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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.

In re

KS MATTSON PARTNERS, LP,

Debtor.

Lead Case No. 24-10545 (CN)
(Jointly Administered)
Chapter 11

**MOTION OF DEBTORS FOR SALE
OF CERTAIN REAL PROPERTY
SERVING AS COLLATERAL FOR
SOCOTRA CAPITAL, INC. FREE
AND CLEAR OF LIENS, CLAIMS
AND ENCUMBRANCES AND
RELATED RELIEF**

Date: October 3, 2025

Time: 11:00 a.m.

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

Secured Lender: Socotra Capital, Inc.

¹ The last four digits of LeFever Mattson's tax identification number are 7537. The last four digits of the tax identification number for KS Mattson Partners, LP ("KSMP") are 5060. KSMP's address for service is c/o Stapleton Group, 514 Via de la Valle, Solana Beach, CA 92075. The address for service on LeFever Mattson and all other Debtors is 6359 Auburn Blvd., Suite B, Citrus Heights, CA 9562. 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>.



Table of Contents

I.	JURISDICTION AND VENUE	2
II.	BACKGROUND	2
A.	The Chapter 11 Cases	2
B.	The Properties	3
C.	The Socotra Loans	4
D.	Approved Socotra Sale Procedures.....	5
E.	Employment of Real Estate Brokers.....	6
F.	The Marketing Process	7
G.	Mediation	10
H.	Treatment of Secured Claims.....	11
I.	Treatment of Associated Leases	11
III.	RELIEF REQUESTED.....	12
IV.	AUTHORITY FOR RELIEF REQUESTED.....	12
A.	The Proposed Sales Are Appropriate and in the Best Interests of the Debtors' Estates.	12
B.	The Agreements Are Fair and Reasonable and Represent the Sellers' Reasonable Business Judgement.....	14
C.	The Sales Should Be Authorized Free and Clear of Liens and Other Interests Under Section 363(f) of the Bankruptcy Code.....	16
D.	Lienholder Credit Bidding	18
E.	The Leases Should Be Assumed and Assigned by the Purchaser.	19
F.	Relief from the 14-Day Stay Under Bankruptcy Rules 6004(h) Is Appropriate.	22
V.	NOTICE	22

Table of Authorities

CASES

<i>A&D Prop. Consultants, LLC v. A&S Lending, LLC (In re Groves)</i> 652 B.R. 104 (B.A.P. 9th Cir. 2023)	17
<i>Agarwal v. Pomona Valley Med. Grp., Inc. (In re Pomona Valley Med. Grp., Inc.)</i> 476 F.3d 665 (9th Cir. 2007)	15, 19, 20
<i>Chamberlain v. Stanziale (In re Chamberlain)</i> 545 B.R. 827 (D. Del. 2016)	14
<i>Clear Channel Outdoor, Inc. v. Knupfer (In re PW, LLC)</i> 391 B.R. 25 (B.A.P. 9th Cir. 2008)	17
<i>Comm. of Asbestos-Related Litigants v. Johns-Manville Corp. (In re Johns-Manville Corp.)</i> 60 B.R. 612 (Bankr. S.D.N.Y. 1986)	19
<i>Delannoy v. Woodlawn Colonial L.P. (In re Delannoy)</i> 833 F. App'x 116 (9th Cir. 2020)	15
<i>EBG Midtown S. Corp. v. McLaren/Hart Env't'l. Eng'g Corp. (In re Sanshoe Worldwide Corp.)</i> 139 B.R. 585 (S.D.N.Y. 1992)	21
<i>Food Barn Stores</i> 107 F.3d at 564-65 (8th Cir. 1997)	15
<i>Four B. Corp. v. Food Barn Stores, Inc. (In re Food Barn Stores, Inc.)</i> 107 F.3d 558 (8th Cir. 1997)	13
<i>Gantler v. Stephens</i> 965 A2d 695 (Del. 2009)	19
<i>GBL Holding Co., Inc. v. Blackburn/Travis/Cole, Ltd.</i> 331 B.R. 251 (N.D. Tex. 2005)	15
<i>Hernandez v. Hernandez (In re Hernandez)</i> No. SC-23-1016-BCF, 2023 Bankr. LEXIS 2875 (B.A.P. 9th Cir. Dec. 6, 2023)	15
<i>In re Aller</i> 649 B.R. 662 (Bankr. W.D. Pa. 2023)	15
<i>In re Atlanta Packaging Prods., Inc.</i> 99 B.R. 124 (Bankr. N.D. Ga. 1988)	13
<i>In re Boston Generating, LLC</i> 440 B.R. 302 (Bankr. S.D.N.Y. 2010)	15, 17
<i>In re Bygaph, Inc.</i> 56 B.R. 596 (Bankr. S.D.N.Y. 1986)	21
<i>In re Castre</i> 312 B.R. 426 (Bankr. D. Colo. 2004)	15

		2
1	<i>In re Delaware & Hudson Ry. Co.</i> 124 B.R. 169 (D. Del. 1991).....	14
2	<i>In re Elliot</i> 94 B.R. 343 (E.D. Pa. 1988)	17
3		
4	<i>In re Fleming Cos.</i> 499 F.3d 300 (3d. Cir. 2007)	20
5	<i>In re Jolan, Inc.</i> 403 B.R. 866 (Bankr. W.D. Wash. 2009).....	17
6		
7	<i>In re MF Global Ltd.</i> 535 B.R. 596 (Bankr. S.D.N.Y. 2015).....	19
8	<i>In re Montgomery Ward Holding Corp.</i> 242 B.R. 147 (D. Del. 1999).....	14
9		
10	<i>In re Nepsco, Inc.</i> 36 B.R. 25 (Bankr. D. Me. 1983).....	13
11	<i>In re Phoenix Steel Corp.</i> 82 B.R. 334 (Bankr. D. Del. 1987)	14
12		
13	<i>In re Planned Sys., Inc.</i> 82 B.R. 919 (Bankr. S.D. Ohio 1988).....	13
14	<i>In re Player's Poker Club, Inc.</i> 636 B.R. 811 (Bankr. C.D. Cal. 2022).....	19
15		
16	<i>In re Trans World Airlines, Inc.</i> No. 01-00056 (PJW), 2001 WL 1820326 (Bankr. D. Del. Apr. 2, 2001).....	13
17	<i>In re Verity Health Sys. of Cal., Inc.</i> 598 B.R. 283 (Bankr. C.D. Cal. 2018).....	14
18		
19	<i>In re WPRV-TV, Inc.</i> 143 B.R. 315 (D.P.R. 1991) <i>vacated</i> , 165 B.R. 1 (D.P.R. 1992)	16
20	<i>Krebs Chrysler-Plymouth, Inc. v. Valley Motors, Inc.</i> 141 F.3d 490 (3d Cir. 1998)	13
21		
22	<i>Lubrizol Enter. v. Richmond Metal Finishers</i> 756 F.2d 1043 (4th Cir. 1985)	20
23	<i>Off. Comm. of Unsecured Creditors v. Bouchard Transp. Co. (In re Bouchard Transp. Co.)</i> 74 F.4th 743, 750 (5th Cir. 2023)	14
24		
25	<i>Orion Pictures Corp. v. Showtime Networks (In re Orion Pictures Corp.)</i> 4 F.3d 1095 (2d Cir. 1993)	19
26	<i>Oxford Street Properties, LLC v. Rehabilitation Associates, LLC</i> 206 Cal. App. 4th 296 (2012)	17, 18
27		
28	<i>Robin v. Crowell</i> 55 Cal. App. 5th 727 (2020)	17

