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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SANTA ROSA DIVISION

In re

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

Debtors.

In re

KS MATTSON PARTNERS, LP,

Debtor.

Case No. 24-10545 CN (Lead Case)

(Jointly Administered)

Chapter 11

DISCLOSURE STATEMENT IN SUPPORT OF JOINT CHAPTER 11 PLAN OF LIQUIDATION

Date: November 19, 2025
Time: 11:00 a.m. (Pacific Time)
Place: United States Bankruptcy Court
1300 Clay Street, Courtroom 215
Oakland, CA 94612
Judge: Hon. Charles Novack

JOINT PLAN PROPONENTS

LEFEVER MATTSON DEBTORS
KELLER BENVENUTTI KIM LLP
Tobias S. Keller (Cal. Bar No. 151445)
David A. Taylor (Cal. Bar No. 247433)
Dara L. Silveira (Cal. Bar No. 274923)
Thomas B. Rupp (Cal. Bar No. 278041)
101 Montgomery Street, Suite 1950
San Francisco, California 94104
Telephone: (415) 496-6723
E-mail: tkeller@kbkllp.com
dtaylor@kbkllp.com
dsilveira@kbkllp.com
trupp@kbkllp.com

KSMP DEBTORS
HOGAN LOVELLS US LLP
Richard L. Wynne (Cal. Bar No. 120349)
Erin N. Brady (Cal. Bar No. 215038)
Edward J. McNeilly (Cal. Bar No. 314588)
Todd M. Schwartz (Cal. Bar No. 288895)
1999 Avenue of the Stars, Suite 1400
Los Angeles, California 90067
Telephone: (310) 785-4600
Email: richard.wynne@hoganlovells.com
erin.brady@hoganlovells.com
edward.mcneilly@hoganlovells.com
todd.schwartz@hoganlovells.com

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
PACHULSKI STANG ZIEHL & JONES LLP
Debra I. Grassgreen (Cal Bar. No. 169978)
John D. Fiero (Cal. Bar No. 136557)
Jason H. Rosell (Cal. Bar No. 269126)
Steven W. Golden (admitted *pro hac vice*)
Brooke E. Wilson (Cal. Bar No. 354614)
One Sansome Street, 34th Floor, Suite 3430
San Francisco, California 94104
Telephone: (415) 263-7000
Email: LMCommittee@pszjlaw.com

DISCLAIMER

THIS DISCLOSURE STATEMENT PROVIDES INFORMATION REGARDING THE *JOINT CHAPTER 11 PLAN OF LEFEVER MATTSON, KS MATTSON PARTNERS, AND THEIR AFFILIATED DEBTORS PROPOSED BY THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS*, WHICH PLAN THE LFM DEBTORS, THE KSMP DEBTORS, AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS ARE SEEKING TO HAVE CONFIRMED BY THE BANKRUPTCY COURT. THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES TO, AND CONFIRMATION OF, THE PLAN AND MAY NOT BE RELIED ON FOR ANY OTHER PURPOSE. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION OR RECOMMENDATION BY THE BANKRUPTCY COURT REGARDING THE FAIRNESS OR THE MERITS OF THE PLAN.

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THE PLAN PROPONENTS MAKE STATEMENTS IN THIS DISCLOSURE STATEMENT THAT MAY BE CONSIDERED FORWARD-LOOKING STATEMENTS UNDER THE FEDERAL SECURITIES LAWS. STATEMENTS CONCERNING THESE AND OTHER

MATTERS ARE NOT GUARANTEES AND REPRESENT THE DEBTORS' ESTIMATES AND ASSUMPTIONS ONLY AS OF THE DATE SUCH STATEMENTS WERE MADE AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER UNKNOWN FACTORS THAT COULD IMPACT THE PLAN PROPONENTS' PLAN OR DISTRIBUTIONS THEREUNDER. IN ADDITION TO STATEMENTS THAT EXPLICITLY DESCRIBE SUCH RISKS AND UNCERTAINTIES, READERS ARE URGED TO CONSIDER STATEMENTS LABELED WITH THE TERMS "BELIEVES," "BELIEF," "EXPECTS," "INTENDS," "ANTICIPATES," "PLANS," OR SIMILAR TERMS TO BE UNCERTAIN AND FORWARD-LOOKING. CREDITORS AND OTHER INTERESTED PARTIES SHOULD ALSO REVIEW THE SECTION OF THIS DISCLOSURE STATEMENT ENTITLED "RISK FACTORS" FOR A DISCUSSION OF CERTAIN FACTORS THAT MAY AFFECT THE PLAN AND DISTRIBUTIONS THEREUNDER.

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THE EXHIBITS ATTACHED TO THIS DISCLOSURE STATEMENT ARE INCORPORATED BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN

I.

INTRODUCTION

LeFever Mattson, a California corporation ("LFM"), its affiliated debtors and debtors in possession (collectively with LFM, the "LFM Debtors"); KS Mattson Partners, LP ("KSMP" and, together with the LFM Debtors, the "Debtors"); and the Official Committee of Unsecured Creditors appointed in the above-captioned chapter 11 cases (the "Cases") to represent the interests of unsecured creditors and investors of the Debtors (the "Committee" and, together with the Debtors, the "Plan Proponents") hereby submit this Disclosure Statement pursuant to sections 1125 and 1126(b) of the Bankruptcy Code, in connection with the solicitation of votes on the *Joint Chapter 11 Plan of Liquidation* (as amended, modified, or supplemented from time to time pursuant to its terms, the "Plan"). A copy of the Plan is attached hereto as **Exhibit A**.[1] **The Debtors and the Committee support confirmation of the Plan.**

This Disclosure Statement describes the historical background that led to the commencement of the Cases, explains what has happened during the Cases, and sets forth the Plan's proposed treatment of creditors, including those holding or asserting investments in or with the Debtors and/or claims related to such investments ("Investors"). The purpose of this Disclosure Statement is to enable Investors and other creditors whose claims are impaired under the Plan and who are entitled to vote on the Plan to make an informed decision when choosing to accept or reject the Plan. This Disclosure Statement describes the terms and provisions of the Plan, the effects of confirmation of the Plan, the risk factors associated with the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting and election procedures that Investors and other creditors entitled to vote under the Plan must follow for their votes to be counted.

[1] The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between the summary herein and the Plan, the Plan shall govern. All capitalized terms used but not defined herein shall have the meanings provided to such terms in the Plan.

A. Overview of the Plan

1. General Structure of the Plan

A bankruptcy plan is a vehicle for satisfying the rights of holders of claims against and equity interests in a debtor. Confirmation of a plan is the overriding purpose of a chapter 11 case. Upon confirmation and effectiveness, a plan becomes binding on the debtor and all of its creditors and equity interest holders, whether or not they voted to accept the plan.

Since the Committee's appointment, the Debtors and the Committee, through months of cooperation, information gathering, and negotiation for the benefit of all Investors and other creditors, reached a global resolution, embodied in the proposed Plan, aimed at: (i) mitigating the damage inflicted on Investors by Mr. Kenneth Mattson's financial misconduct and (ii) developing a level playing field that treats Investors as equally and fairly as possible and provides them a recovery as quickly as possible.

The Debtors and the Committee have conducted a comprehensive joint investigation into the prepetition conduct of the Debtors, their principals, and relevant third parties (the "Investigation"). As part of their Investigation, the Plan Proponents have issued more than 30 subpoenas, collected more than one million documents, and reviewed more than __ filed proofs of claim and __ filed proofs of interest.

As a result of the Investigation, the Debtors and the Committee have reached the following material conclusions, among others:

1. The Debtors operated a **Ponzi scheme**, a central feature of which was a bank account maintained at Bank of the West (subsequently acquired by BMO Bank) ending in 1059 and primarily controlled by Mr. Mattson (the "1059 Account").
2. The Debtors' books and records are **incomplete**, such that determining with certainty the ownership structure of each Debtor would be cost prohibitive ***and may not be possible***.
3. The Debtors' prepetition operations involved a **vast array of intercompany transactions and transfers** among the Debtors that would be cost-prohibitive to untangle and validate, ***if such disentanglement is even possible***.

4. The Debtors **routinely moved real estate from one entity to another entity**, which may have also artificially inflated the value of certain properties and enabled Mr. Mattson to place **undisclosed loans** on properties.

Under the circumstances, the Debtors and the Committee have determined that it is in the best interests of the Debtors' Investors and other creditors to propose a global settlement (the "Global Settlement")—to be effectuated through the proposed Plan—that treats Investors and other creditors fairly without incurring the considerable additional professional fees and costs that would be necessary to attempt to fully disentangle the Debtors. A comprehensive discussion of the Global Settlement is attached hereto as **Exhibit E** (the "Investigation Report").

The Debtors and the Committee have negotiated the Plan and Global Settlement. The Global Settlement avoids the delay, risk, and cost of litigating substantive consolidation (as defined below) and the scope and start date of the Ponzi scheme. The Global Settlement embodied in the Plan acknowledges the wide-ranging Ponzi scheme and provides for substantive consolidation of all the Debtors' estates into LFM.

The Plan provides for a single class of Investor Claims (not subclasses for each Debtor): Class 6. The Plan treats all Investors the same, as holders of tort claims against the Debtors, regardless of the nature or documentation of their investment and regardless of whether their investment is recorded in the Debtors' books and records. This Investor class will vote as one class to accept or reject the Plan, so that the overall will of the Investor community is captured. If Class 6 accepts the Plan, the Debtors and the Committee will move forward with confirmation of the Plan, including the substantive consolidation of the Debtors. If the Investor class rejects the Plan, the Debtors and the Committee will **not** move forward with the Plan. In the event Class 6 rejects the Plan, the Debtors and Committee will need to incur additional fees and expenses to develop an alternative path forward.

The proposed Plan is **a "single pot" plan**, meaning that it pools and consolidates all of the assets and liabilities of all of the Debtors for distribution purposes.[2] This pooling is known as

[2] By way of example, if Entity A holds $100 of assets and owes $0 of liabilities, and Entity B holds $0 of assets and owes $100 of liabilities, and if those two entities are substantively consolidated, the resulting entity will hold $100 of assets and owe $100 of liabilities.

substantive consolidation. Under the Plan, no third parties—including Mr. Mattson and Mr. Timothy LeFever—will receive a release for their conduct related to the Debtors.

The Plan further provides, in accordance applicable Ponzi scheme case law, that Investor claims will be "netted" to make sure all Investors are treated fairly. Specifically, pursuant to the Global Settlement, each Investor will receive (a) a claim for the total amount of money (or value of property) it invested in the Debtors over time *less* the total amount of any distributions the Investor received over the **seven years** prior to September 12, 2024 (referred to as the **Investor Tranche 1 Claim**) and (b) a separate claim for the amount of those deducted distributions (referred to as the **Investor Tranche 2 Claim**). The Plan provides that Investors will first receive their *pro rata* distribution of available assets on account of their Investor Tranche 1 Claim. If and when each Investor Tranche 1 Claim is paid in full, Investors will then receive their *pro rata* distribution of available assets on account of their Investor Tranche 2 Claim.

