now or in the future.

c. to provide an orderly buy-sell arrangement between the members of the Mattson family to keep Partnership assets in the family.

d. to promote family harmony by insuring that any disputes will be resolved privately by arbitration rather than publicly through the courts.

e. to assist in preventing family assets from going through probate upon the death of any family member; or alternatively to simplify any probate proceeding that may be required.

f. to establish and maintain an order of succession and control of family assets.

g. to consolidate fractional interests in family-held assets.

h. to increase family wealth.

i. to establish a method by which annual gifts can be made without fractionalizing family assets.

j. to restrict the right of non-family members to acquire interests in family assets.

k. to prevent the transfer of a family member's interest in the Partnership as a result of a failed marriage.

l. to provide protection to family assets from claims of future creditors of Partners.

m. to provide protection to family assets from claims arising from divorce or from ex-spouses

n. to provide flexibility in business planning not available through trusts, corporations, or other business entities.

o. to promote knowledge of and communication about the family assets and business among family members.

In order to accomplish its purposes, the Partnership may conduct any lawful business and investment activity permitted under the laws of the State of California and in any other jurisdiction in which it may have a business or investment interest.

The Partnership may own, acquire, manage, develop, operate, sell, exchange, finance, refinance and otherwise deal with real estate, personal property and any type of business as the General Partner may from time to time deem to be in the best interest of the Partnership.

The Partnership may engage in any other activities that are related or incidental to the foregoing purposes.

Section 4. Purpose of Partnership Restrictions

This Partnership is formed by those who know and trust one another, and who in forming this Limited Partnership will have surrendered certain management rights. One or more of the Partners may also have assumed management responsibility and risk based upon their relationship and trust.

Capital is material to the business and investment objectives of the Partnership and its federal tax status. An unauthorized transfer of a Partner's interest could create a substantial hardship to the Partnership, jeopardize its capital base, and adversely affect its tax structure.

There are, therefore, certain restrictions, as expressed in this Agreement, that attach to and affect both ownership of Partnership interests and the transfer of those interests. Those restrictions upon ownership and transfer are not intended as a penalty, but as a method to protect and preserve existing relationships based upon trust and to protect the Partnership's capital and its financial ability to continue to operate.

Section 5. Principal Office of the Partnership and Location of Records

The street address of the principal office in the United States where the records of the Partnership are to be maintained is:

131 Wykoff Drive Avenue
Vacaville, CA 95688

or such other place or places as the General Partner determines. The records maintained by the Partnership are to include all records that the Partnership is required by law to maintain. The Partnership shall likewise maintain a records office in any jurisdiction that requires a records office and the Partnership shall maintain at each such records office all records that the jurisdiction of its location shall require.

Section 6. Registered Agent and Registered Office

The name of the Registered Agent of the Partnership is KENNETH W. MATTSON. and the registered office of the Partnership is:

131 Wykoff Drive Avenue
Vacaville, CA 95688

Section 7. The Term of the Partnership

This Partnership shall be a term of years Partnership pursuant to the Act. The Partnership shall begin on the date the Certificate of Limited Partnership is filed with the Secretary of State of California and shall terminate one hundred (100) years thereafter, unless terminated or extended as provided in this Agreement, but no later than December 31, 2099.

The Partnership may be continued beyond its scheduled termination date by the 75% vote of the Partners. However, at any time after the scheduled termination date, any Partner may withdraw his capital account by written request to the General Partners, who shall cause the Partnership to distribute such capital account within thirty calendar days of the receipt of such written request.

Section 9. Venue

Venue for any dispute arising under this Partnership Agreement or any disputes among any Partners or the Partnership shall be in the county of the Registered Office of the Limited Partnership.

Article Two

Definitions

Section 1. Defined Terms

For purposes of this agreement, the following words and phrases shall be defined as follows:

a. Act

Act means the California Revised Limited Partnership Act, as amended from time to time.

b. Additional Partner

Additional Partner means a Partner admitted to the Partnership after the execution of the Agreement who is not a Substitute Partner.

c. Additional Capital Contribution

See Capital Contribution.

d. Affiliated Person

Affiliated Person means any Partner, a member of a Partner's Immediate Family, any legal representative, successor, or assignee or trust for the benefit of any Partner and members of their immediate families, and any corporation of which a majority of the voting interest is owned by any one or more of the persons referred to in this Section.

e. Agreement

Agreement means this Agreement of Limited Partnership as it may be amended from time to time.

f. Assignee

Assignee means a transferee of a Partnership Interest who has not been admitted as a Substitute Limited Partner in accordance with the provisions of Article Twelve of this Agreement.

g. Bankrupt

Bankrupt as used in this Agreement shall mean the filing of a petition in voluntary bankruptcy or an assignment for the benefit of creditors or other action taken voluntarily or involuntarily, by a Partner under any Federal or State law for the benefit of an insolvent party, except the filing of a petition of involuntary bankruptcy against a Partner unless the petition is not dismissed within forty-five (45) days following such filing, or the issuance of a charging order against the interest of a Partner without the removal thereof within ten (10) days from the service of such order.

h. Capital Account

Capital Account shall mean the account established and maintained for each Partner as provided in Article Four.

i. Capital Contribution

Capital Contribution means the total cash and other consideration contributed and agreed to be contributed to the Partnership by each Partner. The Initial Capital Contributions are shown in Exhibit "A" of this Agreement, which is attached to this Agreement and incorporated in it. Additional Capital Contribution means the total cash and other consideration contributed to the Partnership by each Partner other than the Initial Capital Contribution. Any reference in this Agreement to the Capital Contribution of a current Limited Partner shall include any Capital Contribution previously made by any prior Partner with respect to that Limited Partner's interest. The value of a Partner's Capital Contribution shall be the amount of cash plus the fair market value of other property contributed to the Partnership.

j. Certificate of Limited Partnership

Certificate of Limited Partnership means the Certificate of Limited Partnership filed with the Secretary of State of California as required by the Act as amended from time to time, or such other similar instrument as may be required to be filed by the laws of any other state in which the Partnership intends to conduct business.

k. Charity

Charity as used in this Agreement shall include an organization of a type described in each of Sections 170(c), 2055(a) and 2522(a) of the Code and Regulations thereunder.

l. Charitable Trusts

Charitable Trust as used in this agreement shall include any charitable remainder trust created under Section 664 of the Code or any charitable income trust created under Treas. Reg. 1.170A-6(c); Treas. Reg. 25.2522(c); Treas. Reg. 20.2055-2(e).

m. Code

Code means the Internal Revenue Code of 1986, as amended.

n. Disability

Disability of a Partner means that any one of the following has occurred:

(i) the Partner has been declared or adjudicated incompetent, incapacitated, or otherwise legally unable to effectively manage his or her property or financial affairs by a court of competent jurisdiction,

(ii) the Partner's incapacity has been certified in writing by at least two licensed physicians after examination of the Partner, or

(iii) the Partner has disappeared or is absent for unexplained reasons, or is being detained under duress where the Partner is unable to effectively manage his or her property or financial affairs.

o. General Partner

General Partner means any partner's or legal entity designated in this Agreement as a General Partner, or any person or legal entity who becomes a General Partner as provided in this Agreement, in each such person's or legal entity's capacity as a general partner of the Partnership.

Reference to "General Partner", used in the singular, will also include the plural, and vice versa.

For purposes of this agreement, the pronoun "it" may be used when referring to a General Partner, regardless of whether the General Partner is a person or a legal entity.

p. Immediate Family

Immediate Family means any partner's spouse, other than a spouse who is legally separated from the person under a decree of divorce or separate maintenance, parents, parents-in-law, descendants, including descendants by adoption, brothers, sisters, brothers-in-law, sisters-in-law, and grandchildren-in-law.

q. Initial Capital Contribution

See Capital Contribution.

r. Limited Partner

Limited Partner means any person or legal entity designated in this Agreement as a Limited Partner or any person or legal entity who becomes a Limited Partner as provided in this Agreement, in each such person's or legal entity's capacity as a Limited Partner of the Partnership.

For purposes of this agreement, the pronoun "it" may be used when referring to a Limited Partner, regardless of whether the Limited Partner is a person or a legal entity.

s. Partners

Partners means the General Partner and all of the Limited Partners of the Partnership.

t. Partnership

Partnership means the K S MATTSON PARTNERS, LP, a California Limited Partnership.

u. Partnership Interest

Partnership Interest shall mean the ownership interest and rights of a Partner in the Partnership, including, without limitation, the Partner's right to a distributive share of the profits and losses, distributions and the property of the Partnership and the right to consent or

approve partnership actions. All Partnership Interests are subject to the restrictions on transfer imposed by this Agreement. Each Partner's interest is personal property and, as such, no Partner shall have any interest in any of the assets of the Partnership.

Each holder of a Partnership Interest will have the right to vote such holder's proportionate interest in the Partnership with respect to all matters that all Partners have a vote under this Agreement or by law.

> For example: A Partner with a Partnership Interest of 35.5 percent will have a 35.5 percent ownership interest in the Partnership, and will have 35.5 votes out of 100 votes on matters that require the consent or affirmative action of the Partners acting in concert. The term "majority in interest" will mean that more than 50 votes out of 100 votes will be determinative of a given matter. The term "85 percent in interest of the Partners" will mean that at least 85 votes of the total 100 votes will be determinative of a given matter.

Partnership Interests shall be adjusted from time to time as provided in Article Three of this Agreement.

v. Personal Representative

Personal Representative shall include an executor, administrator, guardian, custodian, conservator, trustee, or any other form of fiduciary.

w. Property

Property means all Partnership property and rights as described in Exhibit "A" and any property real or personal, tangible or intangible otherwise acquired by the Partnership.

x. Substitute Limited Partner

Substitute Limited Partner means any person not previously a Limited Partner who acquires, by purchase or otherwise, a Partnership Interest and is admitted as a Substitute Limited Partner in accordance with the terms of Article Twelve of this agreement.

Article Three

Partnership Interests

Section 1. Percentage Interest in the Partnership

Each Partner's Initial Partnership Interest shall be the percentage interest set forth in Exhibit "A" which is attached to this agreement. Partnership Interests shall be adjusted from time to time to account for non-pro rata Additional Capital Contributions and non-pro rata distributions to Partners. When non-pro rata contributions or distributions are made, each partner's partnership interest shall then be determined by dividing the Capital Account of each partner by the aggregate of the then existing capital accounts.

For purposes of determining the respective voting rights of the partners, adjustments to Partnership Interests of the Partners resulting from Additional Contributions or Distributions shall be deemed to have been made on December 31 following the date of the contribution or distribution.

The General Partner of the Partnership shall maintain a correct record of all Partners and their Partnership Interests together with amended and revised schedules of ownership caused by changes in the Partners and changes in Partnership Interests.

Section 2. Valuation of Partnership Interests in the Partnership

For all purposes, the value of the Partnership as an entity and of Partnership Interests shall be their respective fair market value. Any dispute, contest or issue of fair market value is to be resolved and determined by the written appraisal of a person or firm selected by the General Partner, who is qualified to value the Partnership and the Partnership Interests of its Partners. The appraiser selected by the Partnership must be an independent appraiser who is qualified to perform business appraisals as determined in the discretion of the General Partner.

Section 3. Partnership to Comply with Subchapter K

The federal income tax basis of a Partner's Partnership Interest and all other matters relating to the distributive share and taxation of items of income, gain, loss, deduction and credit will be as prescribed by Subchapter K of the Code.

Article Four

Capital Contributions and Capital Accounts

Section 1. Initial Capital Contributions

The Partners shall contribute as their initial capital contributions to the Partnership all of their right, title and interest in and to the property described in Exhibit A attached hereto. The Partners agree that the property described in Exhibit A has the fair market value (net of liabilities assumed or taken subject to by the Partnership to which such property is subject) listed opposite such property.

Each Partner's Interest shall be credited with an initial contribution equal to the fair market value listed opposite that Partner's name in Exhibit A.

Section 2. Voluntary Additional Capital Contributions

The Partners may make Additional Capital Contributions to the Partnership. Any Additional Capital Contribution shall be made pro rata, in accordance with the Partner's Partnership Interest unless agreed to by all of the General Partners. Such consent does not need to be in writing and will be presumed to have been obtained unless there is clear and convincing evidence to the contrary.

The fair market value of any property other than cash or publicly traded securities to be contributed as an Additional Capital Contribution shall be agreed upon by the contributing Partner and a majority in interest of the Partners at the time of contribution. Alternatively, the fair market value of such property may be determined by a disinterested appraiser selected by the General Partner.

Section 3. Mandatory Additional Capital Contributions

The Partnership, acting by its General Partner then serving, shall have no authority to require the Partners to contribute additional capital.

Section 4. Establishment of Capital Accounts

A Capital Account shall be established for each Partner and shall be maintained at all times throughout the existence of the Partnership in a manner that complies with the Code and Regulations promulgated thereunder. Each Partner's Capital Account shall be maintained in accordance with the following provisions:

a. Credits to Partner's Interest

Each Partner's Interest shall be credited with the fair market value of such Partner's contribution of cash or other property, such Partner's distributive share of net profits and any item of income or gain that are specially allocated, and the amount of any Partnership liabilities that are assumed by such Partner.

b. Debits to Partner's Interest

Each Partner's Interest shall be debited the amount of cash and the fair market value of any property distributed to such Partner pursuant to any provision of this Agreement, such Partner's share of net losses and losses that are specially allocated, and the amount of any liabilities of such Partner that are secured by any property contributed by such Partner to the Partnership.

Section 5. Transfer of a Partner's Interest

Except as otherwise required by law, if any Partnership Interest is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent that it relates to the transferred Partnership Interest.

Section 6. Capital Account Adjustments for Capital Events

a. Assumption of Liability

An assumption of unsecured liability by the Partnership shall be treated as a distribution of money to the Partner, and his Capital Account should be adjusted accordingly. An assumption of an unsecured liability of the Partnership by a Partner shall be treated as a cash contribution to the Partnership. In determining the amount of any liability for his purpose,

there shall be taken into account Internal Revenue Code Section 752(c) and any other applicable provisions of the Code and Regulations.

b. Adjustments for Noncash Distributions

In the event that assets of the Partnership other than cash are distributed in kind to a Partner, the Capital Accounts of the other Partners shall be adjusted for the hypothetical "book" gain or loss that would have been realized by the Partnership if the distributed assets had been sold for their fair market values in a cash sale in order to reflect unrealized gain or loss.

c. Adjustment to Fair Market Value Upon Transfer of Partnership Interest

Capital Accounts of the Partners shall be adjusted to reflect fair market value of all properties held by the Partnership in the event of acquisition of an Interest by an existing or new Partner.

d. Adjustment for Constructive Termination of Partnership

Capital Accounts also shall be adjusted upon the constructive termination of the Partnership as provided under Internal Revenue Code Section 708 in accordance with the method set forth in the immediately preceding paragraph (as required by Internal Revenue Regulations Section 1.704-1(b)(2)(iv)(b)).

Section 7. Power of General Partner to Modify Capital Account Provisions

The General Partner shall modify the manner in which the Capital Accounts are computed in order to comply with Internal Revenue Regulations Section 1.704-1(b), provided that it is, in the reasonable judgment of the General Partner, not likely to have a material effect on the amounts distributable to any Partner pursuant to this Agreement. The General Partner shall also make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership Capital reflected on the Partnership's balance sheet, as computed for book purposes in accordance with Internal Revenue Regulations Section 1.704-1(b)(2)(iv)(g), relating to adjustments to book value.

Section 8. Interest on and Return of Capital

No Partner shall be entitled to any interest on its Capital Account or Partnership Interest or on its Capital Contribution. No Partner shall have the right to demand or to receive the return of all or any portion of such Partner's Capital Account, Partnership Interest, or of such Partner's Capital Contribution.

Section 9. Negative Capital Accounts

Each Partner shall be required to restore a deficit in its Capital Account to zero prior to liquidation of the Partnership or of the Partner's Partnership Interest.

Section 10. Capital Requirements of the General Partner

The General Partners collectively must own at least 1% of the Partnership Interests. Upon the contribution of any capital by any one or more of the Limited Partners, or if a gift is made to the Partnership, that would cause the collective Partnership Interests of the General Partners to be less than 1%, the General Partners shall immediately contribute to the Partnership's capital cash or other property sufficient to increase the General Partners Partnership Interest to at least 1%. Additional Partnership Interests owned by one who is a General Partner may be owned by the Partner as a Limited Partner insofar as the laws of the State of California permits a partner to be both a General Partner and a Limited Partner.

Article Five

Allocations and Distributions

Section 1. Allocation of Profits and Losses

The Partnership shall allocate all net profits and losses, that shall include every item of income, deduction, gain, loss, and credit, for each calendar year of the Partnership, to each Partner pro rata in accordance with the Partners' respective Partnership Interests during the period over which such profits, losses and tax items were accrued. The Partners agree to be bound by the provisions of this Article in reporting their shares of Partnership income and loss for income tax purposes.

Any Partnership net losses that cannot be allocated to one or more of the Partners without creating a negative Capital Account shall be allocated to the remaining Partners in proportion to their capital accounts until all Partners have a Capital Account of zero.

Net losses allocated when all Partners have a Capital Account of zero shall be allocated proportionately among the Partners according to their respective Partnership Interests.

Allocation of net profits and net losses may be modified by subsequent agreement to conform to adjustments made to the Percentage Interest because of loans to the Partnership converted to contributions to capital, any distributions of cash and any liquidating distribution.

If the Percentage Interest of a Partner is not the same throughout a given fiscal year, the General Partner shall determine the allocation of net profits and net losses to the Partner taking into account his or her varying Percentage Interest during the year but such determination shall be in conformity with the requirements of Internal Revenue Code Section 706(d) and the Regulations thereunder.

Section 2. Determination of Net Profits and Net Losses

For purposes of this Article, "net profits" and "net losses" mean, for each fiscal year or other period, an amount equal to the Partnership's taxable income or loss for such year or period, determined in accordance with Internal Revenue Code Section 703(a). All items of income, gain, loss or deduction required to be stated separately pursuant to Internal Revenue Code Section 703(a)(1) shall be included in taxable income or loss. This determination of Net Profits and Net Losses shall be include to the following:

a. Any income of the Partnership that is exempt from federal income tax not otherwise taken into account in computing taxable income or loss pursuant to this Article.

b. Any expenditures of the Partnership described in Internal Revenue Code Section 705(a)(2)(B), relating to non-deductible expenses, not otherwise taken into account in computing taxable income or loss.

c. In the event the value of any Partnership asset is adjusted, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such assets.

d. Notwithstanding any other provision in this Article, any items that are specially allocated pursuant to this Article shall not be taken into account in computing net profits and net losses.

Section 3. Allocation to Avoid Capital Account Deficit.

Notwithstanding the above allocation provisions, the net losses allocated to Limited Partners shall not exceed the maximum amount of losses that can be so allocated without causing any Limited Partner to have a capital account deficit at the end of any fiscal year. In the event some but not all of the Limited Partners would have a deficit in their Capital Accounts as a consequence of an allocation of losses, the limitation set forth herein shall be applied on a Limited Partner by Limited Partner basis so as to allocate the maximum permissible losses to each Limited Partner under Regulations Section 1.704(b)(2)(ii)(d). All net losses in excess of the limitation set forth in this Paragraph 4.3 shall be allocated to the General Partner.

Section 4. Allocations Related to Contributed Property.

In accordance with Code Section 704(c) and the regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its fair market value on the date it was contributed. In the event the fair market value of any Partnership asset is adjusted, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its fair market value in the same manner as under Code Section 704(c) and the Regulations thereunder.

Section 5. Allocation of Partner Nonrecourse Deductions.

"Partner Nonrecourse Debt" means nonrecourse Partnership debt for which one or more Partners bears economic risk of loss as defined in Regulations Section 1.704-2(b)(4). "Partner Nonrecourse Deductions" means, for each fiscal year, the Partnership deductions that are attributable to Partner Nonrecourse Debt and are characterized as "Partner Nonrecourse Deductions" under Regulations Section 1.704-2(b). All Partner Nonrecourse Deductions for each fiscal year shall be allocated to the Partner or Partners who bear the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with the ratio in which the Partners bear such economic risk of loss and Regulations Section 1.704-2(i)(1).

Section 6. Additional Special Allocations.

The following special allocations shall also be made:

a. Partnership Minimum Gain Chargeback

Notwithstanding any other provision of this Article 4, if there is a net decrease in Partnership Minimum Gain during any Partnership fiscal year, each Partner shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in proportion to the respective amounts required to be allocated to each Partner in accordance within Regulations Section 1.704-2(f) and (g). This Paragraph 4.6(a) is intended to comply with the minimum gain chargeback requirement in such section of the Regulations and shall be interpreted consistently therewith. To the extent permitted by such section of the Regulations and for purposes of this Paragraph 4.6(a) only, the deficit in each Partner's Capital Account shall be determined prior to any other allocations pursuant to this Article 4 with respect to such fiscal year and without regard to any net decrease in Partner Minimum Gain during such fiscal year. "Partnership Minimum Gain" means, with respect to all nonrecourse liabilities of the Partnership, the minimum amount of gain that would be realized by the Partnership if the Partnership disposed of all Partnership property subject to such liabilities in full satisfaction thereof, computed strictly in accordance with Regulations Section 1.704-2(b) and (d).

b. Partner Minimum Gain Chargeback

After the application of Paragraph 4.6 (a) above, but prior to the application for such fiscal year of any other provision of this Paragraph 4.6, if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during a fiscal year, then any Partner with a share of the Partner Minimum Gain Attributable to such debt at the beginning of such year shall be allocated items of income and gain for such year (and, if necessary, subsequent years) in the amount and proportions necessary to satisfy the provisions of Regulations Sec-

tion 1.704-2(i). "Partner Minimum Gain" means, with respect to a Partner Nonrecourse Debt, the minimum amount of gain that would be realized by the Partnership if the Partnership disposed of the Partnership property subject to such liability in full satisfaction thereof.

c. Qualified Income Offset

In the event any Limited Partner unexpectedly receives any adjustments, allocations, or distributions described in Regulations Section 1.704-1(b)(2)(ii)(d)(4),(5) or (6), items of Partnership income and gain shall be specially allocated to each such Limited Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the deficit in the Capital Account of such Limited Partner as quickly as possible, provided that an allocation pursuant to this Paragraph 4.6(c) shall be made if and only to the extent that such Limited Partner would have a deficit in his Capital Account after all other allocations provided for in this Article 4 have been tentatively made as if this Paragraph 4.6(c) were not in the Agreement. This Paragraph 4.6(c) is intended to comply with the qualified income offset requirement of Regulations Section 1.704-1(b)(2)(ii)(d)(3), and shall be interpreted consistently therewith.

d. Gross Income Allocation to Restore Capital Account Deficit

In the event any Limited Partner has a deficit in his Capital Account at the end of any Partnership fiscal year that is in excess of the sum of (i) the amount such Limited Partner is obligated to restore and (ii) the amount such Limited Partner is deemed to be obligated to restore pursuant to Regulations, each such Limited Partner shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Paragraph 4.6(d) shall be made only if and to the extent that such Limited Partner would have a deficit in his Capital Account in excess of such sum after all other allocations provided for in this Article 4 have been made as if this Paragraph 4.6(d) and Paragraph 4.6(c) were not in the Agreement.

e. Allocation From Disposition of Property Not Revalued

If, in connection with the admission of a Partner or the liquidation of an Interest, the properties of the Partnership are not revalued pursuant to Regulations Section 1.704-1(b)(2)(iv)(f) and the Capital Accounts of the Partners are not adjusted accordingly, then, upon any subsequent sale and other disposition of the property of the Partnership, gain or loss recognized upon the sale or other disposition shall be allocated among the Partners so as to take into account the variation between the adjusted basis of such property and its fair market value as of the date the Partner was admitted or the date the Interest was liquidated, as the case may be, in the same manner as under Code Section 704(c).

f. Allocation Related to Adjustments in Tax Basis

To the extent an adjustment to the adjusted tax basis of any asset of the Partnership pursuant to Code Section 734(b) or 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining the Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Regulations.

g. Allocation Related to Capital Event Adjustments

To the extent the gross book value of any asset of the Partnership is increased or decreased for a "capital event" described in Paragraph 3.2 relating to Capital Account Adjustments for special events, any resulting book gain or loss shall be allocated as required for capital account purposes and subsequent allocations of income, gain, loss or deduction with respect to such asset shall take into account any difference between the adjusted basis of such asset for federal income tax purposes and its gross book value.

h. Allocation Consistent with Distributions

Notwithstanding any other provision of the Agreement, the net profits and net losses shall be allocated in a manner that is consistent with the requirements for distributions of cash described elsewhere in the Agreement, the requirements for distribution of assets of the partnership upon its dissolution and winding up strictly in accordance with capital account balances determined in accordance with these procedures described below and the requirements for the allocations to comply with applicable Regulations under Code Section 704(b).

i. Allocations to Comply with Regulations and Indentions of Partners

The allocations of net income, gains, net losses, and deductions set forth in the Agreement are intended to comply strictly with Regulations Section 1.704-1(b), Regulations Section 1.704-1T(b)(4)(iv), and Regulations Section 1.704-2, and are intended to have "substantial economic effect" within the meaning of those Regulations. The allocations may not be consistent with the intentions of the Partners to allocate distributions. Accordingly, the General Partner is hereby authorized to allocate net profits, net losses, and other economic items among the Partners so as to prevent the allocations from distorting the manner in which distributions are intended to be divided among the Partners pursuant to this Article 4. In general, the Partners anticipate that these allocations will be accomplished by specially allocating other net profits, net losses, and items of income, gain, loss, and deduc-

tion among the Partners so that the net amount of the allocations and such special allocations to each such Partner is zero. If, for whatever reason, the General Partner determines that the allocation provisions of the Agreement are unlikely to be respected for federal income tax purposes, the General Partner is granted the authority to amend the allocation provisions of the Agreement, to the minimum extent necessary to effect the plan of allocations and distributions provided in the Agreement. The General Partner shall have the discretion to adopt and revise rules, conventions and procedures as he believes appropriate in any reasonable manner with respect to the admission of Partners to reflect the Interest at the close of the year in accordance with the intentions of the Partners.

Section 7. Order of Allocations.

Unless otherwise required by Regulations Section 1.704-2, the allocation provisions of this Article 4 shall be applied in the following order from first to last:

a. Allocation of Partnership Minimum Gain Chargeback ;

b. Allocation of Partner Minimum Gain Chargeback;

c. Allocation of qualified income offset;

d. Allocation of nonrecourse deductions;

e. Allocation of income, gains or losses related to contributed property;

f. Allocation of gains or losses from sale or other disposition of property not revalued;

g. Allocation of Net Profits;

h. Allocation of Net Losses;

i. Allocation of gains and losses related to adjustment in tax basis;

j. Allocation of gains and losses to avoid adjusted capital account deficit;

k. Allocation of gross income to restore capital account deficit;

l. Allocation of a capital account adjustment and subsequent effects;

m. Allocation of net profits and net losses consistent with distributions;

n. Allocation of income, gains, losses and deductions to comply with regulations and intentions of Partners.

Section 8. Distributions to Partners

It is the primary intent of the Partnership to retain partnership funds in amounts determined in the sole discretion of the General Partner to meet the reasonable needs of the business or investments of the Partnership and other needs as provided in this Agreement. No Partner shall have the right to demand distributions of any Partnership funds or assets. Distributions of funds or other Partnership assets, when made, shall be made as follows:

a. Distributions of Cash

The General Partner may make distributions of Partnership cash to the Partners on a pro rata or non-pro rata basis as the General Partner, in its discretion, shall determine. The General Partner may distribute the cash reserves that exceed the amount necessary for the Partnership's business needs and/or strategy purposes.

The General Partner, in its sole and absolute discretion, rather than making an actual distribution of Partnership assets to the Partner, may elect to treat such distribution as a liability of the Partnership and execute a Note to the Partner payable to the Partner at the termination of the Partnership, said Note to bear interest annually at the applicable annual interest rate payable each year by the Internal Revenue Service.

Subject to this Agreement and applicable law, distributions of cash shall first come from cash from operations as permitted under this Agreement, then from cash from the liquidation of the Partnership as provided in this Agreement.

b. Distributions in Kind

The General Partner, in its sole and absolute discretion, may make distributions in kind of Partnership property to the Partners. Prior to any such distribution in-kind, the difference between such established fair market value and the book value of the property to be distributed shall be adjusted by a credit or charge, as is appropriate, to the Partners' Interests. Upon the distribution of such property, such adjusted value shall be charged to the Interests of the Partners receiving such distributions.

c. No Interest

If a Partner does not withdraw all or any portion of its share of any cash distribution made pursuant to subparagraph (a) above, the Partner shall not be entitled to receive any interest unless all Partners agree.

d. Savings Clause

The General Partner may adjust the Partnership's accounting methodology in order to comply with the Internal Revenue Code as currently promulgated without prior notice to the Partners.

e. Tax Elections

The General Partner may make any applicable or available tax elections on behalf of the Partnership without prior notice to any Partner.

f. Cash from Capital Transactions

The proceeds of any Capital Transaction shall be applied to payment of all expenses incurred in connection with such transaction and to the extent specified in the terms of any such Capital Transaction, to the payment of any indebtedness secured by the asset involved in the Capital Transaction.

g. Allocation of Distributions

Except as otherwise provided in this Agreement, Distributions shall be allocated to the Partners in proportion to their Percentage Interests.

h. Return of Distribution

Any Distribution made to the Partners shall be considered to comply with all applicable law, including California Corporations Code Section 15666, if the Distribution is made from available Partnership assets. If a court of competent jurisdiction finds that a Distribution violates California Corporation Code Section 15666, the Limited Partners shall be required to return their respective share of the Distribution made in violation of Section 15666, provided that the request for return of the Distribution is approved by 51% of the Partners.

i. Deemed Notice to Creditors

Creditors of the Partnership shall be considered to have notice of the provisions of this Article and of the fact that Limited Partners shall not be required to return a Distribution

unless the request for return of the Distribution has been approved by the 51% of the Partners.

j. Restoration of Negative Capital Account

Each Partner is obligated to restore its negative capital account to zero prior to termination of the Partner's interest.

Article Six

Management of the Partnership

Section 1. General Authority of the General Partner

Subject to the specific rights given the Limited Partners in this Agreement, all decisions respecting any matter affecting or arising out of the conduct of the business of the Partnership shall be made by the General Partner who shall have the exclusive right and full authority to manage, conduct, and operate the Partnership business.

The General Partner shall have the obligation to manage and administer the Partnership in accordance with this Agreement and to perform all duties prescribed for a general partner by the laws of the State of California.

Section 2. A Majority in Interest of General Partners Required to Control

When three or more General Partners are acting, the concurrence and joinder of a majority of the General Partners' shall control in all matters pertaining to the administration of the Partnership.

If only two General Partners are acting, the concurrence and joinder of both shall be required.

Section 3. Authority to Make Tax Elections

The General Partner may, but shall not be required to, cause the Partnership to make all elections applicable to a Partnership for federal and state income tax purposes as the General Partner, in the General Partner's discretion, deems to be in the best interests of the Partners and the Partnership without prior notice to any partner. Such elections shall include, but are not limited to, an optional adjustment to basis election under section 754 of the Code relating to distributions of Partnership property in a manner provided for in Section 734 of the Code and in the case of a transfer of a Partnership Interest, in a manner provided for in 743 of the Code.

Section 4. Authorization to Execute Certain Instruments

With respect to all of its obligations, powers and responsibilities under this Agreement, the General Partner is authorized to execute and deliver, for and on behalf of the Partnership, such notes and other evidence of indebtedness, contracts, agreements, assignments, deeds, leases, loan agreements, mortgages, and other security instruments and agreements in such form, and on such terms and conditions, as the General Partner in the General Partner's sole discretion deems proper.

Section 5. Affidavit of Authority of the General Partner

Any third party dealing with the Partnership may rely upon the affidavit of the General Partner, as to the General Partner's authority to act for the Partnership, in substantially the form as follows:

SAMPLE AFFIDAVIT OF AUTHORITY OF THE GENERAL PARTNER

On my oath and under the penalties of perjury, I swear that I am the duly elected and authorized General Partner of the K S MATTSON PARTNERS, LP, a CALIFORNIA LIMITED PARTNERSHIP. I certify that I have not been removed as General Partner and have the authority to act for, and bind, the K S MATTSON PARTNERS, LP in the transaction of the business for which this affidavit is given as affirmation of my authority.