	3
1 <i>Simantob v. Claims Prosecutor, L.L.C. (In re Lahijani)</i>	
2 325 B.R. 282 (B.A.P. 9th Cir. 2005)	15
3 <i>Smart Cap. Invs. I, LLC v. Hawkeye Ent., LLC (In re Hawkeye Ent., LLC)</i>	
4 49 F.4th 1232, 1237 (9th Cir. 2022)	20
5 <i>SVP Fin. Servs. Partners LLLP v. Sky Fin. Invs. LLC</i>	
6 588 B.R. 528 (D. Ariz. 2018)	14
7 <i>Tindall v. First Solar</i>	
8 892 F.3d 1043 (9th Cir. 2018)	19
9 <i>Walter v. Sunwest Bank (In re Walter)</i>	
10 83 B.R. 14 (9th Cir. 1988)	14
11 <u>STATUTES</u>	
12 11 U.S.C. § 105(a)	12
13 11 U.S.C. § 1107(a)	3
14 11 U.S.C. § 1108.....	3
15 11 U.S.C. § 363.....	12, 14, 15, 16
16 11 U.S.C. § 363(b)	13, 14, 15
17 11 U.S.C. § 363(b)(1)	12
18 11 U.S.C. § 363(f).....	16, 17
19 11 U.S.C. § 363(f)(5)	17, 18
20 11 U.S.C. § 363(k)	19
21 11 U.S.C. § 365.....	20, 22
22 11 U.S.C. § 365(a)	19, 20
23 11 U.S.C. § 365(b)(1)	20
24 11 U.S.C. § 365(b)(1)(A).....	20
25 11 U.S.C. § 365(b)(1)(B)	20
26 11 U.S.C. § 365(b)(1)(C)	20, 21
27 11 U.S.C. § 365(f)(1)	20
28 11 U.S.C. § 365(f)(2)	20
11 U.S.C. § 365(f)(2)(A).....	20
11 U.S.C. § 365(f)(2)(B).....	20, 21
11 U.S.C. § 502(a)	10, 19

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28 U.S.C. § 1334.....	2	4
28 U.S.C. § 1408.....	2	
28 U.S.C. § 1409.....	2	
28 U.S.C. § 157.....	2	
28 U.S.C. § 157(b)	2	
CCP § 580d.....	17	

OTHER AUTHORITIES

3 <i>Collier on Bankruptcy</i> ¶ 365.03	20
Advisory Committee Notes to Fed. R. Bankr. P. 6004.....	22
Advisory Committee Notes to Fed. R. Bankr. P. 6006.....	22
<i>Collier on Bankruptcy</i> , ¶ 6004.11 (Alan N. Resnick & Henry J. Sommer eds., 16th ed.).....	22

RULES

Fed. R. Bankr. P. 2002.....	12
Fed. R. Bankr. P. 6004.....	12
Fed. R. Bankr. P. 6004(f)(1)	12
Fed. R. Bankr. P. 6004(h)	22
Fed. R. Bankr. P. 6006(d)	22
L.B.R. 5011-1(a).....	2

Windscape Apartments, LLC (“Windscape”), Golden Tree, LP (“Golden Tree”), Firetree I, LP (“Firetree I”), and Firetree III, LP (“Firetree III,” and together with Windscape, Golden Tree, and Firetree I, the “Sellers”), hereby submit this Motion (the “Motion”) for entry of an order: (i) approving the sale, free and clear of liens, claims, and encumbrances, of certain Properties (as defined below), pursuant to Agreements entered with the Purchasers (each as defined below), and related documents and amendments attached as Exhibits A through G to the *Declaration of Bradley D. Sharp in Support of Motion of Debtors for Sale of Certain Real Property Serving as Collateral for Socotra Capital, Inc. Free and Clear of Liens, Claims and Encumbrances and Related Relief* (the “Sharp Declaration”) filed contemporaneously herewith; (ii) approving each of the Agreements; (iii) approving the escrow of the net sale proceeds after the payment of Closing Costs (as defined below) in the Escrow Accounts (as defined below); (iv) approving the Sellers’ assumption and assignment of the Leases (as defined below) as set forth herein; (v) prohibiting Socotra (as defined below) from credit bidding for the Properties; (vi) waiving the stay of the effectiveness of any order granting the Motion; and (vii) providing such other and further relief as is just and appropriate under the circumstances.

In support of the Motion, the Sellers refer to the Sharp Declaration, the *Declaration of Ramon Kochavi in Support of Motion of Debtors for Sale of Certain Real Property Serving as Collateral for Socotra Capital, Inc. Free and Clear of Liens, Claims and Encumbrances and Related Relief (17700 Sonoma Hwy, Sonoma, CA)* (the “Kochavi Declaration”), the *Declaration of Mark Stornetta in Support of Motion of Debtors for Sale of Certain Real Property Serving as Collateral for Socotra Capital, Inc. Free and Clear of Liens, Claims and Encumbrances and Related Relief (900 E. Napa St., Sonoma, CA)* (the “Stornetta Declaration”), the *Declaration of Maurice Tegelaar in Support of Motion of Debtors for Sale of Certain Real Property Serving as Collateral for Socotra Capital, Inc. Free and Clear of Liens, Claims and Encumbrances and Related Relief (19340 7th St. E., Sonoma, CA and 424 2nd St. W., Sonoma, CA)* (the “Tegelaar Declaration”), the *Declaration of Daniel Casabonne in Support of Motion of Debtors for Sale of Certain Real Property Serving as Collateral for Socotra Capital, Inc. Free and Clear of Liens, Claims and Encumbrances and Related Relief (24321 Arnold Dr., Sonoma, CA and 1025 Napa*

Rd., Sonoma, CA) (the “Casabonne Declaration,” and together with the Kochavi, Stornetta, and Tegelaar Declarations, the “Brokers’ Declarations”), the *Declaration of Julia Keiser in Support of Adequate Assurance of Future Performance with Respect to the Assumption and Assignment of Executory Leases and/or Unexpired Contracts in Connections with the Sale of 424 2nd St. W., Sonoma, CA* (the “Keiser Declaration”), and the *Declaration of Sean S. Payne in Support of Adequate Assurance of Future Performance by the Sean S. Payne Trust Dated October 31, 2024 with Respect to the Assumption and Assignment of Executory Leases and/or Unexpired Contracts in Connection with the Sale of 17700 Sonoma Hwy, Sonoma, CA 95476* (the “Payne Declaration,” and together with the Keiser Declaration, the “Purchasers’ Declarations”), each filed contemporaneously herewith, and request that the Court take judicial notice of the documents and pleadings filed in the Chapter 11 Cases and referenced herein, and respectfully state as follows:

MEMORANDUM OF POINTS AND AUTHORITIES

I. JURISDICTION AND VENUE

The Court has jurisdiction to consider 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 for the United States District Court for the Northern District of California (the “Bankruptcy Local Rules”). This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

II. BACKGROUND

A. The Chapter 11 Cases

The Sellers, together with LeFever Mattson, a California corporation (“LeFever Mattson”) and certain of its affiliates, are debtors and debtors in possession (the “Debtors”) in the above-captioned chapter 11 cases (the “Chapter 11 Cases”).¹ Windscape filed its chapter 11 petition on August 6, 2024. Fifty-eight Debtors, including Golden Tree, Firetree I, and Firetree III, filed their

¹ Unless otherwise indicated, “Debtors” as used herein excludes KSMP.

chapter 11 petitions on September 12, 2024. Debtors Pinewood Condominiums, LP, and Ponderosa Pines, LP, filed their chapter 11 petitions on October 2, 2024.

The 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. The United States Trustee appointed an official committee of unsecured creditors (the “Committee”) in the Chapter 11 Cases on October 9, 2024 [Dkt. No. 135], and amended its appointment on November 25, 2024 [Dkt. No. 368] and on August 26, 2025 [Dkt. No. 2104]. No trustee or examiner has been appointed in these Chapter 11 Cases. Additional background information on the Chapter 11 Cases is presented in the *Declaration of Bradley D. Sharp in Support of Chapter 11 Petitions and First Day Motions* [Dkt. No. 5]. Additional information is provided in the schedules of assets and liabilities, statements of financial affairs, and lists of equity security holders filed by the Debtors on November 15, 2024 [Dkt. Nos. 292–353].

B. The Properties

Pursuant to this Motion, the Sellers seek approval for the sale of the real properties commonly known as:

(i) 900 East Napa Street, Sonoma, California (the “Napa Street Property”), to Mitchell B. Fong and Denise M. Walsh, individuals (the “Napa Street Purchasers”), pursuant to the California Residential Purchase Agreement and Joint Escrow Instructions, dated as of July 17, 2025 (the “Napa Street Agreement”), and related documents and amendments attached as Exhibit A to the Sharp Declaration;

(ii) 19340 7th Street East, Sonoma, California (the “7th Street Property”), to Kyle Nagel, an individual (the “7th Street Purchaser”), pursuant to the California Residential Purchase Agreement and Joint Escrow Instructions, dated as of June 13, 2025 (the “7th Street Agreement”), and related documents and amendments attached as Exhibit B to the Sharp Declaration;

(iii) 424 2nd Street West, Sonoma, California (the “2nd Street Property”), to Kevin Keiser and Julia Keiser, individuals (the “2nd Street Purchasers”), pursuant to the California Residential Purchase Agreement and Joint Escrow Instructions, dated as of June 21, 2025 (the “2nd Street”).