A key consideration of the Global Settlement is that rather than net distributions from the suspected Ponzi start date (more than a decade ago), the Investor Tranche 1 Claim will be calculated based on payments made to Investors ***seven years*** prior to September 12, 2024. In other words, under the Global Settlement, an Investor that has received distributions from the Debtors for 15 years will have its claim reduced by the amount of distributions over the last seven years, not the full 15 years. This is necessary because of the state of the business records, the costs required to net the claims from an earlier date, and to assure all Investors are treated the same.

To effectuate distributions to Investors, the Plan provides for the creation of the Plan Recovery Trust. The Plan Recovery Trust will take ownership of the Debtors' assets, sell or otherwise dispose of those assets to generate cash, and distribute that cash to Investors. The Plan Recovery Trust also will own litigation claims against third parties, ***including Mr. Mattson and Mr. LeFever***, and may generate cash through prosecution or settlement of those claims. The Plan Recovery Trust will distribute cash to Investors and creditors over time, as it monetizes the Plan Recovery Trust Assets.

The Plan Recovery Trust will also hold certain litigation claims known as "Contributed Claims." Contributed Claims include all Causes of Action that are legally assignable (including Causes of Action that are legally assignable solely because of the preemptive effect of the Plan) that an

Investor has against any Person that is not a Debtor and that are related in any way to the Debtors, their predecessors, their respective affiliates, or any Excluded Parties. Investors will automatically contribute their Contributed Claims to the Plan Recovery Trust—and become a Contributing Claimant—if they vote to accept the Plan and do not opt out of the Contributed Claim Election. Only Contributing Claimants will be entitled to receive a pro rata share of Class D Plan Recovery Trust Units. Investors may wish to contribute their claims because combining all Contributed Claims and similar Plan Recovery Trust Actions may allow those claims to be pursued and resolved more efficiently and effectively.

The Plan Proponents believe that the settlement reflected in the Plan provides the best prospect for Investors and other creditors to maximize their recoveries from the Debtors' estates, and to receive those distributions as soon as reasonably possible.

2. Summary of Treatment of Claims and Equity Interests Under the Plan

The table below summarizes the classification and treatment of Claims and Equity Interests under the Plan. **THE PROJECTED RECOVERIES FOR CLAIMS SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY. ACTUAL RECOVERIES MAY DIFFER.**[3] For a complete description of the classification and treatment of Claims and Equity Interests, reference should be made to the Plan.

[3] *See* Plan Recovery Analysis included as part of **Exhibit C** attached hereto.

CLASS	DESCRIPTION	IMPAIRMENT	ENTITLED TO VOTE?	PROJECTED RECOVERY
None	Administrative Claims	Unimpaired	No	100%
None	DIP Claims	Unimpaired	No	100%
None	Priority Tax Claims	Unimpaired	No	100%
Class 1	Priority Claims	Unimpaired	No	100%
Class 2	Other Secured Claims	Unimpaired	No	100%
Class 3	Sold Property Secured Lender Claims[4]	Impaired	Yes	100%
Class 4	Retained Property Secured Lender Claims[5]	Impaired	Yes	100%
Class 5	Trade Claims	Impaired	Yes	100%
Class 6	Investor Claims	Impaired	Yes	%- %
Class 7	Intercompany Claims	Impaired	No	0%
Class 8	Equitably Subordinated Claims	Impaired	No	0%
Class 9	Equitably Subordinated Interests	Impaired	No	0%

THE PLAN PROPONENTS BELIEVE THAT THE PLAN IS FAIR AND EQUITABLE, WILL MAXIMIZE RECOVERIES TO INVESTORS AND OTHER CREDITORS, AND IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR STAKEHOLDERS. THE PLAN ALSO IS THE PRODUCT OF THE PLAN PROPONENTS' EXTENSIVE NEGOTIATIONS.

FOR THESE REASONS, THE PLAN PROPONENTS URGE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE TO TIMELY RETURN THEIR BALLOTS AND TO VOTE TO ACCEPT THE PLAN.

B. Plan Voting Instructions and Procedures

1. Voting Rights

Under the Bankruptcy Code, only classes of claims or interests that are "impaired" and that are not deemed as a matter of law to have rejected a plan under section 1126 of the Bankruptcy Code are entitled to vote to accept or reject such plan. Any class that is "unimpaired" is not entitled to vote to accept or reject a plan and is conclusively presumed to have accepted the plan. As set forth in section 1124 of the Bankruptcy Code, a class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified or altered by the proposed plan. Holders of claims or interests within an impaired class are entitled to vote to accept or reject a plan if such claims or interests are "allowed" under section 502 of the Bankruptcy Code. **Simply put**: not everyone gets to vote on the Plan. In some cases, the law already assumes an answer—either yes (if

[4] For voting purposes and to comply with section 1122(a) of the Bankruptcy Code, each Allowed Sold Property Secured Lender Claims shall be deemed to be in its own subclass. A listing of Sold Property Secured Lender Claims will be included in the forthcoming Plan Supplement.

[5] For voting purposes and to comply with section 1122(a) of the Bankruptcy Code, each Allowed Retained Property Secured Lender Claim shall be deemed to be in its own subclass. A listing of Retained Property Secured Claims will be included in the forthcoming Plan Supplement.

one's rights aren't being changed) or no (if one will not receive or retain any property). But if one's rights are being changed by the Plan, and if that person's claims qualify as "allowed," then that person will have the right to cast a vote.

Under the Bankruptcy Code, acceptance of a plan by a class of claims is determined by calculating the number and the amount of allowed claims voting to accept the plan. Acceptance by a class of claims requires (i) more than one-half of the number of total allowed claims voting in the class to vote in favor of the plan *and* (ii) at least two-thirds in dollar amount of the total allowed claims voting in the class to vote in favor of the plan. Only those non-insider holders that actually vote to accept or reject the plan are counted for purposes of determining whether these dollar and number thresholds are met. Thus, for a class to accept the Plan, it is necessary that a majority of those **voting** and at least two-third of the dollars represented by those votes say "yes." .

Pursuant to the Plan, Claims in Class 3 (Sold Property Secured Claims), Class 4 (Retained Property Secured Claims), Class 5 (Trade Claims), and Class 6 (Investor Claims) are impaired and entitled to receive distributions. Holders of Claims in those Classes—as of the dates specified in the Solicitation Procedures Order (the "Voting Record Date")—may vote on the Plan.

Under the Plan, the remaining classes are not entitled to vote. Claims in Class 1 (Priority Claims) and Class 2 (Other Secured Claims) are unimpaired by the Plan—they will be paid in full—and are therefore conclusively presumed to have accepted the Plan without a vote. Claims in Class 7 (Intercompany Claims), Class 8 (Equitably Subordinated Claims), and Class 9 (Equitably Subordinated Interests) will not receive or retain any property under the Plan and are therefore deemed to have rejected the Plan without a vote. In short, Classes 1 and 2 are treated as if they voted "yes," while Classes 7, 8, and 9 are treated as if they voted "no."

2. Solicitation Materials

The Debtors, with the approval of the Bankruptcy Court, have engaged Verita Global (the "Voting Agent") to serve as the voting agent to process and tabulate Ballots and to generally manage the voting process. The following materials constitute the solicitation package to be received by Holders of Claims entitled to vote on the Plan (the "Solicitation Package"):

- A cover letter describing the contents of the Solicitation Package and directing parties to the website at which they may view the Disclosure Statement and the exhibits thereto, including the Plan and the exhibits attached thereto;
- the Bankruptcy Court order approving this Disclosure Statement (the "Solicitation Procedures Order") (excluding exhibits);
- For Holders of Class 6 Investor Claims only, the Plan Summary;
- The notice of, among other things, (i) the date, time, and place of the hearing to consider Confirmation of the Plan and related matters and (ii) the deadline for filing objections to Confirmation of the Plan (the "Confirmation Hearing Notice");
- One or more Ballots, to be used in voting to accept or to reject the Plan and, in the case of Investors the applicable instructions to vote (the "Voting Instructions");[6]
- A pre-addressed, postage prepaid return envelope; and
- Such other materials as the Bankruptcy Court may direct or approve.

The Debtors, through the Voting Agent, will distribute the Solicitation Package in accordance with the Solicitation Procedures Order. The Solicitation Package, exclusive of Ballots, is also available without charge on the Debtors' restructuring website at https://veritaglobal.net/LM.

On or before the date that is twenty-one (21) days before the Voting Deadline (defined below), the Plan Proponents will file a Plan Supplement that will contain additional information relating to the Plan and its implementation, including the Plan Recovery Trust Agreement. You are encouraged to read the Plan Supplement and its attachments. As the Plan Supplement is updated or otherwise modified, it will be made available without charge on the Debtors' restructuring website at https://veritaglobal.net/LM.

If you believe that you are entitled to vote on the Plan but do not receive a Ballot, if your Ballot is damaged or illegible, or if you have any questions concerning voting procedures, you should contact the Voting Agent by writing to:

[6] The amount of the Investor Claim on the Ballot is for voting purposes only. Allowed Investor Claims for distribution purposes shall be established separately in accordance with the process and procedures described in the *Joint Motion for the Entry of an Order Approving Settlement Procedures with Respect to Investor Claims* and further order of the Bankruptcy Court.

LeFever Mattson Ballot Processing Center
c/o KCC dba Verita
222 N. Pacific Coast Highway, Suite 300
El Segundo, CA 90245
(877) 709-4751 (U.S./Canada)
(424) 236-7231 (International)

Copies of the Plan, Disclosure Statement, and other documents filed in these Cases also may be obtained free of charge on the Debtors' restructuring website at https://veritaglobal.net/LM.

You are encouraged to read the materials in the Solicitation Package in their entirety, including, without limitation, the Solicitation Procedures Order and the Voting Instructions for important information about how and when to cast your vote and special procedures for estimating the amount of your claim **FOR VOTING PURPOSES ONLY**, among other things.

The deadline to vote on the Plan is January 7, 2026 at 11:59 p.m. (Pacific Time) (the "Voting Deadline"). In order for your vote to be counted, your Ballot must be properly completed in accordance with the Voting Instructions on the Ballot and **actually received** no later than the Voting Deadline.

ALL BALLOTS ARE ACCOMPANIED BY VOTING INSTRUCTIONS. IT IS IMPORTANT THAT THE HOLDER OF A CLAIM ENTITLED TO VOTE FOLLOW THE SPECIFIC INSTRUCTIONS PROVIDED WITH EACH BALLOT.

The Voting Agent will process and tabulate Ballots for the Classes entitled to vote to accept or reject the Plan and will file a voting report (the "Voting Report"). The Voting Report will, among other things, describe every Ballot that does not conform to the Voting Instructions or that contains any form of irregularity, including, but not limited to, those Ballots that are late, illegible (in whole or in material part), unidentifiable, lacking signatures, lacking necessary information, or damaged.