K S MATTSON PARTNERS, LP

By: _____
KENNETH W. MATTSON, Member
K S MATTSON COMPANY, LLC, General Partner

Sworn and subscribed before me the undersigned authority, by KENNETH W. MATTSON, on this _____ day of _____, _____.

_____
Notary Public

In addition to the above Affidavit of Authority, the General Partner is authorized to execute and deliver to third parties a Memorandum of Partnership, a copy of which may be attached to this Agreement as an Exhibit.

Section 6. Limitations on the Authority of the General Partner

The authority of the General Partner shall be limited in accordance with this Section.

a. Acts Requiring 75% Approval of Partnership Interests

The consent of 75% of the Partnership Interests shall be required to do any of the following:

1) Prior to actual termination of the Partnership, to sell substantially all of the property in liquidation or cessation of the business;

2) To confess a judgment against the Partnership;

3) To file or consent to filing a petition for or against the Partnership under any federal or state bankruptcy, insolvency or reorganization act;

b. Other Acts Requiring Approval of 75% of the Partnership Interests

The General Partner shall not have the power, without the written consent of 75% of all Partnership Interests, to do any of the following:

1) Except as otherwise provided, to admit any substitute or additional Limited or General Partner into the Partnership;

2) Except as provided in Section 3 of Article Fifteen, to amend this Agreement;

3) To change or reorganize the Partnership into any other legal form including but not limited to Subchapter S corporation, Subchapter C corporation, Limited Liability Company, Limited Liability Partnership, and any other business entity available;

4) To engage in any act that would subject any Limited Partner to liability as a General Partner.

5) To dissolve and liquidate the Partnership.

6) To contribute partnership property to a Charity.

7) To register any interest in this Partnership for an offering under any federal or state securities law.

8) Any return of distribution.

c. Acts Requiring 51% Approval of the Partnership Interests

The consent of 51% of the Partnership Interests shall be required to review and approve the operating budget of the Partnership.

d. Partners Who are Under Court Orders

The vote, consent or participation of any Partner under any kind of court order restraining, prohibiting or in any way preventing any Partner from voting, consenting or participating in Partnership matters shall not be required in order to obtain the necessary percentage vote or consent or participation for the Partnership, to act upon any proposed action.

Section 7. Delegation among the General Partners

A General Partner may delegate to any other General Partner the power to exercise any or all powers granted the General Partner as provided in this Agreement, including those that are discretionary, if allowed by law.

The delegating General Partner may revoke any such delegation at will.

The delegation of any such power, as well as the revocation of any such delegation, shall be evidenced by an instrument in writing executed by the delegating General Partner.

As long as any such delegation is in effect, any of the delegated powers may be exercised by the General Partner receiving such delegation with the same force and effect as if the delegating General Partner had personally joined in the exercise of such power.

Section 8. The Tax Matters Partner

The General Partner shall serve as the Tax Matters Partner pursuant to the Code. If there is more than one General Partner, the Partners shall, with written approval of 75% of all partnership interests, designate one of the General Partners to serve as the Tax Matters Partner.

a. Legal and Accounting Costs for Tax Matters

The Partnership shall bear the legal and accounting costs associated with any contested or uncontested proceeding by the Internal Revenue Service with respect to the Partnership's tax returns.

b. Discretion as to Tax Matters

Subject to its fiduciary duty to the Partners, the Tax Matters Partner shall have the right in its reasonable good faith judgment to decide whether and in what manner to contest any such proceeding including appeals or judicial proceedings, and whether and on what terms to settle any such dispute with the Internal Revenue Service.

c. Tax Classification as a Partnership

The Tax Matters Partner shall take any and all steps reasonably necessary to classify the partnership as a partnership for tax purposes under the Code and Regulations, in particular IRC §7701 et. seq., and the "Check the Box" regulations effective January 1, 1997, as amended from time to time.

Section 9. Specific Powers of the General Partner

Subject to the limitations of Section 6 of this Article, the Partnership, by and through the General Partner, may acquire, hold, rent, lease, sell, convey, exchange, convert, improve, repair, manage, control, invest and reinvest the funds of the Partnership in every kind of real and personal property, both tangible and intangible, including property acquired "subject to" or "in assumption of" an existing indebtedness and property acquired in whole or in part for promissory obligations of the Partnership.

The Partnership may make any payment, receive any money, take any action, and make, execute, deliver and receive any contract, deed, instrument or document that may be necessary or advisable to exercise any of the powers conferred under this Agreement and that are necessary or prudent for the proper administration and conservation of the investments of the Partnership.

By way of illustration, but not by way of limitation, the Partnership, by and through the General Partner, shall be authorized to exercise the following powers:

a. Agricultural Powers

The Partnership may retain, sell, acquire, and continue any farm or ranching operation.

The Partnership may engage in the production, harvesting, and marketing of both farm and ranch products either by operating directly or with management agencies, hired labor, tenants, or sharecroppers.

The Partnership may engage and participate in any government farm program, whether state or federally sponsored.

The Partnership may purchase or rent machinery, equipment, livestock, poultry, feed, and seed.

The Partnership may improve and repair all farm and ranch properties; construct buildings, fences, and drainage facilities; acquire, retain, improve, and dispose of wells, water rights, ditch rights, and priorities of any nature.

The Partnership may, in general, do all things customary or desirable to operate a farm or ranch operation.

b. Business Powers

The Partnership may acquire, hold and sell the following as Partnership Property:

(1) the stock of any corporation

(2) an interest in a partnership as a general partner or as a limited partner

(3) a membership interest in a limited liability company

(4) a partnership interest in a limited liability partnership

(5) an interest in a business trust

(6) an interest in any joint venture

The Partnership may elect or employ directors, officers, employees, managers and agents and compensate them for their services.

The Partnership may sell or liquidate any business interest that is part of the Partnership.

The Partnership may carry out the provisions of any agreement entered into for the sale of any business interest or the stock thereof.

The Partnership may exercise all of the powers granted in this Agreement regardless of whether the General Partner is personally interested or an involved party with respect to any business enterprise forming a part of the Partnership Property.

c. Employment of Agents and Others

The Partnership may employ agents, employees, managers, accountants, attorneys, consultants, and other persons necessary or appropriate to carry out the business and affairs of the Partnership, whether or not any such persons so employed are Affiliated Persons, or are employed by Affiliated Persons.

The Partnership may pay as an expense of the Partnership such reasonable fees, costs, expenses, salaries, wages and other compensation to such persons as the General Partner shall determine. Such expenses shall include payment or reimbursement for all fees, costs, and expenses incurred in the formation and organization of the Partnership.

The Partnership may delegate management functions to any corporation, partnership, limited liability company or other entity qualified to manage the property and to conduct the business activities of the Partnership. Any delegation of management rights shall not relieve the General Partner from personal liability for management decisions and operations of the Partnership.

Any delegation of authority is to be considered in compensating the General Partner for services to the Partnership.

d. Expenditures in the Management of the Partnership

The Partnership may make any and all expenditures and investments that the General Partner, in the General Partner's sole discretion, deems necessary or appropriate in connection with the management of the affairs of the Partnership and the carrying out of the obligations and responsibilities under this Agreement.

e. Formation of Trusts, Corporations, Partnerships, Limited Liability Companies and Other Legal Entities

The Partnership is permitted and authorized to form, or to participate in the formation of, a trust (revocable or irrevocable), corporation, partnership, limited partnership, joint venture, limited liability company and/or other legal entity, and to invest all or any part of the

Partnership Property in one or more trusts (revocable or irrevocable), partnerships, joint ventures, limited partnerships, corporations, limited liability companies and/or other legal entities.

The Partnership may serve as the general partner of a limited partnership or may serve as the manager of a limited liability company in which the Partnership has made (or intends to make or otherwise acquire) an investment.

The Partnership may invest in a trust, corporation, partnership, limited partnership, joint venture, limited liability company and/or other legal entity even though federal and state law restrictions and contractual restrictions on ownership, transfer of interests, and liquidation contained in the governing instrument or instruments, may cause the ownership interest of the Partnership in a trust, corporation, partnership, limited partnership, joint venture, limited liability company or other legal entity to have a fair market value that is less than the fair market value of the assets contributed to the entity.

f. Business or Trade Names

The Partnership may adopt such trade or business names as the General Partner shall determine to be appropriate.

g. Charitable Planning Opportunities

The Partnership may form, and contribute property to one or more Charities.

In the case of a charitable remainder trust or charitable lead income trust, the beneficiary for the non-charitable term of the trust will be the Partnership.

If, and only as, permitted by the tax laws of the United States with regard to a termination of the Partnership prior to the expiration of the term of a charitable trust, the beneficiaries during the non-charitable term, or of the non-charitable remainder (in the case of a charitable lead income trust), will be the Partners of the Partnership at the time of its termination according to their percentages and rights of ownership determined at the time the Partnership terminates.

h. Investment Powers in General

The Partnership may invest and reinvest in such classes of stocks, bonds, securities, commodities, options, metals, or other property, real or personal, of every kind and nature as the General Partner shall determine.

The General Partner may establish an advisory committee of the Partnership consisting of two or more Limited Partners (the "Advisory Committee").

a. Annual Meetings

If the Advisory Committee is established, at least once per calendar year the General Partner, on notice to each member on or before the tenth day prior to the meeting, shall call a meeting of the Advisory Committee, at which the General Partner shall apprise it generally of the business and affairs of the Partnership since the last meeting of the Advisory Committee.

b. Committee is Advisory Only

The Advisory Committee may make recommendations to or otherwise advise and consult with the General Partner regarding the business and affairs of the Partnership; however, the Advisory Committee is not authorized to take any action on behalf of the Partnership or to compel any Partner to take any action. The Advisory Committee may make a report of the meeting to the remaining Limited Partners.

c. Payment of Expenses Authorized

A Limited Partner or representative shall be entitled to payment from the Partnership for its expenses relating to attendance at meetings of the Advisory Committee.

The Partnership may invest in investment trusts as well as in common trust funds.

The Partnership may purchase life, accident, disability, medical or other insurance on behalf of and for the benefit of the General Partner or any Limited Partner.

i. Life Insurance and Annuity Powers

The Partnership may purchase, accept, hold, and deal with as owner, assignee and/or beneficiary, life insurance policies and annuity contracts.

The Partnership shall have the power to execute or cancel any automatic premium loan agreement with respect to any policy, and shall have the power to elect or cancel any automatic premium loan provision in a life insurance policy.

The Partnership may borrow money with which to pay premiums due on any policy either from the company issuing the policy or from any other source and may assign any such policy as security for the loan.

The Partnership shall have the power to exercise any option contained in a policy with regard to any dividend or share of surplus apportioned to the policy, to reduce the amount of a policy or convert or exchange the policy, or to surrender a policy at any time for its cash value.

The Partnership may elect any paid-up insurance or any extended-term insurance nonforfeiture option contained in a policy.

The Partnership shall have the power to sell policies at their fair market value to the insured or to anyone having an insurable interest in the policies.

The Partnership shall have the right to exercise any other right, option, or benefit contained in a policy or permitted by the insurance company issuing that policy.

j. Loan, Borrowing, and Encumbrance Powers

The Partnership may borrow money and, as security therefor, mortgage, pledge or otherwise encumber the assets of the Partnership.

The Partnership may prepay in whole or in part, recast, increase, modify, extend or refinance any mortgages affecting the Partnership Property, and in connection therewith, may execute any extensions, renewals, or modifications of any mortgage on the Partnership Property; provided, however, nothing in this Agreement shall permit the General Partner

to subject any Limited Partner to personal liability for the indebtedness secured by any mortgage on the Partnership Property.

The General Partner may, at its discretion, lend Partnership funds to any person on such terms, time periods, interest rates (within legal limits), and for such security or collateral deemed appropriate or necessary by the General Partner.

k. Maintenance of Partnership Property

The Partnership shall maintain and operate the Partnership Property in a manner that satisfies in all respects the obligations imposed with respect to such maintenance and operation by any mortgages encumbering the Partnership Property from time to time, and by any other agreement pertaining to the Partnership Property or any part of it.

l. Margin, Brokerage, and Bank Account Powers

The Partnership is authorized to buy, sell, and trade in securities of any nature, including short sales, sales on margin and options of every kind and futures contracts.

The Partnership may maintain and operate margin accounts with brokers, and may pledge any securities held or purchased with such brokers as securities for loans and advances made to the Partnership. The General Partner is authorized to establish and maintain bank accounts of all types in one or more banking institutions that the General Partner may choose.

m. Nominee Powers

The General Partner may provide that any Partnership Property may be held in the name of a nominee, and may enter into agreements to facilitate holding such Property.

n. Nonproductive Property

The Partnership may hold property that is non-income producing or is otherwise nonproductive if the holding of such property is, in the sole and absolute discretion of the General Partner, in the best interest of the Partnership.

o. Oil, Gas, Coal, and Other Mineral Powers

The Partnership may do all things necessary to maintain in full force and effect any oil, gas, coal, or other mineral interests comprising part or all of the Partnership Property.

The Partnership may purchase additional oil, gas, coal, and other mineral interests when necessary or desirable to effect a reasonable plan of operation or development with regard to the Partnership Property.

The Partnership may buy or sell undivided interest in oil, gas, coal, and other mineral interests, and may exchange any of such interests for interests in other properties or for services.

The Partnership may execute oil, gas, coal, and other mineral leases on such terms as the General Partner may deem proper, and may enter into pooling, unitization, repressurization, and other types of agreements relating to the development, operation, and conservation of mineral properties.

The Partnership may execute division orders, transfer orders, releases, assignments, farmouts, and any other instruments which the General Partner deems proper.

The Partnership may drill, test, explore, mine, develop, and otherwise exploit any and all oil, gas, coal, and other mineral interests, and may select, employ, utilize, or participate in any business form, including partnerships, joint ventures, co-owners' groups, syndicates, and corporations, for the purpose of acquiring, holding, exploiting, developing, operating, or disposing of oil, gas, coal, and other mineral interests.

The Partnership may employ the services of consultants or outside specialists in connection with the evaluation, management, acquisition, disposition, or development of any mineral interest.

p. Powers of Attorney

The Partnership, by and through the General Partner, may execute, deliver, and grant to any individual or corporation a revocable or irrevocable power of attorney to transact any and all business on behalf of the Partnership.

The power of attorney may grant to the attorney-in-fact all of the rights, powers, and discretion that the General Partner could have exercised.

q. Real Estate Powers

The Partnership may purchase and sell interests in real estate and make leases and grant options to lease for any term, even though the term may extend beyond the term of the Partnership.

The Partnership may grant or release easements and other interests with respect to real estate, enter into party wall agreements, execute estoppel certificates, and develop and subdivide any real estate.

The Partnership may dedicate parks, streets, and alleys or vacate any street or alley, and may construct, repair, alter, remodel, demolish, or abandon improvements.

The Partnership may elect to insure, as they deem advisable, all actions contemplated by this subsection.

The Partnership may take any other action reasonably necessary for the preservation of real estate and fixtures comprising a part of the Partnership Property or the income therefrom.

The Partnership may likewise partition or exchange real property, in whole or in part, for other real or personal property; grant easements or charges of any kind; release, convey or assign any right, title or interest in or about an easement appurtenant to the property; alter, repair, add to or take from buildings on the premises, purchase or hold real property, improved or unimproved; act as trustee of any land trust of which the Partnership is a beneficiary; convey title to the real estate subject to such land trust and to execute all documents pertaining to the property subject to such land trust and act in all matters regarding such trust, and execute assignments of all or any part of the beneficial interests in such land trusts.

r. Sale, Lease, and Other Dispositive Powers

The Partnership may sell, lease, transfer, exchange, grant options with respect to, or otherwise dispose of the Partnership Property.

The General Partner may deal with the Partnership Property at such time or times, for such purposes, for such considerations and upon such terms, credits, and conditions, and for such periods of time, whether ending before or after the term of the Partnership as the General Partner deems advisable.

The General Partner may make such contracts, deeds, leases, and any other instruments it deems proper under the immediate circumstances, and may deal with the Partnership Property in all other ways in which a natural person could deal with his or her property.

s. Securities Powers

The Partnership may acquire, hold and sell:

Publicly traded securities, including stocks, bonds, warrants, options, futures, mutual funds, partnerships, real estate investment trusts, diversified asset funds, including international investments and investment funds.

Obligations of the United States government or of any foreign government.

Cash deposits, money market funds, brokerage company investment and money market accounts, certificates of deposit, savings accounts, and checking accounts, without limitation as to the location of the account or depository.

In addition to those other securities powers granted throughout this Article, the Partnership may retain, exercise, or sell rights of conversion or subscription with respect to any securities held as Partnership Property.

The Partnership may vote or refrain from voting at corporate meetings either in person or by proxy, whether general or limited, and with or without substitutions.

t. Settlement Powers

The Partnership may pay, extend, renew, modify, adjust, submit to arbitration, prosecute, defend, or compromise, upon such terms as it may determine and upon such evidence as they may deem sufficient, any obligation, suit, liability, cause of action or claim, including taxes, either in favor of or against the Partnership.

u. Surety and Indemnity Powers

The Partnership may execute and deliver any surety, indemnity, or similar agreement to any person, firm or corporation that is reasonably necessary or required in connection with the business activities of the Partnership; to pledge or mortgage the assets of the Partnership to secure such surety or indemnity obligation.

v. Environmental Powers

The Partnership shall have the power to refuse to accept property if the Partnership determines that there is a substantial risk that such property is contaminated by any hazardous substance or has previously, or is currently, being used for any activities directly or indirectly involving hazardous substances that could result in liability to the Partnership

assets. "Hazardous substance" shall mean any substance defined as hazardous or toxic by any federal, state, or local law, rule, regulation, or ordinance.

The Partnership shall have the power to inspect any Partnership property to determine compliance with any environmental law affecting such property or to respond to any environmental law affecting property held by the Partnership . "Environmental Law" shall mean any federal, state, or local law, rule, regulation, or ordinance relating to protection of the environment or of human health.

The General Partner shall have the power to take any necessary action to prevent, abate, clean up or otherwise respond to any actual or threatened violation of any environmental law affecting Partnership property prior to or after the initiation or enforcement of any action by any governmental body.

The General Partner may disclaim or release any power granted to it or implied by any document, statute, or rule of law that the Partnership determines may cause the Partnership to incur liability under any environmental law.

The Partnership may charge the cost of any inspection, review, prevention, abatement, response, cleanup, or remedial action authorized under this power against the Partnership property.

The Partnership shall not be liable for any decrease in value of the Partnership property by reason of the Partnership's compliance with any environmental law, specifically including any reporting requirement under such law.

w. Partnership Act Powers

In addition to all of the powers specifically granted to the General Partner in this Agreement, the General Partner may exercise those rights and powers of General Partners or Limited Partner as provided under the laws of the State of California.

The General Partner may perform every act reasonably necessary to administer the Partnership. Subject to any express limitations or contrary directions contained in this Agreement, the General Partner shall have both the administrative and investment powers enumerated under this Agreement and any other powers granted by federal and state law with respect to general partners.

Section 9. Creation of Advisory Committee

Article Seven

The General Partner

Section 1. General Partner

Each Partner serving, or to serve, as General Partner will have the obligation to manage and administer the property of the Partnership and to perform all other duties prescribed for a general partner by the laws of the State of California. A General Partner will have personal liability for the obligations of the Partnership except as may be specifically limited by the laws of the State of California or any other jurisdiction in which the Partnership has qualified to do business.

The Partnership must have at all times at least one General Partner.

Section 2. Minimum Partnership Interest to be Owned by a General Partner

The General Partners must collectively own at least that Partnership Interest required by Section 8 of Article Four of this agreement.

Section 3. Extent and Scope of Services

During the existence of the Partnership, the General Partner shall devote such time and effort to the Partnership business as the General Partner, in its sole discretion, determines to be necessary to promote adequately the interest of the Partnership and the mutual interest of the Partners.

a. Full Time Not Required

It is specifically understood and agreed that the General Partner and its Affiliates shall not be required to devote full time to Partnership business.

b. Other Ventures

The General Partner and any of the General Partner's Affiliates may engage in and possess interests in other business ventures of any and every type or description, independently or

with others. Neither the Partnership nor any Partner shall have any right, title, or interest in or to such independent ventures of the General Partner.

Notwithstanding the fiduciary duty owed by the General Partner to the partners of the partnership, the General Partner shall not be obligated to present any investment opportunity to the Partnership even if such opportunity is of a character that if presented to the Partnership, could be taken by the Partnership for its own account.

c. Fiduciary Duty of General Partner

In carrying out the duties of the General Partner under this agreement, the General Partner shall act as a fiduciary for the Limited Partners, and in its fiduciary capacity shall exercise the highest standard of conduct with respect to the interest of the Limited Partners. Accordingly, the General Partner may not act in any manner contrary to the Agreement; receive extra compensation not provided in the Agreement; commingle Partnership funds; fail to disclose material facts involving transfers to and from the Partnership; take a Partnership opportunity for its own benefit; or derive a secret personal profit from dealing with the Partnership. The General Partner must account to the Partnership for any benefit, and hold as trustee for it any profits derived by it without the consent of the other Partners from any transaction connected with the formation, conduct, or liquidation of the Partnership, or from any use by it of Partnership property.

d. Employment of Professionals

The General Partner may employ such brokers, agents, accountants, attorneys and other advisors as the General Partner may determine to be appropriate for the management of the Partnership business.

Section 4. Liability of General Partner to Limited Partners

The General Partner shall not be liable, responsible or accountable in damages or otherwise to any Limited Partner or Limited Partners for, and the Partnership shall indemnify the General Partner and hold the General Partner harmless against, any loss or damage incurred by reason of any act or omission performed or omitted by the General Partner in good faith on behalf of the Partnership and in a manner reasonably believed by the General Partner to be within the scope of the authority granted to the General Partner by this Agreement and in the best interests of the Partnership. This provision is intended to supplant any provision of state law to the contrary.

Article Eight

The Limited Partners

Section 1. Limited Liability of Limited Partners

Except as provided in Section 3 of Article Four, no Limited Partner shall be required to make any contribution to the capital of the Partnership for the payment of any losses or for any other purposes; nor shall any Limited Partner be responsible or obligated to any third parties for any debts or liabilities of the Partnership in excess of the sum of its unpaid required contributions to the capital of the Partnership, its unrecovered contributions to the capital of the Partnership and its share of any undistributed profits of the Partnership.

Section 2. No Right to Participate in Management

No Limited Partner, other than a General Partner who is also a Limited Partner, may participate in the management and operation of the Partnership's business and its investment activities, or bind the Partnership to any obligation or liability whatsoever. However, a Limited Partner may exercise any power authorized by the Act that a Limited Partner may exercise without being considered to be taking part in the control of the business of the Partnership.

a. Transfer of Title to Partnership Assets

A Limited Partner may not transfer legal or beneficial title to property of the Partnership unless, supported by an affidavit of fact, the Limited Partner acts pursuant to the limited authority prescribed by the laws of the State of California relative to winding up of the Partnership in the absence of a qualified General Partner.

b. Use of Limited Partner's Name

No Limited Partner shall permit its name to be used in the name of the Partnership unless the use of the name of the Limited Partner is permitted under the Act.

a. Gross Negligence or Willful Misconduct

A General Partner shall be personally liable, responsible, and accountable in damages or otherwise, to any Limited Partner or Limited Partners if the General Partner is guilty of gross negligence or willful misconduct with respect to an act or omission and no Limited Partner shall have any personal liability on account thereof.

b. Good Faith Acts or Omissions

Any act or omission performed or omitted by a General Partner on advice of counsel to the Partnership shall be conclusively deemed to have been performed or omitted in good faith

c. No Personal Liability for Capital Contributions

The General Partner shall not be personally liable for the return of the capital contribution of any Partner, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

d. Indemnity Provisions

The Partnership (but not the Limited Partners) shall indemnify and agree to hold the General Partner completely harmless from and against any loss, expense or damage suffered by the General Partner resulting from any act or omission of the General Partner relating to the Partnership. However, the Partnership shall not be required to indemnify the General Partner for any loss, claim, expense or damage incurred as a result of the willful misconduct, gross negligence, fraud or breach of fiduciary duty of such General Partner.

Section 5. Voluntary Withdrawal of a General Partner

A General Partner may withdraw from the Partnership only after complying with the provisions of this Section.

a. Conditions for Withdrawal

No General Partner may withdraw as a General Partner of the Partnership without the prior written consent of 75% of the Partnership Interests unless there is at least one remaining General Partner or a successor General Partner has been appointed as provided in this agreement. For purposes of this subsection, a majority of the Partnership Interests

shall only include those Partnership Interests remaining after excluding the Partnership Interests of the Partner seeking to withdraw.

b. Effective Date of Withdrawal

Any withdrawal shall be effective upon the later of:

30 days after the necessary written consent is given by a majority of the Partnership Interests; or

The date specified in the written consent.

c. General Partner's Interests Sold or Converted to Limited Partnership Interests

Upon withdrawal, Partnership Interests held by the withdrawing General Partner shall be purchased by the remaining General Partners or converted to limited Partnership Interests.

d. Breach of Contract and Remedies

If a General Partner withdraws in violation of this section, the withdrawal will be treated as a breach of this Agreement and the Partnership may recover damages from the withdrawing Partner, including the reasonable cost of obtaining replacement of the services the withdrawing Partner was obligated to perform. In addition to any other remedies available under applicable law, the Partnership may recover from the withdrawing General Partner by offsetting any damages against any amount distributable to the withdrawing Partner.

Section 6. Removal of a General Partner

A General Partner may be removed as General Partner for cause by the affirmative vote of at least 75 percent of the Partnership Interests. The term "for cause" shall mean and include:

Any material act of self dealing by a General Partner;

Any material act constituting gross negligence, willful misconduct or fraud;

Any act constituting the willful and intentional disregard of a directive of the Partners pursuant to a vote on a matter that the Partners have a vote under this Agreement or under the laws of the State of California.

The term "material" identifies a significant monetary damage to the Partnership as the result of the act or omission to act by a General Partner constituting self dealing, gross negligence or fraud.

The term "material" does not include incidental or insignificant monetary damage to the Partnership, monetary damages incurred by someone who is not a Partner and for which the Partnership is not liable, nor an intangible loss or damage that cannot be valued under the fair market valuation standards of federal tax law.

If the issues of self dealing, wilful misconduct, gross negligence or fraud and material damage to the Partnership are finally resolved against the General Partner as the result of a conclusive fact finding by the court or a jury, the voting attributes of a General Partner's Partnership Interest, both general and limited, may be disregarded in obtaining the required vote to remove the General Partner.

Section 7. Events Not Considered Withdrawal of General Partner

Notwithstanding any provision in the Act, the following events shall not be an event of withdrawal: (1) the General Partner becoming the subject of an order for relief or being declared insolvent in any federal or state bankruptcy or insolvency proceeding, or (2) the revocation of a corporate General Partner's charter and the expiration of 90 days after the date of notice to the corporate General Partner or revocation without a reinstatement of its charter.

Section 8. Addition and Replacement of General Partners

If all General Partners are individual persons, and one or more of the General Partners withdraws, is removed or otherwise cannot serve as a General Partner for any reason, the partners, with 75% approval of all remaining partnership interests, shall appoint an additional General Partner so that there shall be at least two General Partners serving at all times.

If all of the General Partners withdraw, are removed or otherwise cannot serve as General Partners for any reason, after 75% approval of the Partnership Interests of the Limited Partners shall, within 90 days after the date the last remaining General Partner ceased to serve, elect at least two new General Partners from among the Limited Partners.

Section 9. Additional General Partners

At any time, with the written approval of 75% of the partnership interests, any person (including a Limited Partner) may become a General Partner on such terms and conditions as may be agreed upon. Any person becoming a General Partner will automatically have the rights, authorities, duties, and obligations of a General Partner under this agreement.

Section 10. Compensation and Expenses of General Partner

The General Partner shall be entitled to receive a reasonable salary or other compensation for services rendered, that shall be in addition to the General Partner's respective share of Partnership profits. The General Partner shall be entitled to charge the Partnership, and to be reimbursed by it, for any and all reasonable costs and expenses actually incurred by the General Partner in connection with the operation of the Partnership business.

The salary for the General Partner must be approved by 75% of the Partnership Interests.

Section 11. Bond

No person or entity serving as General Partner shall be required to furnish bond or other security as a prerequisite to the General Partner's service.

Section 12. The General Partner's Responsibility to File Necessary Forms and Make Elections

The General Partner shall prepare or cause to be prepared, and execute, acknowledge, and take all action necessary to assure prompt and timely filing of the following:

The Certificate of Limited Partnership and any amendments thereto in accordance with the Agreement;

Any and all state and federal tax returns, reports, and forms;

Any and all state and federal tax elections deemed by the General Partners to be in the best interest of the Partnership

c. Bind the Partnership

No Limited Partner shall perform any act that would be binding on the Partnership or any other Partner.

d. Incur Expenditures

No Limited Partner shall incur any expenditures on behalf of the Partnership.

Section 3. No Right to Withdraw

No Limited Partner shall have the right to withdraw from the Partnership or to receive a return of any of its contributions to the Partnership until the Partnership is terminated and its affairs wound up in accordance with the Act and this Agreement. A Limited Partner will breach this agreement if the Limited Partner:

Attempts to withdraw from the Partnership,

Interferes in the management of the Partnership affairs,

Engages in conduct that could result in the Partnership losing its tax status as a partnership,

Engages in conduct that tends to bring the Partnership into disrepute,

Owns a Partnership Interest that becomes subject to a charging order, attachment, garnishment, or similar legal proceedings,

Breaches any confidentiality provisions of this Agreement, or

Fails to meet any commitment to the Partnership.

A Limited Partner who is in breach of this Agreement shall be liable to the Partnership for damages caused by the breach. The Partnership may offset for the damages against any distributions or return of capital to the Limited Partner who has breached this Agreement.

Section 4. No Right to Cause Dissolution

No Limited Partner shall have the right or power to cause the dissolution and winding up of the Partnership by court decree or otherwise.

Section 5. Voting

Limited Partners shall have all rights exercise their voting power according to those provisions provided in the Act, as well as on the following matters:

Removal of the General Partner;

Election of a successor General Partner;

Termination and dissolution of the Partnership;

Amendment of this Agreement;

The extension of the term of the Partnership; and

Any matter requiring the vote of the Limited Partners as set out elsewhere in this Agreement or in the Act.

Limited Partners may vote by written consent, with or without a formal meeting.

Section 6. Access to Information

Subject to the provisions of this Section, each Limited Partner is entitled to all information under the circumstances and subject to the conditions stated in this Agreement and the Act.

a. Confidential Information

The Partners acknowledge that they may receive information regarding the Partnership in the form of trade secrets or other information that is confidential, the release of which may be damaging to the Partnership or to Persons with which it does business. Each Partner shall hold in strict confidence any information it receives regarding the Partnership that is identified as being confidential and may not disclose it to any Person other than another Partner, except for disclosures (1) compelled by law (but the Partner must notify the General Partner promptly of any request for that information, before disclosing it, if practicable), (2) to advisors or representatives of the Partner or Assignees of the Partner, but only if they have agreed to be bound by the provisions of this section, or (3) of information that Partner also has received from a source independent of the Partnership that the Partner reasonably believes it obtained without breach of any obligation of confidentiality.

b. Enforcement through Specific Performance

The Partners acknowledge that breach of any provision of this section may cause irreparable injury to the Partnership for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Partners agree that the provisions of this section may be enforced by specific performance.

Article Nine

Books, Records, and Bank Accounts

Section 1. Books and Records

The General Partner shall keep books of account with respect to the operation of the Partnership. Such books shall be maintained at the principal office of the Partnership, or at such other place as the General Partner shall determine, and all Partners and their duly authorized representatives shall, at all reasonable times, have access to such books. The following records of the Partnership shall be kept at its principal office where they shall be subject to inspection and copying at the reasonable request and the expense of any Partner during ordinary business hours:

A current list of the full name and last known business address of each Partner, separately identifying the General Partners and the Limited Partners (in alphabetical order);

A copy of the Certificate of Limited Partnership and all certificates of amendment thereto, together with executed copies of any powers of attorney pursuant to which any certificate has been executed;

Copies of the Partnership's federal, state and local income tax returns and reports, if any, for the three most recent years;

Copies of this Agreement, as amended, and of any financial statements of the Partnership for the three most recent years; and

Any other documents required by law.