1 Agreement”), and related documents and amendments attached as Exhibit C to the Sharp
2 Declaration;

3 (iv) 17700 Sonoma Highway, Sonoma, California (the “Sonoma Highway Property”), to
4 Sean S. Payne, Trustee of the Sean S. Payne Trust Dated October 31, 2024 (the “Sonoma Highway
5 Purchaser”), pursuant to the Purchase and Sale Agreement and Joint Escrow Instructions, dated as
6 of July 16, 2025 (the “Sonoma Highway Agreement”), and related documents and amendments
7 attached as Exhibit D to the Sharp Declaration;

8 (v) 24321 Arnold Drive, Sonoma, California (the “Arnold Drive Property”), to I Heart
9 Sonoma, LLC (“I Heart Sonoma” or the “Arnold Drive Purchaser”), pursuant to the California
10 Residential Purchase Agreement and Joint Escrow Instructions, dated as of July 18, 2025 (the
11 “Arnold Drive Agreement”), and related documents and amendments attached as Exhibit E to the
12 Sharp Declaration; and

13 (vi) 1025 Napa Road, Sonoma, California (the “Napa Road Property,” and together with
14 the Napa Street, 7th Street, 2nd Street, Sonoma Highway, and Arnold Drive Properties, the
15 “Properties”) to I Heart Sonoma (the “Napa Road Purchaser,” and together with the Napa Street,
16 7th Street, 2nd Street, Sonoma Highway, and Arnold Drive Purchasers, the “Purchasers”), pursuant
17 to the California Residential Purchase Agreement and Joint Escrow Instructions, dated as of June
18 25, 2025 (the “Napa Road Agreement,” and together with the Napa Street, 7th Street, 2nd Street,
19 Sonoma Highway, and Arnold Drive Agreements, the “Agreements”), and related documents and
20 amendments attached as Exhibit F to the Sharp Declaration.

21 **C. The Socotra Loans**

22 The Properties are the collateral of Socotra Capital, Inc. (“Socotra”). Socotra is a “hard
23 money lender,” meaning that it makes short term loans where traditional lenders, such as banks
24 and credit unions, will not. Because they are riskier than traditional mortgages, hard money loans
25 typically have significantly higher interest rates than bank loans and usually mature in months, not
26 years. Socotra also differs from traditional mortgage lenders in that it is comprised of a collection
27 of affiliated loan funds. The Debtors understand that under those funds’ governance rules, once
28 Socotra receives proceeds from the sale of a Socotra property, it will distribute those proceeds to

the fund's investors. *See Final Order Authorizing Use of Cash Collateral, Granting Adequate Protection (Socotra Capital, Inc.)*, Dkt. No. 968 at 3, 11-14 (“[T]he 2025 Q1 Adequate Protection Payment (or any portion thereof) may be withdrawn from the Adequate Protection Account and applied to the loans . . . and disbursed in accordance with Lender’s governing investment documents.”).

Socotra holds deeds of trust and assignments of rents on 60 properties held by the Debtors with approximately \$75 million in total loans (the “Socotra Properties”). This represents about one-third of the Debtors’ total secured debt, making Socotra the Debtors’ largest secured creditor. Substantially all the Socotra secured properties were originally purchased by KSMP, an entity controlled by Kenneth W. Mattson, who was also the chief executive officer of LeFever Mattson and in control of the Debtors during the relevant period. The Debtors believe that after purchasing the Properties, Mr. Mattson encumbered the Properties with high-interest loans and caused KSMP to convey the properties to various Debtors, including the Sellers. In at least two instances, it appears that Mr. Mattson used the Debtors’ property to cross-collateralize KSMP properties. The Debtors have also uncovered evidence that, over the course of seven years, Mr. Mattson transferred approximately \$20 million from a LeFever Mattson bank account to Socotra—yet these payments appear to have been made for the benefit of Mr. Mattson or KSMP, not any of the Debtors.

Because Socotra was the counterparty to so many apparently self-interested transactions by Mr. Mattson, the Committee has spearheaded an investigation to determine whether the Debtors’ estates hold claims against Socotra (the “Committee’s Investigation”). The Debtors understand that, based on the Committee’s Investigation, the Committee intends to file the Committee Complaint (as defined below) against Socotra.

D. Approved Socotra Sale Procedures

On May 1, 2025, the Court issued the *Order Establishing Omnibus Procedures for Real Property Sales (Socotra Collateral)* [Dkt. No. 1381] (the “Socotra Sale Procedures Order”). This order approved procedures for selling the Properties (the “Socotra Sale Procedures”) and permitted the Debtors to escrow a small portion of the proceeds—less than twenty percent—from the sale of Socotra Properties, pending the Committee’s filing of the Committee Complaint. The Socotra Sale

Procedures Order authorized, but did not require, the Sellers to implement the described procedures.

After further consideration and review of information from the Committee's Investigation, the Debtors have determined in their business judgment that it is in the best interests of their estates not to use the Socotra Sale Procedures for the sales of the Properties. Instead, they seek to deposit 100% of the Properties' net sale proceeds (after payment of Closing Costs, as defined below) (the "Proceeds") into interest-bearing accounts at Axos Bank, segregated by Seller entity (the "Escrow Accounts"). These funds will remain in escrow for a period of 60 days after the sale of a given Property closes (for each Property, the "Closing Date"), subject to extension by order of the Court.

In making this decision, the Sellers analyzed the net benefits to their estates if the Committee is successful in its claims against Socotra. They concluded that the Proceeds are likely to exceed the amounts the Sellers would be authorized to retain under the Socotra Sale Procedures. By ensuring that all Proceeds are held in escrow, the Sellers maximize protection for their estates while awaiting resolution of the Committee Complaint. As a result, they determined that the best course of action is to file this Motion seeking authority to deposit the Proceeds in the Escrow Accounts pending resolution of the Committee Complaint.

E. Employment of Real Estate Brokers

The Debtors have hired various real estate brokers to market and sell the Properties. On February 15, 2025, the Court entered an order [Dkt. No. 846], as amended on April 17, 2025 [Dkt. No. 1342], on May 8, 2025 [Dkt. No. 1405], on August 11, 2025 [Dkt. No. 1985], and on August 21, 2025 [Dkt. No. 2073], authorizing the employment of Marcus & Millichap Real Estate Investment Services, Inc. ("Marcus & Millichap"), as a broker for the sale of certain of the Debtors' properties. Marcus & Millichap's background and qualifications are set forth more fully in the related employment application [Dkt. No. 758] and declaration [Dkt. No. 759]. Marcus & Millichap served as the broker for the sale of the Sonoma Highway Property.

On February 15, 2025, the Court entered an order [Dkt. No. 847], authorizing the employment of Sotheby's International Realty ("Sotheby's"), as a broker for the sale of certain of the Debtors' properties. Sotheby's background and qualifications are set forth more fully in the

related employment application [Dkt. No. 756] and declaration [Dkt. No. 757]. Sotheby's served as the broker for the sale of the Arnold Drive and Napa Road Properties.

On March 12, 2025, the Court entered an order [Dkt. No. 1040], as corrected on April 8, 2025 [Dkt. No. 1238], and amended on April 9, 2025 [Dkt. No. 1253], authorizing the employment of Compass California II, Inc., as a broker for the sale of the Properties ("Compass" and together with Marcus & Millichap and Sotheby's, the "Brokers"). Compass's background and qualifications are set forth more fully in the related employment application [Dkt. No. 962] and declaration [Dkt. No. 963]. Compass served as the broker for the sale of the Napa Street, 7th Street, and 2nd Street Properties.