THE PLAN PROPONENTS URGE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE TO RETURN THEIR BALLOTS BY THE VOTING DEADLINE AND TO VOTE TO ACCEPT THE PLAN.

3. Election on Investor Ballots to Contribute Certain Claims

The Ballots also permit each Investor—i.e., each Holder of a Class 6 Claim—to assign its Contributed Claims to the Plan Recovery Trust. By casting a Ballot to accept the Plan and not opting

out of the Contributed Claim Election, an Investor agrees that, subject to the Effective Date and the formation of the Plan Recovery Trust, it will be deemed to have assigned its Contributed Claims to the Plan Recovery Trust. Investors may wish to make this election because aggregating all Contributed Claims and similar Plan Recovery Trust Actions can allow these claims to be pursued and resolved more efficiently and effectively.

Pursuant to the Plan, "Contributed Claims" includes all Causes of Action that are legally assignable (including Causes of Action that are legally assignable solely because of the preemptive effect of the Plan) that an Investor has against any Person that is not a Debtor and that are related in any way to the Debtors, their predecessors, their respective affiliates, or any Excluded Parties.

If an Investor elects to contribute its Contributed Claims to the Plan Recovery Trust, that Investor will receive a Pro Rata Distribution of Class D Plan Recovery Trust Units on the Effective Date, or as soon as practicable thereafter. The distribution will be based on the ratio of (a) the Investor's Allowed Investor Claim to (b) the total Allowed Investor Claims of all Investors that make the Contributed Claims Election.

In the event that an Investor intends to apply certain IRS safe harbor procedures relating to the deduction of losses realized by investors in certain fraudulent investment schemes, the transfer by such Investor of a claim against a third party to the liquidating trust may affect the manner in which such safe harbor procedures can be applied. Accordingly, Investors are urged to consult with their own tax advisors regarding the potential tax consequences to them of transferring third party claims to the liquidating trust, including the effect of such transfer on the manner in which the IRS safe harbor procedures relating to the deduction of losses realized by investors in certain fraudulent investment schemes may be applied.

4. Confirmation Hearing and Deadline for Objections to Confirmation

Objections to Confirmation of the Plan must be Filed and served on the Plan Proponents and certain other entities, all in accordance with the Confirmation Hearing Notice, so that such objections are **actually received** by no later than **January 7, 2026 at 11:59 p.m. (Pacific Time)**. Unless objections to Confirmation of the Plan are timely served and Filed in compliance with the Solicitation

Procedures Order, they may not be considered by the Bankruptcy Court. For further information, refer to Section VI of this Disclosure Statement, "Confirmation of the Plan."

II.

BACKGROUND

A. Overview of Debtors' Organizational Structure, History, and Business

1. The LFM Debtors

LFM manages a large real estate portfolio. Mr. LeFever and Mr. Mattson each own 50% of the equity in LFM. For decades, the company's business has been the ownership of investment real estate—single family homes as well as multi-unit properties. Originally, properties were owned by LFM alone or as a tenant in common with other investors. Eventually the business model shifted to creating limited liability companies, and then limited partnerships, to purchase multi-family or other commercial properties.[7] This structure allowed LFM to pool more capital by selling limited interests to a small number of accredited investors while typically reserving an ownership interest in the investment entity for itself as general partner or managing member.

Currently, LFM directly or indirectly controls or has ownership interests in fifty limited partnerships (collectively, the "LPs") and eight limited liability companies (collectively, the "LLCs"). The LFM Debtors are comprised of LFM, CIP (as defined below), the Property Manager (as defined below), and the fifty-eight LPs and LLCs (the "LFM Investment Entities") that are listed on Exhibit B to the Plan.[8] LFM, directly or indirectly, is the general partner or managing member, as applicable, of each of the LFM Investment Entities.

LFM also has ownership interests in four California corporations: (i) debtor Home Tax Service of America, Inc., dba LeFever Mattson Property Management (the "Property Manager"), which provides property management services, including to those properties owned by LFM Investment Entities; (ii) debtor California Investment Properties, a California corporation ("CIP"), which is a real estate brokerage; and (iii) non-debtors Pineapple Bear, a California corporation (which offers

[7] Under this shifted business model, investors who were tenants in common often deeded their interest in the property to the newly created LLC or LP, and in exchange received a membership interest or limited partnership interest, respectively.

[8] A corporate organizational chart showing the LFM Debtors' organizational structure is attached hereto as **Exhibit B** (the "LFM Organizational Chart").

hospitality and catering services) and Harrow Cellars, a California corporation (which operated a winery and related businesses).

Since 1990, LFM grew substantially and, before the bankruptcy filings, managed a portfolio of, at times, more than 200 properties composed of commercial, residential, office, and mixed-use real estate, as well as vacant land, located mostly in Northern California, primarily in Sonoma, Sacramento, and Solano Counties (the "Properties"). The LFM Debtors generate income, in part, from the Properties through rents and use the proceeds to fund part of their operations.

LFM has no employees. CIP, which also has no employees, is a real estate brokerage that has provided services in connection with the Properties and others purchased or sold by LFM and the LFM Investment Entities. The Property Manager has approximately fifty-two employees. It provides property management services for the Properties and certain real properties owned by non-Debtors through Property-specific management agreements, and it holds bank accounts in trust for the LFM Investment Entities, for rents and expenses (the "Trust Accounts"). The Property Manager maintains the books and records of each of the LFM Investment Entities (the "LFM Debtors' Records"), except as noted below with respect to the Mattson Maintained Debtors and LFM, including the identity of Record Investors in each LFM Investment Vehicle[9] (the "LFM Debtors' Investment Records"). The Property Manager also made payments to Record Investors in the LFM Investment Entities on account of their investments. However, the Property Manager did not maintain the books and records of eight of the LFM Debtors (collectively, the "Mattson Maintained Debtors");[10] although LFM is the general partner or managing member of each of the Mattson Maintained Debtors, the Property Manager understood that Mattson (or KSMP) maintained the books and records for such entities and did not manage Properties for the Mattson Maintained Debtors.

Bradley D. Sharp (the President and Chief Executive Officer of Development Specialists, Inc. ("DSI")) was appointed as the Responsible Individual for each LFM Debtor pursuant to local Bankruptcy Rule 4002-1 [Docket Nos. 11, 30, 48]. Mr. Sharp is the individual with primary

[9] "LFM Investment Vehicle" includes not only the LFM Investment Entities, but also Properties for which LFM pooled more capital by selling limited interests to a small number of accredited investors.

[10] The Mattson Maintained Debtors are: Apan Partners, LLC; Bay Tree, LP; Bishop Pine, LP; Butcher Road Partners, LLC; Golden Tree, LP; Spruce Pine, LP; Watertree I, LP; and Windtree, LP.

responsibility for the duties and obligations of each LFM Debtor during the Cases. Mr. Sharp and DSI were first engaged as financial advisors by the LFM Debtors in July 2024.

2. The KSMP Debtors

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

On November 22, 2024, LFM and Debtor Windtree, LP filed an involuntary chapter 11 petition against KSMP, commencing Case No. 24-10715 (Bankr. N.D. Cal.) (the "KSMP Case").[11]

After more than six months of contested proceedings, KSMP consented to a stipulated order for relief in the KSMP Case, which was entered by the Bankruptcy Court on June 9, 2025 [KSMP Docket No. 131]. Robbin Itkin has been appointed as the Responsible Individual for KSMP for purposes of its bankruptcy case pursuant to local Bankruptcy Rule 4002-1 [KSMP Docket Nos. 133 & 172]. As the Responsible Individual, Ms. Itkin (a) is solely responsible for the duties and obligations of KSMP as a debtor in possession pursuant to local Bankruptcy Rule 4002-1 and (b) is vested with the authority to operate KSMP's business pursuant to section 1108 of the Bankruptcy Code.

To the best of the Plan Proponents' knowledge, KSMP has no management or employees and no traditional books and records. As discussed further below, since Ms. Itkin's appointment, KSMP's advisors have obtained limited financial data about KSMP from public records, discovery, due diligence, bank statements, and vendor invoices.

B. Debtors' Secured and Unsecured Debt

1. The LFM Debtors

The LFM Debtors have unsecured debt in the form of trade debt, unsecured notes payable, prepaid rent or security deposits held for tenants of the Properties, and litigation claims.

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

As of the Petition Dates (as defined below), the LFM Debtors collectively owned approximately 175 separate properties of all types: single-family, multi-family, commercial, mixed-use, agricultural, and vacant land. Most of these properties are encumbered by at least one deed of trust held by a secured lender. The secured lenders range from institutional banks, to private hard-money lenders, to individuals. Approximately twenty-nine different secured lenders (the "Lenders") appear to hold deeds of trust and assignments of rents on the Properties. As discussed herein, the original borrower on many of the loans was KSMP.

2. The KSMP Debtors

Like the LFM Debtors, KSMP has unsecured debt in the form of trade debt, unsecured notes payable, unsecured state and municipality liabilities, and security deposits held for tenants of the Properties, and litigation claims.

As of the date hereof, KSMP is aware of 38 properties in which KSMP holds an ownership interest. Like the LFM Debtors, the properties are of various types including: single-family, multi-family, commercial, mixed-use, agricultural, and vacant land. Many of these properties are encumbered by at least one deed of trust held by a secured lender. The secured lenders range from institutional banks, to private hard-money lenders, to individuals and trusts. Approximately 18 different Lenders appear to hold deeds of trust and assignments of rents on the Properties—many of which also hold deeds of trust and assignments of rents on Properties owned by the LFM Debtors.

C. Mattson Chapter 11 Case

On November 22, 2024, LFM filed an involuntary chapter 11 petition against Mattson, commencing Case No. 24-10714 (Bankr. N.D. Cal.) (the "Mattson Case").[12] After more than seven months of contested proceedings, Mattson consented to a stipulated order for relief in the Mattson Case, which was entered by the Bankruptcy Court on July 14, 2025 [Mattson Docket No. 118]. On September 5, 2025, the Bankruptcy Court entered the *Order for Relief in an Involuntary Case* [Mattson Docket No. 127]. On September 15, 2025, Mr. Mattson filed the *Ex-Parte Request to Convert Case to Chapter 7* [Mattson Docket No. 137].

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

D. Mr. Mattson's Fraudulent Scheme

Dating to at least 2009, Mr. Mattson engaged in numerous fraudulent activities and transactions (collectively, the "Mattson Transactions") across the Investment Vehicles. The Mattson Transactions took several forms, including the sale of fictitious interests in many of the Debtors; the transfer of vast sums of money between and among LFM, KSMP, and other Debtors; and the transfer among the Debtors of properties encumbered with high-interest loans. Each of the Mattson Transactions is explained in further detail in the forthcoming Investigation Report.