Section 2. Accounting Basis and Fiscal Year

The books of account of the Partnership shall be kept on a method authorized or required by the Code and as determined by the General Partner, and shall be closed and balanced at the end of each Partnership year. The fiscal year of the Partnership shall be the period authorized or required by the Code, and as determined by the General Partner.

Section 3. Reports

The General Partner shall provide to each Partner within a reasonable time after the end of each fiscal year such information as is necessary to allow each Partner to prepare and file its federal and state income tax return. All financial statements and reports shall be prepared at the expense of the Partnership.

Section 4. Bank Accounts and Partnership Funds

All cash receipts shall be deposited in the Partnership's bank or other depository accounts maintained by the General Partner.

a. Accounts are Property of the Partnership

All accounts used by or on behalf of the Partnership shall be and remain the property of the Partnership, and shall be received, held and disbursed by the General Partner for the purposes specified in this Agreement.

b. No Commingling of Funds

Partnership funds shall not be commingled with other funds.

Article Ten

Admission of Additional Limited Partners

Section 1. Admission by Consent of Partners

No person, firm, corporation, trust, limited liability company or other legal entity shall be admitted to the Partnership as an additional Limited Partner without the consent **75%** of the Partnership Interests.

Section 2. Capital Contributions and Fair Market Value

The General Partner shall determine the initial capital contribution to be made by an additional Limited Partner and the fair market value of such contribution. The fair market value of any property other than cash or publicly-traded securities to be contributed by an additional Limited Partner as its initial Capital Contribution shall be agreed upon by the additional Limited Partner and a majority of the Partnership Interests before contribution, or, alternatively, shall be determined by a disinterested appraiser selected by the General Partner.

Section 3. Limitations

Notwithstanding the provisions of Section 1 above, no additional Limited Partner shall be admitted until such prospective Limited Partner completes the following actions:

provides evidence satisfactory to the General Partners that such an admission will not violate any applicable securities laws, or cause a termination of the Partnership under applicable provisions of the Code; and

pays all reasonable expenses connected with such admission; and

agrees to be bound by all of the terms and provisions of this Agreement by becoming a signatory hereto.

Section 4. Admissions in Violation of this Article

Any admission of an additional Limited Partner in violation of this Article Ten shall be null and void and of no force and effect whatsoever.

Article Eleven

Transfer of Partnership Interests by a General Partner

Section 1. Restrictions on Transfer

Except as provided in this Article, a General Partner is prohibited from selling, transferring, encumbering or otherwise disposing of any General Partnership Interest without the unanimous written consent of all the Partners.

A transfer of a General Partnership Interest or the admission of a substitute General Partner in violation of the provisions of this Article shall be completely null and void.

Section 2. Sale of Interest

Each General Partner agrees not to sell, assign, transfer, mortgage, pledge, encumber, hypothecate or otherwise dispose of all or any part of his or her General Partnership Interest without first offering in writing to sell such interest to the Partnership and to all other Partners.

a. Notice

The selling General Partner shall give written notice to the Partnership and to all other Partners that he or she desires to sell, assign, transfer or otherwise dispose of his or her Partnership Interest.

1. Written Offer

The selling General Partner shall attach to the written notice any written offer of a prospective purchaser to acquire the Partnership Interest whether or not such offer is from an existing Partner. This notice shall be complete in all details respecting the purchase price and terms of payment.

2. Genuine Offer

The selling General Partner shall certify in writing that the offer is genuine and in all respects what it purports to be.

b. Right to Purchase

The Partnership, or the Partners as they shall agree, shall have the right either to approve the transfer of the General Partner's Interest, or to purchase the General Partner's Interest in accordance with the terms of the written offer at any time during the 30 days following the date on which the written offer is delivered to the Partnership.

c. Right to Sell to Third Party

In the event the Partnership or the Partners elect not to acquire the selling General Partner's Partnership Interest, the selling General Partner shall be free to sell and transfer it's Interest to the prospective purchaser who made the genuine offer to the selling General Partner for the purchase price and terms and conditions contained in the original genuine offer. If the selling General Partner's Partnership Interest is not sold to the prospective purchaser within 60 days of notification by the Partnership and the other Partners of their approval of the sale, then the selling General Partner may not sell the selling General Partner's Partnership Interest to the prospective purchaser without once again offering the Partnership Interest as provided in this Section. In any event, unless all the conditions of Section 3 of this Article and Section 4 of Article Twelve are complied with, the purchaser shall only have the rights of an assignee.

Section 3. Consequences of Transfer

Upon the transfer by a General Partner of all or any portion of its General Partnership Interest, the transferred interest shall be converted into a Limited Partnership Interest unless all remaining Partners consent in writing to such Partnership Interest remaining a General Partnership Interest. The transferee of the Partnership Interest that is to become a Limited Partnership Interest shall be an assignee until the assignee satisfies the requirements of Section 4 of Article Twelve to become a substitute Limited Partner.

If all remaining General Partners and all Limited Partners consent, a transferee shall become a substitute General Partner only after:

a. the transferor General Partner or its Trustee or personal representative, as the case may be, and its transferee:

execute, acknowledge, and deliver to the Partnership such instruments of transfer and assignment as are in form and substance satisfactory to the Partnership; and

furnish to the Partnership such assurances as the Partnership may request, including, without limitation, an opinion of counsel to the Partnership, that the transferring General Partner's interest in the Partnership has been registered for sale under the Securities Act of 1933, as amended, and under all applicable state securities laws or that such registration under the said Securities Act of 1933 and under all applicable state securities laws is not required and that the transfer will not cause a termination of the Partnership under Section 708(b) or any other provision of the Code; and

b. the transferee pays all reasonable expenses connected with such substitution, and agrees to be bound by the terms and provisions of this Agreement by becoming a signatory hereto.

Section 4. Permitted Transfers

During the lifetime of an individual General Partner, a General Partner may transfer his or her General Partnership Interest to his or her spouse or to a revocable or irrevocable trust created by the General Partner for the General Partner or for one or more members of the General Partner's Immediate Family, so long as the proposed transfer does not:

Cause the partnership to terminate for Federal Income Tax purposes;

Result in any event of default as to any secured or unsecured obligation of the partnership;

Cause a reassessment of any real property owned by the partnership; or,

Cause other adverse material impact to the partnership.

Likewise, upon the General Partner's death an individual General Partner may transfer his or her General Partnership Interest by will, trust, or by a validly executed beneficiary designation to an Immediate Family Member or to a trust created for the benefit of one or more Immediate Family Members of the General Partner.

Transfers of General Partnership Interests under this Section shall not require the approval of any other partner and the interests transferred shall continue as General Partnership Interests.

Section 5. Effect Upon a General Partnership Interest Acquired Without Consent

If any person, organization or agency should acquire the Partnership Interest of a General Partner as a result of:

> An order of a court of competent jurisdiction that the Partnership is required by law to recognize; or
>
> Being subject to a lawful charging order by a court of competent jurisdiction; or,
>
> A levy or other transfer of a Partnership Interest, with voting rights, that the Partnership has not approved but which the Partnership is required by law to recognize

then, in such event, such General Partnership Interest shall be converted into a Limited Partnership Interest as of the date of the occurrence of such event. At such time, the General Partner owning such interest shall cease to be a General Partner and shall become solely a Limited Partner without any right or obligation to participate in the management of the Partnership.

The converted interest shall be that of an assignee only and subject to the same requirements as found in Section 12 of Article Twelve of this agreement.

In addition, upon the occurrence of any such event the Partnership shall have the unilateral option to acquire the General Partner's interest for its fair market value upon the same terms and conditions as the Partnership is permitted to acquire other Limited Partnership Interests as provided in Section 12 of Article Twelve of this Agreement.

It is acknowledged by the Partners that the General Partner possesses managerial skills essential for the continued operation of the business of the Partnership, and therefore the foreclosure upon or other court-ordered sale of the General Partner's interest would unduly interfere with the business and management of the Partnership. Accordingly, the interest of the General Partner may not be foreclosed upon or otherwise sold pursuant to court order without the express written consent of all of the Partners.

In the event that a court orders the foreclosure of a Partner's interest, including the interest of the General Partner, notwithstanding the provisions of this Article 11, then the Partnership and the other Partners shall have the option at any time prior to the consummation of the foreclosure or other court-ordered sale to redeem or purchase the interest of the Partner whose interest is so subject to foreclosure or other court-ordered sale.

The price and the other terms and conditions of redemption or purchase shall be equal to the balance of such Partner's capital account as of the end of the calendar month immediately preceding the month in which the consummation of the foreclosure or other court-ordered sale is to occur.

Article Twelve

Transfer of Partnership Interests by a Limited Partner

Section 1. Restrictions on Transfer

Except as provided in this Article, a Limited Partner is prohibited from selling, assigning, transferring, encumbering or otherwise disposing of any interest in this Partnership without the written consent of the General Partner and 75% of the Limited Partners.

The Partners are under no obligation to give such consent, nor are they subject to liability for withholding consent.

Section 2. Sale of Interest

Each Limited Partner hereby agrees not to sell, assign, transfer, mortgage, pledge, encumber, hypothecate or otherwise dispose of all or any part of its Partnership Interest without first offering in writing to sell such interest to the Partnership, and to all other Partners.

a. Notice

The selling Limited Partner shall give written notice to the Partnership and to all other Partners that it desires to sell, assign, transfer or otherwise dispose of its interest.

1. Written Offer

The selling Limited Partner shall attach to the written notice any written offer of a prospective purchaser to buy the interest whether or not such offer is from an existing Partner. This notice shall be complete in all details respecting the purchase price and terms of payment.

2. Genuine Offer

The selling Limited Partner shall certify in writing that the offer is genuine and in all respects what it purports to be.

b. Right to Purchase

The Partnership or the Partners as they shall agree shall have the right either to approve the sale of the Interest, or to purchase the Interest in accordance with the terms of the written offer at any time during the 30 days following the date on which the written offer is delivered to the Partnership.

c. Right to Sell to Third Party

In the event the Partnership and the Partners elect not to purchase the selling Limited Partner's Partnership Interest, the selling Limited Partner shall be free to sell and transfer its interest to the prospective purchaser who made the genuine offer to the selling Limited Partner for the purchase price, terms and conditions contained in the original genuine offer. If the selling Limited Partner's Partnership Interest is not sold to the prospective purchaser within 60 days of notification by the General Partner of its approval of the sale, then the selling Limited Partner may not sell the selling Limited Partner's Interest to the prospective purchaser without once again offering the Partnership Interest as provided in this Section. In any event, unless all of the conditions of Section 4 of this Article are complied with, the purchaser shall have only the rights of an assignee.

Section 3. Assignment to Other Partners and Immediate Family Members

A Limited Partner may assign, without the consent of any other Limited Partner, all or any part of his or her Partnership Interest to another Partner or to a member of the Immediate Family of any Partner or to any Trust established primarily for the benefit of any member of the Immediate Family of a Partner or to a Charity or Charitable Trust. The General Partner shall consent to the assignment and such consent shall not be unreasonably withheld.

a. Trusts

A Limited Partner, upon the consent of the General Partner, may assign all or any part of its Partnership interest to any Trust in which the Partner or member of the Immediate Family of the Partner is a beneficiary. A Limited Partner that is a Trust may assign all or any part of its Partnership Interest to any Immediate Family member of the Partner or trust established for the benefit of such Immediate Family member.

b. Custodianships for Minors

Any Partnership Interest that is held by a custodian for a minor under the Uniform Gifts to Minors Act, the Uniform Transfers to Minors Act or any similar legislation shall be fully transferable and assignable to the minor, without an offer being made to the Partnership, when the minor reaches the age of termination of such custodianship under the applicable statute.

c. Charities and Charitable Trusts

A Limited Partner, upon the consent of the General Partner, may assign all or any part of its Partnership Interest to any Charity or charitable trust.

An assignee under this Section must agree in writing to assume all of the obligations and undertakings of the assigning Partner under the terms of this Agreement, and no assignment or transfer shall be valid unless and until the assignee executes and delivers such instrument to the General Partner.

Section 4. Conditions Required to Become a Substituted Limited Partner

Except as provided in Section 3 of this Article, no Assignee of all or any portion of a Limited Partner's Partnership Interest shall have the right to become a Substitute Limited Partner in place of the assigning Limited Partner unless and until all of the conditions set forth in this Section have taken place.

a. Consent of the Partners

All General and Limited Partners (except the assigning Limited Partner), in their sole and absolute discretion, must consent in writing to the admission of the assignee as a substituted Limited Partner.

b. Executed Assignment

The fully executed and acknowledged written instrument of assignment setting forth the intention of the assigning Limited Partner that the assignee become a substitute Limited Partner must be delivered to the General Partners.

c. Execution of All Other Agreements

The assigning Limited Partner and the Assignee must execute and acknowledge any other instruments as the General Partner may deem necessary or desirable to effect the admission of the Assignee as a substituted Limited Partner, including the written acceptance and adoption by the Assignee of this Agreement and the Assignee's execution, acknowledgment and delivery to the General Partner of a Power of Attorney, the form and content of which shall be as provided in Article Sixteen, Section 3 of this Agreement.

d. Payment of a Reasonable Transfer Fee

A reasonable transfer fee must be paid by the Assignee to the Limited Partnership. The General Partner may, in its sole and absolute discretion, establish the amount of the transfer fee on a case by case basis. No transfer fee shall be required upon the voluntary transfer by a Partner to an Affiliated Person or to a Charity.

Section 5. Rights of An Assignee

If an Assignee of a Partnership Interest is not admitted as a substitute Limited Partner because of the failure to satisfy the requirements of Section 4, such Assignee shall nevertheless be entitled to receive such distributions from the Partnership as the transferring Partner would have been entitled to receive under this Agreement with respect to such Partnership Interest had the transferring Partner retained such Partnership Interest. If an Assignee of a Partnership Interest becomes so due to a court order as described in Section 12 of this Article, then the General Partner has the discretion whether or not to make distributions to said Assignee.

Section 6. Amendment of Agreement and Certificate of Limited Partnership

If required by law, upon the admission of a new Partner, the General Partners will be required to amend the Agreement of Limited Partnership and/or the Certificate of Limited Partnership only quarterly to reflect the substitution of Limited Partners.

a. Substituted Limited Partner Acceptance Upon Amendment

Until the Agreement of Limited Partnership and/or Certificate of Limited Partnership is amended as contemplated by this Section, but only if such amendment is required by law, an Assignee shall not become a substituted Limited Partner.

b. Assessment of Fees

The General Partner may assess the fees, costs and expenses of any amendments by reason of the admission of a substituted Limited Partner against the substitute Limited Partner whose entry into the Partnership is, in the opinion of the General Partner, necessitating such amendments.

Section 7. Death or Disability of a Limited Partner

If a Limited Partner becomes disabled or dies, the following provisions shall apply:

a. Incapacity of a Limited Partner

If a Limited Partner is an individual person, the duly authorized trustee of the Limited Partner's living trust or the agent of a disabled Limited Partner, acting under a durable power of attorney or a guardian or conservator acting under appropriate legal authority, may exercise all of the Limited Partner's rights and voting authority and shall be entitled to receive distributions of cash or other property from the Partnership on behalf of the Limited Partner.

b. Death Of A Limited Partner

If a Limited Partner is an individual person (as opposed to an entity that survives the person, such as a trust, corporation, partnership or limited liability company) or if that person is the beneficiary of a trust and has the limited or unlimited right or power to appoint the beneficiaries thereof upon his or her death, the interest or unit or units of ownership held by that person as a Limited Partner may pass to:

an Immediate Family member;

a trust established for the benefit of one or more Immediate Family Members;

a Charity or Charitable Trust;

under the last will and testament of the individual, duly admitted to probate, or under the beneficiary designation of a trust in which the individual has the right, limited or unlimited, to appoint the beneficiaries of the trust, or under a written and acknowledged designation of beneficiary or beneficiaries delivered by the individual to a General Partner prior to the death of the beneficiary or beneficiaries delivered by the individual to a General Partner prior to the death of the beneficiary.

c. Personal Representative's Rights and Duties

Upon the death or disability of an individual Limited Partner, his or her personal representative shall have all of the rights of a Limited Partner for the purpose of settling or managing the Limited Partner's estate. The Limited Partner's personal representative shall also have such power as the decedent or incompetent possesses to provide a successor as an Assignee of its interest in the Limited Partnership and to join with such Assignee in making application to substitute such assignee as a Limited Partner.

d. Transferee Bound By This Agreement

A transferee of any transfer under this Section is bound by the exact terms and conditions of this Agreement.

Section 8. Transfers That May Result in Termination of Partnership

Notwithstanding anything in this Agreement to the contrary, no Limited Partner shall transfer, assign, or encumber all or any portion of its interests in the Limited Partnership if such transfer, assignment, or encumbrance would in the sole and unreviewable opinion of the General Partner result in the termination of the Partnership under the then applicable provisions of the Code or of the Act.

Section 9. Limited Partners May Vote Assigned Units

A Limited Partner shall, solely for the purpose of determining the Partnership Interest held by it in weighing its vote, be deemed the holder of any Partnership Interests assigned by the Limited Partner in respect of which the assignee has not become a substituted Limited Partner.

Section 10. Opinion of Counsel

In addition to the other requirements of this Article, no Limited Partner may sell, transfer, assign, give or encumber a Limited Partnership Interest without first delivering to the General Partner, upon the General Partner's request, a written opinion of counsel (in a form satisfactory to the General Partner) to the effect that such sale, transfer, assignment, gift or encumbrance:

a. will not result in a termination of the Partnership within the meaning of the Act or Code Section 708(b); and

b. does not violate any applicable federal or state securities laws.

Section 11. Nonrecognition of an Unauthorized Transfer

The Partnership shall not be required to recognize the interest of any transferee who has obtained a purported interest as a result of a transfer of ownership that is not an authorized transfer. If the ownership of a Partnership Interest is in doubt, or if there is reasonable doubt as to who is entitled to a distribution of the income realized from a Partnership Interest, the Partnership may accumulate the income until this issue is finally determined and resolved. Accumulated income will be credited to the capital account of the Partner whose interest is in question.

Section 12. Effect Upon a Limited Partnership Interest Acquired Without Consent

If any person, organization or agency should acquire the interest of a Limited Partner, including voting rights, as the result of:

> an order of a court of competent jurisdiction that the partnership is required by law to recognize; or,
>
> being subject to a lawful "charging order" by a court of competent jurisdiction; or,
>
> a levy or other transfer of a Partnership Interest, with voting rights, that the Partnership has not approved but that the Partnership is required by law to recognize

the Partnership shall have the unilateral option to acquire all or any portion of the interest of the transferee for its fair market value upon the following terms and conditions.

a. Written Notice of Intent to Purchase

The Partnership shall have the option to acquire the interest by giving written notice to the transferee of its intent to purchase the interest within 90 days from the date it is finally determined that the Partnership is required to recognize the transfer.

b. Exercise of Option and Date of Valuation

The Partnership shall have 180 days from the first day of the month following the month in which it delivers notice exercising its option to purchase the Partnership Interest. The valuation date for the Partnership Interest will be the first day of the month following the month in which notice is delivered.

c. Written Appraisal Requirement

Unless the Limited Partnership and the transferee agree otherwise, the fair market value of a Limited Partner's Partnership Interest to be acquired by the Partnership is to be determined by the written appraisal by a person or firm qualified to perform business appraisals and to value partnership interests.

d. Acceptance or Rejection of Appraisal

The transferee must accept or reject the valuation report within 30 days from the date it is delivered. If not rejected in writing within the required period, the report will be accepted as written. If rejected, closing of the sale will be postponed until the first Tuesday of the month following the month in which the valuation of the Partnership Interest is resolved. The transferee will be considered a non-voting owner of the Partnership Interest, but will be entitled to all items of income, deduction, gain or loss from the Limited Partnership interest, plus any additions or subtractions therefrom and until closing.

e. Date of Closing

Closing of the sale will occur at the principal office of the Partnership (as designated in this Agreement) at 10 o'clock A.M. on the first Tuesday of the month following the month in which the valuation report is accepted by the transferee (the "Closing Date").

f. Payment of Terms Upon Exercise of Option

In order to reduce the burden upon the resources of the Partnership, the Partnership will have the option, to be exercised in writing delivered at closing, to pay its purchase money obligation in 10 equal annual installments (or, if the remaining term of the Partnership is less than 10 years, in equal annual installments over the remaining term of the Partnership) with interest thereon at rates to be determined below, adjusted annually as of the first day of each calendar year at the option of the Partnership.

1. Interest

The interest rate will be set at the then Applicable Federal Rate as found in Internal Revenue Code Section 7520 or similar section amended from time to time, that is in effect on the date of the exercise of the option to purchase.

2. Payment Dates

The first installment of principal, with interest due thereon, will be due and payable on the first day of the calendar year following the closing date, and subsequent annual installments, with interest due thereon, will be due and payable, in order, on the first day of each calendar year that follows until the entire amount of the obligation, principal and interest, is fully paid. The Partnership shall have the right to prepay all or any part of the purchase money obligation at any time without premium or penalty.

g. Suspension of Voting Rights During Option Period

Except for a Limited Partner whose interest is being acquired without its consent, neither the transferee of an unauthorized transfer or the Limited Partner consenting to or causing the transfer will have the right to vote during the prescribed option period or, if the option to purchase is timely exercised, until the sale is actually closed.

Section 13. Assignee to Assume Tax Liability

An Assignee of any Limited Partnership Interest as well as any person who acquires a charging order against such interest shall report income, gains, losses, deductions and credits with respect to such Limited Partnership Interest each year. The Assignee shall receive all State forms and Federal 1065 K-1 forms with respect to the income from such Partnership Interest.

Article Thirteen

Dissolution and Termination

Section 1. Events of Dissolution

The Partnership shall be dissolved only upon the occurrence of an event described in this Section.

a. Date Designated by the General Partner

The Partnership shall be dissolved on a date designated by the General Partner with the unanimous written consent of the Limited Partners.

b. Death or Disability of all General Partners who are Natural Persons unless Other General Partners Remain

If no other General Partners remain, the Partnership shall be dissolved upon the Death or Disability of the last General Partner who is a natural person.

c. Judicial Dissolution

Entry of a decree of judicial dissolution by a court of competent jurisdiction.

d. End of Partnership Term

In any event, the Partnership shall be dissolved on December 31, 2099.

Section 2. Continuation of Partnership

Upon dissolution, the Partnership shall thereafter conduct only activities necessary to wind up its affairs, unless within 90 days after the date of the event causing dissolution, all of the remaining Partners elect in writing to continue the Partnership.

a. Election of Successor General Partner

If an election to continue the Partnership is made, then a successor General Partner who shall agree to serve shall be elected by 75% approval of the Limited Partners.

b. Operation of the Partnership

Upon the election of a successor General Partner the Partnership shall continue to operate until the end of the term for which it is formed or until the subsequent death, incapacity, or bankruptcy or withdrawal of the General Partner, in which event the Partners may again elect under this provision to continue the Partnership.

c. Continuation Upon Dissolution

If, upon the dissolution of the Partnership, whether by expiration of the partnership term or by any other cause, 75% of the remaining Partnership Interests agree in writing to continue the Partnership, the Partnership shall continue for such additional term as may be agreed upon by the Partners. Prior to voting on the continuation of the Partnership, the Partnership Interest of any Partner opposed to continuing the Partnership for an additional term or terms shall be returned to such Partner and thereafter the Partnership Interest of such Partner shall be deemed terminated.

d. No General Partner

If there is no General Partner, the Limited Partners shall designate in the manner then required under applicable state law, one or more General Partners; provided, however, that in no event shall such designation be by the affirmative vote of less than 75% of the then outstanding Partnership Interests.

Section 3. Effective Date of Dissolution

Absent the election to continue the Partnership as provided in Section 2 of this Article, dissolution of the Partnership shall be effective on the date on which the event occurs giving rise to the dissolution,

Exhibit A

The Partners and Contributions to the Partnership

Partner's Name	Type of Interest	Contribution	Value	% Interest
K S MATTSON COMPANY, LLC	General	See Schedule A-1		2
KENNETH W. MATTSON	Limited	See Schedule A-2		49
STACY L. MATTSON	Limited	See Schedule A-3		49

Date: 7/21/95

KENNETH S. MATTSON, Manager
K S MATTSON COMPANY, LLC
General Partner

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Dissolution and Termination

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The Partnership shall be dissolved only upon the occurrence of an event described in this Section.

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The Partnership shall be dissolved on a date designated by the General Partner with the unanimous written consent of the Limited Partners.

b. Death or Disability of all General Partners who are Natural Persons unless Other General Partners Remain

If no other General Partners remain, the Partnership shall be dissolved upon the Death or Disability of the last General Partner who is a natural person.

c. Judicial Dissolution

Entry of a decree of judicial dissolution by a court of competent jurisdiction.

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c. Continuation Upon Dissolution

If, upon the dissolution of the Partnership, whether by expiration of the partnership term or by any other cause, 75% of the remaining Partnership Interests agree in writing to continue the Partnership, the Partnership shall continue for such additional term as may be agreed upon by the Partners. Prior to voting on the continuation of the Partnership, the Partnership Interest of any Partner opposed to continuing the Partnership for an additional term or terms shall be returned to such Partner and thereafter the Partnership Interest of such Partner shall be deemed terminated.

d. No General Partner

If there is no General Partner, the Limited Partners shall designate in the manner then required under applicable state law, one or more General Partners; provided, however, that in no event shall such designation be by the affirmative vote of less than 75% of the then outstanding Partnership Interests.

Section 3. Effective Date of Dissolution

Absent the election to continue the Partnership as provided in Section 2 of this Article, dissolution of the Partnership shall be effective on the date on which the event occurs giving rise to the dissolution,

ship is canceled and the assets of the Partnership have been distributed as provided in this Agreement.

Section 4. Operation of the Partnership After Dissolution

During the period in which the Partnership is winding up, the business of the Partnership and the affairs of the Partners shall continue to be governed by this Agreement.

Section 5. Liquidation of the Partnership Property

Upon dissolution of the Partnership, the General Partner or, in the absence of a General Partner, a liquidator appointed by a majority in interest of the Limited Partners, shall liquidate the Partnership Property, apply and distribute the proceeds derived from the liquidation of the Property as contemplated by this Agreement, and cause the cancellation of the Partnership's Certificate of Limited Partnership.

a. Payment of Partnership Creditors and Provision for Reserves

The proceeds derived from the liquidation of Partnership Property shall first be applied toward or paid to any creditor of the Partnership who is not a Partner. The order of priority of payment to any creditor shall be as required by applicable state law. After payment of liabilities owing to creditors, excluding Partners, the General Partners or liquidator shall set up such reserves as they deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership.

1. Ability to Create an Escrow Account

Any reserves for contingent liabilities may, but need not, be paid over by the General Partner or liquidator to a bank to be held in escrow for the purpose of paying any such contingent or unforeseen liabilities or obligations.

2. Distribution of Reserves

Following the expiration of such period as the General Partner or liquidator may deem advisable, such remaining reserves shall be distributed to the Partners or their assigns in the order of priority set forth in the provisions of this Agreement relating to distributions to the Partners.

b. Distribution of Property After the Payment of Liabilities and Establishment of Reserves

After paying such liabilities and providing for such reserves, the General Partner or liquidator shall cause the remaining net assets of the Partnership to be paid to creditors who may be Partners, if any, and then distributed in the same manner as provided in this Agreement relating to distributions to the Partners.

c. Non-cash Assets

In the event that any part of the net assets distributable to the Partners consists of notes or accounts receivable or other non-cash assets, the General Partner or liquidator may take whatever steps deemed appropriate to convert such assets into cash or any other form to facilitate distribution. If any assets of the Partnership are to be distributed in kind. For purposes of maintaining capital accounts, such assets shall be distributed on the basis of their fair market value at the date of distribution.

Section 6. Partnership Assets Sole Source

The Partners shall look solely to the Partnership's assets for the payment of any debts or liabilities owed by the Partnership to the Partners and for the return of their capital contributions and liquidation amounts. If the Partnership property remaining after the payment or discharge of all of its debts and liabilities to persons other than Partners is insufficient to return the Partner's capital contributions, they shall have no recourse therefor against the Partnership or any other Partners, except to the extent that such other Partners may have outstanding debts or obligations owing to the Partnership.

Section 7. Sale of Partnership Assets During Term of the Partnership

The sale of Partnership Assets during the term of the Partnership shall not be considered a liquidation of the Partnership and therefore is not a dissolution and termination as defined under this Article. The General Partner shall have the power to reinvest the sale proceeds in other property, real and personal, tangible or intangible, that satisfies the business strategy purposes for this Partnership. Further, the General Partner is authorized to participate in any real property exchanges as defined in Internal Revenue Code Section 1031 if this fulfills the business strategy purposes of this Partnership.

Article Fourteen

Dispute Resolution Provisions

Section 1. Creation of the Procedure

The procedure outlined in this Article is to be used to resolve any dispute, contest or claim that may result as to issues of valuation, ownership, the construction and enforcement of this agreement, and as to any other matter that may pertain to or relate to the agreement. It is the objective and purpose of all parties to resolve all disputes, contests and claims without litigation using the alternative dispute resolution procedures required herein.

Section 2. Person Defined

The term "person" is to have the same broad meaning as the definition thereof in Section 7701(a)(1) of the Internal Revenue Code. The term "person" will specifically include the partnership, its successors and assigns, each partner and each family assignee, their successors, assigns, heirs and personal representatives. The term "each other person" identifies any person corporation, partnership, limited liability company, trust or other party whose interest may be affected, adversely or otherwise, by the resolution of any dispute, contest or claim.

Section 3. Initiation of Procedure

Any person having a dispute, contest or claim ("claimant") shall give notice to each other person describing in general terms the nature of the dispute, contest or claim. The notice shall designate an independent person who will have the authority to settle the dispute for and on behalf of claimant. Each person receiving notice ("respondent") of the dispute will have 10 business days to designate an independent person who will have the authority to settle the dispute for and on behalf of respondent and to deliver to the claimant written notice of the designation.

The term "independent person" is defined to mean an individual who is not related to or subordinate to a claimant or respondent; is not a partner of the partnership; has nothing to gain or lose from the resolution of the dispute, contest, or claim, other than fair and reasonable compensation for services rendered. The independent persons designated as the authorized representative of a claimant and each respondent are together call "the authorized representatives."

Section 4. Commencement of Procedure

The authorized representatives are to conduct an initial meeting within 30 days from the date claimant's notice is delivered to respondents. The authorized representatives are authorized to collection and review of all relevant evidence pertaining to this dispute and to negotiate and make a final determination that resolves the claim, dispute or contest. The resolution of the claim, dispute or contest by the authorized representatives is to be conclusive and binding.

If the authorized representatives cannot or do not come to mutual resolution of the claim, dispute or contest within 30 days from the date of their initial meeting, the authorized representatives shall cease direct negotiations and shall submit the claim, dispute or contest to mediation.

Section 5. Selection of a Mediator

The authorized representatives will have 5 business days from the date they terminate direct negotiations to submit to each other a written list of persons whom they consider to be qualified to serve as a mediator. A list of candidates may include those recognized by any court as a qualified mediator. The authorized representatives will have 15 days thereafter to mutually select and designate the mediator.

Section 6. Time and Place for Mediation Conference

The authorized representatives shall promptly designate a mutually convenient time and place for the mediation.

Section 7. Discovery, Exchange of Information

The authorized representatives shall be entitled to fully discover, obtain and review all information relevant to the resolution of a claim, dispute or contest.

Section 8. Summary and Development of the Evidence and the Law

Each authorized representative shall deliver to the mediator, at least 7 days prior to the first mediation conference, a concise written summary of fact and law pertaining to the issues to be resolved in mediation. Each claimant or respondent may be represented by legal counsel in the dispute resolu-

tion process. Others who may participate in the mediation process will include accountants, appraisers and other experts who opinions may guide the mediator in a final resolution of the claim, dispute or contest.

