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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.

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

In re  
 KS MATTSON PARTNERS, LP,  
 Debtor.

**JOINT STATUS CONFERENCE  
 STATEMENT FOR HEARING ON  
 SEPTEMBER 19, 2025**

Status Conference:

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

1 LeFever Mattson, a California corporation, and its affiliated debtors and debtors in  
2 possession (the “LFM Debtors”), KS Mattson Partners, LP (“KSMP” and together with the LFM  
3 Debtors, the “Debtors”), and the Official Committee of Unsecured Creditors (the “Committee”  
4 and together with the Debtors, the “Plan Proponents”) appointed in the above-captioned cases (the  
5 “Chapter 11 Cases”) hereby jointly submit this status report (the “Status Report”) in advance of  
6 the September 19, 2025 status conference (the “Status Conference”).

7 The Status Report is divided into three sections. The first section describes the recently  
8 filed *Joint Chapter 11 Plan of Liquidation* [Dkt. No. 2226] (the “Plan”) and related pleadings. The  
9 Plan Proponents will present an overview of the Plan to the Court and parties in interest at the  
10 Status Conference. The second section provides an overview of recent developments with respect  
11 to the LFM Debtors and their chapter 11 cases (the “LFM Cases”). Finally, the third section  
12 provides an overview of recent developments with respect to KSMP and its chapter 11 case (the  
13 “KSMP Case”).

## 14 **PLAN OVERVIEW**

### 15 **A. Plan Summary**

16 On September 5, 2025, the Plan Proponents filed the Plan, which provides for a global  
17 settlement (the “Global Settlement”) of the outstanding claims asserted against and equity interests  
18 asserted in the Debtors. The Global Settlement embodied in the Plan resolves the complex issues  
19 in these Chapter 11 Cases, including (a) the substantive consolidation of the Debtors and (b) the  
20 treatment of investor claims in the context of a Ponzi scheme.

21 Specifically, the Plan provides that all assets and liabilities of each Debtor are pooled  
22 together for distribution purposes and that, pursuant to applicable Ninth Circuit law, all investors  
23 are treated the same, as holders of tort claims, regardless of the nature and documentation of the  
24 investment and regardless of whether the investor was “on book” or “off book.” This treatment  
25 reflects the fact that all investors were unwilling participants in a fraudulent Ponzi scheme and  
26 have a claim for restitution (*i.e.*, the return of their investment). *See Donell v. Kowell*, 533 F. 3d  
27 762, 774-75 (9th Cir. 2008) (“[W]hen Kowell and the other innocent victims gave money to  
28 Wallenbrock, they were not actually investors, but rather tort creditors with a fraud claim for

1 restitution equal to the amount they gave.”); *Scholes v. Lehmann*, 56 F.3d 750, 755 (7th Cir. 1995)  
2 (defrauded Ponzi scheme investors are actually tort creditors); *In re Petters Co.*, 499 B.R. 342, 352  
3 (Bankr. D. Minn. 2013) (“Through the hindsight of equitable principles, this rebranding is imposed  
4 even where the participation was facially structured as equity investment under documentation and  
5 through transaction.”).<sup>1</sup>

6 The Plan further contemplates that, in accordance with applicable Ponzi scheme case law,  
7 investor claims will be “netted” to ensure equitable treatment of investors. Specifically, pursuant  
8 to the Global Settlement, each investor will receive (a) a claim for money (or value of property) it  
9 invested in the Debtors over time *less* any distributions the investor received over the *seven years*  
10 prior to September 12, 2024 (the “Tranche 1 Claim”) and (b) a claim for the distributions deducted  
11 to get to the Tranche 1 Claim (the “Tranche 2 Claim”). The Plan provides that investors will first  
12 receive their *pro rata* distribution of available assets on account of their Tranche 1 Claim. After  
13 each investor’s Tranche 1 Claim is paid in full, investors will then receive their *pro rata*  
14 distribution of available assets on account of their Tranche 2 Claim. An important aspect of the  
15 Global Settlement is that, given the condition of the Debtors’ books and records, rather than netting  
16 from the suspected Ponzi scheme start date (potentially more than 15 years ago), the Plan, together  
17 with the Investor Settlement Amount Procedures Order, provides that only payments made to  
18 Investors seven years prior to September 12, 2024, will be offset/netted in calculating Investor  
19 Claims, because there are some records that go back only seven years.

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21 <sup>1</sup> See also *Perkins v. Am. Int’l Specialty Lines Ins Co.*, 486 B.R. 212, 214 (N.D. Ga. 2012) (explaining: “After  
22 substantively consolidating the Chapter 11 cases, the Bankruptcy Court confirmed the Trustee’s Chapter 11 plan.  
23 Under the terms of the plan, the plaintiffs in the lawsuits just described and others like them, together with the victims  
24 of the Ponzi scheme, became ‘Investor Tort Claimants.’ The Plan defines ‘Investor Tort Claims’ as ‘Claims of Persons  
25 who purchased Interests in one or more of the Debtors for damages arising from the purchase of such Interests.’”);  
26 *JRS Partners, GP v. Warren*, 2021 U.S. Dist. LEXIS 56980, at \*7 (M.D. Tenn. March 25, 2021) (“Courts hold that a  
27 Ponzi scheme is inherently insolvent because each new investor has a tort claim that cannot be repaid.” (citations  
28 omitted)); *Wiand v. Lee*, 753 F.3d 1194, 1202 (11th Cir. 2014) (“The money they [entities under receivership that  
perpetrated a Ponzi scheme] receive from investors should be used for their stated purpose of investing in securities,  
and thus the corporations are harmed when assets are transferred for an unauthorized purpose to the detriment of the  
defrauded investors, who are tort creditors of the corporations.”); *Warfield v. Alaniz*, 453 F.Supp.2d 1118, 1127 (D.  
Ariz. 2006) (“The defrauded investors in this case are tort-creditors of the receivership [citing *Scholes*]. Mid-America  
is entitled to seek return of these funds for the benefit of the receivership, so that it may reimburse its creditors and/or  
victims of its tortious actions.”); *Kirkland v. Rund (In re EPD Inv. Co., LLC)*, 114 F. 4th 1148 (9th Cir. 2024) (lenders,  
not just investors, can be victims of Ponzi schemes).