E. 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).

2. 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 by selling fake interests in various Debtors. The SEC alleges that, in the last five years alone, Mattson fraudulently raised more than $46 million from approximately 200 investors, including many retired seniors with IRAs. The SEC alleges that Mattson falsely told the defrauded Investors that their investments would buy them equity in specific Debtors, entitling them to distributions of the income generated by the Debtors' Properties; that he commingled new Investor funds with other personal and business funds in the 1059 Account; and that he used the commingled funds to make Ponzi-like payments to existing Investors (with 6% or more annual returns). The SEC also alleges that Mattson misappropriated Investor money to fund certain real estate transactions through KSMP, pay expenses of KSMP, and pay his own personal expenses. Finally, the SEC alleges that the Debtors' business records are incomplete, false, and/or inaccurate relating to the fraudulent scheme, and in some cases were compromised and/or deleted by Mr. Mattson.

F. Events Immediately Preceding the LFM Debtors' Chapter 11 Filing

In late 2023, allegations of Mattson's misconduct began to circulate. On April 1, 2024, after LeFever and Scott Smith, LFM's then-general counsel, asked Mattson to resign because of suspected improper activities, Mattson stepped down from his position as Chief Executive Officer and Chief Financial Officer of LFM. Investors were also informed that their monthly distribution checks would cease as of that date.

Over the following months, at least five lawsuits, including a class action suit filed in the United States District Court for the Northern District of California, were commenced against Mattson, LeFever, and the Debtors, asserting allegations of fraud. As a result of the pending litigation and need to further investigate the extent of the suspected Mattson Transactions, the LFM Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code on August 6, 2024; September 12, 2024; and October 2, 2024 (collectively, the "Petition Dates").[13]

As of the LFM Petition Date, LeFever resigned from any director or officer positions with any of the LFM Debtors, and the LFM Debtors had new directors and officers. The Board of Directors of LFM (the "LFM Board") is composed of two independent directors: Rishi Jain and Lance Miller. Mr. Bradley Sharp, who reports to the LFM Board, serves as the LFM Debtors' Chief Restructuring Officer.

III.

THE CHAPTER 11 CASES

A. First-Day and Other Routine Orders and Employment Applications

At the beginning of their chapter 11 cases, the LFM Debtors filed routine first-day motions, which were approved by the Bankruptcy Court on an interim and final basis.[14] The Bankruptcy Court ordered joint administration (for procedural purposes only) of the LFM Debtors' chapter 11 cases on

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[13] Fifty-eight affiliated LFM Debtors, including the corporate parent, LFM, filed their chapter 11 petitions on September 12, 2024 (the "LFM Petition Date"). Debtor Windscape Apartments, LLC, filed its chapter 11 petition on August 6, 2024. Debtors Pinewood Condominiums, LP, and Ponderosa Pines, LP, filed their chapter 11 petitions on October 2, 2024.

[14] *See* Docket Nos. 12-16, 59-62, and 161-164, and 178. Additionally, before LFM's bankruptcy filing in September 2025, certain "first-day" orders were also entered in the earlier-filed Case of Debtor Windscape Apartments, LLC (Case No. 24-10417), including orders authorizing this Debtor's interim use of cash collateral [Windscape Docket No. 55] and interim continued use of this Debtor's cash management system [Windscape Docket No. 56].

September 20, 2024 and October 17, 2024,[15] and the Bankruptcy Court ordered joint administration (for procedural purposes only) of the LFM Debtors' and KSMP's chapter 11 cases on July 29, 2025. The Bankruptcy Court appointed Kurtzman Carson Consultants, LLC dba Verita Global ("Verita Global"), as claims and noticing agent. Verita Global maintains the Debtors' restructuring website at https://veritaglobal.net/LM.

During the Cases, the LFM Debtors have obtained approval from the Bankruptcy Court to employ:[16] (a) Development Specialists, Inc. ("DSI"), including the designation of Bradley Sharp of DSI as the Debtors' Chief Restructuring Officer; (b) Rishi Jain and Lance Miller as independent directors of the Board of Directors of LFM; (c) Keller Benvenutti Kim LLP as bankruptcy counsel; (d) FTI Consulting, Inc. and FTI Consulting Realty, Inc. (collectively, "FTI") as real estate advisor;[17] (e) SSL Law Firm LLP ("SSL") as real estate counsel; (f) The Law Office of Donald S. Davidson, P.C., as special investigations counsel; (g) Buchalter, a Professional Corporation, as special litigation counsel; (h) Slote, Links & Boreman, PC, as DRE Advisor; and (i) Sotheby's International Realty, Marcus & Millichap, CBRE, Inc., KKG Inc. dba Coldwell Banker Kappel Gateway Realty, The Lake Tahoe Brokerage Company, Inc., Compass California II, Inc., NRT West, Inc., and CB Sacramento as real estate brokers (collectively, the "LFM Real Estate Brokers").

During the Cases, KSMP has obtained approval from the Bankruptcy Court to employ:[18] (a) Hogan Lovells US LLP as bankruptcy counsel; (b) Robbin Itkin as Responsible Individual; (c) Stapleton Group a Part of J.S. Held LLC as operations and asset manager; and (d) Kidder Matthews, Compass, W Real Estate – Sonoma, Premiere Estates Auction Company, and Douglas Elliman (approval pending) as real estate brokers (collectively, the "KSMP Real Estate Brokers" and together, with the LFM Real Estate Brokers, the "Real Estate Brokers").

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[15] Docket Nos. 45 & 168; Windscape Apartments, LLC, Case No. 24-10417, Docket No. 79; Pinewood Condominiums, LP, Case No. 24-10598, Docket No. 15; Ponderosa Pines, LP, Case No. 24-10599, Docket No. 19.

[16] *See* Docket Nos. 51, 160, 179, 641, 644, 1401, 846, 847, 969, 972, 973, 1040.

[17] FTI serves as the joint real estate advisor for the Committee and the Debtors.

[18] *See* KSMP Docket No. 223 __; Docket Nos. 2086, 2240, 2241, 2242, and 2243.

B. Use of Cash Collateral / DIP Financing

1. The LFM Debtors

Cash Collateral: At the beginning of their chapter 11 cases, the LFM Debtors filed a motion for use of cash collateral and obtained permission to use cash collateral on interim and final bases [*see* Docket Nos. 124 and 449]. As of the LFM Petition Date, most of the Properties were generating rents or other cash proceeds ("Cash Collateral") that were collateral of the Lenders under their deeds of trust. By their motion, the LFM Debtors sought to use the Cash Collateral of Lenders who became "Accepting Lenders" (subject to certain 13-week property budgets prepared by the LFM Debtors) and, if necessary, present evidence that the interests of "Nonaccepting Lenders" were or would be adequately protected. Subsequent to the Court granting the motion, the LFM Debtors obtained approval of Cash Collateral stipulations with various Lenders [*see, e.g.*, Docket Nos. 233, 234, 239, 240, 241, 242, 355, 410, 411, 482, 503, 510, 655, 681, 711, 712, 1153, 1167, 1171, 1225, 1240, 1661, and 1664]. The LFM Debtors separately filed a motion to use the cash collateral of Socotra on February 12, 2025 [Docket No. 808], which the Bankruptcy Court granted on interim and final bases [*see* Docket Nos. 929 and 968].

In January 2025, the LFM Debtors filed a motion seeking authorization to use the Cash Collateral of certain secured creditors who appear to hold deeds of trust and assignments of rent on certain of the Properties, to fund operating expenses at the Property level [*see* Docket No. 694] (the "Cash Collateral Motion – Third Party Borrowers")]. While the LFM Debtors own the Properties, the LFM Debtors were not and are not in privity with and have no contractual relationship with these secured creditors.[19] The Bankruptcy Court granted the Cash Collateral Motion – Third Party Borrowers on March 5, 2025 [Docket No. 970].

DIP Financing: On January 23, 2025, the Bankruptcy Court authorized the LFM Debtors, on a final basis, to obtain up to $6 million of secured, superpriority postpetition financing from Serene Investment Management, LLC (the "DIP Lender") pursuant to the terms of the credit agreement attached to the final order [*see* Docket No. 643 (the "Final LFM DIP Order")]. Subject to the

[19] Before the commencement of the Debtors' cases, the applicable Properties were acquired from the original borrowers, often without the knowledge or consent of the secured creditors who held liens on the Properties.

limitations set forth in the Final DIP Order, the LFM Debtors granted the DIP Lender an allowed superpriority administrative claims against LFM and Heacock Park Apartments, LP ("Heacock Park") pursuant to section 364(c)(1) of the Bankruptcy Code; liens on and security interests in notes in the respective amounts of $7,294,493.35 and $2,600,000.00 held by LFM (the "Cornerstone Notes") secured by senior liens on property located at 23570 Arnold Dr., Sonoma, California and owned by Heacock Park (the "DIP Collateral"), pursuant to section 364(c)(2).

2. KSMP

DIP Financing: On August 6, 2025, the Bankruptcy Court authorized KSMP, on an interim basis, to separately obtain up to $1 million of secured, superpriority postpetition financing from the DIP Lender pursuant to that certain July 31, 2025 DIP Term Sheet [*see* Docket No. 1966 (the "Interim KSMP DIP Order")]. KSMP's authorization to obtain up to $4,000,000 of secured, superpriority postpetition financing from the DIP Lender on a final basis remains pending before the Bankruptcy Court.

C. Appointment of the Unsecured Creditors' Committee

On October 9, 2024, the United States Trustee (the "U.S. Trustee") appointed the Committee. On November 25, 2024, and August 26, 2025, the U.S. Trustee filed amended Committee appointment notices. The Committee consists of eight members, all of whom are investors and/or creditors in the Debtors: (i) Lull Family Living Revocable Trust, (ii) the Mullin Family Trust, (iii) Charles Edgar, (iv) the Umbriac & Tubley Family Trust, (v) Walter Schenk, (vi) the Manfred K. Fischer Trust, (vii) the Hayes 2004 Family Trust, and (viii) the Anderson 2001 Revocable Trust.

Pursuant to Court orders, Pachulski Stang Ziehl & Jones LLP is employed as the Committee's bankruptcy counsel, FTI is jointly employed as the LFM Debtors' and Committee's real estate advisor, and PwC US Business Advisory LLP is employed as the Committee's financial advisor.[20]

D. Schedules and Statements of Financial Affairs

On November 15, 2024, the LFM Debtors filed their respective Schedules and Statements [Docket Nos. 292-353]. The LFM Debtors filed Amended Schedules and Statements on September 9, 2025 [Docket Nos. 2251-2291, 2293-2305].

[20] *See* Docket Nos. 250, 641, and 1235.

On August 8, 2025, KSMP filed its Schedules and Statements [Docket Nos. 1980-1981]. As noted above, KSMP lacks traditional books and records. KSMP's Schedules and Statements were prepared from financial data derived from public records, information obtained in discovery, due diligence, and information obtained from other sources. KSMP is continually learning new information about its assets, liabilities and affairs, and will update its schedules in due course to reflect this information.