Section 9. Conduct of Mediation

The mediator shall determine the format for mediation conferences. The format must be designed to assure that both the mediator and the authorized representatives have an equal opportunity to hear and review the evidence and to hear and review all technical and legal presentations. The mediator shall also determine the time schedule and to conclude mediation at any time and to come to a final resolution of all issues in dispute. The mediator's decision shall be in writing that includes a summary of the issues, his or her determination with regard to each issue, and the basis for his or her determination. The decision of the mediator will be conclusive and binding.

The authorized representatives of each claimant and each respondent may at any time prior to conclusion of mediation enter into an agreement resolving the claim, dispute or contest, and their decision will be conclusive and binding.

The mediator may conclude mediation without a decision if he or she determines that insufficient evidence was produced at the mediation conference or conferences to support a decision.

Section 10. Non-Responding Person, Group Representation

A final determination made by the authorized representatives or a mediator will be binding upon each person who receives notice of a claim, dispute or contest even though he, she or it does not respond or designate a representative or if his, her or its designated authorized representative fails or refuses to participate in the designation of a mediator.

Two or more claimants may designate a common representative. Likewise, two or more respondents may designate a common representative.

The rules of mediation are not to be as established by the law of any jurisdiction but by the law of this contract.

Section 11. Costs

Each claimant shall be solely responsible for the cost of his, her, or its representation and discovery. The compensation of the mediator is to be shared, as to any common claim, dispute or contest (a) □

by claimant, or all claimants in common if more than one and □ by respondent, or all respondents in common if more than one or (b) as may be otherwise determined by the agreement of the authorized representatives. A mediator may require, as a precondition to service, that a fair and reasonable compensation amount be prepaid or placed in an escrow account.

Section 11. Arbitration

To the extent a final resolution of the claim, dispute or contest is not made according to alternative dispute resolution procedures above provided (as may be the case if the authorized representatives cannot come to agreement on the designation of a mediator or if the mediator does not make a final decision), mandatory and binding arbitration of the claim, dispute or contest is required, and the claim, dispute or claim shall be settled by arbitration in accordance with the provisions of the Commercial Arbitration Rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having competent jurisdiction.

Section 12. Right to Seek Equitable Relief

Notwithstanding anything in this Article to the contrary, the parties shall have the right to seek temporary restraining orders, preliminary injunctions and similar provisional, equitable relief in a Court of competent jurisdiction in the event of a material breach of the terms of this Agreement, and the party seeking such relief has determined in good faith that the exigencies of the breach require such immediate relief.

Section 13. Attorneys Fees and Costs

In the event a dispute arises between any Partner and the Partnership or between the Partners themselves, the prevailing party shall be entitled to recover reasonable attorney's fees and court costs incurred.

Article Fifteen

General Matters

Section 1. Successors and Assigns

Subject to the restrictions on transfers provided in this Agreement, this Agreement, and each and every provision of it, shall be binding upon and shall inure to the benefits of the Partners, their respective successors, successors-in-title, personal representatives, heirs and assigns.

Section 2. Power of Attorney

Each Limited Partner (including any substituted Limited Partner) by the execution of this Agreement or a true and correct copy hereof, does hereby irrevocably constitute and appoint the General Partner, as such Limited Partner's true and lawful agent and attorney-in-fact, with full power and authority in the Limited Partner's name, place, and stead, to make, execute, sign, acknowledge, swear to, deliver, file, and record such documents as may be necessary or appropriate to carry out the provisions of this Agreement, including, but not limited to:

a. The Partnership's Certificate of Limited Partnership and any amendments thereto;

b. The dissolution of the Partnership following its termination;

c. Any duly adopted amendments to this Agreement;

d. All such other instruments, documents, and certificates that may from time to time be required by the law of the State of California, the United States of America, or any other jurisdiction in which the Partnership shall determine to do business, or any political subdivision or agency thereof, to effectuate, implement, continue and defend the valid and subsisting existence of the Partnership; and

e. All other instruments, including, without limitation, all instruments relating to the acquisition, holding, selling, leasing and financing of Partnership property as the General Partner may deem necessary or desirable to carry out the provisions of this Agreement in accordance with its terms.

The foregoing power of attorney is hereby acknowledged to be coupled with an interest and therefore is irrevocable, and shall survive the incapacity of any Limited Partner and also survives the assignment of the Limited Partner's interest and empowers the General Partners to act to the same extent for such successor Limited Partners. The power may be exercised by any General Partner by a facsimile signature or by listing all of the Limited Partners executing the instrument with a signature of the General Partner as the attorney in fact for all of them. Notwithstanding the foregoing, no attorney-in-fact hereunder shall take any action that would increase the liability of any Limited Partner beyond such Limited Partner's liability as set forth in this Agreement.

Section 3. Amendment

Pursuant to the power of attorney granted in this Agreement, the General Partner, without the consent of the other Partners, may amend any provision of this Agreement and/or the Certificate of Limited Partnership, and may execute, swear to, acknowledge, deliver, file and record such documents as may be required in connection therewith, to reflect:

a. A change in the name of the Partnership or the location of the principal office of the Partnership;

b. The admission, substitution or termination of Partners in accordance with this Agreement;

c. A change that the General Partner in its sole discretion determines to be necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any jurisdiction or to ensure that the Partnership will not be treated as an association taxable as a corporation for federal income tax purposes;

d. A change that does not adversely affect the Limited Partners in any material respect or that is required or contemplated by this Agreement; or

e. Any other amendments similar to the foregoing.

All other amendments shall require the written consent of 75 percent of the Partnership Interests; provided that the amendment of any provision of this Agreement requiring the approval of a greater percentage of Partnership Interests (including, by way of example, the liquidation of the Partnership prior to the expiration of its term), shall require the written consent of such greater percentage.

Section 4. Partition

The Partners hereby agree that no Partner, nor any successor-in-interest to any Partner, shall have the right while this Agreement remains in effect to have the Property of the Partnership partitioned, or to file a complaint or institute any proceeding at law, or to demand, request or require the liquidation or dissolution of the Partnership, the return of capital or any specific assets of the Partnership or in equity to have the Property of the Partnership partitioned, and each Partner, on its own behalf or its successors, representative, heirs, and assigns, hereby waives any such right.

It is the intention of the Partners that during their term of this Agreement, the right of the Partners and their successors-in-interest, as among themselves, shall be governed by the terms of this Agreement, and that the right of any Partner or successors-in-interest to assign, transfer, sell, or otherwise dispose of its interest in the Partnership shall be subject to the limitations and restrictions of this Agreement.

Section 5. No Waiver

The failure of any Partner to insist upon strict performance of any provision or obligation of this Agreement, irrespective of the length of time for which such failure continues, shall not be a waiver of such Partner's right to demand strict compliance in the future. No consent or waiver express or implied, to or of any breach or default in the performance of any obligations under this Agreement, shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation.

Section 6. Changing the Partnership's Situs

The situs of this Partnership may be changed only by the unanimous written consent of all of the Partners.

Section 7. No Duty to Mail Certificates

The General Partner shall have no obligation to deliver or mail copies of the Certificate of Limited Partnership or any amendments to the Limited Partners as required by any provision of the laws of the Act.

Section 8. General Matters

The following general matters of construction shall apply to the provisions of this Agreement:

a. Construction

Unless the context requires otherwise, words denoting the singular may be construed as denoting the plural, and words of the plural may be construed as denoting the singular. Words of one gender may be construed as denoting another gender as is appropriate within such context.

b. Headings of Articles, Sections, and Paragraphs

The headings of Articles, Sections, and Paragraphs used within this Agreement are included solely for the convenience and reference of the reader. They shall have no significance in the interpretation or construction of this Agreement.

c. Notices

All notices required to be given in this Agreement shall be made in writing by either:

Personally delivering notice to the party requiring it, and securing a written receipt,

Mailing notice by certified United States mail, return receipt requested, to the last known address of the party requiring notice, or

Electronic transmission by facsimile to the party requiring notice, provided that such party's receipt of same is confirmed in writing.

The effective date of the notice shall be the date of the written receipt or the date of the return receipt, if received, or if not, the date it would have normally been received via certified mail, provided there is evidence of mailing.

d. Delivery

For purposes of this agreement "delivery" shall mean:

Personal delivery to any party,

Delivery by certified United States mail, return receipt requested to the party making delivery, or

Electronic transmission by facsimile to any party, provided that such party's receipt of same is confirmed in writing.

The effective date of delivery shall be the date of personal delivery or the date of the return receipt, if received, or if not, the date it would have normally been received via certified mail, provided there is evidence of mailing.

e. Applicable State Law

The validity of this Agreement shall be determined by reference to the laws of the State of California, unless the situs of the Partnership has been changed by unanimous consent of the Partners, in which case the validity of this Agreement shall be determined by reference to the laws of the then current situs.

f. Duplicate Originals

This Agreement may be executed in several counterparts; each counterpart shall be considered a duplicate original Agreement.

g. Severability

If any provision of this Agreement is declared by a court of competent jurisdiction to be invalid for any reason, such invalidity shall not affect the remaining provisions of this Agreement. The remaining provisions shall be fully severable, and this Agreement shall be construed and enforced as if the invalid provision had never been included.

h. Acceptance

Each General and Limited Partner hereby acknowledges and confirms that he, she or it has reviewed this Limited Partnership Agreement, accepts all its provisions, and agrees to be bound by all the terms, conditions and restrictions of this Agreement.

IN WITNESS WHEREOF, the Partners have executed this Agreement as of the day and year first above written.

By:

GENERAL PARTNER

KENNETH W. MATTSON, Manager
K S MATTSON COMPANY, LLC

STACY L. MATTSON, Member
K S MATTSON COMPANY, LLC

LIMITED PARTNERS

KENNETH W. MATTSON

STACY L. MATTSON

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN FRANCISCO)

On July 21, 1999, before me, C. Jordan Kosco, a Notary Public, in and for said State, personally appeared KENNETH W. MATTSON and STACY L. MATTSON, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacity, and that by their signatures on the instrument, the persons, or the entit upon behalf of which the persons acted, executed the instrument.

Notary Public

My commission expires 05-31-2002

C. JORDAN KOSCO
Commission # 1165144
Notary Public - California
San Francisco County
My Comm. Expires May 31, 2002

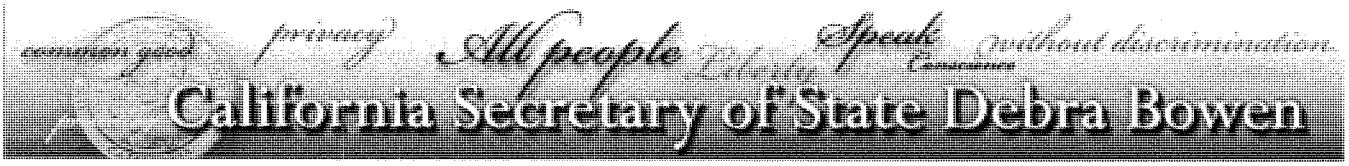
Exhibit A

The Partners and Contributions to the Partnership

Partner's Name	Type of Interest	Contribution	Value	% Interest
K S MATTSON COMPANY, LLC	General	See Schedule A-1		2
KENNETH W. MATTSON	Limited	See Schedule A-2		49
STACY L. MATTSON	Limited	See Schedule A-3		49

Date: 7/21/15

KENNETH S. MATTSON, Manager
K S MATTSON COMPANY, LLC
General Partner



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Business Entity Detail

Data is updated to the California Business Search on Wednesday and Saturday mornings. Results reflect work processed through Friday, August 29, 2014. Please refer to **Processing Times** for the received dates of filings currently being processed. The data provided is not a complete or certified record of an entity.

Entity Name:	K S MATTSON PARTNERS, LP
Entity Number:	199922800002
Date Filed:	08/16/1999
Status:	ACTIVE
Jurisdiction:	CALIFORNIA
Entity Address:	131 WYKOFF
Entity City, State, Zip:	VACAVILLE CA 95688
Agent for Service of Process:	KENNETH W. MATTSON
Agent Address:	131 WYKOFF DR
Agent City, State, Zip:	VACAVILLE CA 95688

* Indicates the information is not contained in the California Secretary of State's database.

* **Note:** If the agent for service of process is a corporation, the address of the agent may be requested by ordering a status report.

- For information on checking or reserving a name, refer to **Name Availability**.
- For information on ordering certificates, copies of documents and/or status reports or to request a more extensive search, refer to **Information Requests**.
- For help with searching an entity name, refer to **Search Tips**.
- For descriptions of the various fields and status types, refer to **Field Descriptions and Status Definitions**.

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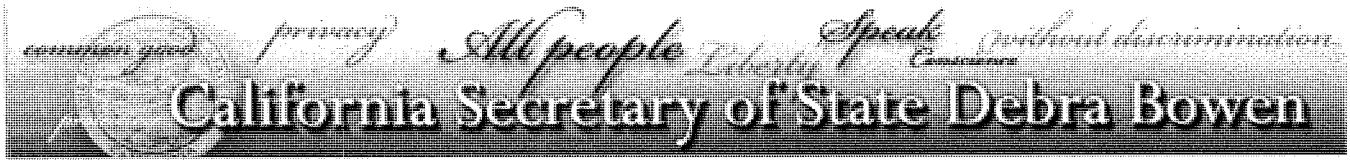

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Business Search - Results

Data is updated to the California Business Search on Wednesday and Saturday mornings. Results reflect work processed through Friday, August 29, 2014. Please refer to **Processing Times** for the received dates of filings currently being processed. The data provided is not a complete or certified record of an entity.

- *Select an entity name below to view additional information.* Results are listed alphabetically in ascending order by entity name.
- For information on checking or reserving a name, refer to **Name Availability**.
- For information on ordering certificates, copies of documents and/or status reports or to request a more extensive search, refer to **Information Requests**.
- For help with searching an entity name, refer to **Search Tips**.
- For descriptions of the various fields and status types, refer to **Field Descriptions and Status Definitions**.

Results of search for " THE K S MATTSON COMPANY, LLC " returned 1 entity record.

Entity Number	Date Filed	Status	Entity Name	Agent for Service of Process
199922810040	08/16/1999	ACTIVE	**K S MATTSON COMPANY, LLC**	KENNETH W MATTESON

Modify Search **New Search**

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Business Entity Detail

Data is updated to the California Business Search on Wednesday and Saturday mornings. Results reflect work processed through Friday, August 29, 2014. Please refer to **Processing Times** for the received dates of filings currently being processed. The data provided is not a complete or certified record of an entity.

Entity Name:	K S MATTSON COMPANY, LLC
Entity Number:	199922810040
Date Filed:	08/16/1999
Status:	ACTIVE
Jurisdiction:	CALIFORNIA
Entity Address:	301 BUCK AVE
Entity City, State, Zip:	VACAVILLE CA 95688
Agent for Service of Process:	KENNETH W MATTESON
Agent Address:	301 BUCK AVE
Agent City, State, Zip:	VACAVILLE CA 95688

* Indicates the information is not contained in the California Secretary of State's database.

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State of California
Secretary of State

CERTIFICATE OF STATUS

ENTITY NAME: K S MATTSON PARTNERS, LP

FILE NUMBER:	199922800002
FORMATION DATE:	08/16/1999
TYPE:	DOMESTIC LIMITED PARTNERSHIP
JURISDICTION:	CALIFORNIA
STATUS:	ACTIVE (GOOD STANDING)

I, DEBRA BOWEN, Secretary of State of the State of California, hereby certify:

The records of this office indicate the entity is authorized to exercise all of its powers, rights and privileges in the State of California.

No information is available from this office regarding the financial condition, business activities or practices of the entity.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of September 10, 2012.

Debra Bowen

DEBRA BOWEN
Secretary of State

HSD

NP-25 (REV 1/2007)

EXHIBIT E

CONFIDENTIAL-ATTORNEY CLIENT PRIVILEDGE

Ken:

This is an update of where we are on a number of issues that need your attention:

1. Willowbrook—we are waiting for you to provide the breakdown for the $210,000 that came into that account. As you recall, we are going to show this as coming in post tax reporting. We need to square the account up and produce a deed that will be in Citrus Heights but not recorded so as not to create a lending issue.
2. Willow Glen and Norman Brooks—similar issue to that above. We need you to clarify investments into this account so we can square up this account. We have shown Norman's $160,000 contribution, but this was $10,000 more than what was originally showing on this account.
3. SHORT TERM—URGENT NEEDS:
   a. This month's shortage (Mark to provide)
   b. Payables (Mark to provide)
   c. 7575 Power Inn property tax--$46,566.67 by 6/30/2009 I have attached the statements including the "Notice of Potential Judicial Foreclosure Proceedings"
   d. Boulders property tax--$ WAMU is requiring payment by 6/28.
   e. Sterling Pointe--$
   f. Spring Glenn--$

4. LONG TERM PLAN:
   We have discussed our strategy for dealing with the cash flow shortage several times a week for quite awhile. I want to summarize some of where we are and where we are going.

   Our investment strategy assumed an ability to transfer properties in a period of 3-5 years. At that time our reserves would be exhausted. But with even a minor increase in value, we would be able to cover debt, equity, the reserves exhausted in operations and owner withdrawals with a profit. And it has worked many times over.

   That strategy has been frustrated by the current restrictions on lending. This has meant that we are holding properties longer than normal and have exhausted reserves at many properties. While the ownership agreements allow us to cut back the owner withdrawals and even make capital calls, we have chosen not to do this. The assumption is that we can weather this cash shortage and come out all right when lending and sales return without having to cause financial disruption to so many investors.

To do this, we have relied on interproperty loans as provided for in the management agreement, the management company deferring collections, and in some cases new capital coming in or loans. We have even

We are again making some assumptions about the future. New capital will dilute equity. But, we are doing so in properties that have increased in value since purchase. Portfolio wide we are paying down principal at approximately $320,000 per month and increasing due to the nature of the predominant index used. Our goal right now is to remain roughly stable portfolio wide. New capital coming in and new loans should be roughly balanced out by principal decrease and small gains in value in the relative short term. If this does not occur, we have various means of adjusting the results including forgiving funds owed to the management company and credit back from LeFever Mattson from brokerage fees upon transfer and/or from our equity.

But we have a number of issues that we need to pay attention to for this to work. Most important is the need to increase the pace of new funds coming in. Additionally, we need to finalize the terms for Sienna loans and gain the approval of the limited partners if necessary. I have attached the papers from Hanson Bridgette.

EXHIBIT F

SHARIS APARTMENTS

CO-TENANCY AGREEMENT

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CO-TENANCY AGREEMENT

THIS CO-TENANCY AGREEMENT (the "Agreement") is made effective as of December 30, 2004, by and among LeFever Mattson, a California corporation ("LeFever"), and each other party listed in Exhibit A hereto (each party and LeFever, a "Co-Tenant," and collectively, the "Co-Tenants") with respect to the following facts and circumstances:

A. The Co-tenants are (or will be) the owners as tenants-in common of certain improved real property and associated personal property and other assets located at 405-415 Fleming Avenue East, Vallejo, California, consisting of a 32-unit apartment complex and all related improvements, more commonly known as "Sharis Apartments" and which property is more fully described on the attached Exhibit B (the "Property"); the Property is acquired pursuant to a separate purchase contract, a copy of which is attached hereto as Exhibit C (the "Purchase Contract").

B. The parties hereto desire to memorialize their agreements concerning the ownership and operation of the Property to further a cooperative relationship between them in common ownership of the Property.

NOW, THEREFORE, in consideration of the promises and mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Co-Tenancy Interests. The Co-Tenants will hold title to the Property as Tenants-In-Common, with each owning an undivided fee simple interest (such an interest being referred to herein as "Percentage Interest" and all such interests being referred to herein collectively the "Percentage Interests"). Any Percentage Interest indicated on Exhibit A prior to the close of escrow with respect to the Co-Tenants' acquisition of the Property is only an estimate. The final Percentage Interests of the Co-Tenants will be determined after the Close of Escrow and will reflect actual contributions of cash, notes or other property used for the purchase of the Property or held for the operation of the Property. The final Percentage Interests of each Co-Tenant will be reflected on the attached Exhibit A as of the Effective Date hereof. The Percentage Interests shall not change by reason of any improvements or additions made to the Property or any additional expenditure by a Co-Tenant, except as otherwise indicated in Section 8, below. The Co-Tenants confirm that their relationship is strictly that of holders of undivided interests in the same real and personal property and that neither this Agreement nor any course of dealing between the Co-Tenants shall be construed to create or give rise to any partnership or joint venture between them, for state or Federal tax purposes or otherwise. Each Co-Tenant agrees to comport itself consistent with the foregoing express understanding and to instruct its accountants, attorneys, insurers and other relevant advisors and service providers to treat, and where relevant, report all matters respecting the Property and Co-Tenant relationships consistent with the foregoing. The Co-Tenants each agree that they shall be deemed to have made an election to exclude this co-tenancy from partnership treatment pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and Section 1.761-2(b)(ii) of the Regulations thereunder (the "Regulations"). The Co-Tenants agree that they will not file any partnership or corporate tax returns with respect to the Co-Tenancy or operate under a common name.

2. Purpose. This Agreement is entered into for the limited purpose of setting forth the understanding of the Co-Tenants with respect to the holding, leasing, further development and selling of the Property and setting forth the rights, duties and obligations of the Co-Tenants with respect thereto. The Property was acquired by the Co-Tenants for the primary purpose of investment for long-term capital appreciation and not for the purpose of dealing in or selling real estate as a trade or business. Nothing in this Agreement shall be deemed to restrict in any way the freedom of any party to conduct any other business or activity whatsoever.

3. Nature of Owners' Obligations. The obligations of the Co-Tenants under this Agreement shall, in every case, be several and shall not be, or be construed to be, either joint or joint and several, except as otherwise expressly and specifically provided in this Agreement. Except as otherwise expressly and specifically provided in this Agreement, none of the Co-Tenants shall have any authority to act for, or to assume any obligations or responsibilities on behalf of, the other Co-Tenants. It is not the purpose or intention of this Agreement to create, and this Agreement shall not be construed to create, a partnership.

4. Ownership.

4.1 Ownership. This Agreement does not create, nor is it intended to create, a partnership or joint venture. It is merely an arrangement for the management of the jointly owned Property. Unless modified by amendment hereto, the Co-Tenants shall be the fee owners of the Property in the percentages set forth in Exhibit A and shall hold record title to the Property consistent therewith.

4.2 Liability for Mortgages, Encumbrances and Other Liabilities. All obligations under the mortgages and encumbrances on the Property and all liabilities and other obligations incurred in connection with the acquisition, ownership, management, operation, or disposition of the Property shall be borne and assumed by the Co-Tenants in proportion to their respective undivided Percentage Interests in the Property as set forth above in Section 4.1.

5. Notices. Any notice, payment, demand, or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be delivered personally to the party or to an officer of the party to whom directed at the following address, or to such other address as such party may from time to time specify by written notice to the Parties. Notices given or served pursuant hereto shall be effective upon receipt by the party to be notified.

6. Management.

6.1 The Property shall be managed by LeFever Mattson Property Management (the "Manager") pursuant to a Management Agreement of even date herewith (the "Management Agreement"), a copy of which is attached hereto as Exhibit D. The Management Agreement shall have an initial term of one year and shall thereafter be automatically renewed for successive one year terms on each anniversary of the Management Agreement unless either party thereto gives the other notice that it does not wish to renew the Management Agreement at least 60 days prior to the expiration of the then current term. Only upon the unanimous agreement of the Co-Tenants, and upon satisfaction of any applicable lender requirements regarding the Manager, can

the Co-Tenants elect not to renew or to terminate the Management Agreement. In the event of any termination of the Management Agreement, voluntarily or for any other reason, the Co-Tenants shall unanimously agree upon a replacement Manager (and any successor Managers) for the Property provided that such Manager is experienced in managing assets of the nature of the Property, in the county where the Property is located and such Manager is acceptable to all of the Co-Tenants. The Management Agreement shall provide that the fee payable to the Manager shall not exceed the fair market value of the services rendered.

6.2 Except for contracts, leases and agreement which, under the terms of the Management Agreement, may be unilaterally entered into without the consent and approval of the Co-Tenants, any contract, lease, agreement or encumbrance binding, upon or affecting the Property interest of another Co-Tenant shall require the written approval of such other Co-Tenant and any contract, lease, agreement or encumbrance binding, upon the Property or any portion thereof shall require the written approval of all Co-Tenants.

6.3 Except to the extent otherwise required under the existing tenant leases, the Co-Tenants shall provide to their tenants only the "usual and customary tenant services" customarily performed in connection with the maintenance and repair of an apartment complex. The Co-Tenants shall not provide any "additional services" to the tenants beyond that which is considered "usual and customary" pursuant to the Code, Regulations and other Internal Revenue Service ("Service" or "IRS") pronouncements. In the event the Co-Tenants are unable to determine whether a particular service is "customary" or "additional," the Co-Tenants agree not to provide such service unless a Co-Tenant can obtain an opinion from independent tax counsel or a ruling from the IRS stating that providing such a service is "usual and customary." A Co-Tenant seeking to provide such a service shall use its best efforts to obtain such an opinion within forty-five (45) days following the Manager's request therefor.

7. Mortgage Loans. A deed of trust on the Property secures a mortgage loan (the "Mortgage Loan") for an amount and according to terms acknowledged and agreed to by the Co-Tenants.

8. Costs and Expenses, .Budget. The Co-Tenants shall cause the Manager to prepare an annual operating budget for the Property. A pro forma for the first year of operation of the Property has been prepared and is attached hereto as Exhibit E. Any and all budgets prepared by the Manager shall be estimates based on available information and the reasonable interpretation of such information by the Manager and shall not constitute any type of guaranty of results or performance. Neither the Manager nor any Co-Tenant shall be held liable for any deviation in performance from any such pro forma or any other budget. If any such budget shall disclose that revenues from the Property are, or are likely to become within the next year, insufficient to fund all costs and expenses of financing, ownership, operation, repair, replacement, and maintenance of the Property, including required payments on or in connection with the Mortgage Loan and any extension, replacements or substitutions thereof, real property taxes, casualty and liability insurance premiums for the Property, repairs, replacements, maintenance, and similar costs (collectively, "Expenses"), or if at any time during the year Manager shall otherwise inform any of the Co-Tenants that funds from sources other than Property revenues are then required, or required during the next 90 days, to pay Expenses, each Co-Tenant shall have the right but not the obligation to fund a portion of such Expenses in proportion to such Co-Tenant's respective

Percentage Interest. In the event a Co-Tenant elects not to fund such amount (a "Defaulting Co-Tenant"), the other Co-Tenants (the "Non-Defaulting Co-Tenants") shall have the right, but not the obligation, to advance the money owing by the Defaulting Co-Tenant. The amount of such advance shall constitute a loan to the Defaulting Co-Tenant and shall bear interest at the rate of ten percent (10%) per annum from the date of advancement until paid in full. Any such advance shall be due and repayable upon demand of the advancing Non-Defaulting Co-Tenant. Unless repaid on demand, any such advances, together with interest as set forth above, shall, at the option of the Non-Defaulting Co-Tenants, be deducted and repaid from rents, issues and profits of the Property otherwise allocable and distributable to the Defaulting Co-Tenant. In addition, subject to compliance with any and all applicable lender requirements with respect to the Property, to the extent such advances are not repaid in full within twenty-four (24) months, the Non-Defaulting Co-Tenants shall have a lien upon the ownership interest of the Defaulting Co-Tenant in the Property to the extent of the advances and interest. In the event that after the expiration of such twenty-four (24) month period, the Defaulting Co-Tenant fails to repay, upon demand, the amount of the advances, together with interest, then, at their option, the Non-Defaulting Co-Tenants may at any time foreclose the lien by power of sale (subject to compliance with any and all applicable lender requirements with respect to the Property). The advancing Non-Defaulting Co-Tenants are expressly granted the power to sell that portion of the undivided interest of the Defaulting Co-Tenant necessary to satisfy such lien at a public sale conducted by the advancing Non-Defaulting Co-Tenants or their appointed agent in the same manner as a private foreclosure of a deed of trust under California law, at which sale the Non-Defaulting Co-Tenant are hereby authorized to credit bid on their behalf the amount of the unpaid advance made on behalf of the Defaulting Co-Tenant plus interest, attorney's fees, trustee's fees and other expenses of the sale (subject to compliance with any and all applicable lender requirements with respect to the Property). Any Co-Tenant may bid at the sale. In order to comply with any applicable lender requirements with respect to the Property, the Manager may require Members to delay any foreclosure proceedings pursuant to this Paragraph and the formal transfer of title until such time that the Property is sold or the consent of the lender is obtained.

9. Consent Requirements for Expenditures. Unless an emergency situation requires action before the other Co-Tenants can reasonably be contacted, and except as otherwise provided pursuant to the provisions of the Management Agreement, no Co-Tenant will make any expenditure for repairs, maintenance, replacements, or improvements to the Property.

10. Alterations and Additions. Except as otherwise provided in this Agreement, no Co-Tenant will perform any alterations or additions to the Property, without the prior written approval of the other Co-Tenants.

11. Insurance. The Co-Tenants agree to mutually confer with the Manager as to the obtaining of any insurance, and the obtaining of same shall be coordinated through the Manager. Insurance shall meet the minimum requirements of any mortgage loan during the time of that loan or any extension thereof. Unless otherwise directed in writing by the co-tenants, the Manager will not purchase earthquake insurance. Co-Tenants are advised to consult with their own insurance provider in regards to additional coverage under a personal umbrella policy. Co-Tenants should contact the insurance provider regarding naming each Co-Tenant as an additional insured.

12. Term. Except as otherwise provided herein, this Agreement shall remain in full force and effect for a term beginning on the date hereof and ending on the earlier to occur of (a) the unanimous agreement of all Co-Tenants to terminate this Agreement, or (b) disposition of the Property by all of the Co-Tenants, or (c) the transfer of all of the Percentage Interests of all other Co-Tenants to one of the other Co-Tenants, or (d) fifty (50) years from the execution hereof.

13. Distributions from Positive Operating Cash Flow. "Positive Operating Cash Flow" shall mean all revenues received from operation of the Property, together with amounts the Manager has reasonably determined can be released from reserves (as opposed to revenues or proceeds from sale, refinancing or insurance, except to the extent such proceeds constitute proceeds from rent continuation insurance), remaining after (i) payment of all current expenses and costs relating to ownership and operation of the Property (including payments under any mortgage loan with respect to the Property and any extensions or replacements thereof), (ii) repayment of all funds advanced by the Co-Tenants for payment of Expenses that have not been prepaid or resulted in the foreclosure against all or part of the Defaulting Co-Tenants' ownership interest in accordance with Section 8, above; and (iii) agreed upon reserves that are set aside pursuant to the attached pro forma (as such pro forma may change by the unanimous agreement of Co-Tenants). Positive Operating Cash Flow shall, subject to the terms of this Agreement, be shared between the Co-Tenants in accordance with their Percentage Interests and shall be paid as agreed between the Co-Tenants. In no event however, shall said positive cash flow be distributed less than on a quarterly basis.

14. Sale of Interests. Except as otherwise provided in this Agreement, and subject to obtaining any requisite consent of the holder of the Mortgage Loan, and/or the holder of any replacement or secondary mortgage(s), no Co-Tenant shall commence an action to partition the Property, and no Co-Tenant shall sell, transfer, or assign or otherwise dispose of any interest in the Property without first complying with the provisions of this Section 14. The restrictions contained in this Section 14 shall apply to all transfers, including, but not limited to, transfers as the result of the death or dissolution of a Co-Tenant. Any act in violation of this Section 14 shall be null and void as against the other Co-Tenant and shall constitute a default of this Agreement.

14.1 Transfer Notice/Option to Purchase. Prior to commencing an action for partition of the Property, or in the event a Co-Tenant desires to sell or otherwise transfer all or part of its Percentage Interest in the Property, such Co-Tenant shall give written notice (the "Transfer Notice") to the other Co-Tenant of its intention to transfer, assign, encumber or otherwise dispose of its Percentage Interest in the Property, or a part thereof, setting forth, in the event of a proposed sale to a third party in an arm's length transaction, the name and address of the proposed transferee, the interest to be transferred, the price for the interest proposed to be transferred and the terms of payment or other relevant terms of the transaction. The remaining Co-Tenants shall have the option to purchase all of the Percentage Interest in the Property proposed to be transferred at the price and upon the terms hereinafter provided. Such option shall be and remain irrevocable for a period of sixty (60) days after giving of the Transfer Notice.