F. The Marketing Process

Marcus & Millichap conducted an extensive and targeted marketing campaign for the Sonoma Highway Property, which resulted in competitive offers for each property, as detailed below:

	Sonoma Highway Property
Seller	Firetree III, LP
Online Marketing	<ul style="list-style-type: none"> • LoopNet with 10,771 views • www.MarcusMillichap.com with 363 views • Email blast to 6,791 recipients with 2,069 views
Other Marketing	<ul style="list-style-type: none"> • 7,500 postcards mailed to Bay Area real estate investors • Direct phone calls to owners of similar properties
Open Houses / Tours	<ul style="list-style-type: none"> • April 25, May 8, and May 21, 2025, with 3 to 4 groups in attendance each day • Private showings on May 7 and May 28, 2025
Expressions of Interest	237 executed non-disclosure statements
List Price	\$1.2 million
Best Offer	\$1.215 million
Purchaser	Sean S. Payne, Trustee of the Sean S. Payne Trust Dated October 31, 2024
Deposit	\$30,000
Commissions	3.75%

Sotheby's conducted an extensive and targeted marketing campaign of the Arnold Drive and Napa Road Properties, which resulted in competitive offers for each property, as detailed below:

	Arnold Drive Property	Napa Road Property
Seller	Firetree I, LP	Windscape Apartments, LLC
Online Marketing	<ul style="list-style-type: none"> • Syndicated listing on MLS with 261 agent views • www.Sothebysrealty.com with 1,611 views • Social media sites (Facebook, X, LinkedIn, Instagram) 	<ul style="list-style-type: none"> • Syndicated listing on MLS with 227 agent views • www.Sothebysrealty.com with 3,193 views • Social media sites (Facebook, X, LinkedIn, Instagram)
Open Houses / Tours	5 viewings	11 viewings
Expressions of Interest	3 executed non-disclosure agreements	8 executed non-disclosure agreements
List Price	\$1,700,000	\$1,000,000
Best Offer	\$1,450,000	\$950,000
Purchaser	I Heart Sonoma, LLC	I Heart Sonoma, LLC
Deposit	\$43,500	\$30,000
Commissions	4.5%	4.5%

Compass conducted an extensive and targeted marketing campaign of the Napa Street, 7th Street, and 2nd Street Properties, which resulted in competitive offers for each property, as detailed below:

	Napa Street Property	7th Street Property	2nd Street Property
Seller	Windscape Apartments, LLC	Golden Tree, LP	Windscape Apartments, LLC
Online Marketing	<ul style="list-style-type: none"> • Syndicated listing on MLS with 730 views • www.Compass.com with 7,712 views • Email blast to 935 recipients with 666 views 	<ul style="list-style-type: none"> • Syndicated listing on MLS with 164 views • www.Compass.com with 216 views • Email blast to 12,636 recipients with 7,284 views 	<ul style="list-style-type: none"> • Syndicated listing on MLS with 170 views • www.Compass.com with 198 views • Email blast to 12,636 recipients with 7,284 views

	<ul style="list-style-type: none"> Digital ad campaign with 19,866 impressions and 428 clicks 		
Open Houses / Tours	<ul style="list-style-type: none"> April 24, 2025, with 30 groups in attendance May 4, 2025, with 12 groups in attendance 34 group visits via lockbox between April 23 and July 8, 2025 	<ul style="list-style-type: none"> May 8, 2025, with more than 25 agents in attendance 5 open houses between May 10 and May 25, 2025, with 5 to 10 groups attending each open house 22 visits via lockbox during marketing period 	<ul style="list-style-type: none"> May 8, 2025, with at least 30 agents in attendance May 10, 2025, well attended May 11, 2025, well attended 5 private showings between May 27 and May 28, 2025
Expressions of Interest	<ul style="list-style-type: none"> 13 executed non-disclosure statements 4 disclosure packages downloaded 	6 executed non-disclosure statements	10 executed non-disclosure statements
List Price	\$1.5 million	\$2.5 million	\$1.075 million
Best Offer	\$1.7 million	\$2.625 million	\$1.2 million
Purchaser	Mitchell B. Fong and Denise M. Walsh	Kyle Nagel	Kevin Keiser and Julia Keiser
Deposit	\$51,000	\$81,000	\$36,000
Commissions	5%	5%	5%

Following negotiations, the Sellers accepted the Purchasers' offers and entered into the Agreements. Each of the Agreements contain the following terms: (i) the Property is sold "as-is"; (ii) all buyer contingencies have been waived; (iii) the Sellers make no representations or warranties about the Properties; (iv) the sales are subject to Bankruptcy Court approval; (v) the Purchasers have consented to the jurisdiction of the Bankruptcy Court over matters pertaining to the Agreements; and (vi) the Purchasers' recourse upon default is limited to return of their security deposit.

The Sellers request that the sales made pursuant to the Agreements be free and clear of liens and encumbrances to the extent provided under the Bankruptcy Code, with any such liens of any kind or nature to attach to the net proceeds of the sale in the order of their priority, with the same validity, force and effect which they had immediately prior to sale as against the Properties.

1 The Sellers shall maintain the sale proceeds in the Escrow Accounts, pending resolution of the
 2 Committee Complaint, other than uncontested, non-Socotra liens, which shall be paid at the close
 3 of escrow.

4 Because the Sellers previously intended to utilize the Socotra Sale Procedures with respect
 5 to the sale of the Properties, the Agreements contain certain terms based on that framework.
 6 However, such terms do not in any way contradict the relief requested pursuant to this Motion.

7 For the reasons set forth below, the Sellers submit that the sale of the Properties, pursuant
 8 to the Agreements, is in the best interests of the Debtors' estates and maximizes the value of the
 9 Properties pursuant to effective marketing and an efficient sale process.

10 **G. Mediation**

11 In order to avoid protracted and costly litigation, the Committee, the Debtors, KSMP, and
 12 Socotra have agreed to enter mediation scheduled for September 24 and 25, 2025 (the
 13 "Mediation"). The Committee has chosen to withhold filing the Committee Complaint until after
 14 the conclusion of the Mediation, as a gesture of good faith to help foster a consensual resolution.

15 By postponing the filing of the Committee Complaint, the Committee aims to facilitate a
 16 resolution without litigation; however, this delay means that, as of the date of this Motion, the
 17 Claims remain unchallenged and, therefore, are deemed allowed pursuant to section 502(a) of the
 18 Bankruptcy Code (which provides that claims are allowed unless objected to), despite unresolved
 19 questions regarding their validity. This situation puts the Sellers in a difficult position—they must
 20 continue selling Properties for the benefit of the estates, while also ensuring that the Proceeds are
 21 not placed out of reach should the Claims, or portions thereof, ultimately be disallowed.

22 Placing the Proceeds in the Escrow Accounts serves to protect the interests of all parties—
 23 the Sellers' can continue the procedural steps necessary for sale approval, the Committee can
 24 challenge the Claims if the Mediation is unsuccessful, and Socotra's collateral can earn interest
 25 while being preserved in segregated accounts. This balanced approach allows for the ongoing
 26 management of the estates and the potential for future objections, fostering an environment in
 27 which the parties can work toward an equitable solution without jeopardizing their respective
 28 positions.

H. Treatment of Secured Claims

Socotra filed proofs of claim allegedly secured by interests in the Properties, which include the principal amounts of the respective loans, as well as interest, fees, and expenses. *See* Claim Nos. 343, 389, 390, 394, 398, 1217, and 1219 (collectively, the “Claims”). The principal amount of each Claim is listed in the chart below.

	Napa Street Property	7th Street Property	2nd Street Property	Sonoma Highway Property	Arnold Drive Property ²	Napa Road Property
Principal Lien Amount	\$2,210,000	\$1,650,000	\$600,000	\$810,000	\$2,942,500	\$600,000

The Sellers request that the Proceeds of each Property sale be first applied to pay (i) any closing costs related to the sale of the Property, including, but not limited to, the real estate commission of the Brokers and FTI Consulting, Inc.’s (“FTI”) advisory and transaction fee, subject to paragraph 11 of the *Order Authorizing Employment of FTI Consulting, Inc. as Real Estate Advisors, Effective as of November 12, 2024* [Dkt. No. 641], costs of sale, escrow costs, any outstanding property taxes (collectively, the “Closing Costs”), and (ii) any higher priority non-Socotra liens, with the remainder be deposited in the Escrow Accounts. The Sellers propose to keep the Proceeds in the Escrow Accounts, with Socotra’s liens attaching to them, for 60 days from the Closing Date pending the resolution of the Committee Complaint, subject to extension by order of the Court.

I. Treatment of Associated Leases

The unexpired leases or executory contracts (collectively, the “Leases”) associated with certain of the Properties (the “Lease Properties”) shall be either assumed by the Sellers and assigned to the Purchaser of such property or rejected, as set forth in Exhibit G to the Sharp Declaration.

² Socotra’s proof of claim filed with respect to the Arnold Drive Property reflects that Socotra’s liens against the Arnold Drive Property are cross-collateralized by real property at 24265 Arnold Drive in Sonoma, California. *See* Claim No. 1217.

The Purchasers' Declarations provide evidence of each such Purchaser's financial credibility and willingness and ability to perform under each of the assumed and assigned Leases. Each has declared that they have sufficient liquid assets available to pay for and maintain the respective Properties, are able to meet the financial obligations of the Leases, and are willing and able to perform their obligations under the respective Leases.