While the Debtors and their advisors made their best effort to prepare the Debtors' Schedules and Statements as accurately as possible, the Debtors stress that, in light of Mr. Mattson's prior mismanagement—and given the state of KSMP's books and records—the Schedules and Statements of the LFM Debtors and KSMP may be incomplete and, at least for KSMP, will likely require revisions.

E. Claims Bar Dates

Pursuant to an order entered on December 13, 2024 [Docket No. 459], the Bankruptcy Court established February 14, 2025, as the deadline for nongovernmental creditors to file proofs of Claim against the LFM Debtors and for Investors to file proofs of interest in the LFM Debtors. Pursuant to an order entered on August 28, 2025 [Docket No. 2184], the Bankruptcy Court established October 3, 2025, as the deadline for nongovernmental creditors to file proofs of Claim against KSMP.

As of _____, 2025, approximately ___ proofs of claim and _____ proofs of interest have been filed. The Debtors have not completed claim/interest reconciliation work (to the extent feasible) but do anticipate doing so before the Effective Date of the Plan.

F. Asset Sales

As discussed herein, the Debtors collectively hold a highly diversified real estate portfolio of over 200 Properties—comprised of commercial, residential, office, and mixed-use real estate, as well as vacant land—located throughout Northern California, including in the cities of Cameron Park, Carmichael, Ceres, Citrus Heights, Concord, Elk Grove, Fairfield, Fresno, Napa, Orangevale, Perris, Roseville, Sacramento, San Leandro, Sonoma, Suisun City, Truckee, Vacaville, and Vallejo. While Properties have not been appraised individually, the Debtors estimate that they are collectively worth several hundred million dollars, and that the Debtors have equity in many of the Properties. The

Debtors and their professionals, specifically FTI, SSL, Stapleton, and the Real Estate Brokers, have conducted, and continuing to conduct in the case of KSMP, a thorough review of the real estate portfolio and are running sale processes to monetize the Properties (the "Sale Process"). To facilitate a streamlined Sale Process, the LFM Debtors filed motions for the approval of certain omnibus procedures for the sale of the Properties, including the use of sale notices and procedures for parties to object or submit overbids (including credit bids). The Bankruptcy Court granted the LFM Debtors' motions pursuant to orders entered on March 5, 2025 [Docket No. 971] and May 1, 2025 [Docket No. 1381] (the "Sale Procedures Orders").

As of September __, 2025, __ sale notices have been filed pursuant to the Sale Procedures Orders. As shown on Schedule 2, the sale of _ Properties have closed as of September __, 2025. The Debtors, including KSMP, expect to consummate additional asset sales before the Effective Date. Nonetheless, the Debtors expect that there will be Properties retained by the Debtors and transferred to the Plan Recovery Trust upon the Effective Date (the "Retained Real Properties"). The Retained Real Properties will be identified in the Plan Supplement.

G. Committee's Motion for Substantive Consolidation of LFM and KSMP

On June 20, 2025, the Committee filed its motion to have LFM and KSMP substantively consolidated [Docket No. 1585; *see also* Docket Nos. 1586, 1713, 1715, 1716] (the "KSMP Sub Con Motion"). As set forth in detail in the KSMP Sub Con Motion, as a result of Mr. Mattson's malfeasance, 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. On July 29, 2025, the Court entered its *Stipulated Bridge Order in Connection with the Motion to Substantively Consolidate the Bankruptcy Estates of LeFever Mattson and KS Mattson Partners, LP* [Docket No. 1887] (the "Bridge Order"). Pursuant to the Bridge Order, the LFM Debtors' Cases and the KSMP Case were administratively consolidated, and the KSMP Sub Con Motion will be held in abeyance pending the prosecution of the Plan.

H. Committee Standing Stipulations

Pursuant to orders entered on April 8, 2025, May 23, 2025, July 1, 2025, July 10, 2025, and July 18, 2025, the Committee has standing to pursue:

- Estate causes of action against Mr. Mattson, Mr. LeFever and their non-Debtor affiliates (including KSMP) and defenses to claims asserted by Mattson and LeFever against the Debtors;
- Potential claims and actions against Hanson Bridgett LLP, former outside corporate counsel to the Debtors, and Scott Smith, a former partner of Hanson Bridgett LLP who subsequently served as in-house general counsel to the Debtors from approximately February 2024 to the LFM Petition Date;
- Estate causes of action against Socotra and its affiliates and defenses to claims asserted by Socotra and its affiliates against the Debtors; and
- Estate causes of action against the Secured Lenders (as defined in Docket No. 1744) and defenses to claims asserted by the Secured Lenders (as defined in Docket No. 1744) against the Debtors.

I. Motion to Appoint Trustee for Live Oak Investments, LP

The Andrew Revocable Trust dated June 21, 2001, and the Burgess Trust dated October 9, 2006 (purported holders of certain equity interests in debtor Live Oak Investments, LP ("Live Oak")), filed a motion to appoint a Chapter 11 trustee for Live Oak [Docket No. 1746].[21] The Debtors opposed this motion [Docket No. 1699 and 1978], which opposition was joined by the Committee [Docket No. 1671]. This matter remains pending before the Court.

IV.

OVERVIEW OF THE PLAN AND PROVISIONS RELATING TO THE GLOBAL SETTLEMENT

This section provides a brief summary of certain material provisions and elements of the Plan. It is qualified in its entirety by reference to the Plan (as well as the exhibits thereto and definitions therein). The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein; reference is made to the Plan and to such documents for the full and complete statement of such terms

[21] The Chase 1992 Family Trust filed a statement in support of this motion at Docket No. 2007.

and provisions. Additional details regarding the Global Settlement will be contained in the Investigation Report.

A. Comprehensive Compromise and Settlement Under the Plan

Pursuant to subsections 1123(a)(5), 1123(b)(3), and 1123(b)(6) of the Bankruptcy Code, as well as Bankruptcy Rule 9019, and in consideration for the Distributions and other benefits provided under the Plan, the Plan will constitute a good-faith compromise and settlement of all claims and controversies relating to the rights that Investors and other creditors may have against any Debtor with respect to any Claim, any Equity Interest, or any Distribution on account thereof, as well as all potential Intercompany Claims, Intercompany Liens, and Causes of Action against any Debtor. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that all such compromises or settlements are (i) in the best interest of the Debtors, their estates (the "Estates"), and their respective stakeholders; and (ii) fair, equitable, and reasonable.

This Global Settlement, which was negotiated by the LFM Debtors, KSMP, and the Committee, provides for a "single pot," such that all assets and liabilities of all Debtors are pooled and consolidated for distribution purposes, through substantive consolidation under the Plan. **Pursuant to applicable law, the Plan treats all Investors the same, as holders of tort claims against the Debtors, regardless of the nature or documentation of their investment and regardless of whether their investment is recorded in the Debtors' books and records.** Pursuant to the Global Settlement, each Investor will receive a claim for money (or value of property) it invested in the Debtors over time less any distributions the Investor received over the seven years prior to September 12, 2024. This claim will receive a *pro rata* distribution of available assets and, only after such claim is paid in full, will there be any recovery on claims for expected profits, pursuant to the principles of "netting" in Ponzi scheme cases. However, as part of the Global Settlement, rather than netting from the suspected Ponzi scheme start date, the proposed Investor Settlement Amount Procedures Order will provide that only payments made to Investors on or after September 12, 2017—the earliest date for which the Debtors have available bank records—will be offset/netted in calculating Investor Claims.

The Plan Proponents believe that the comprehensive compromises and settlements to be effected by the Plan are appropriate and intend to request that the Bankruptcy Court approve the compromises and settlements contemporaneously with confirmation of the Plan. This comprehensive compromise and settlement is a critical component of the Plan and is designed to provide a resolution of myriad disputed Claims, Liens, and Causes of Action that otherwise could take years to resolve, which would both delay and reduce the Distributions ultimately available for Creditors and Investors.

Among the many complex disputed matters that will be resolved through the Global Settlement embodied in the Plan are the following, any one of which could be the subject of years of expensive, complicated, and uncertain litigation:

- The unwinding of the Mattson Transactions,
- Fraudulent conveyance claims stemming from the Mattson Transactions,
- The ownership structure of the Debtors,
- The tracing of Properties transferred among the Debtors, and
- The tracing of cash among the Debtors.

Each of these matters will be explained further in the Investigation Report.

1. Substantive Consolidation Issues

Substantive consolidation is a construct of federal common law, emanating from equity, which treats separate legal entities as if they were merged into a single survivor left with all the cumulative assets and liabilities, save for inter-entity liabilities, which are erased. As will be further described in the Investigation Report, there is a compelling argument for substantive consolidation of the Debtors, given the effects of the Mattson Transactions and the historical commingling of assets and liabilities among the Debtors. *See, e.g.*, *In re Bonham*, 229 F.3d 750, 764-65 (9th Cir. 2000) (consolidating debtor and non-debtor entities in Ponzi scheme case). The process to "unscramble" the Debtors, which the Plan Proponents doubt is even possible, would be lengthy and likely so expensive that Investor recoveries would dramatically decrease, if not fall to zero.

Accordingly, the Plan provides for substantive consolidation of the Debtors' assets and liabilities for the purposes of Distributions under the Plan. Consistent with the substantive consolidation contemplated by the Plan and in order to reduce administrative costs, on the Effective

Date, all of the Debtors will be dissolved automatically without the need for any corporate action or approval, without the need for any corporate, limited liability company, or limited partnership filings, and without the need for any other or further actions to be taken on behalf of such dissolving Debtor or any other Person or any payments to be made in connection therewith. The Plan Recovery Trust Assets, which includes Available Cash of the Debtors as of the Effective Date, Retained Real Properties, and Avoidance Actions and Causes of Action held by the Debtors or the Estates, will vest in a Plan Recovery Trust. As further explained in Sections IV.C and IV.D, the Plan Recovery Trust will be responsible for Distributions of Available Cash to the Plan Recovery Trust Beneficiaries in accordance with the Plan Recovery Trust Waterfall.

This substantive consolidation will not affect (without limitation) (i) the defenses of the Debtors or the Plan Recovery Trust to any Claim, Avoidance Action, or other Cause of Action, including the ability to assert any counterclaim; (ii) the setoff or recoupment rights of the Debtors or the Plan Recovery Trust; (iii) requirements for any third party to establish mutuality prior to substantive consolidation in order to assert a right of setoff against the Debtors or Plan Recovery Trust; or (iv) distributions to the Debtors, the Estates, or the Plan Recovery Trust out of any insurance policies or proceeds of such policies. The substantive consolidation of the Debtors also will not: (i) affect the separate legal existence of the Debtors for purposes other than implementation of the Plan pursuant to its terms, including the ability of the Plan Recovery Trustee to bring any Plan Recovery Trust Action in the name of an individual Debtor; (ii) impair, prejudice, or otherwise affect any individual Debtor's Causes of Action, including Avoidance Actions, against any Person that vest in the Plan Recovery Trust; (iii) constitute or give rise to any defense, counterclaim, or right of netting or setoff with respect to any Cause of Action vesting in the Plan Recovery Trust that could not have been asserted against the consolidated Debtors; or (iii) give rise to any right under any executory contract, insurance contract, or other contract to which a consolidated Debtor is party, except to the extent required by section 365 of the Bankruptcy Code in connection with the assumption of such contract by the applicable Debtors.