14.2 Exercise of Option. The non-transferring Co-Tenants who wish to exercise the option to purchase (the "Purchasing Co-Tenants") shall exercise the option by giving written notice of exercise to the Manager, to the transferring Co-Tenant and to the other Co-Tenants (if any). In the event that elections are made to purchase more than the offered

Percentage Interest, each Co-Tenant shall have the right to purchase such proportion of the Percentage Interest as is equal to the ratio of such Co-Tenant's interest in the Property to the Percentage Interests of all Co-Tenants so electing. Notwithstanding anything to the contrary heretofore set forth, in order for the exercise to be effective, the Purchasing Co-Tenants must collectively elect to purchase all of the Percentage Interest proposed to be transferred.

14.3 Closing. The closing of the purchase pursuant to this Section 14, shall take place at a date designated by the Purchasing Co-Tenant(s), which date shall not be more than one hundred eighty (180) days after the date of the Transfer Notice, at which time the initial payment of the purchase price shall be paid, and any and all documents, drafts or other instruments necessary to be executed in order to effect the purchase and sale, shall thereupon be executed and delivered to the proper Party.

14.4 Release from Restrictions. If the remaining Co-Tenants do not elect to purchase all of the Percentage Interest which is proposed to be transferred or encumbered, as herein above provided, then the transferring Co-Tenant may transfer its offered Percentage Interest to the individual or entity at the price and terms set forth in the Transfer Notice (or, in the event that the Transfer Notice provides for an intent to partition, the Transferring Co-Tenant may commence its partition action); PROVIDED, HOWEVER, that in the event such transfer, encumbrance or partition action is not completed within one hundred fifty (150) days after the date of giving of the Transfer Notice, then the restrictions of this Section 14 will again attach to such Percentage Interest of the transferring Co-Tenant and no transfer shall be made without giving a Transfer Notice and complying with the other provisions of this Section.

14.5 Purchase Price. In the event that the Transfer Notice sets forth an intent to sell to an unrelated third party in an arm's length transaction, the purchase price for the remaining Co-Tenants shall be the price set forth in the Transfer Notice. In all other instances, the purchase price for the remaining Co-Tenants shall be the product (i) of the Transferring Co-Tenant's fractional Percentage Interest (or a fraction based upon such portion of such Percentage Interest which is being proposed to be transferred) and (ii) the fair market value of the Property (less any encumbrances against all Percentage Interests in the Property), as determined in the following manner:

Within ninety (90) days after the date of the Transfer Notice, the Purchasing Co-Tenants and the person legally entitled to the value of the interest being purchased shall attempt to agree upon the fair market value of the Property. In the event that the parties are unable within such ninety (90) day period to agree upon the value of the Property, the value of the Property shall be determined by an appraisal as follows:

The Purchasing Co-Tenants, acting collectively, and the person legally entitled to the value of the Percentage Interest being purchased shall each appoint one (1) appraiser. If the two (2) appraisers so appointed are unable to agree upon the value of the Percentage Interest within thirty (30) days after their appointment, they shall appoint a third (3rd) appraiser. The Purchasing Co-Tenants and the person entitled to the value of the Percentage Interest being purchased shall each pay the cost of the appraiser appointed by it, and the cost of the third appraiser, if necessary, shall be shared equally by the Purchasing Co-Tenants and the person entitled to the value or the interest in the Property being purchased. The three (3) appraisals shall be added together and their total divided by three (3); the resulting quotient shall be the value of

a one hundred percent (100%) Percentage Interest for the purpose of this Agreement, which shall then be multiplied by the Transferring Co-Tenant's Percentage Interest for purposes of determining the purchase price. If, however, the low appraisal and/or the high appraisal is/are more than ten percent (10%) lower and/or higher than the middle appraisal, the low appraisal and/or the high appraisal shall be disregarded. If only one (1) appraisal is disregarded, the remaining two (2) appraisals shall be added together and the total divided by two (2); the resulting quotient shall be the value a one hundred percent (100%) Percentage Interest for the purpose of this Agreement. If both the low appraisal and the high appraisal are disregarded, as stated in this Section, the middle appraisal shall be the value a one hundred percent (100%) Percentage Interest for the purpose of this Agreement.

14.6 Payment. The purchase price shall be payable in full, in cash, at the closing of the sale.

14.7 Title. The transferred Percentage Interest shall be free and clear of liens and encumbrances, except those liens and encumbrances which encumber the interests of all of the Co-Tenants. The transfer shall be effected through an escrow with First American Title Guaranty Company, and shall be insured with a standard coverage (Eagle coverage) policy of title insurance. Title, escrow and all normal and customary closing costs shall be paid in accordance with the custom of the county where the Property is located.

14.8 Notwithstanding anything to the contrary contained in this Section 14, or any other provisions of this Agreement, in the event that a default shall occur under the Mortgage Loan, and by reason of any such default maker of such Mortgage Loan (or its successors-in-interest), or any other mortgagee, shall institute foreclosure proceedings or request that the Co-Tenants delivery a deed-in-lieu of foreclosure, neither Co-Tenant shall have the obligation to offer the Property to the other Co-Tenant as herein provided while any such default exists uncured and, if requested by any Co-Tenant, the other Co-Tenant shall reasonably cooperate with the requesting Co-Tenant in effecting a like-kind exchange pursuant to Section 1031 of the Code.

14.9 Provided there are no similar restrictions on transfers or assignments in any other document or agreement between the Co-Tenants, the restrictions on transfer and assignment contained in this Section 14 shall not apply, and each Co-Tenant shall be free to transfer or assign all or any portion of his, her or its Percentage Interest in the Property to (i) any revocable trust created for the benefit of the Co-Tenant, or any combination between or among the Co-Tenant, the Co-Tenant's spouse, and the Co-Tenant's issue, provided that the Co-Tenant retains a beneficial interest in the trust, or (ii) any entity, the legal and beneficial ownership interests of which are held only by the Co-Tenant, his or her spouse, and/or his or her lineal descendants, provided that the Co-Tenant controls the management and operation of such entity.

15. Exercise of Rights. So long as the Property, or any portion thereof, shall be subject to any covenants, conditions, restrictions or servitudes pursuant to which the Co-Tenants, in the aggregate as the "owner" of the Property (or such portion thereof), are entitled to vote, designate owner association representation, or otherwise take action as "owners", any such vote, designation or action shall require the unanimous concurrence of the Co-Tenants, notwithstanding any right they may otherwise have to act in accordance with their Percentage Interest in the Property.

16. Bankruptcy, Charging Orders and Other Liens.

16.1 If (i) a petition for bankruptcy is filed by or against any Co-Tenant, or a court charges a Co-Tenant's Percentage Interest in the Property with the payment of an unsatisfied debt of such Co-Tenant, or there is recorded against the Property a lien or other encumbrance, arising out of an unsatisfied debt or obligation of a Co-Tenant or partner of a Co-Tenant (the Co-Tenant subject to such bankruptcy proceedings, charging order, or lien, being hereinafter referred to as the "Bankrupt Co-Tenant") and (ii) said bankruptcy petition or said charging order is not dismissed within sixty (60) days after the filing thereof, or such lien or encumbrance is not removed within sixty (60) days of its recording, then the other Co-Tenants (the "Remaining Co-Tenants") shall have an option, exercisable for a period of one hundred twenty (120) days following the expiration of said sixty (60) day period, to purchase the Bankrupt Co-Tenant's Percentage Interest in the Property at a price equal to the amount determined by multiplying the Bankrupt Co-Tenant's Percentage Interest by the excess of (1) the fair market value of the Property (as determined by an MAI appraisal obtained by the Remaining Co-Tenants) over (2) the sum of (A) all debts and liabilities associated with the property (including accrued interest), determined as of the date of such appraisal plus (B) a reasonable estimate of expenses, including brokerage commissions and attorneys fees, which would be incurred in connection with a hypothetical sale of the Property at such fair market value. In the event there are more than two Co-Tenants, if more than one of the Remaining Co-Tenants shall be entitled to purchase that portion of the Bankrupt Co-Tenant's Percentage Interest which bears the same ratio to the entire Percentage Interest of the Bankrupt Co-Tenant as such electing Remaining Co-Tenant's Percentage Interest bears to the total Percentage Interest of all the Remaining Co-Tenants electing to purchase such Percentage Interest of the Bankrupt Co-Tenant as of the date such option becomes exercisable.

16.2 If a Remaining Co-Tenant elects to purchase the Percentage Interest, such Remaining Co-Tenant shall, within the option period, give written notice (the "Purchase Notice") of such purchase to the Bankrupt Co-Tenant. The Purchase Notice shall specify (i) a date for the closing of the Remaining Co-Tenant's purchase of the such Percentage Interest, which date shall be within the 30-day period following the date the Purchase Notice is given (unless extended due to the necessity of obtaining an appraisal), (ii) the purchase price for such Percentage Interest (as determined hereunder, and if an appraisal is to be obtained, then statement to the effect that the purchase price will be based upon the appraisal) and (iii) such additional information, if any, as such Remaining Co-Tenant desires.

16.3 The purchase price to be paid by a Remaining Co-Tenant for the purchase of the Bankrupt Co-Tenant's Percentage Interest in the Property made pursuant to Section 16 shall be evidenced by a negotiable promissory note secured by a deed of trust encumbering the Property which provides, among other things, for, (i) interest on the unpaid principal balance thereof at the rate of 8% per annum (or, if lower, the then applicable maximum interest rate chargeable under California law); (ii) one hundred twenty (120) equal consecutive monthly installments of principal and interest, with principal amortized over a thirty-year period, payable commencing one month after the effective date of the purchase of the Percentage Interest, (iii) the right to prepay without penalty or charge, (iv) acceleration of the outstanding balance in the event of a default which remains uncured for a period exceeding thirty (30) days, and (v) attorney's fees and costs in the event of default.

17. Recording of Liens. In the event a lien or other encumbrance shall be recorded against the Property which arises out of an unsatisfied debt of a Co-Tenant not relating to the business of the Property, such Co-Tenant (the "Liened Co-Tenant") shall promptly take all such action, at the Liened Co-Tenant's sole cost and expense, to remove such lien or encumbrance. Should the Liened Co-Tenant fail to remove such lien or encumbrance within sixty (60) days of its recording, then, in addition to the remedies afforded the Remaining Co-Tenants under Section 16 hereof, such Remaining Co-Tenant(s) may, at their option, pay all amounts necessary to satisfy the underlying debt or obligation giving rise to said lien or encumbrance. All amounts so advanced by Remaining Co-Tenant(s) under this Section 17 shall be treated as a recourse loan to the Liened Co-Tenant, payable on demand, with interest on the unpaid principal balance at the rate of 12% per annum (or, if less, the maximum amount allowable by law), to be secured by a deed of trust which shall encumber the Liened Co-Tenant's interest in the Property, and in the event such debt is not repaid in full within three years from the date of the advance, then the Co-Tenants agree to market and sell the Property. All fees related to said sale shall be charge against the Liened Co-Tenant.

18. Limitation of Liability. The Co-Tenants agree that neither the Co-Tenants nor any director, officer, shareholder, employee, agent, partner, beneficiary, trustee or representative of any Co-Tenant, shall be liable, accountable or responsible for damages or otherwise to any other Co-Tenant for any action taken or failure to act within the scope of the authority or discretion conferred or vested on or in such entity or person by this Agreement or by law, unless such action or omission was grossly negligent, or constituted intentional misconduct or a knowing violation of law.

19. Binding Effect. This Agreement shall run with the land for the benefit of each Co-Tenant's respective interest in the Property and shall bind and inure to the benefit of the parties' respective successors, assigns, and heirs so long as any of the original parties to this Agreement continue to own any interest in the Property (but in all events shall terminate as of the fifty year anniversary of the date of this Agreement unless all Co-Tenants then agree to extend the term hereof).

20. Memorandum of Agreement. The parties shall execute, acknowledge, and record a memorandum of this Agreement in the Official Records of the county where the Property is located, as constructive notice of this Agreement. Both parties agree to disclose the terms of this Agreement to any prospective lender or buyer who may inquire about it.

21. Amendment or Waiver. This Agreement may not be amended except by a written document specifically referring to it and signed by all parties and which complies with any and all applicable lender requirements. No waiver, modification, or amendment shall be deemed to result from the conduct of the parties, not shall a waiver of any one default, obligation, or payment be construed as a waiver of the right to demand strict performance in the future.

22. Governing Law. This Agreement and the obligations of the Co-Tenants hereunder shall be interpreted, construed and enforced in accordance with the laws of the State of California.

23. Waiver. No consent or waiver, expressed or implied, by any party hereto, or of any breach or default by, any other party in the performance by such other party of its obligations hereunder shall be deemed or construed to be consent or waiver to or of any other default or breach in the performance by such other hereunder. Failure on the part of any party to complain of any act or failure to act of the other Party, or to declare the other party in default, irrespective of how long such failure continues, shall not constitute a waiver of such party of its rights hereunder.

24. Other Activities. During the term of this Agreement, each party may acquire, promote, develop, operate and manage real property (or any one or more of the foregoing) on its own behalf or on behalf of any other person or entity. Each party may, notwithstanding the existence of this Agreement, engage in any activity it so chooses, whether such activity is competitive with the Property or other Co-Tenants or otherwise, without having or incurring any obligation to offer any interest in such activities to the other parties. Neither this Agreement nor any activity undertaken pursuant hereto shall prevent any party from engaging in such activities or require a party to permit the other parties to participate in such activities, and, as a material part of the consideration for such Party's execution hereof, each party hereby waives, relinquishes, and reserve any such right or claim of participation. Furthermore, a party shall not be required to expend all of its time in the performance of its duties hereunder, but rather shall expend such time as it deems reasonably necessary for the management of the Property.

25. Severability. If any provision in this Agreement or the application thereof, to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent allowed by law.

26. Status Reports. Recognizing that each party hereto may find it necessary from time to time to inform third parties, such as accountants, banks, mortgagees or the like, of the then current status of performance hereunder, each party agrees upon the written request of any other, from time to time, to furnish promptly a written statement (in recognizable form, if requested) on the status of any matter pertaining to this Agreement or the Property.

27. Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa. Titles of articles and sections are for convenience only and neither limit nor amplify the provisions of this Agreement itself.

28. No Third Party Beneficiary. Any agreement to pay an amount and any assumption of liability herein contained, expressed or implied, shall be only for the benefit of the undersigned parties and their respective successors and assigns, and such agreements and assumptions shall not inure to the benefit of the obligees of any indebtedness or any other party whomsoever, it being the intention of the undersigned that no one shall be deemed to be a third party beneficiary of this contract.

29. Further Assurances. Upon the request of the Manager, each Co-Tenant agrees to execute such other and further documents and instruments and take such further actions (i) as

may be necessary to further evidence or carry out any of the provisions of this Agreement, or (ii) as may be required to comply with any mortgage or encumbrance with respect to the Property.

30. Entire Agreement. This Agreement contains the entire understanding among the parties and supersedes any prior written or oral agreements between them respecting the subject matter contained herein. There are no representations, agreements, arrangements, or understandings, oral or written, between and among the parties relating to the subject matter of this Agreement which are not fully expressed herein.

31. Legal Action. In the event of any suit, action or proceeding commenced by any party or Parties in any court of competent jurisdiction to enforce any term of provision of this Agreement after default by any party or Parties, the party or parties prevailing in such suit shall be entitled to receive from the other party or parties, in addition to any other relief granted, reasonable attorneys' fees.

32. Modification; Waiver or Termination. Except or otherwise expressly provided in this Agreement, no modification, waiter or termination of this Agreement, or any part hereof, shall be effective unless made in writing signed by the party or parties sought to be bound thereby.

33. Relief of Obligation. Nothing herein contained shall be construed to relieve a Co-Tenant (or such of its successors or assigns) from any breaches or defaults incurred as a result of, in connection with, or prior to, the acquisition or disposition of the Percentage Interest of a Co-Tenant, and the obligation to cure all such breaches and defaults and to indemnify and hold harmless the other Co-Tenant and its successors, assigns and representatives shall survive such termination and continue unabated in full force and effect.

34. Arbitration. Any controversy or claim arising out of or related to this Agreement shall be submitted to binding arbitration in accordance with the then prevailing rules of JAMS/ENDISPUTE and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The prevailing party in any such arbitration proceeding, or in any court action to enforce an award resulting from such arbitration, shall be entitled to recover its reasonable attorneys' fees and costs. The arbitration shall take place in Napa, California.

35. Commissions, Broker's Fees, Etc. LeFever shall receive a credit towards its Ownership Percentages equal to 2% of the purchase price paid by the Co-Tenants for the Property, which credit is in consideration of the services provided by LeFever Mattson in connection with the acquisition of the Property. Should the Co-Tenants, as a group or individually, decide to sell the Property or any interest therein, LeFever Mattson, a California licensed real estate broker, shall be granted the exclusive authorization and right to sell the Property or interest, and shall be compensated at least 2.5% of the purchase price for its services.

36. Exhibits. Each of the exhibits hereto are incorporated herein by reference as though fully set forth herein.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first indicated above.

"Albers"

By: Kenneth W. Albers
Kenneth W. Albers

"Wold"

By: _____
Anthony J. Wold

_____
Jodene R. Wold

"Brady Family Trust dated June 4, 2001"

By: He
Colin A. Brady, Trustee

Melissa J. Brady, He
Melissa J. Brady, Trustee

"Betyadegar"

By: 12/15/04
Aprim Betyadegar

Karolin Betyadegar 12/15/04
Karolin Betyadegar

"Fleming Family Trust dated August 27, 1998"

By: John C Fleming Trustee 15Dec04
John C. Fleming, Trustee

D Fleming Trustee 12-15-04
Dominique Fleming, Trustee

"Thomasson"

By: 12/15/04
Randal S. Thomasson

Cynthia a. Thomasson 12/15/04
Cynthia A. Thomasson

"Katz"

By: 12/15/04
Jeffrey Katz

Sarah Katz 12-15-04
Sarah Katz

"LeFever Mattson, Inc., a California corporation"

By: _____
Ken Mattson, President

"Powell"

By: _____
Ellis T. Powell, Jr.

_____
Jacquelyn Powell

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first indicated above.

"Albers"

By: _____
Kenneth W. Albers

"Wold"

By: _____ _____
Anthony J. Wold Jodene R. Wold

"Brady Family Trust dated June 4, 2001"

By: _____ _____
Colin A. Brady, Trustee Melissa J. Brady, Trustee

"Betyadegar"

By: _____ _____
Aprim Betyadegar Karolin Betyadegar

"Fleming Family Trust dated August 27, 1998"

By: _____ _____
John C. Fleming, Trustee Dominique Fleming, Trustee

"Thomasson"

By: _____ _____
Randal S. Thomasson Cynthia A. Thomasson

"Katz"

By: _____ _____
Jeffrey Katz Sarah Katz

"LeFever Mattson, Inc., a California corporation"

By: _____
Ken Mattson, President

"Powell"

By: _____ _____
Ellis T. Powell, Jr. Jacquelyn Powell

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first indicated above.

"Albers"

By: _____
Kenneth W. Albers

"Wold"

By: _____ _____
Anthony J. Wold Jodene R. Wold

"Brady Family Trust dated June 4, 2001"

By: _____ _____
Colin A. Brady, Trustee Melissa J. Brady, Trustee

"Betyadegar"

By: _____ _____
Aprim Betyadegar Karolin Betyadegar

"Fleming Family Trust dated August 27, 1998"

By: _____ _____
John C. Fleming, Trustee Dominique Fleming, Trustee

"Thomasson"

By: _____ _____
Randal S. Thomasson Cynthia A. Thomasson

"Katz"

By: _____ _____
Jeffrey Katz Sarah Katz

"LeFever Mattson, Inc., a California corporation"

By: _____
Ken Mattson, President

"Powell"

By: _____ _____
Ellis T. Powell, Jr. Jacquelyn Powell

"Rogers Revocable Living Trust dated Sept. 4, 2003"

By: James H. Rogers Trustee Jorgine Allan Rogers, Trustee

James H. Rogers, Jr. Trustee Jorgine Allan Rogers, Trustee

"Rogers Revocable Living Trust dated Sept. 4, 2003"

By: _____ _____

James H. Rogers, Jr. Trustee Jorgine Allan Rogers, Trustee

Exhibit A

Ownership Percentages

SCHEDULE A
Sharis Apartments
Fleming Avenue

Owner's Name	Invested Amount	Investment Percent	Annual Payout	Monthly Payout
Albers, Kenneth	271,000.00	16.651%	16,260.00	1,355.00
Wold, Anthony & Jodine	154,000.00	9.462%	9,240.00	770.00
Brady Trust	135,000.00	8.295%	8,100.00	675.00
Betyadegar, Aprim & Karolin	93,000.00	5.714%	5,580.00	465.00
Fleming Family Trust	150,000.00	9.217%	9,000.00	750.00
Thomasson, Randal S. & Cynthia A.	100,000.00	6.144%	6,000.00	500.00
Katz, Jeffrey & Sarah	175,000.00	10.753%	10,500.00	875.00
LeFever Mattson, Inc. (14.286)	232,504.65	14.286%	13,950.28	1,162.52
Powell, Ellis & Jackie	150,000.00	9.217%	9,000.00	750.00
Rogers, James & Gorgine	167,000.00	10.261%	10,020.00	835.00
			-	-
			-	-
	1,627,504.65	100.00%	97,650.28	8,137.52

Total Capital Required 1,627,500.00

SCHEDULE A
Sharis Apartments
Fleming Avenue

Owner's Name	Invested Amount	Investment Percent	Annual Payout	Monthly Payout
Albers, Kenneth	271,000.00	16.651%	16,260.00	1,355.00
Wold, Anthony & Jodine	154,000.00	9.462%	9,240.00	770.00
Brady Trust	135,000.00	8.295%	8,100.00	675.00
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Fleming Family Trust	150,000.00	9.217%	9,000.00	750.00
Thomasson, Randal S. & Cynthia A.	100,000.00	6.144%	6,000.00	500.00
Katz, Jeffrey & Sarah	175,000.00	10.753%	10,500.00	875.00
LeFever Mattson, Inc. (14.286)	232,504.65	14.286%	13,950.28	1,162.52
Powell, Ellis & Jackie	150,000.00	9.217%	9,000.00	750.00
Rogers, James & Gorgine	167,000.00	10.261%	10,020.00	835.00
			-	-
			-	-
	1,627,504.65	100.00%	97,650.28	8,137.52

Total Capital Required 1,627,500.00

Please Initial

SCHEDULE A
Snaris Apartments
Fleming Avenue

Owner's Name	Invested Amount	Investment Percent	Annual Payout	Monthly Payout
Albers, Kenneth	271,000.00	16.651%	16,260.00	1,355.00
Wold, Anthony & Jodine ene	154,000.00	9.462%	9,240.00	770.00
Brady Trust	135,000.00	8.295%	8,100.00	675.00
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Thomasson, Randal S. & Cynthia A.	100,000.00	6.144%	6,000.00	500.00
Katz, Jeffrey & Sarah	175,000.00	10.753%	10,500.00	875.00
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Powell, Ellis & Jackie	150,000.00	9.217%	9,000.00	750.00
Rogers, James & Gorgine	167,000.00	10.261%	10,020.00	835.00
	1,627,504.65	100.00%	97,650.28	8,137.52

Total Capital Required 1,627,500.00

Please Initial

ARW

SCHEDULE A
Shan's Apartments
Fleming Avenue

Owner's Name	Invested Amount	Investment Percent	Annual Payout	Monthly Payout
Albers, Kenneth	271,000.00	16.651%	16,260.00	1,355.00
Wold, Anthony & Jodine	154,000.00	9.462%	9,240.00	770.00
Brady Trust	135,000.00	8.296%	8,100.00	675.00
Betyadeger, Aprim & Karolin	93,000.00	5.714%	5,580.00	465.00
Fleming Family Trust	150,000.00	9.217%	9,000.00	750.00
Thomasson, Randal S. & Cynthia A.	100,000.00	6.144%	6,000.00	500.00
Katz, Jeffrey & Sarah	175,000.00	10.753%	10,500.00	875.00
LeFever Mattson, Inc. (14.286)	232,504.65	14.286%	13,950.28	1,162.52
Powell, Ellis & Jackie	150,000.00	9.217%	9,000.00	750.00
Rogers, James & Georgine	167,000.00	10.261%	10,020.00	835.00
	1,627,504.65	100.00%	97,650.28	8,137.52

Total Capital Required 1,627,500.00

EXHIBIT G

Exhibit D

LEFEVER MATTSON
PROPERTY MANAGEMENT

6359 Auburn Boulevard, Suite B
Citrus Heights, CA 95621

Telephone 916.723.5111
FAX 916.676.0011

APARTMENT PROPERTY MANAGEMENT AGREEMENT

In consideration of the covenants herein contained, the parties named in this contract as Owner, and the party named in this contract as Agent, "LEFEVER MATTSON PROPERTY MANAGEMENT", agree as follows:

1. The Owner hereby engages the Agent to have the exclusive management of the Property know as:

   See Attachment Schedule A

   Property Address: Sharis Apartments 401 - 465 Fleming Avenue, East, Vallejo, CA 94591

   Property Description: 32 Unit Apartment Complex 20 One Bedroom Units and 12 One Bedroom Units

   Additional Properties: None

   Upon the terms hereinafter set forth, for the period commencing **December 1, 2004** and expiring **November 30, 2005**, and automatically renewed for like periods, subject to either party having the right to cancel this Agreement by giving the other party (30) thirty day written notice of their intention to do so at any time after the initial period described above. Termination of this agreement for any reason, except for gross negligence as later described, shall result in a termination fee of (3) three times the normal monthly management fee payable prior to relinquishing of management documents.

   The Agent hereby accepts the management of said property (together with the furniture, furnishing or personal property therein or used in connection therewith) as provided herein.

2. The Agent, in accepting the management of said property, will perform the duties as herein provided, using its best judgment, effort and ability relative to the following for and on behalf of the Owner:

   A. Placing advertising, at Owners expense, for property or portions of property for rent or lease; selecting and obtaining tenants; executing tenancies and leases as well as extensions and renewals of leases in the name of LEFEVER MATTSON.
   B. For and on behalf of the Owner, engaging and discharging employees and others needed for service in or maintenance of the premises up to the authority in paragraph 3 below, or with Owner approval.
   C. Effecting contracts for on-site management, utilities or other services in name of Owner, purchasing supplies and equipment for operation of the premises, with Owner approval.
   D. Effecting insurance, when instructed in writing by Owner, and paying the premiums from the Owner's account.
   E. Paying taxes and payment of interest and principal encumbrances can be accomplished, provided Agent receives such written instructions from Owner and provided funds are available in property account.
   F. Collecting and managing legal counsel for suing for rents and other moneys due; obtaining possession, terminating tenancies or leases, arranging and consenting to assignments or subletting of premises (Agent's or Owner's attorneys' fees for service pertaining to the property shall be an expense of the Owner).
   G. Assisting in obtaining settlements on insurance or other claims. Employing attorneys as and when needed.
   H. Paying all of the above expenses incurred for the Owner's account and at the Owner's expense, including the fees for Agent, moneys advanced by Agent, and reimbursable expenses of Agent which includes but is not limited to property supplies and property operating forms.

3. Notwithstanding anything herein contained to the contrary, the Agent shall not have the authority to do any of the following things without the consent of the Owner:

   A. Effect a lease or contract for a period longer than one (1) year.
   B. Incur any expense for a single repair, alteration, decoration cost, purchase or replacement of equipment or chattels in excess of the amount held in the subject property bank account without the consent of Owner, unless it is an emergency.

4. The following fee schedule shall apply to the services rendered:

   A. Our mutually agreed upon fee for management is 5% of the gross rent collected.
   B. As compensation for additional costs of collection of late rents and returned checks LEFEVER MATTSON will retain all Late Fees and NSF fees paid by tenants as related to their tenancy.
   C. Such other fee or fees may be agreed to, from time to time, to compensate Agent for making contracts and supervising repairs, alterations, replacements, improvements, remodeling, additions, decorating or otherwise, pertaining to the premises, which are not part of normal operations. These fees include but are not limited to; Rental Application Fees, (applicants are charged a $35.00 application fee which cover the cost of credit reporting and tenant screening. Credit reporting is generally less than $10.00 per applicant.); Lawn Fees, (LeFever Mattson utilizes an outside landscape maintenance company to service many of the properties we manage. Lawn Fees are charged to owners including an administrative charge of approximately 20% over the direct cost); on Fixed Fee (set monthly dollar amount not percentage of scheduled rent) management contracts LeFever Mattson Property Management retains Tenant Late Fees and NSF fees to offset the cost of posting notices and collection efforts. Tenant Late Fees and NSF Fees charged to Tenants are generally $35.00) Renovations, Construction Projects, Insurance Claims Administration and other Projects are outside the normal scope of the monthly management contract. These services generally require a fee of up to 10% of the cost of the work performed for project administration. Fees charged for maintenance and maintenance stock include a profit to LeFever Mattson averaging 15% to 20%.
   D. LEFEVER MATTSON provides maintenance to you, the client, at three different rates. The basic rate of $35.90 per work hour includes general maintenance; the lower rate of $29.90 per work hour includes unskilled labor, and the last rate of $45.90 per work hour includes special skills such as electrical, plumbing, etc. These rates are subject to change with notice.
   E. It is understood by all parties that LEFEVER MATTSON operates its management and maintenance departments in order to earn a profit.
   F. Agent may increase the management fee at renewal time with 30-day notice to Owner.

5. In the event the Agent advances money for the Owner's and/or the property's account, or the Owner is indebted to the Agent for services or otherwise arising out of this contract, all moneys advanced by Agent shall be due and payable by Owner upon demand, and bear interest at the rate of one and one-half (1½%) percent per month, computed on monthly debit balances on Owner's account and the recording of this contract or a notice with a notation of the amount owing Agent shall become a valid lien upon the premises.

6. The Agent shall establish a reserve in the Owner's account to make necessary funds available for necessary payments and withdrawals to maintain the property as herein outlined. Said reserve shall be maintained at $3,000.00 per property under management.

7. In the purchase of the subject apartments, the co-tenants have created a reserve account to provide funds for property improvements as well as any operating expense not covered by income in the initial phase of ownership. It is assumed that these funds will not be depleted in the short term and might best be used to generate additional income for the co-tenants through investment.

   To maximize the return on investment to the co-tenants, the property manager is authorized to invest reserve funds for the benefit of the co-tenants. Investments should allow for reasonable access to principal so that operation of the apartments is not jeopardized.

Appropriate investments include, but are not limited to interest bearing accounts, certificates of deposit, and short term loans to other properties managed by management company. (From time to time, multi-family properties managed by property manager need additional funds for property improvements or operating expenses. In the past, short term commercial or private loans have been obtained to meet these needs. Loans from one property to another meet the need for funds by the borrowing property and provide an income source through interest to the loaning property.)

8. The Agent agrees at all times to keep and maintain, in accordance with customary business practices, suitable records and receipts pertaining to the supervision, management, care and operation of the said premises including all correspondence and data pertaining to, or in any matter related to the said premises, and to permit said Owner to inspect said records and other matters and to make copies or extracts therefrom, during the term of this Agreement.

9. The Agent shall render to the Owner monthly, a statement of receipts and disbursements incurred in connection with the management and operation of the said premises, and shall check and approve all invoices and other items of expense including operating and management expenses, and if applicable, shall remit moneys to Owner by approximately the twenty fifth day of the month. Statements sent are approved by Owner unless Agent is notified in writing within thirty (30) days from date of said statements, setting forth the errors.