III. RELIEF REQUESTED

The Sellers request entry of an order, substantially in the form attached hereto as **Exhibit A** (the "Proposed Order"):

1. Approving the sale of the Properties to the respective Purchasers, pursuant to the respective Agreements and related documents and amendments;
2. Approving the escrow of the Proceeds in the Escrow Accounts for 60 days from the Closing Date, subject to extension by order of the Court;
3. Prohibiting Socotra from credit bidding for any of the Properties;
4. Approving the Sellers' assumption and assignment of the Leases as set forth herein;
5. Waiving the stay of the effectiveness of any order granting the Motion; and
6. Providing for such other relief as is just and appropriate under the circumstances.

IV. AUTHORITY FOR RELIEF REQUESTED

A. The Proposed Sales Are Appropriate and in the Best Interests of the Debtors' Estates.

The Sellers seek to have this Motion approved pursuant to section 363 of the Bankruptcy Code. Section 363(b)(1) provides that the Sellers "after notice and a hearing may use, sell, or lease, other than in the ordinary course of business, property of the estate[.]" 11 U.S.C. § 363(b)(1). Section 105(a) provides in pertinent part that "[t]he Court may issue any order, process or judgment that is necessary and appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). Bankruptcy Rules 2002 and 6004 govern the scope of the notices to be provided in connection with the sale of property of the estate under section 363.

"A sale that is not in the ordinary course of business may be made by public auction *or* private sale." Fed. R. Bankr. P. 6004(f)(1) (emphasis added); *see also Krebs Chrysler-Plymouth,*

1 *Inc. v. Valley Motors, Inc.*, 141 F.3d 490, 498 (3d Cir. 1998); *In re Trans World Airlines, Inc.*, No.
 2 01-00056 (PJW), 2001 WL 1820326, at *4 (Bankr. D. Del. Apr. 2, 2001) (“[I]t is worth noting that
 3 a § 363(b) sale transaction does not require an auction procedure.”). As set forth in *In re Nepsco*,
 4 *Inc.*, 36 B.R. 25, 26 (Bankr. D. Me. 1983) (citations omitted):

5 [C]urrent Bankruptcy Rule [6004(f)(1)] provides that *all* sales not in the ordinary
 6 course of business may be private or by public auction. If the sale is private, all
 7 creditors receive notice of the terms and conditions of the sale and the time fixed for
 8 filing objections. [] If no objections are filed, the trustee may proceed with the sale
 9 without either a hearing or a court order. [] Clearly, the thrust of this statutory
 scheme is to provide maximum flexibility to the trustee, subject to the oversight of
 those for whose benefit he acts, *i.e.*, the creditors of the estate. This scheme also
 promotes Congress’ intent of keeping bankruptcy judges out of the administrative
 aspect of bankruptcy cases

10 As a general proposition, “[t]he proper standard for determining in the first instance if a
 11 proposed sale should be ordered is whether such sale is in the best interest of the estate.” *In re*
 12 *Planned Sys., Inc.*, 82 B.R. 919, 923 n.2 (Bankr. S.D. Ohio 1988). Importantly, bankruptcy courts
 13 have wide discretion in structuring sales of estate assets. *See, e.g., Four B. Corp. v. Food Barn*
 14 *Stores, Inc. (In re Food Barn Stores, Inc.)*, 107 F.3d 558, 565 (8th Cir. 1997).

15 Neither the Bankruptcy Code nor the Bankruptcy Rules contain specific provisions with
 16 respect to the procedures to be employed in conducting a public or private sale. Nonetheless, as
 17 one court has stated, “[i]t is a well-established principle of bankruptcy law that the objective of
 18 bankruptcy sales and the trustee’s duty with respect to such sales is to obtain the highest price or
 19 greatest overall benefit possible for the estate.” *In re Atlanta Packaging Prods., Inc.*, 99 B.R. 124,
 20 131 (Bankr. N.D. Ga. 1988).

21 The Sellers have determined that the best method of maximizing recovery for the Debtors’
 22 creditors is through a sale of the Properties (among the Debtors’ other real property), as the
 23 Proceeds from the sale of the Properties will be used to satisfy the Sellers’ obligations to Socotra
 24 once the extent and the validity of Socotra’s Claims have been determined either by agreement of
 25 the parties or order of the Court.

26 The Sellers, through the Brokers, performed aggressive marketing campaigns for the
 27 Properties that resulted in thousands of views of the property listings. As part of these campaigns,
 28 the Brokers targeted real estate investors, similar building owners, outside brokers, and other

potentially interested parties in the greater Bay Area. The Brokers also conducted well-attended open houses. Ultimately, the Brokers' marketing efforts yielded hundreds of executed non-disclosure agreements, and the Sellers received multiple offers on the Properties. The Brokers' marketing blitz was designed to promote the paramount goal of maximizing the value of sale proceeds received by the Debtors' estates through an efficient yet competitive sale process. The offers ultimately accepted by the Sellers represent the highest prices the Sellers received from the market and the efficient process through which the offers were achieved provides a great overall benefit to the Debtors' estates.

B. The Agreements Are Fair and Reasonable and Represent the Sellers' Reasonable Business Judgement.

Although section 363(b) does not provide a standard for approving a sale, the Ninth Circuit has held that the "bankruptcy court has considerable discretion in deciding whether to approve or disapprove the use of estate property by a debtor in possession, in the light of sound business justification." *Walter v. Sunwest Bank (In re Walter)*, 83 B.R. 14, 16 (9th Cir. 1988); *see also Chamberlain v. Stanziale (In re Chamberlain)*, 545 B.R. 827, 844 (D. Del. 2016) (stating that the Bankruptcy Court has "considerable discretion" for approving sales under section 363). Indeed, courts have uniformly held that approval of a proposed sale of assets of a debtor under section 363 outside the ordinary course of business and prior to the confirmation of a plan of reorganization is appropriate if a court finds that the transaction represents a reasonable business judgment on the part of the trustee or debtor in possession. *See, e.g., Off. Comm. of Unsecured Creditors v. Bouchard Transp. Co. (In re Bouchard Transp. Co.)*, 74 F.4th 743, 750, 755-56 (5th Cir. 2023); *SVP Fin. Servs. Partners LLLP v. Sky Fin. Invs. LLC*, 588 B.R. 528, 534-35 (D. Ariz. 2018); *In re Chamberlain*, 545 B.R. at 844 (citing *In re Montgomery Ward Holding Corp.*, 242 B.R. 147, 153-54 (D. Del. 1999)); *In re Delaware & Hudson Ry. Co.*, 124 B.R. 169, 176 (D. Del. 1991); *In re Verity Health Sys. of Cal., Inc.*, 598 B.R. 283, 292 (Bankr. C.D. Cal. 2018); *In re Phoenix Steel Corp.*, 82 B.R. 334, 335-36 (Bankr. D. Del. 1987) (stating that the elements necessary for approval of a section 363 sale in a chapter 11 case are "that the proposed sale is fair and equitable, that there is a good business reason for completing the sale and the transaction is in good faith").

In determining whether a debtor in possession has complied with the business judgment rule, a court must consider whether: (a) there has been “[a]ny improper or bad motive,” (b) the “price is fair and the negotiations or bidding has occurred at arm’s length,” and (c) the sale followed “[a]dequate procedures, including proper exposure to the market and accurate and reasonable notice to all parties in interest.” *In re Castre*, 312 B.R. 426, 428 (Bankr. D. Colo. 2004); *see also In re Aller*, 649 B.R. 662, 666 (Bankr. W.D. Pa. 2023); *Hernandez v. Hernandez (In re Hernandez)*, No. SC-23-1016-BCF, 2023 Bankr. LEXIS 2875, at *12 (B.A.P. 9th Cir. Dec. 6, 2023); *In re Boston Generating, LLC*, 440 B.R. 302, 330 (Bankr. S.D.N.Y. 2010). When applying the rule, “the bankruptcy court should presume that the debtor-in-possession acted prudently, on an informed basis, in good faith, and in the honest belief that the action taken was in the best interests of the bankruptcy estate.” *Agarwal v. Pomona Valley Med. Grp., Inc. (In re Pomona Valley Med. Grp., Inc.)*, 476 F.3d 665, 670 (9th Cir. 2007) (considering the rule in the context of the debtor’s decision to reject a contract).