2. Ponzi Scheme Issues

Additional disputes and possible litigation could arise regarding whether the Debtors were operating a Ponzi scheme, when that scheme began, and the implications of such conduct.

As will be discussed in the Investigation Report, the Debtors' advisors have found that (i) no later than September 2017, the Debtors' business records and other available evidence presents attributes commonly seen in Ponzi schemes; (ii) many Debtors had either negative equity or a disabling lack of liquidity that demanded the use of cash belonging to other related entities; (iii) the "debt service" and investment returns paid to Investors could never have been paid without the use of new capital from new Investors because the Properties were not sufficiently profitable to have done so; (iv) the Debtors participated in voluminous intercompany lending that was a prevalent feature of the Debtors' operations; and (v) Mr. Mattson removed millions of dollars from the Debtors. As part of Confirmation of the Plan, the Debtors will seek a finding that the Debtors operated as a Ponzi Scheme beginning at least as of September 12, 2017. Before the deadline to file the Plan Supplement, the Committee intends to file a detailed declaration from their financial advisor that contains testimony regarding the conclusions the financial advisor has reached—that the Debtors were operated as a Ponzi scheme for at least the last decade, and absolutely no later than September 12, 2017—based on its investigation.

Following a judicial determination that the Debtors were operating a Ponzi scheme, any payments of "interest" or other consideration that was transferred from any Person to an Investor during the period before the Petition Dates, but typically excluding payments representing the return of or repayment of principal owed on the applicable investment, could potentially be avoided and recovered as an "actual" fraudulent transfer. *See, e.g.*, *Donell v. Kowell*, 533 F.3d 762, 770-72 (9th Cir. 2008); *AFI Holding, Inc. v. Mackenzie*, 525 F.3d 700, 708-09 (9th Cir. 2008); *Perkins v. Haines*, 661 F.3d 623, 627 (11th Cir. 2011); *Geltzer v. Barish (In re Geltzer)*, 502 B.R. 760, 770 (Bankr. S.D.N.Y. 2013); *Fisher v. Sellis (In re Lake States Commodities, Inc.)*, 253 B.R. 866, 871-72 (Bankr. N.D. Ill. 2000). Because avoidance litigation would be a further hardship on the victims of the Debtors' fraudulent scheme, and to eliminate the significant litigation expense and inefficiency associated with seeking recovery from Investors of prepetition distributions on account of interest or the like (that

would ultimately only reduce the aggregate amount available for distribution on account of allowable claims), the Plan contemplates that each Investor will receive (a) a claim for the total amount of money (or value of property) it invested in the Debtors over time *less* the total amount of any distributions the Investor received over the seven years prior to the Petition Date (the "Investor Tranche 1 Claim") and (b) a separate claim for the amount of those deducted distributions (the "Investor Tranche 2 Claim"). The Plan provides that Investors will first receive their *pro rata* distribution of available assets on account of their Investor Tranche 1 Claim. If and when each Investor Tranche 1 Claim is paid in full, Investors will then receive their *pro rata* distribution of available assets on account of their Investor Tranche 2 Claim.

A key consideration of the Global Settlement is that rather than net distributions from the suspected Ponzi start date (more than a decade ago), the Investor Tranche 1 Claim will be calculated based on payments made to Investors ***seven years*** prior to September 12, 2024. In other words, under the Global Settlement, an Investor that has received distributions from the Debtors for 15 years will have its claim reduced by the amount of distributions over the last seven years, not the full 15 years. This is necessary because of the state of the business records, the costs required to net the claims from an earlier date, and to assure all Investors are treated the same.

The Plan Proponents seek to establish claims allowance and settlement procedures (the "Investor Claim Settlement Procedures")—parallel to solicitation of the Plan—that implement the terms of the Global Settlement with respect to the allowance of Investor Claims. This parallel process will enable the Plan Proponents to make progress on the allowance of Investor Claims in advance of the hearing on confirmation of the Plan and thus expedite distributions to Investors following the Effective Date.

B. The Settlement Provisions in the Plan Are Fair and Reasonable and in the Best Interest of All Investors and Other Creditors.

The proposed Plan facilitates the prompt resolution of the countless complex legal issues and disputes in the Cases by resolving several major issues that would otherwise require lengthy, costly, and uncertain litigation. If these issues were litigated, it could be years before Investors receive

distributions, if any at all. In contrast, the Plan provides a certain mechanism for significant Distributions to be made to Investors and other Creditors in a more timely and orderly fashion.

The terms of the Global Settlement under the Plan were heavily negotiated by the LFM Debtors, KSMP, and the Committee, each of which acted at arm's length and had the benefit of sophisticated external advisers. The Plan Proponents believe strongly that the Plan's comprehensive compromise and settlement is superior to the disorderly and uncertain alternatives.

As will be set forth in more detail in the Investigation Report, the Plan Proponents believe that the terms of the comprehensive compromise and settlement to be effected by the Plan are fair and reasonable, and that its approval is in the best interests of the Estates and all stakeholders. The Plan Proponents will provide further evidence and argument supporting approval of this comprehensive compromise and settlement, including the elements detailed above, at the Confirmation Hearing.

C. Plan Recovery Trust

On the Effective Date, the Plan Recovery Trustee will execute the Plan Recovery Trust Agreement and shall take any other action necessary to establish the Plan Recovery Trust in accordance with the Plan and the beneficial interests therein. The purpose of the Plan Recovery Trust will be to pursue, collect, or monetize the Plan Recovery Trust Assets and make Distributions from the proceeds of such assets to the Plan Recovery Trust Beneficiaries in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. On the Effective Date, all of the Debtors' and the Estates' respective rights, title, and interest in and to all Plan Recovery Trust Assets will automatically vest in the Plan Recovery Trust.

The Oversight Committee, whose initial volunteer members will be chosen by the Committee and identified in the Plan Supplement, will supervise the Plan Recovery Trustee. The Plan Recovery Trustee shall have the authority to, among other things, (i) review, reconcile, and object to Claims and Equity Interests in the Debtors; (ii) calculate and make Distributions in accordance with the Plan Recovery Trust Waterfall; (iii) retain and employ professionals; (iv) sell, monetize, or abandon Plan Recovery Trust Assets; and (v) pursue, prosecute, settle, or abandon any Plan Recovery Trust Actions. The Plan Recovery Trust Actions include (i) all Avoidance Actions and Causes of Action held by the

Debtors or the Estates and (ii) any Causes of Action that are contributed to the Plan Recovery Trust as Contributed Claims (*see* Section IV.E.1), in each case as against any Entity that is not a Debtor.

D. Distributions to Plan Recovery Trust Beneficiaries

After (i) all administrative and priority claims (including, without limitation, Administrative Expense Claims, Involuntary Gap Claims, Priority Tax Claims, and Priority Claims), and (ii) all Plan Recovery Trust expenses, including any litigation financing expenses, are paid or reserved for, the Plan Recovery Trust will make Distributions of Available Cash to the Plan Recovery Trust Beneficiaries pursuant to the Plan Recovery Trust Waterfall:

(i) Class A Plan Recovery Trust Units. *First*, the Plan Recovery Trust shall distribute the proceeds of the Plan Recovery Trust Assets to each Holder of Class A Plan Recovery Trust Units on a Pro Rata basis until all Allowed Trade Claims have been paid in full (without postpetition or post-Confirmation interest);

(ii) Class B Plan Recovery Trust Units. *Second*, the Plan Recovery Trust shall distribute the proceeds of the Plan Recovery Trust Assets to each Holder of Class B Plan Recovery Trust Units on a Pro Rata basis until all Investor Tranche 1 Claims have been paid in full;

(iii) Class C Plan Recovery Trust Units. *Third*, the Plan Recovery Trust shall distribute the proceeds of the Plan Recovery Trust Assets to each Holder of Class C Plan Recovery Trust Units on a Pro Rata basis until all Investor Tranche 2 Claims have been paid in full;

(iv) Class D Plan Recovery Trust Units. Notwithstanding anything to the contrary contained in the Plan or in the Confirmation Order, the Plan Recovery Trust shall distribute the net proceeds of any Contributed Claims solely to Holders of Class D Plan Recovery Trust Units on a Pro Rata basis.

The Plan Recovery Trust, in the Plan Recovery Trustee's discretion may make periodic Distributions to the Plan Recovery Trust Beneficiaries at any time following the Effective Date, provided that such Distributions are otherwise permitted under, and not inconsistent with, the Plan Recovery Trust Waterfall, the other terms of the Plan, the Plan Recovery Trust Agreement, and applicable law. Additionally, every 180 calendar days following the Effective Date, the Plan Recovery Trustee shall calculate the Distributions that could potentially be made to the Plan Recovery Trust Beneficiaries based on the amount of Available Cash as of such date and, based on such calculation, promptly thereafter may make Distributions, if any, of the amount so determined. Put a different way,

the Plan Recovery Trustee may make periodic distributions at its discretion and will reassess available funds for possible distributions at least every 180 days.

E. Investor-Specific Claims

The Plan will not impair the right of an Investor to independently pursue claims against third parties that are unique to such Investor and for which it has independent legal standing ("Investor-Specific Claims"). By way of example, and not limitation, such unique claims include claims based on loss of lien or loss of lien priority, claims against an Investor's own professional advisors, claims against retirement servicers, and similar claims that may be asserted based on such Investor's particular circumstances. Investor-Specific Claims ***do not include*** (i) Claims common to all Investors, (ii) Claims to recover commissions or referral fees paid by the Debtors to third parties in connection with an Investor's investment with the Debtors, or (iii) Contributed Claims.

1. Contributed Claim Election

An Investor has the choice whether to contribute its Contributed Claims to the Plan Recovery Trust. **Investors will automatically contribute their Contributed Claims to the Plan Recovery Trust—and become Contributing Claimant—if they vote to accept the Plan and do not opt out of the Contributed Claim Election.** . Contributed Claims are defined as all Causes of Action that are legally assignable (including Causes of Action that are legally assignable solely because of the preemptive effect of the Plan) that the Contributing Claimant has against any Person that is not a Debtor and that are related in any way to the Debtors, their predecessors, their respective affiliates, or any Excluded Parties. Contributed Claims would include (a) all Causes of Action based on, arising out of, or related to the marketing, sale, or issuance of any investments related to the Debtors; (b) all Causes of Action for unlawful dividend, fraudulent conveyance, fraudulent transfer, voidable transaction, or other avoidance claims under state or federal law; (c) all Causes of Action based on, arising out of, or related to the misrepresentation of any of the Debtors' financial information, business operations, or related internal controls; (d) all Causes of Action based on, arising out of, or related to any failure to disclose, or actual or attempted cover up or obfuscation of, any of the wrongful conduct described in the Disclosure Statement, including with respect to any alleged fraud related thereto; and (e) all Causes of Action based on aiding or abetting, entering into a conspiracy with, or otherwise

supporting torts committed by the Debtors or their agents. Contributed Claims shall not include the rights of a Contributing Claimant to receive the Distributions, if any, to which it is entitled under the Plan.