10. The Owner agrees to save the Agent harmless from all damage suits, costs and expenses incurred there from in connection with the management of the premises and from liability suffered by any employee or other person whomsoever and to carry, at Owner's expense, adequate liability, and compensation insurance in amounts to protect the Agent in the same manner and to the extent as the Owner. Owner shall name LeFever Mattson Property Management as an "Additional Insured", on said policy. Agent shall have the right to effect said insurance at the expense of Owner; however, Agent shall not be liable for failure to effect or to renew said insurance.

11. Nothing herein contained shall relieve the Agent from responsibility to the Owner for gross negligence; however, the Owner agrees: (1) to hold and save the Agent from and harmless from damages sustained by person or property due to any cause whatsoever either in and about the premises or elsewhere when the Agent is carrying out the provisions of this contract or the express or implied directions of the Owner; (2) to reimburse the Agent for moneys the latter is required to pay out for any reason whatsoever, either in connection with or as an expense in defense of any civil or criminal action, proceeding, charge or prosecution instituted or maintained against the Agent or the Owner and Agent jointly, affecting omissions of Agent or employees of the Owner; (3) to defend promptly any such action, proceeding, charge or prosecution instituted or maintained against the Agent or the Owner and Agent jointly.

12. If the Owner shall fail or refuse to comply with or abide by any rule, order, determination, ordinance or law of any Federal, State, Municipal or Governmental authority, the Agent upon giving twenty-four (24) hour written notice mailed to the Owner at the address to which Owner's remittances are sent, may terminate this Agreement.

13. Unless the Owner, in writing, expressly directs and the Agent, in writing, agrees so to do, the Agent shall not be required to file any reports other than the rendering of said monthly statements.

14. In the event the Owner terminates the Agreement (other than pursuant to Paragraph No. 1 as herein above provided), the Agent shall be entitled to compensation at a rate of three times the average monthly fee on each additional period of the contract. Said fees are to be paid to Agent before termination becomes effective. The above fees will be waived by Agent for the following circumstances: (1) if the subject property is sold and the Agent is given a thirty (30) day notice of the termination of this Agreement; (2) in the event there has been a material breach of contract by Agent and notice has been given in writing by Owner to Agent and Agent has not made a diligent effort in starting to cure said breach within fourteen (14) days after notice by Owner.

15. Should any provision of the Management Agreement be declared invalid by any court of competent jurisdiction, the remaining provisions hereof shall remain in full force and effect regardless of such declaration.

16. This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the Owner, and on the successors and assigns of the Agent.

17. Notices: Any written notice to Owner or Property Manager required under this Agreement shall be served by sending such notice by first class mail to that party at the address below, or at any different address which the parties may later designate for this purpose, and shall be deemed received three business days after deposit into the United States mail.

18. Equal Housing Opportunity: All property shall be offered in compliance with federal, state and local anti-discrimination laws.

19. Attorney's Fees: In any action, proceeding or arbitration arising out of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs.

IN WITNESS WHEREOF, the parties hereto Owners, and LEFEVER MATTSON Property Management have signed and delivered this Agreement in duplicate this _____ day of _____ 20____.

Owner: Melissa Brady	Date: 12/14/04	SSN: [redacted]
Owner: Colin K. Ry	Date: 12/14/04	SSN
Owner: [illegible]	Date: 12/15/04	SSN
Owner: Karolin Bet[illegible]	Date: 12/15/04	SSN
Owner: [illegible]	Date: 12/15/04	SSN
Owner: John Fleming	Date: 15 Dec 04	SSN
Owner: Sarah [illegible]	Date: 12-15-04	SSN
Owner: [illegible]	Date: 12/15/04	SSN
Owner: [illegible]	Date: 12/15/04	SSN
Owner: Cynthia A. Thomas	Date: 12/15/04	SSN
Owner: [illegible]	Date: 12-16-04	SSN
Owner: [illegible]	Date:	SSN
Owner: _____	Date: _____	SSN: _____
Owner: _____	Date: _____	SSN: _____
Owner: _____	Date: _____	SSN: _____
Owner: _____	Date: _____	SSN: _____
Owner: _____	Date: _____	SSN: _____
Owner: _____	Date: _____	SSN: _____
Owner: _____	Date: _____	SSN: _____
Owner: _____	Date: _____	SSN: _____

Agent: LEFEVER MATTSON Property Management

By: Karen Mullett Date: 12/1/04

EXHIBIT H

No.	Common Name	Owner	Address	City	State	APN	Date of Acquisition	Date of Acquisition by KSMP	# of Days Between
1	Cottage Inn	Sienna Pointe, LLC	302/310 1st Street East	Sonoma	CA	018-171-019-000 018-171-031-000	5/9/2023	5/9/2023	0
2	Meadowlark/Arnold	Sienna Pointe, LLC	101 Meadowlark Lane	Sonoma	CA	128-484-013-000	7/21/2021	7/21/2021	0
3	Meadowlark/Arnold	Sienna Pointe, LLC	24101 Arnold Drive	Sonoma	CA	128-484-003-000	7/21/2021	7/21/2021	0
4	Meadowlark/Arnold	Sienna Pointe, LLC	24151 Arnold Drive	Sonoma	CA	128-484-024-000	7/21/2021	7/21/2021	0
5	Meadowlark/Arnold	Sienna Pointe, LLC	310 Meadowlark	Sonoma	CA	128-484-014-000	7/21/2021	7/21/2021	0
6	Perris Properties on Wilkerson	Windtree LP	333 Wilkerson Ave.	Perris	CA	310-061-023	3/16/2023	3/16/2023	0
7	Perris Properties on Wilkerson	Windtree LP	371 Wilkerson Ave.	Perris	CA	310-070-078	3/16/2023	3/16/2023	0
8	Perris Properties on Wilkerson	Windtree LP	411 Wilkerson Ave.	Perris	CA	310-081-012	3/16/2023	3/16/2023	0
9	Perris Properties on Wilkerson	Windtree LP	No Address	Perris	CA	310-070-077	3/16/2023	3/16/2023	0
10	Pinyon Creek II - 10344 Badger Lane	LeFever Mattson	10344 Badger Lane	Truckee	CA	107-170-012-000	3/1/2022	2/28/2022	1
11	Pinyon Creek II - 107 Quail Court	LeFever Mattson	107 Quail Court	Truckee	CA	107-170-035-000	3/1/2022	2/28/2022	1
12	Pinyon Creek II - 109 Quail Court	LeFever Mattson	109 Quail Court	Truckee	CA	107-170-036-000	3/1/2022	2/28/2022	1
13	Pinyon Creek II - 10393 Badger Lane	LeFever Mattson	10393 Badger Lane	Truckee	CA	107-170-026-000	11/27/2023	11/22/2023	5
14	Pinyon Creek II - 10395 Badger Lane	LeFever Mattson	10395 Badger Lane	Truckee	CA	107-170-025-000	11/27/2023	11/22/2023	5
15	Sojourn Tasting Room	Sienna Pointe, LLC	141-145 E. Napa Street	Sonoma	CA	018-261-006-000	9/21/2022	9/15/2022	6
16	786-790 Broadway SFR	Firetree I, LP	786 Broadway	Sonoma	CA	018-352-043-000	4/29/2022	4/18/2022	11
17	786-790 Broadway SFR	Firetree I, LP	790 Broadway	Sonoma	CA	018-352-044-000	4/29/2022	4/18/2022	11
18	222-226 W. Spain	RT Capitol Mall LP	222-226 W. Spain St	Sonoma	CA	018-151-005-000	9/28/2022	9/15/2022	13
19	925-927 Broadway Street	Sienna Pointe, LLC	925-927 Broadway Street	Sonoma	CA	128-082-015-000	9/28/2022	9/15/2022	13
20	Meadowlark/Arnold	Firetree III, LP	201 Meadowlark	Sonoma	CA	128-484-033-000 128-484-034-000	5/25/2022	5/12/2022	13
21	446-462 W. Napa	Windscape Apartments, LLC	446 W. Napa	Sonoma	CA	018-193-041-000	8/3/2022	7/19/2022	15
22	Pool Mart	Buckeye Tree LP	16721 Sonoma Highway	Sonoma	CA	056-562-020-000	11/8/2022	10/24/2022	15
23	An Inn to Remember	Sienna Pointe, LLC	171 W. Spain Street	Sonoma	CA	018-202-051-000	8/6/2021	7/21/2021	16
24	17700 Highway 12	Firetree III, LP	17700 Sonoma Highway	Sonoma	CA	056-303-025-000	4/20/2022	3/30/2022	21
25	446-462 W. Napa	Windscape Apartments, LLC	454 W. Napa	Sonoma	CA	018-193-040-000	8/3/2022	7/6/2022	28
26	French Quarter Apartments	River Birch LP	170 - 182 1st Street East	Sonoma	CA	092-010-014-000 092-010-015-000	6/29/2021	5/27/2021	33
27	Duggan's Duplex & Single Family	Windscape Apartments, LLC	520/530/532 Studley St	Sonoma	CA	018-530-014-000	11/2/2022	9/19/2022	44
28	Duggan's Mission Chapel	Windscape Apartments, LLC	525 W Napa	Sonoma	CA	018-530-054-000	11/2/2022	9/19/2022	44
29	653 3rd S West	Black Walnut, LP	653 3rd Street W	Sonoma	CA	018-283-005-000	12/20/2022	10/25/2022	56
30	596 3rd St E	Ginko Tree LP	596 3rd St E	Sonoma	CA	018-271-037-000	11/8/2022	8/23/2022	77
31	391-455 Oak and 19173 Railroad Ave	Black Walnut, LP	391-455 Oak Street; 19173 Railroad Ave	Sonoma	CA	052-402-022-000	12/20/2022	9/28/2022	83
32	Pinyon Creek II - 10306 Badger Lane	LeFever Mattson	10306 Badger Lane	Truckee	CA	107-170-003-000	7/28/2021	5/3/2021	86
33	Pinyon Creek II - 10328 Badger Lane	LeFever Mattson	10328 Badger Lane	Truckee	CA	107-170-008-000	7/28/2021	5/3/2021	86
34	20564 Broadway	Black Walnut, LP	20564 Broadway	Sonoma	CA	128-321-008-000	12/20/2022	9/13/2022	98
35	789 Cordilleras	Black Walnut, LP	789 Cordilleras	Sonoma	CA	023-010-069-000	12/20/2022	9/8/2022	103
36	24160 Turkey Rd 24237 Arnold Rd.	Windscape Apartments, LLC	24160 Turkey Rd/24237 Arnold Rd.	Sonoma	CA	128-484-066-000 128-484-067-000	7/21/2022	3/28/2022	115
37	Ravenswood Winery	Windscape Apartments, LLC	1045 Bart Rd	Sonoma	CA	127-051-059-000	9/1/2022	5/3/2022	121
38	Coco Planet	RT Capitol Mall LP	921 Broadway	Sonoma	CA	128-082-011-000	9/21/2022	5/20/2022	124
39	4920 Samo Lane	LeFever Mattson	4920 Samo Lane	Fairfield	CA	0174-010-090	11/12/2016	6/22/2016	143
40	Pinyon Creek II - 10335 Badger Lane	LeFever Mattson	10335 Badger Lane	Truckee	CA	107-170-037-000	7/28/2021	3/1/2021	149
41	Pinyon Creek II - 101 Quail Court	LeFever Mattson	101 Quail Court	Truckee	CA	107-170-033-000	7/28/2021	2/26/2021	152
42	Pinyon Creek II - 102 Quail Court	LeFever Mattson	102 Quail Court	Truckee	CA	107-170-032-000	7/28/2021	2/26/2021	152
43	Pinyon Creek II - 10298 Badger Lane	LeFever Mattson	10298 Badger Lane	Truckee	CA	107-170-001-000	7/28/2021	2/26/2021	152
44	Pinyon Creek II - 103 Quail Court	LeFever Mattson	103 Quail Court	Truckee	CA	107-170-034-000	7/28/2021	2/26/2021	152

No.	Common Name	Owner	Address	City	State	APN	Date of Acquisition	Date of Acquisition by KSMP	# of Days Between
45	Pinyon Creek II - 10300 Badger Lane	LeFever Mattson	10300 Badger Lane	Truckee	CA	107-170-002-000	7/28/2021	2/26/2021	152
46	Pinyon Creek II - 10308 Badger Lane	LeFever Mattson	10308 Badger Lane	Truckee	CA	107-170-004-000	7/28/2021	2/26/2021	152
47	Pinyon Creek II - 10316 Badger Lane	LeFever Mattson	10316 Badger Lane	Truckee	CA	107-170-005-000	7/28/2021	2/26/2021	152
48	Pinyon Creek II - 10318 Badger Lane	LeFever Mattson	10318 Badger Lane	Truckee	CA	107-170-006-000	7/28/2021	2/26/2021	152
49	Pinyon Creek II - 10326 Badger Lane	LeFever Mattson	10326 Badger Lane	Truckee	CA	107-170-007-000	7/28/2021	2/26/2021	152
50	Pinyon Creek II - 10350 Badger Lane	LeFever Mattson	10350 Badger Lane	Truckee	CA	107-170-013-000	7/28/2021	2/26/2021	152
51	Pinyon Creek II - 10352 Badger Lane	LeFever Mattson	10352 Badger Lane	Truckee	CA	107-170-014-000	7/28/2021	2/26/2021	152
52	Pinyon Creek II - 10358 Badger Lane	LeFever Mattson	10358 Badger Lane	Truckee	CA	107-170-015-000	7/28/2021	2/26/2021	152
53	Pinyon Creek II - 10360 Badger Lane	LeFever Mattson	10360 Badger Lane	Truckee	CA	107-170-016-000	7/28/2021	2/26/2021	152
54	Pinyon Creek II - 10366 Badger Lane	LeFever Mattson	10366 Badger Lane	Truckee	CA	107-170-017-000	7/28/2021	2/26/2021	152
55	Pinyon Creek II - 10368 Badger Lane	LeFever Mattson	10368 Badger Lane	Truckee	CA	107-170-018-000	7/28/2021	2/26/2021	152
56	Pinyon Creek II - 10378 Badger Lane	LeFever Mattson	10378 Badger Lane	Truckee	CA	107-170-019-000	7/28/2021	2/26/2021	152
57	Pinyon Creek II - 10379 Badger Lane	LeFever Mattson	10379 Badger Lane	Truckee	CA	107-170-028-000	7/28/2021	2/26/2021	152
58	Pinyon Creek II - 10380 Badger Lane	LeFever Mattson	10380 Badger Lane	Truckee	CA	107-170-020-000	7/28/2021	2/26/2021	152
59	Pinyon Creek II - 10381 Badger Lane	LeFever Mattson	10381 Badger Lane	Truckee	CA	107-170-027-000	7/28/2021	2/26/2021	152
60	Pinyon Creek II - 10386 Badger Lane	LeFever Mattson	10386 Badger Lane	Truckee	CA	107-170-021-000	7/28/2021	2/26/2021	152
61	Pinyon Creek II - 10388 Badger Lane	LeFever Mattson	10388 Badger Lane	Truckee	CA	107-170-022-000	7/28/2021	2/26/2021	152
62	Pinyon Creek II - 10394 Badger Lane	LeFever Mattson	10394 Badger Lane	Truckee	CA	107-170-023-000	7/28/2021	2/26/2021	152
63	Pinyon Creek II - 10396 Badger Lane	LeFever Mattson	10396 Badger Lane	Truckee	CA	107-170-024-000	7/28/2021	2/26/2021	152
64	Pinyon Creek II - 104 Quail Court	LeFever Mattson	104 Quail Court	Truckee	CA	107-170-031-000	7/28/2021	2/26/2021	152
65	Pinyon Creek II - 108 Quail Court	LeFever Mattson	108 Quail Court	Truckee	CA	107-170-030-000	7/28/2021	2/26/2021	152
66	Pinyon Creek II - 110 Quail Court	LeFever Mattson	110 Quail Court	Truckee	CA	107-170-029-000	7/28/2021	2/26/2021	152
67	Pinyon Creek II - 10333 Badger Lane	LeFever Mattson	10333 Badger Lane	Truckee	CA	107-170-038-000	7/28/2021	2/3/2021	175
68	23250 Maffei Road	Sienna Pointe, LLC	23250 Maffei Road	Sonoma	CA	128-461-009-000 128-471-012-000	9/22/2021	3/26/2021	180
69	453/457/459 2nd St W	Firetree III, LP	453/457/459 2nd St W	Sonoma	CA	018-201-016-000	4/1/2022	6/23/2021	282
70	377 West Spain Street	Beach Pine, LP	377 West Spain Street	Sonoma	CA	018-192-028-000	12/29/2022	9/10/2021	475
71	19450 Old Winery Rd	RT Capitol Mall LP	19450 Old Winery Rd	Sonoma	CA	127-242-049-000	5/3/2022	1/5/2021	483
72	Pinyon Creek II - 10334 Badger Lane	LeFever Mattson	10334 Badger Lane	Truckee	CA	107-170-009-000	7/26/2023	2/28/2022	513
73	Pinyon Creek II - 10336 Badger Lane	LeFever Mattson	10336 Badger Lane	Truckee	CA	107-170-010-000	7/26/2023	2/28/2022	513
74	Pinyon Creek II - 10342 Badger Lane	LeFever Mattson	10342 Badger Lane	Truckee	CA	107-170-011-000	7/26/2023	2/28/2022	513
75	424 2nd St W	Windscape Apartments, LLC	424 2nd St W	Sonoma	CA	018-202-002-000	10/4/2022	1/12/2021	630
76	19340 7th St E	Golden Tree, LP	19340 7th St E	Sonoma	CA	127-242-025-000	8/21/2020	10/18/2018	673
77	Cottage Inn	Sienna Pointe LLC	304 First St E	Sonoma	CA	018-171-030	10/5/2021	7/8/2019	820
78	The Post (Fly Fishing Venue)	Windscape Apartments, LLC	24120 Arnold Dr	Sonoma	CA	128-461-029-000	9/21/2022	2/20/2019	1309
79	900 E Napa St	Windscape Apartments, LLC	900 E Napa St	Sonoma	CA	127-231-040-000	9/12/2022	12/26/2018	1356
80	Fence Post	Windscape Apartments, LLC	1025 Napa St	Sonoma	CA	126-032-037-000	10/4/2022	9/22/2017	1838
81	Ceres West Mobile Home Park	Valley Oak Investments, LP	2030 E Grayson Rd	Ceres	CA	041-032-023-000	7/15/2020	8/3/2007	4730

EXHIBIT I

No.	Common Name	Address	City	State	APN	Borrower	Lender
1	Cottage Inn	302/310 1st Street East	Sonoma	CA	018-171-019-000 018-171-031-000	KS Mattson	Socotra
2	An Inn to Remember	171 W. Spain Street	Sonoma	CA	018-202-051-000	KS Mattson	Socotra
3	Thornsberry Single Family	1870 Thornsberry Rd	Sonoma	CA	127-192-056-000	KS Mattson	Socotra
4	Sasaki Vineyard	Vineyard 8th Street E	Sonoma	CA	128-422-075-000	KS Mattson	Sasaki
5	Coco Planet	921 Broadway	Sonoma	CA	128-082-011-000	KS Mattson	Socotra
6	596 3rd St E	596 3rd St E	Sonoma	CA	018-271-037-000	KS Mattson	Socotra
7	789 Cordilleras	789 Cordilleras	Sonoma	CA	023-010-069-000	KS Mattson	Socotra
8	19450 Old Winery Rd	19450 Old Winery Rd	Sonoma	CA	127-242-049-000	KS Mattson	Socotra
9	222-226 W. Spain	222-226 W. Spain St	Sonoma	CA	018-151-005-000	KS Mattson	Socotra
10	24265 Arnold Drive	24265 Arnold Dr	Sonoma	CA	128-484-009-000	KS Mattson	Socotra
11	24321 Arnold Drive	24321 Arnold Dr	Sonoma	CA	128-484-010-000	KS Mattson	Socotra
12	786-790 Broadway SFR	786 Broadway	Sonoma	CA	018-352-043-000	KS Mattson	Socotra
13	786-790 Broadway SFR	790 Broadway	Sonoma	CA	018-352-044-000	KS Mattson	Socotra
14	453/457/459 2nd St W	453/457/459 2nd St W	Sonoma	CA	018-201-016-000	KS Mattson	Frank Bragg Revocable Trust
15	17700 Highway 12	17700 Sonoma Highway	Sonoma	CA	056-303-025-000	KS Mattson	Socotra
16	377 West Spain Street	377 West Spain Street	Sonoma	CA	018-192-028-000	KS Mattson	Socotra
17	20564 Broadway	20564 Broadway	Sonoma	CA	128-321-008-000	KS Mattson	Socotra
18	653 3rd S West	653 3rd Street W	Sonoma	CA	018-283-005-000	KS Mattson	Socotra
19	391-455 Oak and 19173 Railroad Ave	391-455 Oak Street; 19173 Railroad Ave	Sonoma	CA	052-402-022-000	KS Mattson	Socotra
20	Sojourn Tasting Room	141-145 E. Napa Street	Sonoma	CA	018-261-006-000	KS Mattson	Socotra
21	23250 Maffei Road	23250 Maffei Road	Sonoma	CA	128-461-009-000 128-471-012-000	KS Mattson	Socotra
22	925-927 Broadway Street	925-927 Broadway Street	Sonoma	CA	128-082-015-000	KS Mattson	Socotra
23	Meadowlark/Arnold	101 Meadowlark Lane	Sonoma	CA	128-484-013-000	KS Mattson	Socotra
24	Meadowlark/Arnold	24101 Arnold Drive	Sonoma	CA	128-484-003-000	KS Mattson	Socotra
25	Meadowlark/Arnold	24151 Arnold Drive	Sonoma	CA	128-484-024-000	KS Mattson	Socotra
26	Meadowlark/Arnold	310 Meadowlark	Sonoma	CA	128-484-014-000	KS Mattson	Socotra
27	Meadowlark/Arnold	201 Meadowlark	Sonoma	CA	128-484-033-000 128-484-034-000	KS Mattson	Socotra
28	Pool Mart	16721 Sonoma Highway	Sonoma	CA	056-562-020-000	KS Mattson	Socotra
29	Perris Properties on Wilkerson	333 Wilkerson Ave.	Perris	CA	310-061-023	KS Mattson	Socotra
30	Perris Properties on Wilkerson	371 Wilkerson Ave.	Perris	CA	310-070-078	KS Mattson	Socotra
31	Perris Properties on Wilkerson	411 Wilkerson Ave.	Perris	CA	310-081-012	KS Mattson	Socotra
32	19340 7th St E	19340 7th St E	Sonoma	CA	127-242-025-000	KS Mattson	Socotra
33	Pinyon Creek II - 107 Quail Court	107 Quail Court	Truckee	CA	107-170-035-000	KS Mattson	Socotra
34	Pinyon Creek II - 109 Quail Court	109 Quail Court	Truckee	CA	107-170-036-000	KS Mattson	Socotra
35	Pinyon Creek II - 10306 Badger Lane	10306 Badger Lane	Truckee	CA	107-170-003-000	KS Mattson	Socotra
36	Pinyon Creek II - 10308 Badger Lane	10308 Badger Lane	Truckee	CA	107-170-004-000	KS Mattson	Socotra
37	Pinyon Creek II - 10326 Badger Lane	10326 Badger Lane	Truckee	CA	107-170-007-000	KS Mattson	Socotra
38	Pinyon Creek II - 10328 Badger Lane	10328 Badger Lane	Truckee	CA	107-170-008-000	KS Mattson	Socotra
39	Pinyon Creek II - 10334 Badger Lane	10334 Badger Lane	Truckee	CA	107-170-009-000	KS Mattson	Socotra
40	Pinyon Creek II - 10336 Badger Lane	10336 Badger Lane	Truckee	CA	107-170-010-000	KS Mattson	Socotra
41	Pinyon Creek II - 10342 Badger Lane	10342 Badger Lane	Truckee	CA	107-170-011-000	KS Mattson	Socotra
42	Pinyon Creek II - 10344 Badger Lane	10344 Badger Lane	Truckee	CA	107-170-012-000	KS Mattson	Socotra
43	Pinyon Creek II - 10393 Badger Lane	10393 Badger Lane	Truckee	CA	107-170-026-000	KS Mattson	Socotra
44	Pinyon Creek II - 10395 Badger Lane	10395 Badger Lane	Truckee	CA	107-170-025-000	KS Mattson	Socotra
45	Ceres West Mobile Home Park	2030 E Grayson Rd	Ceres	CA	041-032-023-000	KS Mattson	CBB
46	430 West Napa	430 West Napa	Sonoma	CA	018-193-048-000	KS Mattson	Poppy Bank
47	446-462 W. Napa	446 W. Napa	Sonoma	CA	018-193-041-000	KS Mattson	Socotra
48	446-462 W. Napa	454 W. Napa	Sonoma	CA	018-193-040-000	KS Mattson	Socotra
49	24160 Turkey Rd 24237 Arnold Rd.	24160 Turkey Rd/24237 Arnold Rd.	Sonoma	CA	128-484-066-000 128-484-067-000	KS Mattson	Socotra Walker
50	Fence Post	1025 Napa St	Sonoma	CA	126-032-037-000	KS Mattson	Socotra
51	900 E Napa St	900 E Napa St	Sonoma	CA	127-231-040-000	KS Mattson	Socotra
52	424 2nd St W	424 2nd St W	Sonoma	CA	018-202-002-000	KS Mattson	Socotra

No.	Common Name	Address	City	State	APN	Borrower	Lender
53	The Post (Fly Fishing Venue)	24120 Arnold Dr	Sonoma	CA	128-461-029-000	KS Mattson	Socotra
54	Duggan's Mission Chapel	525 W Napa	Sonoma	CA	018-530-054-000	KS Mattson	Duggans Mission Chapel
55	Duggan's Duplex & Single Family	520/530/532 Studley St	Sonoma	CA	018-530-014-000	KS Mattson	Duggans Mission Chapel
56	Ravenswood Winery	18701 Gehricke Road	Sonoma	CA	127-051-073-000 127-051-074-000	KS Mattson	Socotra
57	Ravenswood Winery	1045 Bart Rd	Sonoma	CA	127-051-059-000	KS Mattson	Socotra

EXHIBIT J

American Land Title Association

FINAL ALTA Settlement Statement - Borrower
Adopted 05-01-2015

File No./Escrow No.: 1777904
Officer/Escrow Officer: Deana Curtis

Stewart Title of Sacramento
5729 Sunrise Boulevard
Citrus Heights, CA 95610
(916) 962-1400

Property Address: 525 WEST NAPA STREET
SONOMA, CA 95476 (SONOMA)
(018-530-054, 018-530-014)

520, 530 & 532 STUDLEY STREET
SONOMA, CA 95476 (SONOMA)

Borrower: KS MATTSON PARTNERS, LP, A CALIFORNIA LIMITED PARTNERSHIP
PO Box 5490
Vacaville, CA 95696

Seller: DUGGANS MISSION CHAPEL, A CALIFORNIA CORPORATION

Settlement Date: 9/16/2022
Disbursement Date: 9/23/2022

Description	Borrower		
	P.O.C.	Debit	Credit
Deposits, Credits, Debits			
Contract sales price		$6,500,000.00	
Deposit or Earnest Money			$100,000.00
Tenant Security Deposit			$14,350.00
transfer of funds from KS Mattson Partners, LP, A California Limited Partnership			$1,128,727.86
Prorations			
County taxes 7/1/2022 to 9/22/2022 @ $10,722.20/Six Months			$4,836.64
9/22/2022 to 10/1/2022 @ $13,400.00/Month			$4,020.00
Commissions			
$130,000.00 to Sotheby's International Realty		$130,000.00	
New Loans			
Principal amount of new loan			$4,875,000.00
Title Charges			
Lender's coverage $4,875,000.00 Premium $3,438.00 to Stewart Title of California Inc.		$3,438.00	
Owner's coverage $6,500,000.00 Premium $6,463.00 to Stewart Title of California Inc.		$6,463.00	
Document preparation to Stewart Title of Sacramento		$60.00	
Settlement or closing fee to Stewart Title of Sacramento		$3,695.00	
Recording Service Fee to Stewart Title of California Inc.		$16.00	
Government Recording and Transfer Charges			
County tax/stamps: Deed $7,150.00		$7,150.00	
Recording fees: Deed $30.00		$30.00	
Mortgage $37.00		$37.00	
Additional Settlement Charges			
Transfer of funds to KS Mattson Partners, LP, A California Limited Partnership		$50,000.00	
	P.O.C.	Debit	Credit
Subtotals	$0.00	$6,700,889.00	$6,126,934.50
Due From Borrower			$573,954.50
Totals	$0.00	$6,700,889.00	$6,700,889.00

Acknowledgement

We/I have carefully reviewed the ALTA Settlement Statement and find it to be a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction and further certify that I have received a copy of the ALTA Settlement Statement. We/I authorize Stewart Title of Sacramento to cause the funds to be disbursed in accordance with this statement.

BORROWER(S)

KS Mattson Partners, LP, A California Limited Partnership

BY : _____
Kenneth W. Mattson, manaing partner

EXHIBIT K

Direct Exchange

BUYER'S FINAL SETTLEMENT STATEMENT

PROPERTY: 525 W Napa and 520,530,532 Studley St
Sonoma, CA 95476

CLOSING DATE: November 1, 2022

SELLER: KS Mattson Partners

BUYER: Windscape Apartments LLC
Investment Property Exchange Services, Inc- Windscape Apartments LLC

	DEBIT	CREDIT	525 W Napa		520/530/532 Studley	
FINANCIAL CONSIDERATION						
Total Consideration	7,500,000.00		3,750,000.00		3,750,000.00	
Deposit from First American Exchange Services		2,625,000.00		1,312,500.00		1,312,500.00
ACQUISITION COSTS	225,000.00		112,500.00		112,500.00	
LOAN INFORMATION						
Existing 1st Trust Deed - Seller Wrap at 7% interest over 5 years		4,875,000.00		2,437,500.00		2,437,500.00
New 2nd Trust Deed						
PRORATIONS / ADJUSTMENTS						
Property Tax Proration						
Rent Prorations						
Security Deposits						
COMMISISONS DUE TO LM		225,000.00		112,500.00		112,500.00
CHARGES						
TITLE / ESCROW CHARGES						
	7,725,000.00	7,725,000.00	3,862,500.00	3,862,500.00	3,862,500.00	3,862,500.00

EXHIBIT L

United States District Court

FOR THE
NORTHERN DISTRICT OF CALIFORNIA

VENUE: SAN FRANCISCO

CR25-00126 CRB

UNITED STATES OF AMERICA,

V.

KENNETH W. MATTSON,

DEFENDANT(S).

FILED

May 13 2025

Mark B. Busby
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO

INDICTMENT

Counts 1-7: 18 U.S.C. § 1343 – Wire Fraud
Count 8: 18 U.S.C. § 1957 – Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity (Money Laundering)
Count 9: 18 U.S.C. § 1519 – Destruction/Alteration of Records in a Federal Investigation (Obstruction of Justice)
18 U.S.C.§§ 981, 982; 28 U.S.C. § 2461(c) – Forfeiture

A true bill.

/s/ Foreperson of the Grand Jury
Foreman

Filed in open court this 13th day of

May, 2025.

S. Ybarra
Clerk

Bail, $ Warrant

Hon. Alex G. Tse, U.S. Magistrate Judge

PATRICK D. ROBBINS (CABN 152288)
Acting United States Attorney

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

UNITED STATES OF AMERICA, Plaintiff, v. KENNETH W. MATTSON, Defendant.	CASE NO. CR25-00126 CRB VIOLATIONS: 18 U.S.C. § 1343 – Wire Fraud; 18 U.S.C. § 1957 – Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity (Money Laundering); 18 U.S.C. § 1519 – Destruction/Alteration of Records in a Federal Investigation (Obstruction of Justice); 18 U.S.C. §§ 981(a)(1)(C), 982(a)(1) and (b)(1) and 28 U.S.C. § 2461(c) – Forfeiture Allegation SAN FRANCISCO VENUE UNDER SEAL

INDICTMENT

The Grand Jury charges:

INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment:

1. For more than a decade, defendant KENNETH W. MATTSON orchestrated and operated a scheme whereby he fraudulently solicited and obtained millions of dollars in investments from hundreds of investors—many of whom were nearing or in retirement—in what he represented were legitimate and safe interests in limited partnerships that owned real estate. Although MATTSON was a

part-owner of a company that formed and managed partnerships that owned real estate, the victim investor funds did not go to that company or to the partnerships managed by that company. Instead, MATTSON siphoned those victim investor funds into a scheme in which the investors had no legal interest in the properties in which they believed they were investing, and any distributions they received were in part funded by money from new investors—a Ponzi scheme. The scheme collapsed when MATTSON was no longer able to raise new investor money to pay existing investors.