The paramount goal of any proposed sale of property of the estate is to maximize the proceeds received by the estate. *See, e.g., Food Barn Stores*, 107 F.3d at 564-65 (8th Cir. 1997) (in bankruptcy sales, “a primary objective of the Code [is] to enhance the value of the estate at hand”); *Delannoy v. Woodlawn Colonial L.P. (In re Delannoy)*, 833 F. App’x 116, 119 (9th Cir. 2020) (“To satisfy § 363, the sale must be proposed in good faith and for a proper purpose and realize optimal value . . . for the estate under the circumstances”) (cleaned up); *Integrated Resources*, 147 B.R. at 659 (“It is a well-established principle of bankruptcy law that the . . . [Debtor’s] duty with respect to such sales is to obtain the highest price or greatest overall benefit possible for the estate”) (citation omitted); *Simantob v. Claims Prosecutor, L.L.C. (In re Lahijani)*, 325 B.R. 282, 288 (B.A.P. 9th Cir. 2005) (“The court’s obligation in § 363(b) sales is to assure that optimal value is realized by the estate under the circumstances.”). As long as the sale appears to enhance the estate, court approval of a trustee’s decision to sell should only be withheld if the trustee’s judgment is clearly erroneous, too speculative, or contrary to the provisions of the Bankruptcy Code. *GBL Holding Co., Inc. v. Blackburn/Travis/Cole, Ltd.*, 331 B.R. 251, 255 (N.D. Tex. 2005); *see also In re Lahijani*, 325 B.R. at 289 (noting that the trustee is afforded deference,

particularly where business judgment is entailed in the analysis); *In re WPRV-TV, Inc.*, 143 B.R. 315, 319 (D.P.R. 1991) *vacated*, 165 B.R. 1 (D.P.R. 1992) (“The trustee has ample discretion to administer the estate, including authority to conduct public or private sales of estate property. Courts have much discretion on whether to approve proposed sales, but the trustee’s business judgment is subject to great judicial deference.”).

Applying section 363, the proposed sales pursuant to the Agreements should be approved. As set forth above, the Sellers have determined that the sale of each of the Properties is the best method of maximizing recovery for the Debtors’ creditors. The Agreements were negotiated between the Sellers and the Purchasers in good faith and represent arm’s-length transactions between the parties. The sale prices agreed to in the Agreements represent the highest of multiple offers received by the Sellers following an aggressive marketing campaign to the public that was viewed by thousands of potential buyers, as described above. Approval of the Agreements provides a substantial benefit to the Debtors’ estates by liquidating the Properties to pay creditors and avoiding the ongoing costs and expenses associated with operating and maintaining the Properties. Accordingly, the Agreements and the terms of the proposed sales therein are reasonable, appropriate, and within the Debtors’ sound business judgment.

C. The Sales Should Be Authorized Free and Clear of Liens and Other Interests Under Section 363(f) of the Bankruptcy Code.

The Sellers submit that it is appropriate to sell the Properties free and clear of liens pursuant to section 363(f), with such liens attaching the sale proceeds of the Properties to the extent applicable, subject to any rights and defenses of the Debtors and other parties in interest with respect thereto. Section 363(f) authorizes a trustee to sell assets free and clear of liens, claims, interests, and encumbrances if:

- (1) applicable nonbankruptcy law permits sale of such property free and clear of such interest;
- (2) such entity consents;
- (3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
- (4) such interest is in bona fide dispute; or

(5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f).

Because section 363(f) is drafted in the disjunctive, satisfaction of one of its five requirements will suffice to permit the sale of the Properties “fee and clear” of liens and interests. *See In re Elliot*, 94 B.R. 343, 345 (E.D. Pa. 1988) (holding that section 363(f) written in disjunctive; court may approve sale “free and clear” provided at least one of the requirements is met); *A&D Prop. Consultants, LLC v. A&S Lending, LLC (In re Groves)*, 652 B.R. 104, 114 (B.A.P. 9th Cir. 2023) (stating same).

The sales will satisfy section 363(f)(5), which has three elements: (1) a proceeding exists or could be brought, in which (2) the nondebtor could be compelled to accept a money satisfaction of (3) its interest. *Clear Channel Outdoor, Inc. v. Knupfer (In re PW, LLC)*, 391 B.R. 25, 41 (B.A.P. 9th Cir. 2008). There is no dispute that Socotra has an “interest” via its liens against the Properties,³ satisfying the third element. *See id.* at 42. The other two elements, read together, require that “there be, or that there be the *possibility* of, some proceeding, either at law or equity, in which the nondebtor *could* be forced to accept money in satisfaction of its interest.” *Id.* at 45 (emphasis added). Courts have held that the existence of judicial and nonjudicial foreclosure and enforcement actions under state law satisfy section 363(f)(5). *See, e.g., In re Jolan, Inc.*, 403 B.R. 866, 870 (Bankr. W.D. Wash. 2009); *In re Boston Generating*, 440 B.R. at 333.

Under California law, a creditor must accept the sale proceeds from a nonjudicial foreclosure action in full satisfaction of its interest. *See Robin v. Crowell*, 55 Cal. App. 5th 727, 743 (2020); *Oxford Street Properties, LLC v. Rehabilitation Associates, LLC*, 206 Cal. App. 4th 296, 304 n.3 (2012). California Code of Civil Procedure section 580d forbids a creditor from seeking a deficiency judgment for the difference between the sale proceeds and such creditor’s secured claims. *See Crowell*, 55 Cal. App. 5th at 743 (stating that the creditor may not seek a deficiency judgment in a nonjudicial foreclosure); *Oxford Street Properties*, 206 Cal. App. 4th at 304 n.3 (stating that “once the property is sold at a [nonjudicial foreclosure], the beneficiary cannot

³ While the Debtors do not challenge the existence of Socotra’s liens, the extent and enforceability of that interest is the subject of the Committee Complaint.

claim a deficiency judgment in the judicial foreclosure proceeding”). Since a nonjudicial foreclosure is a proceeding under California law in which Socotra could be forced to accept money in full satisfaction of its interests in the Properties, the sales proposed by this Motion, pursuant to the Agreements, satisfy section 363(f)(5).

A sale free and clear of liens, claims, and encumbrances is essential to maximize the value of the Properties; otherwise, the Debtors’ estates would realize substantially less from the transaction. To ensure that the rights of lienholders like Socotra are preserved while also allowing for essential post-sale proceedings, the Debtors propose that sale proceeds be held in escrow for a 60-day period.

This escrow arrangement directly protects Socotra’s interests by securing their Claims against the Proceeds, which retain the same validity, priority, and enforceability as the liens held on the Properties prior to sale. At the same time, holding the funds in escrow enables the Committee to continue its investigation of Socotra’s involvement with certain prepetition transfers—including the \$20 million payment from a LeFever Mattson account. If the Committee ultimately pursues litigation or the parties successfully resolve the dispute in the Mediation, escrow ensures that the Proceeds are preserved and available for a fair resolution, rather than being disbursed and potentially lost to the Debtors’ estates.

Retaining the Proceeds in the Escrow Accounts balances the interests of all parties: Socotra’s position as lienholder is protected; the Debtors and Committee gain necessary time to pursue potential causes of action; and the estates’ creditors and stakeholders are assured that no party’s rights are unfairly prejudiced by the immediate distribution of the Proceeds.

Accordingly, the Debtors respectfully request approval of this escrow arrangement, which is tailored to maximize the value of the Properties, safeguard the Claims, and promote a fair and orderly process for all parties in interest.

D. Lienholder Credit Bidding

Under applicable bankruptcy law, secured creditors who do not consent to a sale of property on which they hold an uncontested lien have the option to credit bid their claim as part of the purchase price. *See* 11 U.S.C. § 363(k). While a lienholder that credit bids gets a credit against

the full purchase price for the amount of its debt, the lienholder must pay the bankruptcy estate the balance of the purchase price in cash (or assume the same debts as the Sellers' chosen purchaser, which is not relevant in the present transactions).

In light of the Committee's allegations in the Committee Complaint, the Sellers assert that Socotra should not be permitted to credit bid. If a settlement cannot be reached prior to the hearing on this Motion (the "Hearing") (which will follow the Mediation), the Debtors expect that the Committee will file the Committee Complaint prior to the Hearing, thus contesting the validity of the Claims and negating Socotra's statutory right to credit bid. *See* 11 U.S.C. § 502(a).

E. The Leases Should Be Assumed and Assigned by the Purchaser.

Bankruptcy Code section 365(a) authorizes a debtor in possession, "subject to the court's approval," to "assume or reject any executory contract or unexpired lease of the debtor." Courts review a debtor's decision to assume an executory contract under the "business judgment standard." *See, e.g., In re Pomona Valley Med. Grp.*, 476 F.3d at 670 (applying the Ninth Circuit's interpretation of the business judgment rule in evaluating a rejection decision under section 365(a)); *Orion Pictures Corp. v. Showtime Networks (In re Orion Pictures Corp.)*, 4 F.3d 1095, 1099 (2d Cir. 1993) (applying business judgment rule in context of assumption of a contract); *In re Player's Poker Club, Inc.*, 636 B.R. 811, 816 (Bankr. C.D. Cal. 2022) (applying the Ninth Circuit's interpretation of the business judgment rule in evaluating a rejection of a nonresidential real property lease and parking area license under section 365(a)).