If an Investor elects to contribute its Contributed Claims to the Plan Recovery Trust, that Investor will receive a Pro Rata Distribution of Class D Plan Recovery Trust Units on the Effective Date, or as soon as practicable thereafter. The distribution will be based on ratio of (a) the Investor's Allowed Investor Claim to (b) the total Allowed Investor Claims of all Investors that make the Contributed Claims Election. By accepting the Plan and not opting out of the Contributed Claim Election, the Holder of an Investor Claim agrees that, subject to the occurrence of the Effective Date and the formation of the Plan Recovery Trust, it will be deemed, without further action, (i) to have irrevocably contributed its Contributed Claims to the Plan Recovery Trust and (ii) to have agreed to execute any documents reasonably requested to memorialize such contribution. In the exercise of its reasonable discretion and in accordance with the Plan Recovery Trust Agreement, the Plan Recovery Trustee shall not be obligated to pursue any Contributed Claim.

F. Discharge, Injunctions, Releases, and Exculpation

1. Non-Discharge of the Debtors

The Plan does not provide a discharge to the Debtors. Section 11.1 of the Plan provides:

> **In accordance with section 1141(d)(3)(A) of the Bankruptcy Code, the Plan does not discharge the Debtors. Section 1141(c) of the Bankruptcy Code nevertheless provides, among other things, that the property dealt with by the Plan, including, without limitation, the Retained Real Properties, is free and clear of all claims and interests of creditors, equity security holders, and of general partners in the Debtors. Accordingly, as of the Effective Date, all Entities are precluded and barred from asserting against any property to be distributed under the Plan any Claims, rights, Causes of Action, liabilities, Equity Interests, or other action or remedy based on any act, omission, transaction, or other activity that occurred before the Effective Date, except as expressly provided in the Plan or the Confirmation Order.**

2. Debtors' Releases

Section 11.2 of the Plan contains a debtors' release which provides:

> **On the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, each of the Debtors shall be deemed to have forever released, waived, and discharged each of**

the other Debtors from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities whatsoever, whether known or unknown, whether foreseen or unforeseen, whether liquidated or unliquidated, whether fixed or contingent, whether matured or unmatured, existing or hereafter arising, at law, in equity, or otherwise, that are based in whole or in part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the conduct of the Debtors' businesses, the Chapter 11 Cases, or the Plan.

Entry of the Confirmation Order shall constitute (i) the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases set forth in this Section 11.2; and (ii) the Bankruptcy Court's findings that such releases are (1) in exchange for good and valuable consideration provided by the Debtors (including performance of the terms of the Plan), and a good-faith settlement and compromise of the released claims, (2) in the best interests of the Debtors and their Estates, (3) fair, equitable, and reasonable, and (4) given and made after due notice and opportunity for hearing.

3. Exculpation and Limitation of Liability

Section 11.3 of the Plan contains an exculpation provision which provides:

On the Effective Date, to the maximum extent permitted by law, no Exculpated Party shall have or incur, and each Exculpated Party is hereby exculpated from, any Claim, interest, obligation, suit, judgment, damage, demand, debt, right, Cause of Action, loss, remedy, or liability to any Person or Entity, including to any Holder of a Claim or Equity Interest, for any claim (including, but not limited to, any claim for breach of any fiduciary duty or any similar duty), for any act or omission in connection with, relating to, or arising out of the Chapter 11 Cases, including the formulation, negotiation, preparation, dissemination, solicitation of acceptances, implementation, confirmation, or consummation of the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created, executed, or contemplated in connection with the Plan, or the administration of the Plan, or the administration of the Chapter 11 cases, or the operation of the Debtors' businesses during the Chapter 11 Cases, or the disposition of property and cash to be distributed during the Chapter 11 Cases or to be distributed under the Plan; *provided*, *however*, that the exculpation provisions of this Section 11.3 shall only apply, with respect to the Responsible Individual and its Professionals, to acts or omissions occurring after the Order for Relief Date; *provided*, *further*, that the exculpation provisions of this Section 11.3 shall not apply to acts or omissions constituting gross negligence, intentional fraud, or willful misconduct by such Exculpated Party as determined by a Final Order. For purposes of the foregoing, it is expressly understood that any act or omission effected with the approval of the Bankruptcy Court will be conclusively presumed not to constitute intentional fraud or willful misconduct unless the approval of the Bankruptcy Court was obtained by intentional fraud or intentional misrepresentation, and the Exculpated Parties

> **shall be entitled in all respects to rely on the written advice of counsel with respect to their duties and responsibilities under, or in connection with, the Chapter 11 Cases, the Plan, and administration thereof. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, and any other applicable law or rules protecting such Exculpated Parties from liability**.

4. Injunctions Related to Releases and Exculpation.

Section 11.4 of the Plan contains an injunction provision related to the Debtors' releases and exculpation provision which provides:

> **All Persons and Entities are permanently enjoined from: commencing or prosecuting, whether directly, derivatively, or otherwise, any Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, losses, or liabilities released or exculpated pursuant to this Plan. Prior to commencing an action against an Exculpated Party in any way related to or connected with the Chapter 11 Cases, any Person or Entity must first seek a determination that the claims asserted in such action are excluded from the exculpation provisions herein and permission from the Bankruptcy Court to prosecute such action. The Bankruptcy Court shall retain exclusive jurisdiction to determine the scope and effect of any release or exculpation provided herein.**

V.

RISK FACTORS

Before voting on the Plan, each Holder of a Claim entitled to vote should consider carefully the risk factors described below, as well as all other information contained in this Disclosure Statement, including the schedules and exhibits hereto. These risk factors should not be regarded as the only risks involved in connection with the Plan and its implementation.

A. Parties May Object to the Plan's Classification of Claims and Equity Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Plan Proponents believe that the classification of the Claims and Equity Interests under the Plan complies with this requirement. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

B. The Plan Proponents May Not Be Able to Obtain Confirmation of the Plan

As with any proposed plan, the Plan Proponents may not receive the requisite acceptances to confirm the Plan. If votes in Class 6 (Investor Claims) are received in number and amount sufficient

to enable the Court to confirm the Plan, the Plan Proponents intend to seek confirmation of the Plan by the Court. If Class 6 (Investor Claims) rejects the Plan, the Plan Proponents will not seek confirmation of the Plan and will need to incur additional fees and expenses to develop an alternative path forward. Even if the requisite acceptances of the proposed Plan are received, the Court still might not confirm the Plan as proposed if the Court finds that any of the statutory requirements for confirmation under section 1129 of the Bankruptcy Code have not been met.

If the Plan is not confirmed by the Court, there can be no assurance that any alternative plan would be on terms as favorable to Investors and other creditors as the terms of the Plan. In addition, there can be no assurance that the Plan Proponents will be able to successfully develop, prosecute, confirm, and consummate an alternative plan that is acceptable to Investors, other creditors, and the Court.

C. The Conditions Precedent to the Effective Date of the Plan May Not Occur

As more fully set forth in the Plan, the Effective Date is subject to several conditions precedent. There can be no assurance that any or all such conditions will be satisfied (or waived). If such conditions precedent are not met or waived, the Effective Date will not occur. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Effective Date will occur.

D. Claims Estimation and Allowance of Claims

There can be no assurance that the estimated Claim amounts set forth in this Disclosure Statement are correct, and the actual amount of Allowed Claims may differ significantly from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual amount of Allowed Claims may vary from those estimated herein.

Distributions to Holders of Allowed Class 6 Claims (Investor Claims) will be affected by the pool of Allowed Claims in the Class. The amount of Distributions that may be received by a particular Holder of an Allowed Claim in Class 6 may be either adversely or favorably affected by the aggregate amount of Class 6 Claims ultimately Allowed.

E. Potential Pursuit of Plan Recovery Trust Actions Against Creditors and Others

In accordance with section 1123(b) of the Bankruptcy Code, after the Effective Date, the Plan Recovery Trustee shall have and retain and may enforce any Plan Recovery Trust Actions. Accordingly, a Holder of a Claim may be subject to one or more such Plan Recovery Trust Actions being asserted against it.

The failure to specifically identify in the Disclosure Statement or the Plan any potential or existing Avoidance Actions or Causes of Action as a Plan Recovery Trust Action is not intended to and shall not limit the rights of the Plan Recovery Trust to pursue any such Avoidance Actions or Causes of Action. The Debtors expressly reserve all Avoidance Actions and Causes of Action, other than those Avoidance Actions and Causes of Action that are expressly waived, relinquished, released, compromised, or settled in the Plan, pursuant to the Confirmation Order, or pursuant to any other order of the Court, as Plan Recovery Trust Actions for later adjudication, and no preclusion doctrine (including the doctrines of res judicata, collateral estoppel, judicial estoppel, equitable estoppel, issue preclusion, claim preclusion, and laches) shall apply to such Avoidance Actions or Causes of Action as Plan Recovery Trust Actions on or after the Effective Date.

Moreover, no Person may rely on the absence of a specific reference in the Plan, the Confirmation Order, the Plan Recovery Trust Agreement, or the Disclosure Statement to any Contributed Claims against such Person as any indication that the Plan Recovery Trust will not pursue any and all available Contributed Claims against such Person. The objection to the Allowance of any Claims will not in any way limit the ability or the right of the Plan Recovery Trust to assert, commence, or prosecute any Contributed Claims. Nothing contained in the Plan, the Confirmation Order, the Plan Recovery Trust Agreement, or the Disclosure Statement will be deemed to be a waiver, release, or relinquishment of any Contributed Claims which the Contributing Claimants had immediately before the Effective Date. The Plan Recovery Trust shall have, retain, reserve, and be entitled to assert all Contributed Claims fully as if the Contributed Claims had not been contributed to the Plan Recovery Trust in accordance with the Plan and the Plan Recovery Trust Agreement.

Without limiting the generality of the preceding two paragraphs and associated reservations, the Debtors note that all parties in interest should review **Exhibit D**, which is a non-exclusive analysis of the Plan Recovery Actions that are being preserved under the Plan.