2. Through oral and written false statements, misrepresentations, half-truths, and omissions, MATTSON falsely represented to these victims that their investments gave them partnership interests and corresponding legal rights in certain real estate-holding limited partnerships (LPs) managed by LeFever Mattson, a California Corporation (LM). In fact, MATTSON never intended to make those victims true and legal partners in the LM LPs. Instead of using the victims' funds to buy an ownership interest in the LM LPs, as he represented, MATTSON used victim money for personal expenses, to purchase and fund properties held in the name of his personal real estate holding entity, and to make payments to existing investors. Instead of communicating to LM that the investors had purchased interests in LM LPs and ensuring that the investors were recorded as official owners of the LM LPs, MATTSON concealed the existence of the investors and their investments from LM. In doing so, MATTSON breached his fiduciary duty to LM and the partners of the LM LPs.

3. To perpetuate the scheme and ensure that victim investors and officers and employees of LM and a related entity that kept LM's official books and records did not discover the fraud, MATTSON manufactured records he knew were false and falsely represented to investors that LM managed their partnership stakes. He also utilized a bank account in the name of LM to issue checks to victim investors, issued and caused paperwork to be issued in the name of LM and LM LPs purporting to reflect the value of the purported investments, and provided fictitious tax forms to investors that falsely reflected LP ownership interests and other material information. All of these were false statements designed to make investors believe they had invested in and owned legitimate shares of real LM-managed LPs and to induce future investments with MATTSON.

4. MATTSON also laundered money by using proceeds of the scheme—specifically victim investments—to fund personal expenditures and real estate ventures that benefitted himself, not victim

investors.

5. MATTSON also engaged in similar fraudulent conduct through another real-estate holding entity over which he exercised sole business control—KS Mattson Partners, LP (KSMP).

6. After MATTSON learned that federal authorities were investigating his scheme, and two days before the execution of a federal search warrant at his residence in Sonoma, California, MATTSON obstructed justice by, among other things, deleting from his personal computer thousands of documents related to the scheme and victim investors.

RELEVANT INDIVIDUALS AND ENTITIES

7. Defendant KENNETH W. MATTSON resided in Sonoma County and Alameda County in the Northern District of California. MATTSON was previously a registered financial advisor and broker. He was also a tax preparer who possessed an Internal Revenue Service (IRS) Preparer Tax Identification Number (PTIN), which he used to prepare and submit federal tax returns.

8. LM was a California corporation with its principal place of business in Citrus Heights, California. MATTSON was the President of LM and owned 50 percent of its shares. LM, and related and subsidiary entities owned and/or controlled by LM, owned and managed commercial and residential properties, including in the Northern District of California.

9. MATTSON, as President of LM, had primary responsibility for soliciting investments for LM projects and finding and acquiring real estate for LM LPs.

10. Home Tax Service of America, Inc. d/b/a LeFever Mattson Property Management (Home Tax), majority-owned by LM, acted as the property manager for properties owned by LM and LM-managed LPs. Home Tax's duties included collecting rents, property maintenance, and paying distributions owed to limited partners in LM LPs. Home Tax also acted as the official keeper of books and records for LM LPs and other entities over which it exercised control. In that role, Home Tax tracked and updated information about those limited partnerships and other entities, including names and contact information of the initial limited partners, changes in ownership, and monthly distributions owed to record limited partners. Home Tax also submitted IRS Form 1065 partnership returns for the LM LPs and provided K-1 partnership distribution forms to record limited partners of the LM LPs.

11. Divi Divi Tree, LP (Divi Divi) was a California limited partnership. Divi Divi was

formed in 2002. Divi Divi was formed to acquire and maintain a large multi-unit apartment community called the "Sienna Pointe Apartments." Divi Divi had approximately 19 original investors and limited partners, who contributed more than $10,000,000 in initial capital. LM was the General Partner. Over time, LM, KSMP, and others purchased the interests of other investors, such that by December 2023, the official books and records maintained by Home Tax reflected only four partners with interests in Divi Divi.

12. Heacock Park Apartments, LP (Heacock Park) was a California limited partnership that was formed in 2013 to acquire and maintain a large multi-unit apartment community called the "Heacock Park Apartments." Heacock Park initially had 19 investors who contributed nearly $3,500,000 in initial capital. LM was the General Partner.

13. LENDING ENTITY 1 was a hard money lender headquartered in Sacramento, California. LENDING ENTITY 1 described itself as a premier private lender with over 2,000 loan transactions totaling over $2 billion worth of loans. Between 2011 and 2024, LENDING ENTITY 1 provided more than $180,000,000 in loans to KSMP for various properties across California.

THE SCHEME TO DEFRAUD

14. Beginning at a time unknown but no later than in or about May 2009, and continuing through in or about May 2024, MATTSON, knowingly and with the intent to defraud, participated in, devised, and intended to devise a scheme and artifice to defraud as to a material matter, and to obtain money and property by means of materially false and fraudulent pretenses, representations, half-truths, and promises, and by means of omission and concealment of material facts.

15. As part of the scheme to defraud, MATTSON offered and sold to investors what he stated were interests in LM partnerships, promising regular returns in the form of rent distributions and the security of being a partner in an entity that owned valuable real estate. In fact, MATTSON kept these investments "off books"—that is, MATTSON kept these investments secret from LM, Home Tax, other owners and principals, and the record limited partners of the LM LPs. MATTSON deceived investors into believing they were, through their investment and the signing of false agreements, becoming true limited partners in LM LPs, with certain legally enforceable rights and privileges, access to regular monthly distributions derived from rents on the properties, and the ability to withdraw their principal on

request. In fact, MATTSON knew these investors never actually acquired interests in those LM LPs. MATTSON concealed these "off-books" transactions from LM and Home Tax. In doing so, MATTSON breached the fiduciary duties he owed to LM, Home Tax, other owners and principals, and to the record limited partners in the LM LPs. In addition, MATTSON owed a duty of candor and loyalty to the "off-books" investors based on MATTSON's control of the information that investors would need to make an informed investment choice, and his representations to them that he was an authorized representative of the general partner of the LPs at issue. He also breached these duties, and omitted material information from investors to obtain their investments.

16. MATTSON executed the fraud scheme through a web of false representations and material omissions to these "off-books" investors, which included (1) falsely identifying the entity in which they were investing, (2) falsely representing that they had purchased a specific percentage of an LM LP that owned identified real estate, (3) creating and providing false documents that indicated "off-books" investors had certain legally enforceable rights and privileges that were significant to the decision to invest, (4) false statements about the security of the investments, and (5) falsely representing that the investment would generate distributions from rents of the underlying real property assets.

"Off-Books" Divi Divi Tree LP Investors

17. As part of the scheme, MATTSON persuaded investors to roll over funds from their existing tax-advantaged retirement accounts to MATTSON-controlled "self-directed" individual retirement accounts (IRAs) managed by various third-party custodians.

18. MATTSON represented to these individuals that by rolling over their retirement funds, they were purchasing ownership interests in Divi Divi. These representations were false.

19. MATTSON also represented to these investors that their investments would earn approximately six percent returns every year and they could withdraw their principal investment at any time.

20. Between 2019 and 2024, MATTSON obtained at least $24,000,000 from at least 75 victims by falsely promising them that they were purchasing interests in Divi Divi. MATTSON did not disclose the existence of these "investors" to LM or Home Tax.

21. To assure investors that their money was safe, and throughout the course of the scheme,

MATTSON caused third-party IRA custodians to generate and provide to the "off-books" investors false and fraudulent statements reflecting that the value of their purported investments increased annually.

22. MATTSON, a sophisticated finance expert and registered tax preparer, knew that because IRAs and similar tax-advantaged retirement accounts grow tax-free, Divi Divi investors were unlikely to withdraw their principal investments or demand regular distribution payments. Rather, owing to retirement accounts' tax-advantaged status, those investors were likely to only withdraw the "required minimum distribution" (RMD) after they reached the age provided by law. MATTSON knew that this made his scheme more difficult to detect and delayed his payment obligations.

23. Some investors—including those of retirement age—who sought their distributions (or in the rare case, principal withdrawals) from their purported investments received payments from MATTSON. Between 2019 and 2024, MATTSON wired or caused to be wired more than $10,000,000 to a third-party IRA custodian for distributions, fees, minimum account balances, and other payments related to "off-books" Divi Divi investors. But those wires were not funded by rents or other profits generated by any Divi Divi assets. Rather, they were funded by co-mingled funds controlled by MATTSON and by purported investments from new victims MATTSON recruited into the scheme.

24. In order to conceal the scheme, MATTSON caused to be created false and fraudulent IRS Forms 5498 reflecting the fictitious fair market value of the victims' purported ownership interests and false and fraudulent IRS Forms 1099-R reporting distributions from the "off-books" Divi Divi investments. MATTSON provided these tax forms to investors.

MATTSON's Misrepresentations to Divi Divi "Off-Books" Investors

25. D.R. and K.R. were unwitting "off-books" investors in Divi Divi who invested more than $3 million with MATTSON between 2007 and 2022, including at least $1.74 million in Divi Divi. In 2009, D.R. and K.R. invested more than $200,000 with MATTSON by transferring funds from their retirement accounts to a third-party custodian controlled by MATTSON at MATTSON's direction. On or about May 22, 2009, MATTSON provided D.R. with an "Agreement of Limited Partnership of Divi Divi Tree, L.P.," which purported to give D.R. a percentage ownership in Divi Divi. In or about October 2022, at MATTSON's urging, D.R. rolled over another $1.54 million in retirement funds into what MATTSON represented to be an additional investment in Divi Divi.

26. K.B. was also an unwitting "off-books" investor in Divi Divi who invested approximately $1.5 million with MATTSON. K.B. began investing with MATTSON in 2006. K.B. invested $500,000 in Divi Divi by rolling over funds from his existing retirement accounts—$200,000 in 2012 and $300,000 in 2022.

27. MATTSON made material false statements, misrepresentations, half-truths and omissions to induce victims to unknowingly invest in the "off-books" Divi Divi scheme. These included, but were not limited to the following:

a) MATTSON misrepresented to "off-books" Divi Divi investors that they were purchasing from LM a "percent ownership" and legitimate interest in Divi Divi; MATTSON, in fact, never communicated to LM or to Home Tax—which kept the official books and records for Divi Divi—that he had sold "off-books" shares in Divi Divi. MATTSON represented to investors that he was acting on behalf of LM and selling a portion of LM's ownership in Divi Divi to them. This was false. By hiding his sale of "off-books" Divi Divi investments that were not recorded on LM or Divi Divi's books and records, MATTSON concealed his lack of authority to engage in the transactions and breached his fiduciary duty to LM and Divi Divi's record limited partners;

b) MATTSON provided written documents to memorialize the purported sale of these fictitious limited partnerships, such as the actual 2002 "Agreement of Limited Partnership for Divi Divi Tree L.P.;" these Agreements contained false statements as to the "off-books" investors, including misstating the off-books investors' legal rights and privileges since the investors never became limited partners in Divi Divi;

c) MATTSON provided false tax documents to the "off-books" investors related to their purported Divi Divi investment;

d) MATTSON misrepresented the underlying asset and financial soundness of the purported Divi Divi investment. MATTSON misrepresented to investors that Divi Divi's primary asset was the Sienna Pointe Apartments in Riverside County, a multi-unit apartment community that generated monthly rental income. Prior to August 2021, Divi Divi owned that asset and record investors received distributions from its rental income. But the "off-books"

investors never had any right to receive rent from the Sienna Pointe Apartments and could not receive such rents because they were unknown to LM;

e) MATTSON concealed the 2021 sale of the Sienna Pointe Apartments from existing and subsequent "off-books" Divi Divi investors. MATTSON and LM caused the Sienna Pointe Apartments, the property underlying Divi Divi, to be sold in August 2021 for $86,513,600, resulting in net proceeds of $33,625,829. Notwithstanding MATTSON's prior representations to "off-books" investors that they would be notified upon sale and be entitled to share in profits proportionate to their ownership stake, MATTSON concealed the existence of the sale from existing "off-books" Divi Divi investors and omitted that the primary asset of Divi Divi had, in fact, been sold when recruiting new investments for Divi Divi;

f) MATTSON misrepresented the safety and security of the victims' purported investments by representing that their distribution flowed from rents secured by an income-generating, LM-backed asset when in fact, the distributions were funded in part by monies from new investors, including later investors, in the manner of a Ponzi scheme;

g) MATTSON made misrepresentations to the "off-books" Divi Divi investors about their ability to share in the profits from the sale of the underlying Divi Divi asset and to withdraw their principal investment at any time, subject to a 60-to-90 day waiting period;

h) MATTSON omitted information material to the "off-books" investors' decision to invest in Divi Divi. For example, MATTSON omitted and failed to disclose, in violation of his duty of candor, that he was selling "off-books" investments that were untethered and unknown to LM, that he was doing so without legal authorization, and that "off-books" investors were investing personally with MATTSON, who omitted the true financial condition of the entities into which they were investing. MATTSON concealed and failed to disclose that the "off-books" Divi Divi investors were not actually investing in a LM LP, but instead in a MATTSON-controlled Ponzi scheme.

28. "Off-Books" Divi Divi investors, including D.R. and K.B., invested in Divi Divi based on MATTSON's material false statements, misrepresentations, half-truths and omissions.

"Off-Books" Heacock Park Apartments LP Investors

29. MATTSON also recruited investors to invest directly in purported LM limited partnerships such as Heacock Park. Between approximately 2019 and approximately April 2024, MATTSON sold at least $4,000,000 in purported partnership interests in Heacock Park to at least 26 "off-books" investors. None of the "off-books" Heacock Park investments appear on any of the LM books and records maintained by Home Tax, or in the tax filings MATTSON caused to be filed on behalf of LM and Heacock Park. In fact, MATTSON provided some of these "off-books" investors with false IRS Form K-1s. Between 2019 and 2024, MATTSON paid at least $1.4 million in distributions to these "off-books" investors. MATTSON convinced many of these "off-books" investors to enter into an "Agreement of Transfer and Purchase of Partnership Interest," ostensibly between LM and the investor, in exchange for a direct payment, usually in the form of a personal check.

MATTSON's Misrepresentations to Heacock Park "Off-Books" Investors

30. K.A. and her spouse, R.A., are longtime residents of Sonoma County, in the Northern District of California, who were introduced to MATTSON through neighbors who had previously invested with MATTSON.

31. In 2017, MATTSON promised K.A. and R.A. that a $500,000 investment with him would ensure $2,500 per month for the rest of the life of their special-needs dependent. They started investing with MATTSON in February 2018, and by August 2022, had invested $350,000 with MATTSON across four purported LM LPs. MATTSON guaranteed a six percent annual return, described the property that was subject to the investment, and promised that they would be notified if the property sold and that they would be paid their fair share of profit from any sale.

32. On September 23, 2020, K.A. and R.A. met with MATTSON. Based on MATTSON's promises, they signed a Transfer and Purchase of Partnership Interest that purported to grant them a 0.611 percent partnership interest in Heacock Park and gave MATTSON a check for $100,000.

33. In August 2022, K.A. asked MATTSON if it was too late for her to make an additional investment in Heacock Park since she understood the underlying asset was to be sold soon. MATTSON assured her that it was not too late.

34. On August 11, 2022, K.A. and R.A. met with MATTSON at a MATTSON-owned deli in

Sonoma. MATTSON again made the same promises he made in 2020 regarding Heacock Park. As a result of these representations, K.A. and R.A. gave MATTSON a check for another $50,000 for a purported additional investment in Heacock Park. During this meeting, MATTSON concealed the fact that LM had sold the apartment building underlying Heacock Park in 2021. In fact, MATTSON never notified K.A. or R.A. that the underlying asset had sold, despite his September 2020 promises that he would notify K.A. and R.A. of any sale and provide them an opportunity to share in profits from the sale of the apartments at that time.

35. MATTSON made the following material misrepresentations and omissions to victim investors to induce "off-books" investments in Heacock Park:

a) MATTSON misrepresented to "off-books" Heacock Park investors that they were purchasing from LM a "percent ownership" and legitimate limited partnership interest in Heacock Park from LM; MATTSON, in fact, never communicated to LM or to Home Tax—which kept the official books and records for Heacock Park—that he had sold "off-books" shares in Heacock Park. MATTSON misrepresented to investors that he was acting on behalf of LM and selling a portion of LM's ownership in Heacock Park to them. By hiding his sale of "off-books" Heacock Park investments that were not recorded on LM or Heacock Park's books and records, MATTSON concealed his lack of authority to engage in the transactions and breached his fiduciary duty to LM and Heacock Park's record limited partners;

b) MATTSON provided agreements titled "Agreement of Transfer and Purchase of Partnership Agreement" containing false statements, including statements purporting to transfer a percentage ownership interest in Heacock Park from LM to the "off-book" investor. The agreement also provided the "off-books" Heacock Park investor would become a limited partner and would receive all the corresponding rights and benefits;

c) MATTSON concealed the "off-books" Heacock Park investors and their purported percentage ownership investments from LM and Home Tax, which kept the official books and records for Heacock Park. As a result, the "off-books" investors were never recorded in the LM ownership records for Heacock Park, the software that tracked and processed official distributions, or the tax reporting for Heacock Park.

d) Yet, MATTSON provided false statements to "off-books" Heacock Park investors in the form of fictitious tax forms that depicted the "off-books" investors as true "limited partners" in Heacock Park. In at least some instances, these forms included a beginning capital account balance, and a record of "withdrawals and contributions" that corresponded to the "off-book" distribution payments MATTSON made during the calendar year. But the actual Heacock Park Form 1065 tax returns for these years which were filed under MATTSON's supervision do not reflect the "off-books" investors as limited partners;

e) MATTSON told "off-books" investors prior to their Heacock Park investment that the distributions they were to receive on their investment came from the rents paid by tenants in the apartments. But because the "off-books" investors were not record investors or owners in Heacock Park, their "distributions" from MATTSON were not from underlying rental income. Rather, their distributions were financed by the payments of other investors, including later investors, in the manner of a Ponzi scheme;

f) MATTSON concealed the 2021 sale of the Heacock Park Apartments from the "off-books" investors. MATTSON and LM caused the apartment building asset underlying Heacock Park to be sold in August 2021 for $20,731,418, resulting in net proceeds of $8,440,189. Notwithstanding MATTSON's prior representations to "off-books" investors that they would be notified upon sale and be entitled to share in profits proportionate to their ownership stake, MATTSON concealed the existence of the sale from existing "off-books" Heacock Park investors and omitted that the primary asset of Heacock Park had, in fact, been sold when recruiting new investments for Heacock Park; and

g) MATTSON omitted information material to the "off-books" investors' decision to invest in Heacock Park. MATTSON omitted and failed to disclose, in violation of his duty of candor, that he was selling "off-books" investments that were untethered and unknown to LM, that he was doing so without legal authorization, and that such investors were investing personally with MATTSON, with MATTSON omitting the true financial condition of the entities into which they were investing. MATTSON concealed and failed to disclose that the "off-books" Heacock Park investors were not actually investing in an LM LP, but instead in a

MATTSON-controlled Ponzi scheme.

36. "Off-books" Heacock Park investors, including R.A. and K.A., invested in Heacock Park based on MATTSON's material, false statements, misrepresentations, half-truths and omissions.

MANNER AND MEANS

37. In furtherance of the scheme to defraud, MATTSON used a variety of means and methods, including by making materially false and fraudulent pretenses, representations, half-truths and promises, as well as omissions and concealment of material facts to induce investments from "off-books" investors, including but not limited to the following:

a. misrepresenting the party with whom they were investing (MATTSON personally as opposed to LM);

b. concealing that their "off-books" investments would not be recorded in LM's official books and records as true investors, thus depriving the "off-books" investors of the legal rights and privileges of true limited partners;

c. misrepresenting the nature of their investments by stating they were buying a percentage of certain LM limited partnerships, invested in specific real property,

d. misrepresenting the property in which they were invested (since they were never recognized as actual limited partners in the official LM books and records);

e. misrepresenting that they would be notified upon sale of the properties underlying the LPs and enjoy profit sharing in proportion to their ownership interest upon sale, as well the return of their initial investment;

f. misrepresenting the overall safety and security of the investments (*e.g.* that the investors could withdraw their principal at any time);

g. making false statements, and omitting true facts that MATTSON had a duty to disclose, regarding the fair market value of the properties in which investors believed they were partners and in which their money had been invested;

h. misrepresenting distribution payments to "off-books" investors as returns generated from rent of the underlying assets, but which were, in fact, payments made possible only by MATTSON's ability to recruit new investors to infuse his low-balance accounts, and the

sale of unrelated properties and loans, including from LENDING ENTITY 1;

i. misrepresenting the nature of the investment on the distribution checks by noting they were "owner withdrawals" from the purported LM;

j. utilizing these distributions to perpetuate the ongoing scheme, dampen investor suspicion, and prevent detection;

k. making false statements by providing false tax documentation such as fair market value reports and IRS Forms K-1 to create the impression that "off-books" investors were deriving legitimate partnership distributions;

l. using a personally controlled checking account in the name of LM but corresponding to a P.O. Box controlled solely by MATTSON; and

m. concealing and failing to disclose that the "off-books" investors were investing in a MATTSON-controlled Ponzi scheme, and one which was not financially viable and in fact progressively teetered on insolvency absent new investor monies.

38. In addition, from a time unknown but no later than January 1, 2019, MATTSON knew that MATTSON's own share of rents and revenue from LM owned and managed properties was insufficient to meet obligations to pay interest payments and distributions to existing "off-books" investors for Divi Divi and Heacock Park.

39. MATTSON also knew that new investor funds would be required to continue to pay interest payments and distributions owed to previous investors.

40. In a bank account which MATTSON maintained in the name of LM with an account number ending in 1059 (the 1059 Account), MATTSON co-mingled funds, including investor money, with money from at least two other accounts: one that he held in the name of KSMP and a third account he controlled. For example, MATTSON transferred funds between the accounts and used the 1059 Account to pay for millions of dollars of personal expenses, such as mortgages on homes owned by KSMP in Piedmont, California and Del Mar, California. Between 2019 and 2024, the 1059 Account had declining cash balances on January 1 of each year, such that without new investments, the 1059 Account would have had a cumulative net negative balance of approximately $26,000,000. Between 2019 and 2024, these three accounts alone had total debits of approximately $346,000,000 and total credits of

$341,000,000, resulting in net activity of nearly negative $5,000,000.

41. MATTSON, however, made false representations and concealed material facts by telling investors that the purported LM investment opportunities he offered were profitable, and that the asset value and cash flow were sufficient to repay the distributions and cash out investors upon request. To assure investors that their investments were safe and sound, MATTSON touted the fact that he had investors waiting to buy in, that the investments were backed by LM, that investors would share in the profits upon sale, and that investors could withdraw their principal amount at any time. In fact, as MATTSON knew, in order to make continued payments of distributions and interest and to repay investors who sought withdrawals, MATTSON needed to continue to collect new investor funds, obtain loans, and sell properties. Contrary to his representations about the use of funds, MATTSON used new investor funds to pay interest and distributions owed to previous investors in the scheme.

42. Throughout the scheme, under California law, Home Tax, as the manager for the general partner of the LM LPs, was required to maintain a dedicated trust bank account for the deposit of rents from the properties and the distributions to limited partners. MATTSON knew that to the extent he was paying money to the "off-books" investors as false distributions of rents, these amounts were not being paid from a trust bank account. By promising distributions to victim investors from their ownership interests in the partnerships, and by making payments that appeared to be such distributions, MATTSON used false representations, promises and pretenses regarding the nature of the investments. MATTSON also, while he had a duty to disclose, failed to tell investors that he was violating or circumventing the law and failed to tell investors that any distributions to investors were not derived from rents, trust accounts, or proceeds from the sale of properties, and were in fact from money MATTSON obtained from new investors or other sources not associated with the LM LPs.

43. Between 2019 and 2024, MATTSON obtained at least $28 million from investors for "off-books" investments in Divi Divi and Heacock Park alone.

COUNTS ONE THROUGH SEVEN: (18 U.S.C. § 1343 – Wire Fraud)

44. Paragraphs 1 through 43 of this Indictment are re-alleged and incorporated as if fully set forth herein.

45. Beginning on a date unknown to the Grand Jury, but no later than in or about May 2009, and continuing through in or about May 2024, in the Northern District of California and elsewhere, the defendant,

KENNETH W. MATTSON,

knowingly and with the intent to defraud, participated in, devised, and intended to devise a scheme and artifice to defraud as to a material matter, and to obtain money and property by means of materially false and fraudulent pretenses, representations, half-truths, and promises, and by means of omission and concealment of material facts.

Execution of the Scheme

46. On or about the dates set forth below, in the Northern District of California and elsewhere, the defendant,

KENNETH W. MATTSON,

did knowingly transmit and cause to be transmitted, in interstate and foreign commerce, by means of a wire communication, certain writings, signs, signals, pictures, and sounds, specifically, the uses of wires on or about the dates set forth below:

COUNT	DATE	DESCRIPTION OF WIRE	AMOUNT
1	October 17, 2022	Wire from account at Capital One N.A. to the 1059 Account	$300,000.00
2	October 18, 2022	Wire from account at Capital One N.A. to the 1059 Account	$1,540,000.00
3	September 23, 2020	Transmission of information related to processing of check no. 6447 from K.A. and R.A.'s account at Exchange Bank deposited in the 1059 Account	$100,000.00
4	August 11, 2022	Transmission of information related to processing of check no. 6910 from K.A. and R.A.'s account from Exchange Bank deposited in the 1059 Account	$50,000.00
5	February 3, 2024	Transmission of information related to processing of check no. 72805 from the 1059 Account deposited in K.A. and R.A.'s Exchange Bank account	$750.00
6	January 23, 2024	Wire transfer from the 1059 Account to an account at Capital One N.A.	$114,789.50
7	February 28, 2024	Wire transfer from the 1059 Account to an account at Capital One N.A.	$100,972.50

each execution of such scheme being in violation of Title 18, United States Code, Section 1343.

COUNT EIGHT: (18 U.S.C. § 1957 – Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity)

47. Paragraphs 1 through 46 of this Indictment are re-alleged and incorporated as if fully set forth here.

48. As described above, MATTSON solicited "off-books" investments in Divi Divi for $300,000 from K.B. on October 17, 2022 and for $1.54 million D.R. on October 18, 2022. The third-party custodian received these victim funds and, at MATTSON's direction, wired the funds to MATTSON's 1059 Account.

49. On October 21, 2022, MATTSON sent a wire transfer of $400,000 from the 1059 Account to a construction company. More than $10,000 of this wire transfer is traceable to MATTSON's fraud.

50. On or about October 21, 2022, in the Northern District of California, the Eastern District of California, and elsewhere, the defendant,

KENNETH W. MATTSON,

did knowingly engage in and attempt to engage in a monetary transaction, by, through, and to a financial institution, in and affecting interstate and foreign commerce, in criminally derived property of a value greater than $10,000, such property having been derived from a specified unlawful activity, that is, Wire Fraud in violation of Title 18, United States Code, Section 1343.

All in violation of Title 18, United States Code, Section 1957.

COUNT NINE: (18 U.S.C. § 1519 – Destruction, Alteration, or Falsification of Records in Federal Investigation)

51. Paragraphs 1 through 50 of this Indictment are re-alleged and incorporated as if fully set forth here.

52. On April 19, 2024, an enforcement attorney at the U.S. Securities and Exchange Commission (SEC) sent MATTSON an e-mail. The e-mail bore the subject line "In the Matter of LeFever Mattson (SF-04674)" and stated, in part, "I am going to send you a document preservation letter through the SEC's secure email system." It also advised MATTSON that the SEC would mail the

same letter to his residence in Sonoma, California.

53. The SEC attorney subsequently sent MATTSON an e-mail that included a document preservation letter wherein the SEC advised MATTSON that he may "possess documents and data that are relevant to an ongoing investigation being conducted by the staff of the United States Securities and Exchange Commission," identified documents and communications from 2012 to the present related to LM, Divi Divi, and investors, provided notice that such evidence "should be reasonably preserved and retained until further notice," and clarified that "failure to do so could give rise to civil and criminal liability."

54. On April 30, 2024, the SEC issued a subpoena *duces tecum* to MATTSON for, among other things, documents concerning Divi Divi, LM, and KSMP.

55. On May 7, 2024, the SEC sent a copy of that subpoena to MATTSON via Certified Mail, Return Receipt Requested, to MATTSON at his Sonoma residence.

56. On May 8, 2024, the U.S. Postal Service attempted to deliver the subpoena to MATTSON's Sonoma, California residence, but that delivery was unsuccessful because no authorized recipient was available.

57. On May 10, 2024, at approximately 9:45 a.m., MATTSON went to the Sonoma Post Office and picked up the envelope containing the subpoena.

58. On the same day, May 10, 2024, an attorney representing MATTSON contacted the SEC on MATTSON's behalf. The SEC attorney who had sent MATTSON the initial document preservation request and the subpoena sent MATTSON's attorney a copy of that subpoena. The same day, May 10, 2024, MATTSON's attorney confirmed receipt.

59. On May 22, 2024, well after he had been placed on notice of the SEC's investigation and instructed to preserve data, MATTSON deleted more than 10,000 files from his personal computer. These files related to "off-books" investors and limited partnerships in the scheme to defraud, tax documentation such as Form K-1s, partnership agreements, as well as financial and real estate documents. For example, the names of more than 280 of the deleted files contained the word "Divi," or "DDT," more than 125 file names contained "Heacock" or "HPLP," 13 file names contained the last name of D.R., at least three file names that contained the last name of K.B., and at least three file names

that contained the last name of K.A. The names of several of the deleted files referenced LM or KSMP.

60. At the time these files were deleted, MATTSON was at or near 1111 Broadway in Oakland, California, in the Northern District of California.

61. MATTSON deleted the files and changed his mobile phone on the same day—two days before federal law enforcement officers executed a search warrant at his Sonoma residence, where they seized both his computer and his mobile phone, amongst other items.

62. On or about May 22, 2024, in the Northern District of California, the defendant,

KENNETH W. MATTSON,

knowingly altered, destroyed, concealed, and falsified a record, document, and tangible object, specifically electronic files from his laptop computer, with the intent to impede, obstruct, and influence an actual and contemplated investigation of a matter within the jurisdiction of any department and agency of the United States, namely the U.S. Securities and Exchange Commission and the U.S. Department of Justice.

All in violation of Title 18, United States Code, Section 1519.

FORFEITURE ALLEGATION: (18 U.S.C. §§ 981(a)(1)(C), 982(a)(1), and 28 U.S.C. § 2461(c))

The allegations contained in this Indictment are re-alleged and incorporated by reference for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C), Section 982(a)(1), and Title 28, United States Code, Section 2461(c).

Upon conviction for any of the offenses set forth in Counts One through Seven, the defendant,

KENNETH W. MATTSON,

shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), all property, real or personal, constituting, or derived from proceeds the defendant obtained directly and indirectly, as the result of those violations, including but not limited to the real properties located at the following addresses:

a. 62 Farragut Avenue, Piedmont, California 94610;

b. 1834-1836 Ocean Front, Del Mar, California 92014; and

c. 1716 Ocean Front, Del Mar, California 92014.

Upon conviction for any of the offenses set forth in Count Eight, the defendant,

KENNETH W. MATTSON,

shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(1), all property, real or personal, involved in those violations, including but not limited to the real properties located at the following addresses:

a. 62 Farragut Avenue, Piedmont, California 94610;

b. 1834-1836 Ocean Front, Del Mar, California 92014; and

c. 1716 Ocean Front, Del Mar, California 92014.

If any of the property described above, as a result of any act or omission of the defendant:

a. cannot be located upon exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third party;

c. has been placed beyond the jurisdiction of the court;

d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be divided without difficulty,

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

All pursuant to Title 18, United States Code, Section 981(a)(1)(C), Title 28, United States Code, Section 2461(c), and Federal Rule of Criminal Procedure 32.2.