As a general matter, the business judgment rule is satisfied in the Ninth Circuit where a company's directors acted on an "informed basis, in good faith and in the honest belief that the action taken was in the best interest of the company." *See, e.g., Tindall v. First Solar*, 892 F.3d 1043, 1047 (9th Cir. 2018) (quoting *Gantler v. Stephens*, 965 A2d 695, 705-06 (Del. 2009)); *In re Pomona Valley Med. Grp.*, 476 F.3d at 670; *In re MF Global Ltd.*, 535 B.R. 596, 605 (Bankr. S.D.N.Y. 2015); *see also, e.g., Comm. of Asbestos-Related Litigants v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986) ("Where the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor's conduct.").

In applying the business judgment rule under section 365(a), “the bankruptcy court should presume that the debtor-in-possession acted prudently, on an informed basis, in good faith, and in the honest belief that the action taken was in the best interests of the bankruptcy estate.” *In re Pomona Valley Med. Grp.*, 476 F.3d at 670; see also 3 *Collier on Bankruptcy* ¶ 365.03 (noting that the *In re Pomona Valley Med. Group* court’s broad reading of the business judgment rule in the context of executory contract rejection “presumably [applied to] assumption as well”). The Court should approve the decision to reject or assume a contract under section 365 unless it finds that the decision “is so manifestly unreasonable that it could not be based on sound business judgment, but only on bad faith, or whim or caprice.” *In re Pomona Valley Med. Grp.*, 476 F.3d at 670 (quoting *Lubrizol Enter. v. Richmond Metal Finishers*, 756 F.2d 1043, 1047 (4th Cir. 1985)).

If there has been a default under an unexpired lease, section 365(b)(1) requires that, before a debtor in possession may assume that lease, it must cure the default or provide adequate assurance that it will promptly do so (section 365(b)(1)(A)); compensate, or provide adequate assurance that it will promptly compensate the other party for any actual pecuniary loss it suffered from the default (section 365(b)(1)(B)); and provide adequate assurance of future performance under the lease (section 365(b)(1)(C)).

Under section 365(f)(1), the debtor in possession may assign an unexpired lease, so long as the requirements of subsection (f)(2) are met. Under section 365(f)(2), the debtor in possession may assign an unexpired lease so long as it assumes the lease “in accordance with the provisions of this section” (section 365(f)(2)(A)) and provides “adequate assurance of future performance by the assignee . . . whether or not there has been a default in [the] lease” (section 365(f)(2)(B)).

The meaning of “adequate assurance of future performance” depends on the facts and circumstances of each case, but should be given practical, pragmatic construction. See, e.g., *Smart Cap. Invs. I, LLC v. Hawkeye Ent., LLC (In re Hawkeye Ent., LLC)*, 49 F.4th 1232, 1237, 1240 (9th Cir. 2022); *In re Fleming Cos.*, 499 F.3d 300, 307 (3d Cir. 2007); *EBG Midtown S. Corp. v. McLaren/Hart Envt’l. Eng’g Corp. (In re Sanshoe Worldwide Corp.)*, 139 B.R. 585, 592 (S.D.N.Y. 1992).

1 Among other things, adequate assurance may be provided by demonstrating the assignee's
2 financial health and experience in managing the type of enterprise or property assigned. *See, e.g.,*
3 *In re Bygaph, Inc.*, 56 B.R. 596, 605-06 (Bankr. S.D.N.Y. 1986) (finding adequate assurance of
4 future performance present when prospective assignee of lease from debtor has financial resources
5 and has expressed willingness to devote sufficient funding to business in order to give it a strong
6 likelihood of succeeding).

7 The Sellers submit that it is an exercise of their sound business judgment to assume and
8 assign the Leases to the Purchasers, as applicable, in connection with the consummation of the
9 sales, as the assumption and assignment increases the purchase price, and the assumptions,
10 assignments, and sales of the Leases to such Purchasers are in the best interests of the Debtors,
11 their estates, their creditors, and all parties in interest. Due to the Lease Properties' nature as
12 income properties, the assignment of the Leases to the Purchasers contributes significantly to the
13 Lease Properties' values, and accordingly, such assumptions, assignments, and sales of the Leases
14 are reasonable and enhance the value of the Debtors' estates.

15 To the extent that any defaults by the Sellers exist under the Leases, any such default will
16 be promptly cured, or adequate assurance that such default will be cured will be provided, by the
17 Purchaser of such Property prior to the assumption and assignment. In support, the Sellers are
18 submitting, concurrently with this Motion, the Purchasers' Declarations, which show the financial
19 credibility of the Purchasers, as applicable, and their willingness and ability to perform under the
20 Leases. The sale hearing will provide the Court and other interested parties the opportunity to
21 evaluate and, if necessary, challenge the ability of the Purchasers, as applicable, to provide
22 adequate assurance of future performance under the Leases, as required under sections
23 365(b)(1)(C) and 365(f)(2)(B) of the Bankruptcy Code.

24 The Sellers submit that the cure procedures set forth herein are appropriate, are reasonably
25 calculated to provide notice to any affected party, afford the affected party the opportunity to
26 exercise any rights affected by the Agreement, and are consistent with section 365 of the
27 Bankruptcy Code. To the extent that any defaults by the Sellers exist under any Lease, any such
28 default will be cured by the applicable Purchaser. Accordingly, the Sellers submit that the cure

procedures for effectuating the assumption and assignment of the Leases as set forth herein are appropriate and should be approved. The Court should therefore authorize the Sellers to assume and assign the Lease as set forth herein.

F. Relief from the 14-Day Stay Under Bankruptcy Rules 6004(h) Is Appropriate.

Bankruptcy Rule 6004(h) provides that “[u]nless the court orders otherwise, an order authorizing the use, sale, or lease of property . . . is stayed for 14 days after the order is entered.” Fed. R. Bankr. P. 6004(h). Similarly, under Bankruptcy Rule 6006(d), unless the Court orders otherwise, all orders authorizing the assignment of contracts or unexpired leases are automatically stayed for fourteen days after entry of the order. The purpose of Bankruptcy Rule 6004(h) and 6006(d) is to provide sufficient time for an objecting party to appeal before an order can be implemented. *See* Advisory Committee Notes to Fed. R. Bankr. P. 6004; Advisory Committee Notes to Fed. R. Bankr. P. 6006. Although Bankruptcy Rule 6004(h), 6006(d), and the Advisory Committee Notes are silent as to when a court should “order otherwise” and eliminate or reduce the 14-day stay period, *Collier* suggests that the 14-day stay period should be eliminated to allow a sale or other transaction to close immediately “where there has been no objection to the procedure.” *Collier on Bankruptcy*, ¶ 6004.11 (Alan N. Resnick & Henry J. Sommer eds., 16th ed.). Furthermore, *Collier* provides that if an objection is filed and overruled, and the objecting party informs the court of its intent to appeal, the stay may be reduced to the amount of time actually necessary to file such an appeal. *Id.* The Sellers hereby request that the Court waive the 14-day stay period under Bankruptcy Rule 6004(h), or, in the alternative, if an objection to the Motion is filed, reduce the stay period to the minimum time needed by the objecting party to file its appeal.

V. NOTICE

Notice of this Motion will be provided to (i) the United States Trustee; (ii) the Committee; (iii) Socotra; (iv) KSMP; (v) any other parties with liens on the Properties; (vi) all creditor and equity holders of the Sellers; (vii) the Purchasers; (viii) the Lease counter-parties; and (ix) those persons who have formally appeared in these Chapter 11 Cases and requested service pursuant to Bankruptcy Rule 2002 (the “Notice Parties”). Based on the circumstances surrounding this Motion

1 and the nature of the relief requested herein, the Sellers respectfully submit that no further notice
2 is required.

3 **WHEREFORE**, the Sellers respectfully request that the Court enter the Proposed Order
4 substantially in the form attached hereto as **Exhibit A**.

5 Dated: September 5, 2025

KELLER BENVENUTTI KIM LLP

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7 By: /s/ Gabrielle L. Albert

8 Gabrielle L. Albert

9 *Attorneys for the Debtors and Debtors in*
10 *Possession*

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EXHIBIT A

(see attached)

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Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SANTA ROSA DIVISION**

In re:

LEFEVER MATTSON, a California
corporation, *et al.*,¹

Debtors.