F. Risks Regarding Real Estate

The Plan relies, in large part, on the sale of the Properties to produce Cash for distribution to Investors and other creditors. If such sales are delayed, incur costs that exceed estimates, or are at prices below estimates, payments may be correspondingly delayed or decreased. The various risks associated with the Properties and the real-estate industry include economic conditions; the supply and demand for properties, particularly of the sorts owned or controlled by the Debtors; the financial conditions for tenants, buyers, and sellers of properties; changes in interest rates; changes in environmental laws or regulations, planning laws and other governmental roles and fiscal and monetary policies; changes in real-property tax rates and related tax deductions; negative developments in the economy that depress travel and retail activity; uninsured casualties; force majeure acts, terrorist events, under-insured or uninsurable losses; and other factors that are beyond the reasonable control of the Debtors and the Plan Recovery Trust. In addition, real-estate assets are subject to long-term cyclical trends that can give rise to significant volatility in values. Real-estate investing and development may be subject to a higher degree of market risk because of concentration in a specific industry, sector, or geographic sector. Real-estate investments may be subject to other general and specific risks, including declines in the value of real estate generally, risks related to general and economic conditions, changes in the value of the comparable properties, and defaults by real estate borrowers within the particular market or the broader economy.

VI.

CONFIRMATION OF THE PLAN

A. The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Court, after notice, to hold a hearing regarding Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan.

The Court has scheduled the Confirmation Hearing to commence on **February 4, 2026, at 11:00 a.m. (Pacific Time)**, before the Honorable Charles Novack, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Northern District of California, Oakland Division. The Confirmation Hearing Notice sets forth the time and date of the Confirmation Hearing. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

Objections to Confirmation of the Plan must be filed and served so that they are actually received by no later than **January 7, 2026, at 11:59 p.m. (Pacific Time). Unless objections to Confirmation of the Plan are timely served and filed in compliance with the Solicitation Procedures Order, they may not be considered by the Bankruptcy Court**.

B. Requirements for Confirmation of the Plan

Among the requirements for the Confirmation of the Plan are that the Plan (i) is accepted by all Impaired Classes of Claims or, if rejected by an Impaired Class of Claims, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Impaired Class of Claims; (ii) is feasible; and (iii) is in the "best interests" of Holders of Claims.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Plan Proponents believe that: (i) the Plan satisfies or will satisfy all of the necessary statutory requirements of chapter 11 of the Bankruptcy Code, (ii) the Plan Proponents have complied or will have complied with all of the necessary requirements of chapter 11 of the Bankruptcy Code, and (iii) the Plan has been proposed in good faith. More specifically, the Plan Proponents believe that the Plan satisfies or will satisfy the following applicable Confirmation requirements of section 1129 of the Bankruptcy Code:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Plan Proponents have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Cases, or in connection with the Plan and incident to the Cases, has been disclosed to the Court, and any such payment: (1) made before the

Confirmation of the Plan is reasonable or (2) is subject to the approval of the Court as reasonable, if it is to be fixed after Confirmation of the Plan.

- Either each Holder of a Claim in an Impaired Class of Claims has accepted the Plan, or each such Holder will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated on the Effective Date of the Plan under chapter 7 of the Bankruptcy Code.

- The Classes of Claims that are entitled to vote on the Plan will have accepted the Plan, or at least one Class of Impaired Claims will have accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in that Class, and the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each Class of Claims that is impaired under, and has not accepted, the Plan.

- Except to the extent a different treatment is agreed to, the Plan provides that all Allowed Administrative Claims and Allowed Priority Claims will be paid in full on the Effective Date, or as soon thereafter as is reasonably practicable.

- All accrued and unpaid fees of the type described in 28 U.S.C. § 1930, including the fees of the U.S. Trustee, will be paid through the Effective Date.

C. Best Interests of Creditors

Often called the "best interests of creditors" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation of a chapter 11 plan, that the plan provides, with respect to each impaired class, that each holder of a claim or an interest in such class either (i) has accepted the plan or (ii) will receive or retain under the plan property of a value that is not less than the amount that such holder would receive or retain if the debtor liquidated under chapter 7 on the effective date of the plan. The Debtors and their advisors, with consultation with the Committee, are preparing a liquidation analysis (the "Liquidation Analysis").

The costs of liquidation under chapter 7 of the Bankruptcy Code would include the fees payable to a chapter 7 trustee, and the fees that would be payable to additional attorneys and other professionals that such a trustee may engage.

Conversion to chapter 7 of the Bankruptcy Code would mean the establishment of a new claims bar date, which could result in new Claims being asserted against the Estates, thereby diluting the recoveries of other Holders of Allowed Claims. It would also require Holders of Claims and Interests against the Debtors to file new proofs of claim and interest in their chapter 7 cases.

Significantly, the Plan embodies a comprehensive, extensively negotiated settlement and compromise of myriad complex legal and factual issues relating to the Debtors and their Investors and other creditors. In the event of conversion, the chapter 7 trustee, Investors, and other creditors would need to engage in extensive litigation to resolve these and other issues, or would need to try to negotiate an alternative settlement, all without the benefit of committee representation for Investors and other creditors. This process would be extremely time-consuming and costly, and would very likely reduce and delay any recoveries available for Investors and other creditors of the Estates.

In addition, a chapter 7 trustee likely would act quickly to sell or otherwise monetize the Debtors' assets, including because (i) a chapter 7 trustee probably would not have adequate staffing or funding to dispose of the Properties over an extended period of time and (ii) a chapter 7 trustee would need to seek authorization to operate the Debtors' remaining business, which is relief that should be granted only "for a limited period" in any event, *see* 11 U.S.C. § 721. Such a forced sale by a chapter 7 trustee would likely ultimately result in substantially lower recoveries from the sale of the Debtors' assets, as set forth in the Liquidation Analysis.

On balance, the Plan Proponents believe that a chapter 7 trustee would be less likely to maximize the value available from all the Estate Assets and would be unable to obtain the benefits of the compromises and settlements available under the Plan. Therefore, the Plan Proponents believe that confirmation of the Plan will provide each Investor and other creditors with an equal or greater recovery than such party would receive pursuant to the liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

D. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors (unless such liquidation or reorganization is proposed in the plan). The Plan Proponents believe that this requirement is satisfied, and the Debtors believe the Debtors' Cash and any additional proceeds from the Plan Recovery Trust Assets will be sufficient to allow the Plan Recovery Trustee to make all payments required to be made under the Plan. Accordingly, the Plan Proponents believe that the Plan is feasible.

E. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, that, except as described in the following section, each class of claims or interests that is impaired under a plan accept the plan. A class that is not "impaired" under a plan is conclusively presumed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required.

A class is "impaired" unless a plan: (a) leaves unaltered the legal, equitable, and contractual rights to which the claim or the interest entitles the holder of such claim or interest or (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of allowed claims in that class, counting only those claims held by creditors that actually voted to accept or reject the plan. Thus, a Class of Impaired Claims will have voted to accept the Plan only if two-thirds in amount and a majority in number actually voting cast their Ballots in favor of acceptance.

F. Confirmation Without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes have not accepted that plan, *provided* that the plan has been accepted by at least one impaired class of claims, determined without including the acceptance of the plan by any insider. Notwithstanding an impaired class's rejection or deemed rejection of the plan, such plan will be confirmed, at the plan proponent's request, in a procedure commonly known as "cramdown," so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or interests that is impaired under and has not accepted the plan.

To the extent that any Impaired Class **other than Class 6** rejects the Plan or is deemed to have rejected the Plan, the Plan Proponents will request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code. **The Plan Proponents will not request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code if Class 6 votes to reject the Plan.** The Plan Proponents

reserve the right to alter, amend, modify, revoke, or withdraw the Plan, the Plan Supplement, or any schedule or exhibit, including to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

1. No Unfair Discrimination

The "unfair discrimination" test applies to classes of claims or interests that reject or are deemed to have rejected a plan and that are of equal priority with another class of claims or interests that is receiving different treatment under the plan. The test does not require that the treatment of such classes of claims or interests be the same or equivalent, but that such treatment be "fair" under the circumstances. In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (e.g., classes of the same legal character). Bankruptcy courts will take into account various factors in determining whether a plan discriminates unfairly. Accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class. The Plan Proponents submit that if they are required to "cram down" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured such that it does not "discriminate unfairly" against any rejecting Class.

2. Fair and Equitable Test

The "fair and equitable" test applies to classes that reject or are deemed to have rejected a plan and are of different priority and status vis-à-vis another class (e.g., secured versus unsecured claims, or unsecured claims versus equity interests), and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in the class, including interest. As to the rejecting class, the test sets different standards depending on the type of claims or interests in the rejecting class. The Plan Proponents submit that if they are required to "cram down" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured such that the applicable "fair and equitable" standards are met.

G. Alternatives to Confirmation and Consummation of the Plan

The Plan Proponents believe that the Plan affords Investors and other creditors the potential for a materially better realization on the Estate Assets than a chapter 7 liquidation and, therefore, is in the best interests of all stakeholders. If, however, the requisite acceptances of the voting Classes of

Claims are not received, or no Plan is confirmed and consummated, the theoretical alternatives include: (a) formulation of an alternative chapter 11 plan or plans or (b) liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

If the requisite acceptances are not received or if the Plan is not confirmed, the Plan Proponents or another party in interest could attempt to formulate and propose a different plan or plans. The Plan Proponents believe that the Plan enables Investors and other creditors to realize the greatest possible value under the circumstances and, as compared to any alternative plan, has the greatest chance to be confirmed and consummated.

The Cases could also be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a statutory trustee would be elected or appointed to complete the liquidation of the Estate Assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. As described above, the Plan Proponents believe that the Plan will provide each Investor and other creditor with an equal or greater recovery than it would receive pursuant to liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

VII.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN[22]

There are a number of material income tax considerations, risks, and uncertainties associated with the plan of liquidation of the Debtors described in this Disclosure Statement and the Plan.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. NOTHING HEREIN SHALL CONSTITUTE TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ALL HOLDERS OF CLAIMS AGAINST OR INTERESTS IN THE DEBTORS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES OF THE PLAN.

[22] The Plan Proponents are currently evaluating the tax consequences of the Plan and expect to modify this Section.

VIII.

RECOMMENDATION

The Plan Proponents believe that confirmation and implementation of the Plan are the best alternative under the circumstances and urge all Impaired Creditors entitled to vote on the Plan to vote in favor of and support confirmation of the Plan.

Respectfully submitted,

KELLER BENVENUTTI KIM LLP

By: */s/ Thomas B. Rupp*
Tobias S. Keller
David A. Taylor
Thomas B. Rupp

Counsel to the LFM Debtors

HOGAN LOVELLS US LLP

By: */s/ Erin N. Brady*
Richard L. Wynne
Erin N. Brady
Edward J. McNeilly
Todd M. Schwartz

Counsel to KS Mattson Partners, LP

PACHULSKI STANG ZIEHL & JONES LLP

By: */s/ Jason H. Rosell*
Debra Grassgreen
John D. Fiero
Jason H. Rosell
Steven W. Golden

Counsel to the Official Committee of Unsecured Creditors

EXHIBIT A

Joint Chapter 11 Plan

EXHIBIT B

Corporate Organizational Chart

[To be filed separately]

EXHIBIT C

Liquidation Analysis / Plan Recovery Analysis

[To be filed separately]

EXHIBIT D

Non-Exclusive Description of Preserved Trust Actions

[To be filed separately]

EXHIBIT E

Investigation Report

[To be filed separately]