DATED: May 13, 2025

A TRUE BILL.

/s/ Foreperson of the Grand Jury

FOREPERSON

PATRICK D. ROBBINS
Acting United States Attorney

/s/
CHRISTOFFER LEE
NIKHIL BHAGAT
Assistant United States Attorneys

AO 257 (Rev. 6/78)

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT

BY: ☐ COMPLAINT ☐ INFORMATION ☒ INDICTMENT ☐ SUPERSEDING

Name of District Court, and/or Judge/Magistrate Location

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

OFFENSE CHARGED

Counts 1-7: 18 U.S.C. § 1343 – Wire Fraud
Count 8: 18 U.S.C. § 1957 – Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity (Money Laundering)
Count 9: 18 U.S.C. § 1519 – Destruction/Alteration of Records in a Federal Investigation (Obstruction of Justice)

☐ Petty
☐ Minor
☐ Misde-meanor
☒ Felony

PENALTY:

See Attachment

DEFENDANT - U.S

KENNETH W. MATTSON

DISTRICT COURT NUMBER

CR25-00126 CRB

PROCEEDING

Name of Complaintant Agency, or Person (& Title, if any)

FBI/IRS-CI/USPIS

☐ person is awaiting trial in another Federal or State Court, give name of court

☐ this person/proceeding is transferred from another district per (circle one) FRCrp 20, 21, or 40. Show District

☐ this is a reprosecution of charges previously dismissed which were dismissed on motion of:
☐ U.S. ATTORNEY ☐ DEFENSE
} SHOW DOCKET NO.

☐ this prosecution relates to a pending case involving this same defendant

☐ prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under
} MAGISTRATE CASE NO.

DEFENDANT

IS *NOT* IN CUSTODY

1) ☒ Has not been arrested, pending outcome this proceeding. If not detained give date any prior summons was served on above charges

2) ☐ Is a

3) ☐ Is o

IS IN

4) ☐ On

5) ☐ On

6) ☐ Awaiting trial on other charges

If answer to (6) is "Yes", show name of institution

Has detainer been filed? ☐ Yes ☐ No } If "Yes" give date filed

DATE OF ARREST Month/Day/Year

Or... if Arresting Agency & Warrant were not

DATE TRANSFERRED TO U.S. CUSTODY Month/Day/Year

FILED

May 13 2025

Mark B. Busby
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO

Name and Office of Person Furnishing Information on this form: Patrick D. Robbins

☒ U.S. Attorney ☐ Other U.S. Agency

Name of Assistant U.S. Attorney (if assigned): Christoffer Lee/Nikhil Bhagat

☐ This report amends AO 257 previously submitted

ADDITIONAL INFORMATION OR COMMENTS

PROCESS:

☐ SUMMONS ☐ NO PROCESS* ☒ WARRANT Bail Amount: No Bail

If Summons, complete following:
☐ Arraignment ☐ Initial Appearance

** Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment*

Defendant Address:

Date/Time: Before Judge:

Comments:

UNITED STATES V. KENNETH W. MATTSON

PENALTY SHEET ATTACHMENT – MAXIMUM PENALTIES

Counts One through Seven: 18 U.S.C. § 1343– Wire Fraud

- Up to 20 years in prison
- Up to $250,000 fine (or twice the gross gain or gross loss, whichever is greater)
- Up to three years of supervised release
- $100 special assessment
- Forfeiture
- Restitution

Count Eight: 18 U.S.C. § 1957 – Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity (Money Laundering)

- Up to 10 years in prison
- Up to $250,000 fine (or twice the value of the criminally derived property, whichever is greater)
- Up to three years of supervised release
- $100 special assessment
- Forfeiture
- Restitution

Count Nine: 18 U.S.C. § 1519 – Destruction/Alteration of Records in a Federal Investigation (Obstruction of Justice)

- Up to 20 years in prison
- Up to $250,000 fine
- Up to three years of supervised release
- $100 special assessment
- Restitution

EXHIBIT M

AMENDED AND RESTATED BYLAWS

OF

LEFEVER MATTSON

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AMENDED AND RESTATED BYLAWS

OF

LEFEVER MATTSON

ARTICLE I

OFFICES

Section 1. Principal Offices

The board of directors ("Board of Directors" or "Board") shall fix the location of the principal executive office of the Corporation at any place within or outside the State of California.

Section 2. Other Offices.

The Board of Directors may at any time establish branch or subordinate offices at any place or places where the Corporation is qualified to do business.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. Place of Meeting.

Meetings of Shareholders shall be held at any place within or outside the State of California designated by the Board of Directors. In the absence of any such designation, Shareholders' meetings shall be held at the principal executive office of the Corporation.

Section 2. Annual Meeting.

The annual meeting of Shareholders shall be at a time designated by resolution of the Board of Directors. The Board of Directors may change the actual date of the annual meeting from year to year. At each annual meeting Directors shall be elected, and any other proper business may be transacted which is within the powers of Shareholders.

Section 3. Special Meeting.

A special meeting of the Shareholders may be called at any time by the Board of Directors, or by the President, or by one or more Shareholders holding shares in the aggregate entitled to cast not less than ten percent (10%) of the votes at that meeting.

If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by other means of written communication to an officer of the Corporation. The officer receiving the request shall cause notice to be promptly given to the Shareholders entitled to vote, in accordance with the provisions of sections 4 and 5 of this Article II, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this section 3 shall be construed as limiting, fixing or affecting the time when a meeting of Shareholders called by action of the Board of Directors may be held.

Section 4. Notice of Meetings.

All notices of meetings of Shareholders shall be sent or otherwise given in accordance with section 5 of this Article II not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and

(a) in the case of a special meeting, the general nature of the business to be transacted;

(b) in the case of the annual meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Shareholders. The notice of any meeting at which Directors are to be elected shall include the name of any nominee or nominees whom, at the time of the notice, management intends to present for election; and,

(c) if action is proposed to be taken at any meeting for approval of

i) a contract or transaction in which a Director has a direct or indirect financial interest, pursuant to section 310 of the California Corporations Code (the "Code");

ii) an amendment of the Articles of Incorporation, pursuant to section 902 of the Code;

iii) a reorganization of the Corporation, pursuant to section 1201 of the Code;

iv) a voluntary dissolution of the Corporation, pursuant to section 1900 of the Code; or,

v) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to section 2007 of the Code,

the notice shall also state the general nature of each such proposal.

Section 5. Manner of Giving Notice; Affidavit of Notice.

Notice of any meeting of Shareholders shall be given either personally or by first-class mail or other means of written communication, charges prepaid, addressed to the Shareholder at the address of that Shareholder appearing on the books of the Corporation or given by the

Shareholder to the Corporation for the purpose of notice. If no such address appears on the Corporation's books or is given, notice shall be deemed to have been given if sent to that Shareholder by first class mail or other means of written communication to the Corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent other means of written communication.

If any notice addressed to a Shareholder at the address of that Shareholder appearing on the books of the Corporation is returned to the Corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the Shareholder at that address, all future notices or reports shall be deemed to have been duly given without further mailing if these shall be available to the Shareholder on written demand of the Shareholder at the principal executive office of the Corporation for a period of one year from the date of the giving of the notice.

An affidavit of the mailing or other means of giving any notice of any Shareholders' meeting shall be executed by the Secretary, any assistant secretary or any transfer agent of the Corporation giving the notice, and shall be filed and maintained in the minute book of the Corporation.

Section 6. Quorum.

The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting of Shareholders shall constitute a quorum for the transaction of business. The Shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

Section 7. Adjourned Meeting; Notice.

Any Shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting,

either in person or by proxy, but in the absence of a quorum no other business may be transacted at that meeting except as provided in section 6 of this Article II.

When any meeting of Shareholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than forty-five (45) days from the date set for the original meeting, in which case the Board of Directors shall set a new record date. Notice of any such adjourned meeting shall be given to each Shareholder of record entitled to vote at the adjourned meeting in accordance with the provisions of sections 4 and 5 of this Article II. At any adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting.

Section 8. Voting.

The Shareholders entitled to vote at any meeting of Shareholders shall be determined in accordance with the provisions of section 11 of this Article II, subject to the provisions of sections 702 to 704, inclusive, of the Code (relating to voting shares held by a fiduciary, in the name of a Corporation or in joint ownership). The Shareholders' vote may be by voice vote or by ballot; provided, however, that any election for Directors must be by ballot if demanded by any Shareholder before the voting has begun. On any matter other than the election of Directors, any Shareholder may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but, if the Shareholder fails to specify the number of shares which the Shareholder is voting affirmatively, it will be conclusively presumed that the Shareholder's approving vote is with respect to all shares that the Shareholder is entitled to vote. If a quorum is present, the affirmative vote of the majority of the shares represented and voting at the meeting and entitled to vote on any matter (other than the election of Directors) shall be the act of the Shareholders, unless the vote of a greater number or voting by classes is required by Code or by the Articles of Incorporation.

Subject to the provisions of the next sentence, every Shareholder entitled to vote for the election of Directors may cumulate such Shareholder's votes and give one candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which the Shareholder's shares are entitled, or distribute the Shareholder's votes on the same principle

among as many candidates as the Shareholder thinks fit. No Shareholder shall be entitled to cumulate votes for any candidate for election as a Director (i.e., cast for any candidate a number of votes greater than the number of the Shareholder's shares) unless such candidate's name has been placed in nomination prior to the voting and the Shareholder has given notice at the meeting prior to the voting of the Shareholder's intention to cumulate the Shareholder's votes. If any one Shareholder has given such notice, all Shareholders may cumulate their votes for candidates in nomination. In any election of Directors, the candidates receiving the highest number of affirmative votes of the shares entitled to be voted for them up to the number of Directors to be elected by such shares are elected; votes against a candidate and votes withheld shall have no effect.

Section 9. Waiver of Notice or Consent by Absent Shareholders.

The transactions of any meeting of Shareholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present either in person or by proxy and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to holding of the meeting, or an approval of the minutes. The waiver of notice or consent or approval of minutes need not specify either the business to be transacted or the purpose of any annual or special meeting of Shareholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in the second paragraph of section 4 of this Article II, the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of and presence at that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by law to be included in the notice of the meeting but not so included if that objection is expressly made at the meeting.

Section 10. Shareholder Action by Written Consent Without a Meeting.

Any action which may be taken at any annual or special meeting of Shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares entitled to vote on that action were present and voted. In the case of election of Directors, such a consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of Directors; provided, however, that a Director may be elected at any time to fill a vacancy on the Board of Directors that has not been filled by the Directors, by the written consent of the holders of a majority of the outstanding shares entitled to vote for the election of Directors. All such consents shall be filed with the Secretary of the Corporation and shall be maintained in the corporate records. Any Shareholder giving a written consent, or the Shareholder's proxy holders, or a transferee of the shares or a personal representative of the Shareholder or his respective proxy holders, may revoke the consent by a writing received by the Secretary of the Corporation before written consents of the number of shares required to authorize the proposed action have been filed with the Secretary.

If the consents of all Shareholders entitled to vote have not been solicited in writing, and if the unanimous written consent of all such Shareholders shall not have been received, the Secretary shall give prompt notice of the corporate action approved by the Shareholders without a meeting. This notice shall be given in the manner specified in section 5 of this Article II. In the case of approval of:

(a) contracts or transactions in which a Director has a direct or indirect financial interest, pursuant to section 310 of the Code;

(b) indemnification of agents of the Corporation, pursuant to section 317 of the Code;

(c) a reorganization of the Corporation, pursuant to section 1201 of the Code; and,

(d) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to section 2007 of the Code, the notice

shall be given at least ten (10) days before the consummation of any action authorized by that approval.

Section 11. Record Date for Shareholder Notice, Voting and Giving Consents.

For purposes of determining the Shareholders entitled to notice of any meeting or to vote or entitled to give consent to corporate action without a meeting, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any other action, and in this event only Shareholders of record at the close of business on the record date so fixed are entitled to notice and to vote or to give consents, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided in the Code.

If the Board of Directors does not so fix a record date:

(a) The record date for determining Shareholders entitled to notice of or to vote at a meeting of Shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held; and,

(b) The record date for determining Shareholders entitled to give consent to corporate action in writing without a meeting:

i) when no prior action by the Board has been taken, shall be the day on which the first written consent is given; or,

ii) for any other purpose, shall be at the close of business on the day on which the Board adopts the resolution relating to that action, or the sixtieth (60th) day before the date of such other action, whichever is later.

Section 12. Proxies.

Every person entitled to vote for Directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Secretary of the Corporation. A proxy shall be deemed signed if the Shareholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the Shareholder or the Shareholder's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless:

(a) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the Corporation stating that the proxy is revoked, or by a subsequent proxy executed by the person, or attendance at the meeting and voting in person by the person executing the proxy; or,

(b) written notice of the death or incapacity of the maker of that proxy is received by the Corporation before the vote pursuant to that proxy is counted.

No proxy, however, shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of sections 705(e) and 705(f) of the Code.

Any form of proxy or written consent distributed to ten (10) or more Shareholders of the Corporation (if the Corporation has outstanding shares of record held by one hundred (100) or more persons) shall afford an opportunity on the form of proxy or written consent to specify approval or disapproval with respect to any proposal, other than elections to office, shall also

contain an appropriate space marked "abstain," whereby a Shareholder may indicate a desire to abstain from voting his or her shares on the proposal. A proxy marked "abstain" by the Shareholder with respect to a particular proposal shall not be voted either for or against such proposal.

Section 13. Inspectors of Election.

Before any meeting of Shareholders, the Board of Directors may appoint any persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed, the Chairperson of the meeting may, and on the request of any Shareholder or a Shareholder's proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting on the request of one or more Shareholders or proxies, the holders of a majority of shares or their proxyholders present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, the Chairperson of the meeting may, and upon the request of any Shareholder or Shareholder's proxyholder shall, appoint a person to fill that vacancy.

These inspectors shall:

(a) Determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;

(b) Receive votes, ballots, or consents;

(c) Hear and determine all challenges and questions in any way arising in connection with the right to vote;

(d) Count and tabulate all votes or consents;

(e) Determine when the polls shall close;

(f) Determine the result; and

(g) Do any other acts that may be proper to conduct the election or vote with fairness to all Shareholders.

ARTICLE III

DIRECTORS

Section 1. Powers

Subject to the provisions of the Code and any limitations in the Articles of Incorporation and these Bylaws relating to action required to be approved by the Shareholders or by the outstanding shares, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. The Board may delegate the management of the day-to-day operation of the business of the Corporation to a management company or other person provided that the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

Section 2. Number and Qualification of Directors.

For so long as the Corporation shall have less than three shareholders, the authorized number of Directors shall be TWO (2). Thereafter, the authorized number of Directors shall be THREE (3) until changed by a duly adopted amendment to the Articles of Incorporation or by an amendment to this Bylaw adopted by the vote or written consent of the holders of a majority of the outstanding shares entitled to vote.

Section 3. Election and Term of Office of Directors.

Directors shall be elected at each annual meeting of the Shareholders to hold office until the next annual meeting. In the event Directors are not elected at the annual Shareholders' meeting, they may be elected at any special Shareholders' meeting held for that purpose or by written ballot. Each Director, including a Director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified except in the case of death, resignation, or removal of such a Director.

Section 4. Vacancies.

A vacancy or vacancies in the Board of Directors shall be deemed to exist in the event of the death, resignation, or removal of any Director, or if the Board of Directors by resolution declares vacant the office of a Director who has been declared of unsound mind by an order of court or convicted of a felony, or if the authorized number of Directors is increased, or if the Shareholders fail, at any meeting of Shareholders at which any Director or Directors are elected, to elect the number of Directors to be voted for at that meeting.

Vacancies on the Board of Directors, including vacancies occurring on the Board of Directors by reason of the removal of a Director or Directors, may be filled by:

(a) a majority of the remaining Directors; or,

(b) if the number of Directors in office is less than a quorum, by:

i) the unanimous written consent of the Directors then in office;

ii) the affirmative vote of a majority of the Directors then in office at a meeting held pursuant to notice or waivers of notice complying with section 307 of the Code; or,

iii) by a sole remaining Director;

except that a vacancy created by the removal of a Director by the vote or written consent of the Shareholders or by court order may be filled only by the vote of a majority of the shares entitled to vote represented and voting at a duly held meeting at which a quorum is present, or by the written consent of holders of a majority of the outstanding shares entitled to vote.

Each Director so elected shall hold office until the next annual meeting of the Shareholders and until a successor has been elected and qualified.

The Shareholders may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors, but any such election if by written consent, other than to fill a vacancy

created by removal, shall require the consent of a majority of the outstanding shares entitled to vote.

Section 5. Removal.

The entire Board or any individual Director may be removed without cause by the affirmative vote of a majority of the outstanding shares entitled to vote on such removal provided, however, that unless the entire Board is removed, no individual Director may be removed when the votes cast against such Director's removal, or not consenting in writing to such removal, would be sufficient to elect that Director if voted cumulatively at an election at which the same total number of votes cast were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of Directors authorized at the time of such Director's most recent election were then being elected.

No reduction of the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires.

Section 6. Resignation.

Any Director may resign effective on giving written notice to the Chairperson of the Board, the President, the Secretary or the Board of Directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a Director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

Section 7. Place and Method of Meetings.

Regular meetings of the Board of Directors may be held at any place within or outside the State of California that has been designated from time to time by resolution of the Board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the Corporation. Special meetings of the Board shall be held at any place within or without the State of California that has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, at the principal executive office of the Corporation. Any meeting, regular or special, may be held by conference telephone, electronic video screen communication or other communications equipment, and participation in such a meeting constitutes presence in person at that meeting if all of the following apply:

(a) Each member participating in the meeting can communicate with all of the other members concurrently;

(b) Each member is provided the means of participating in all matters before the Board, including the capacity to propose, or to interpose an objection, to a specific action to be taken by the Corporation; and

(c) The Corporation adopts and implements some means of verifying both of the following:

i) A person communicating by telephone, electronic video screen, or other communications equipment is a director entitled to participate in the Board meeting; and,

ii) All statements, questions, actions, or votes were made by that director and not by another person not permitted to participate as a director.

Section 8. Organization Meeting.

Immediately following each annual meeting of Shareholders, the Board of Directors shall hold a meeting for the purpose of organization, any desired election of officers and the transaction of other business. Notice of this meeting shall not be required.

Section 9. Regular Meetings.

Regular meetings of the Board of Directors shall be held without call at such time as shall from time to time be fixed by the Board of Directors. Such regular meetings may be held without notice.

Section 10. Special Meetings.

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board, President, any Vice President, Secretary or any two Directors.

Section 11. Notice of Special Meetings.

Notice of the time and place of special meetings shall be delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means, to each Director or sent by first-class or priority mail, telegram, charges prepaid, addressed to each Director at that Director's address as it is shown on the records of the Corporation. In case the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally, or by telephone or telegram or other means of electronic communication, it shall be delivered personally or by telephone or to the telegraph company, or transmitted electronically, at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the Director or to a person at the office of the Director who the person giving the notice has reason to believe will promptly communicate it to the Director. The notice need not specify the purpose of the meeting or the place if the meeting is to be held at the principal executive office of the Corporation.

Section 12. Quorum.

A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in section 14 of this Article III. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of section 310 of the Code (as to approval of contracts or transactions in which a Director has a direct or indirect material financial interest), section 311 of the Code (as to appointment of committees), and section 317(e) of the Code (as to indemnification of Directors). A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 13. Waiver of Notice.

The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement, the lack of notice to that Director.

Section 14. Adjournment.

A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

Section 15. Notice of Adjournment.

Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of the time and place shall be given before the time of the adjourned meeting, in the manner specified in section 8 of this Article III, to the Directors who were not present at the time of the adjournment.

Section 16. Action Without Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

Section 17. Fees and Compensation of Directors.

Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be fixed or determined by resolution of the Board of Directors. This section 17 shall not be construed to preclude any Director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation for those services.

Section 18. Appointment of Committees.

The Board of Directors may, by resolution adopted by a majority of the authorized number of Directors, designate one or more committees, each consisting of two or more Directors, to serve at the pleasure of the Board of Directors.

The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of Directors. Any such committee, to the extent provided in the resolution of the Board of Directors or in these Bylaws, shall have all the authority of the Board of Directors, except with respect to:

(a) the approval of any action for which Shareholders' approval or approval of the outstanding shares is required by law;

(b) the filling of vacancies on the Board of Directors or in any committee;

(c) the fixing of compensation of the Directors for serving on the Board of Directors or on any committee;

(d) the amendment or repeal of the Bylaws or the adoption of new Bylaws;

(e) the amendment or repeal of any resolution of the Board of Directors, which by its express terms is not so amendable or repealable;

(f) a distribution to the Shareholders of the Corporation, except at a rate or in a periodic amount or within a price range determined by the Board of Directors; and,

(g) the appointment of other committees of the Board of Directors or the members thereof.

Unless the Board of Directors shall otherwise provide, regular meetings of any committee appointed pursuant to this section 18 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee no further notice of such regular meetings need be given thereafter; special meetings of any such committee may be held at the principal executive office of the Corporation, or at any place which has been designated from time to time by resolution of such committee or by written consent of all members thereof, and may be called by the Chairperson of the Board, the President, and any Vice President who is a member of such committee, or by any two members thereof, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors; a majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business.

ARTICLE IV

OFFICERS

Section 1. Officers.

The officers of the Corporation shall be a President, a Secretary, and a Chief Financial Officer. The Corporation may also have, at the discretion of the Board of Directors, a Chairperson of the Board, Vice Chairperson of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistants to the Chief Financial Officer, and such other officers as may be appointed in accordance with the provisions of section 3 of this Article IV. Any number of offices may be held by the same person.

Section 2. Election of Officers.

The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of section 3 or section 5 of this Article IV, shall be chosen by the Board of Directors, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any written contract of employment.

Section 3. Subordinate Officers.

The Board of Directors may appoint, and may empower the President to appoint, such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

Section 4. Removal and Resignation of Officers.

Subject to the rights, if any, of an officer under any written contract of employment, any officer may be removed, either with or without cause, by the Board of Directors, at any regular or special meeting of the Board, or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not

be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 5. Vacancies in Offices.

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

Section 6. Chairperson of the Board.

The Chairperson of the Board shall, if appointed and present, preside at meetings of the Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the Bylaws. If there is no President, the Chairperson of the Board shall in addition be the chief executive officer of the Corporation and shall have the powers and duties prescribed in section 7 of this Article IV.

Section 7. President.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairperson of the Board, the President shall be the chief executive officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the Corporation. He or she shall preside at all meetings of the Shareholders and, in the absence of the Chairperson of the Board, at all meetings of the Board of Directors. He or she shall have the general powers and duties of management usually vested in the office of president of a Corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

Section 8. Vice Presidents.

In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors, or if not ranked, a Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for

them respectively by the Board of Directors or the Bylaws, and the President or the Chairperson of the Board.

Section 9. Secretary.

The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of Directors, committees of Directors and Shareholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at Directors' meetings or committee meetings, the number of shares present or represented at Shareholders' meetings and the proceedings.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a record of Shareholders, or a duplicate record, showing the names of all Shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the Shareholders and of the Board of Directors required by the Bylaws or by law to be given, shall keep the seal of the Corporation if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

Section 10. Chief Financial Officer.

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any Director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositaries as may be designated by the Board of Directors. The Chief Financial Officer shall disburse the funds of the Corporation as may be ordered by the

Board of Directors, shall render to the President and Directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the Corporation and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

ARTICLE V

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

The Corporation shall have the power, to the maximum extent permitted by the Code, to indemnify each of its agents against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact any such person is or was an agent of the Corporation.

The Board of Directors may authorize the purchase and maintenance by the Corporation of insurance on behalf of any agent of the Corporation against liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the Corporation is empowered to indemnify the agent against such liability under the provisions of this Article V.

For purposes of this Article V, an "agent" of the Corporation includes any person who is or was a Director, officer, employee or other agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another Corporation, partnership, joint venture, trust, or other enterprise or was a Director, officer, employee, or agent of a Corporation which was a predecessor Corporation of the Corporation or of another enterprise at the request of such predecessor Corporation.

The liability of the Directors for monetary damages shall be eliminated to the fullest extent permissible under California law.

ARTICLE VI

RECORDS AND REPORTS

Section 1. Maintenance and Inspection of Share Register.

The Corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed, and as determined by resolution of the Board of Directors, a record of its Shareholders, giving the names and addresses of all Shareholders and the number and class of shares held by each Shareholder.

A Shareholder or Shareholders of the Corporation holding at least five percent (5%) in the aggregate of the outstanding voting shares of the Corporation may:

(a) inspect and copy the records of Shareholders' names and addresses and shareholdings during usual business hours on five (5) days' prior written demand on the Corporation; and,

(b) obtain from the transfer agent of the Corporation, on written demand and on the tender of such transfer agent's usual charges for such list, a list of the Shareholders' names and addresses, who are entitled to vote for the election of Directors, and their shareholdings, as of the most recent record date for which that list has been compiled or as of a date specified by the Shareholder after the date of demand. This list shall be made available to any such Shareholder by the transfer agent on or before the later of five (5) days after the demand is received or the date specified in the demand as the date as of which the list is to be compiled.

The record of Shareholders shall also be open to inspection on the written demand of any Shareholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interests as a Shareholder or as the holder of a voting trust certificate. Any inspection and copying under this section 1 may be made in person or by an agent or attorney of the Shareholder or holder of a voting trust certificate making the demand.

Section 2. Maintenance and Inspection of Bylaws.

The Corporation shall keep at its principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state, the original or a copy of the Bylaws as amended to date, which shall be open to inspection by the Shareholders at all reasonable times during office hours. If the principal executive office of the Corporation is outside the State of California and the Corporation has no principal business office in this state, the Secretary shall, upon the written request of any Shareholder, furnish to that Shareholder a copy of the Bylaws as amended to date.

Section 3. Maintenance and Inspection of Other Corporate Records.

The accounting books and records and minutes of proceedings of the Shareholders and the Board of Directors and any committee or committees of the Board of Directors shall be kept at such place or places designated by the Board of Directors, or, in the absence of such designation, at the principal executive office of the Corporation. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to inspection upon the written demand of any Shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a Shareholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary Corporation of the Corporation.

Section 4. Inspection by Directors.

Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the Corporation and each of its subsidiary Corporations. This inspection by a Director may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

Section 5. Annual Report to Shareholders.

So long as there are fewer than one hundred (100) Shareholders of this Corporation, the annual report to Shareholders referred to in section 1501 of the Code is expressly dispensed with, but

nothing herein shall be interpreted as prohibiting the Board of Directors from issuing annual or other periodic reports to the Shareholders of the Corporation as the Board considers appropriate.

Section 6. Financial Statements.

A copy of any annual financial statement and any income statement of the Corporation for each quarterly period of each fiscal year, and any accompanying balance sheet of the Corporation as of the end of each such period, that has been prepared by the Corporation, shall be kept on file in the principal executive office of the Corporation for twelve (12) months and each such statement shall be exhibited at all reasonable times to any Shareholder demanding an examination of any such statement or a copy shall be mailed to any such Shareholder.

If a Shareholder or Shareholders holding at least five percent (5%) of the outstanding shares of any class of stock of the Corporation makes a written request to the Corporation for an income statement of the Corporation for the three-month, six-month, or nine-month period of the then current fiscal year ended more than thirty (30) days before the date of the request, and a balance sheet of the Corporation as of the end of that period, the Chief Financial Officer shall cause that statement to be prepared, if not already prepared, and shall deliver personally or mail that statement or statements to the person making the request. If the Corporation has not sent to the Shareholders its annual report for the last fiscal year, this report shall likewise be delivered or mailed to the Shareholder or Shareholders within thirty (30) days after the request.

The quarterly income statements and balance sheets referred to in this section 6 shall be accompanied by the report, if any, of any independent accountants engaged by the Corporation, that the financial statements were prepared without audit from the books and records of the Corporation.

Section 7. Annual Statement of General Information.

The Corporation shall each year file with the Secretary of State of the State of California, on the prescribed form, a statement setting forth the authorized number of Directors, the names and complete business or residence addresses of all incumbent Directors, the names and complete business or residence addresses of the President, Secretary, and Chief Financial Officer, the street address of its principal executive office or principal business office in this state, and the general type of business constituting the principal business activity of the Corporation, together

with a designation of the agent of the Corporation for the purpose of service of process, all in compliance with section 1502 of the Code.

ARTICLE VII

GENERAL CORPORATE MATTERS

Section 1. Record Date for Purposes Other than Notice and Voting.

For purposes of determining the Shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action (other than action by Shareholders by written consent without a meeting), the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action, and in that case only Shareholders of record on the date so fixed are entitled to receive the dividend, distribution, or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date so fixed, except as otherwise provided in the California General Corporation Law.

If the Board of Directors does not so fix a record date, the record date for determining Shareholders for any such purpose shall be at the close of business on the day on which the Board adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

Section 2. Checks, Drafts, Evidences of Indebtedness.

All checks, drafts, or other orders for payment of money, notes, or other evidences of indebtedness issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

Section 3. Corporate Contracts and Instruments; How Executed.

The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and this authority may be general or confined to specific instances; and, unless so authorized or ratified by the Board of Directors or within the agency

power of an officer, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 4. Certificate for Shares.

A certificate or certificates for shares of the capital stock of the Corporation shall be issued to each Shareholder when any of these shares are fully paid, and the Board of Directors may authorize the issuance of certificates or shares as partly paid provided that these certificates shall state the amount of the consideration to be paid for them and the amount paid. All certificates shall be signed in the name of the Corporation by the Chairperson of the Board or Vice Chairperson of the Board or the President or Vice President and by the Chief Financial Officer or any Assistant to the Chief Financial Officer or the Secretary or any Assistant Secretary, certifying the number of shares and the class or series of shares owned by the Shareholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be that officer, transfer agent, or registrar before that certificate is issued, it may be issued by the Corporation or with the same effect as if that person were an officer, transfer agent, or registrar at the date of issue.

Section 5. Lost Certificates.

Except as provided in this section 5, no new certificates for shares shall be issued to replace an old certificate unless the latter is surrendered to the Corporation and cancelled at the same time. The Board of Directors may, in case any share certificate or certificate for any other security is lost, stolen, or destroyed, authorize the issuance of a replacement certificate on such terms and conditions as the Board may require, including provision for indemnification of the Corporation secured by a bond or other adequate security sufficient to protect the Corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft, or destruction of the certificate or the issuance of the replacement certificate.

Section 6. Representation of Shares of Other Corporations.

The Chairperson of the Board, the President or any Vice President or any other person authorized by resolution of the Board of Directors or by any of the foregoing designated officers, is

authorized to vote on behalf of the Corporation any and all shares of any other Corporation or Corporations, foreign or domestic, standing in the name of the Corporation. The authority granted to these officers to vote or represent on behalf of the Corporation any and all shares held by the Corporation in any other Corporation or Corporations may be exercised by any of these officers in person or by any person authorized to do so by a proxy duly executed by these officers.

Section 7. Construction and Definitions.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Code shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a Corporation and a natural person.

ARTICLE VIII

AMENDMENTS

Section 1. Amendment by Shareholders

New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote; provided, however, that if the Articles of Incorporation of the Corporation set forth the number of authorized Directors of the Corporation, the authorized number of Directors may be changed only by an amendment of the Articles of Incorporation.

Section 2. Amendment by Directors.

Subject to the rights of the Shareholders as provided in section 1 of this Article VIII, these Bylaws, other than a Bylaw or an amendment of a Bylaw changing the authorized number of Directors, may be adopted, amended, or repealed by the Board of Directors.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of LeFever Mattson, a California Corporation; and,

That the foregoing Amended and Restated Bylaws comprising twenty-nine (29) pages, including this page, constitute the Amended and Restated Bylaws of said Corporation, as duly adopted by the Unanimous Written Consent of the Board of Directors dated effective as of August 20, 2007, and that they have not been further amended or modified since that date.

Dated effective as of August 20, 2007

Tim, LeFever, Secretary