In re

KS MATTSON PARTNERS, LP,

Debtor.

Lead Case No. 24-10545 (CN)
(Jointly Administered)
Chapter 11

**[PROPOSED] ORDER APPROVING
MOTION OF DEBTORS FOR SALE
OF CERTAIN REAL PROPERTY
SERVING AS COLLATERAL FOR
SOCOTRA CAPITAL, INC. FREE
AND CLEAR OF LIENS, CLAIMS
AND ENCUMBRANCES AND
RELATED RELIEF**

Date: October 3, 2025

Time: 11:00 a.m.

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

Secured Lender: Socotra Capital, Inc.

¹ The last four digits of LeFever Mattson's tax identification number are 7537. The last four digits of the tax identification number for KS Mattson Partners, LP ("KSMP") are 5060. KSMP's address for service is c/o Stapleton Group, 514 Via de la Valle, Solana Beach, CA 92075. The address for service on LeFever Mattson and all other Debtors is 6359 Auburn Blvd., Suite B, Citrus Heights, CA 9562. 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>.

Upon consideration of the *Motion of Debtors for Sale of Certain Real Property Serving as Collateral for Socotra Capital, Inc. Free and Clear of Liens, Claims and Encumbrances and Related Relief* (the “Motion”),² filed by Windscape Apartments, LLC (“Windscape”), Golden Tree, LP (“Golden Tree”), Firetree I, LP (“Firetree I”), and Firetree III, LP (“Firetree III” and together with Windscape, Golden Tree, and Firetree I, the “Sellers”); the Court having reviewed the Motion and the Sharp, Brokers’, and Purchasers’ Declarations, and having considered the statements of counsel and the evidence adduced with respect to the Motion at a hearing before the Court (the “Hearing”); and the Court having found that (i) the Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334, and the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24 and Rule 5011-1(a) of the Bankruptcy Local Rules for the United States District Court for the Northern District of California; (ii) venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409; (iii) this is a core proceeding pursuant to 28 U.S.C. § 157(b); (iv) notice of the Motion and the Hearing was sufficient under the circumstances; and after due deliberation the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, and their creditors; and good and sufficient cause having been shown;

IT IS HEREBY ORDERED THAT:

1. The Motion is granted.
2. The proposed sale of the Napa Street Property located at 900 East Napa Street, Sonoma, California to Mitchell B. Fong and Denise M. Walsh, pursuant to the terms of the Napa Street Agreement attached hereto as Exhibit 1, is approved.
3. The Napa Street Purchasers’ offer was the highest and otherwise best offer for the Napa Street Property.
4. The proposed sale of the 7th Street Property located at 19340 7th Street East, Sonoma, California to Kyle Nagel, pursuant to the terms of the 7th Street Agreement attached hereto as Exhibit 2, is approved.

² Capitalized terms not otherwise defined herein shall have the meanings given to them in the Motion.

1 5. The 7th Street Purchaser's offer was the highest and otherwise best offer for the 7th
2 Street Property.

3 6. The proposed sale of the 2nd Street Property located at 424 2nd Street West,
4 Sonoma, California to Kevin Keiser and Julia Keiser, pursuant to the terms of the 2nd Street
5 Agreement attached hereto as Exhibit 3, is approved.

6 7. The 2nd Street Purchasers' offer was the highest and otherwise best offer for the
7 2nd Street Property.

8 8. The proposed sale of the Sonoma Highway Property located at 17700 Sonoma
9 Highway, Sonoma, California to Sean S. Payne, Trustee of the Sean S. Payne Trust Dated October
10 31, 2024, pursuant to the terms of the Sonoma Highway Agreement attached hereto as Exhibit 4,
11 is approved.

12 9. The Sonoma Highway Purchaser's offer was the highest and otherwise best offer
13 for the Sonoma Highway Property.

14 10. The proposed sale of the Arnold Drive Property located at 24321 Arnold Drive,
15 Sonoma, California to I Heart Sonoma, LLC, pursuant to the terms of the Arnold Drive Agreement
16 attached hereto as Exhibit 5, is approved.

17 11. The Arnold Drive Purchaser's offer was the highest and otherwise best offer for the
18 Arnold Drive Property.

19 12. The proposed sale of the Napa Road Property located at 1025 Napa Road, Sonoma,
20 California to I Heart Sonoma, LLC, pursuant to the terms of the Napa Road Agreement attached
21 hereto as Exhibit 6, is approved.

22 13. The Napa Road Purchaser's offer was the highest and otherwise best offer for the
23 Napa Road Property.

24 14. The Motion has been served on all Notice Parties.

25 15. Pursuant to the Motion and section 363(f) of the Bankruptcy Code, the sale of the
26 Properties to the respective Purchasers shall be free and clear of liens, claims and encumbrances
27 to the extent provided under the Bankruptcy Code, with any such liens or encumbrances of any
28

kind or nature to attach to the net proceeds of the sale in the order of their priority, with the same validity, force and effect which they had immediately prior to the sale as against such Property.

16. The Sellers shall pay directly from escrow the Closing Costs and any other uncontested liens, if any, senior in priority to that of Socotra's liens.

17. At the close of the sale of each of the Properties, the Seller of such Property shall deposit the balance of the sale proceeds in the segregated, interest-bearing Escrow Accounts at Axos Bank, for 60 days from the Closing Date, subject to extension by order of the Court.

18. The Sellers are authorized to fully assume, perform under, consummate and implement the sale agreements and all additional instruments and documents that may be reasonably necessary or desirable to implement the sales, including the purchase and sale agreements and escrow instructions.

19. Pursuant to Bankruptcy Code sections 363(k) and 502(a), Socotra is prohibited from credit bidding for the Properties.

20. Pursuant to Bankruptcy Code section 365(a), the Sellers are authorized to assume the Leases identified in the Motion.

21. Pursuant to Bankruptcy Code section 365(f), the Sellers are authorized to assign the Leases to the Purchasers, as set forth in the Motion, and, pursuant to Bankruptcy Code section 365(k), the Sellers shall be relieved from any liability for any breach of the lease after such assignment, both effective upon the closing of such sale.

22. The Sellers, and any escrow agent upon the Sellers' written instruction, shall pay directly from escrow upon closing (i) all Closing Costs, including but not limited to, the real estate commission of the Brokers and FTI's advisory and transaction fee, subject to paragraph 11 of the *Order Authorizing Employment of FTI Consulting, Inc. as Real Estate Advisors, Effective as of November 12, 2024* [Dkt. No. 641], costs of sale, and escrow costs and (ii) any outstanding property taxes.

23. This Order shall be effective immediately upon entry, and any stay of orders provided for in Bankruptcy Rules 6004 or 6006 or any other provision of the Bankruptcy Code or Bankruptcy Rules is expressly lifted. The Sellers are not subject to any stay in the implementation,

1 enforcement or realization of the relief granted in this Order, and may, in their discretion and
2 without further delay, take any action and perform any act authorized under this Order.

3 24. Nothing contained in the Motion or this Order is intended to be or shall be construed
4 as (i) an admission as to the validity of any claim against the Debtors; (ii) a waiver of the Debtors'
5 or any appropriate party in interest's rights to dispute the amount of, basis for, or validity of any
6 claim against the Debtors; (iii) a waiver of any claims or causes of action that may exist against
7 any creditor or interest holder; or (iv) an approval, assumption, adoption, or rejection of any
8 agreement, contract, lease, program, or policy, other than those identified in the Motion, between
9 the Debtors and any third party under section 365 of the Bankruptcy Code.

10 25. The Sellers are hereby authorized to take such actions and to execute such
11 documents as may be necessary to implement the relief granted by this Order.

12 26. The Sellers are authorized to make non-substantive changes to the documents
13 referenced herein without further order of the Court, including, without limitation, changes to
14 correct typographical and grammatical errors and to make conforming changes among the
15 aforementioned documents prior to their distribution.

16 27. The Court retains exclusive jurisdiction with respect to all matters arising from or
17 related to the implementation, interpretation, and enforcement of this Order.

18 ** END OF ORDER **
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Exhibits 1-6

Exhibits 1-6 to the Proposed Order are attached to the *Declaration of Bradley D. Sharp in Support of Motion of Debtors for Sale of Certain Real Property Serving as Collateral for Socotra Capital, Inc. Free and Clear of Liens, Claims and Encumbrances and Related Relief* filed concurrently herewith as Exhibits A-F.