1 **B. Disclosure Statement and Solicitation Procedures Motion**

2 On September 17, 2025, the Plan Proponents filed the (a) *Disclosure Statement in Support*  
3 *of Joint Chapter 11 Plan of Liquidation* [Dkt. No. 2364] (the “Disclosure Statement”) and (b)  
4 motion to approve the Disclosure Statement and establish procedures for the solicitation of the  
5 Plan [Dkt. No. 2366] (the “Solicitation Procedures Motion”).

6 As set forth in the Solicitation Procedures Motion, the Plan Proponents seek approval of  
7 the Disclosure Statement and to establish a timeline for confirmation. The Plan Proponents’  
8 proposed schedule for confirmation and other key dates (the “Case Resolution Calendar”) is  
9 attached hereto as **Exhibit A**.

10 **C. Investor Claim Settlement Procedures**

11 In connection with the Plan – and to definitively establish each investor’s Tranche 1 Claim  
12 and Tranche 2 Claim – the Plan Proponents filed the *Joint Motion for the Entry of an Order*  
13 *Approving Settlement Procedures with Respect to Investor Claims* [Dkt. No. 2365] (the “Investor  
14 Claim Settlement Procedures Motion”). Pursuant to the Investor Claim Settlement Procedures  
15 Motion, the Plan Proponents seek to establish claims allowance and settlement procedures (the  
16 “Investor Claim Settlement Procedures”) – parallel to solicitation of the Plan – that implement the  
17 terms of the Global Settlement with respect to the allowance of investor claims. This parallel  
18 process will enable the Plan Proponents to make progress on the allowance of investor claims in  
19 advance of the hearing on confirmation of the Plan and thus expedite distributions to investors.

20 In general, the proposed Investor Claim Settlement Procedures contemplate the Committee  
21 sending letters to all holders of investor claims setting forth the following information for each  
22 investor: (a) Schedule of Amount Invested; (b) Schedule of Prepetition Ponzi Distributions; (c)  
23 Proposed Allowed Investor Tranche 1 Claim; and (d) Proposed Allowed Investor Tranche 2 Claim.  
24 Each settlement offer letter will provide an investor with an opportunity to either (a) accept the  
25 Proposed Allowed Investor Tranche 1 Claim and Proposed Allowed Investor Tranche 2 Claim or  
26 (b) reject the settlement offer. Pursuant to the Investor Claim Settlement Procedures, investors may  
27 also ask to meet and confer with the Committee to reconcile any discrepancies with respect to the  
28 calculation of their Tranche 1 Claim and Tranche 2 Claim, and thereby avoid potentially expensive

1 and protracted litigation concerning the amount of their claim.

2 The Plan Proponents' proposed general timeline with respect to resolving investor claims  
3 is included in the Case Resolution Calendar attached hereto as Exhibit A.

4 **D. Plan Town Halls**

5 Upon approval by the Court of the Disclosure Statement and solicitation of the Plan, the  
6 Plan Proponents will schedule a series of town halls to discuss with investors the details of the  
7 Plan and Global Settlement, how to vote on the Plan, and the Investor Claim Settlement  
8 Procedures. However, unless and until the Court approves the Disclosure Statement, the Plan  
9 Proponents are not allowed to solicit votes on the Plan.

10 **E. Secured Lender Discussions**

11 Under the Plan, the secured lender claims are either in Class 3 (Sold Property Secured  
12 Lender Claims) or Class 4 (Retained Property Secured Lender Claims). Allowed Class 3 Claims  
13 will be paid in full. However, the Committee intends to object to asserted Class 3 Claims on a  
14 variety of grounds, including on the basis that secured lender claims on account of anything other  
15 than the return of principal are subject to disallowance in a Ponzi setting. *Kirkland v. Rund (In re*  
16 *EPD Inv. Co., LLC)*, 114 F. 4th 1148 (9th Cir. 2024) (lenders, not just investors, can be victims of  
17 Ponzi schemes); *In re Hechinger Investment Co. of Delaware*, 274 B.R. 71, 81 (D. Del. 2002)  
18 ("Fraudulent conveyance laws . . . are intended to prevent shareholders, secured creditors, and  
19 others from benefitting at the expense of others.").

20 As discussed further below, the Plan Proponents anticipate that a significant number of  
21 properties will remain unsold at the time of confirmation of the Plan. As a result, the Plan vests  
22 unsold real estate in the Plan Recovery Trust. In connection therewith, the Plan provides that a  
23 lender with a claim secured by retained real property will be issued a replacement secured note  
24 with a present value equal to the allowed amount of such holder's allowed Class 4 Claim. In other  
25 words, the Plan proposes to cram down secured lenders whose collateral is retained by the Plan  
26 Recovery Trust. Moreover, the Committee intends to object to asserted Class 4 Claims on the same  
27 basis as Class 3 Claims.

28 The Committee has proactively reached out to all known secured lenders to schedule a

1 series of group information sessions regarding the Plan. The first information session is scheduled  
2 for September 22, 2025 at 3:00 p.m. (Pacific Time). A second information session is scheduled for  
3 September 30, 2025 at 3:00 p.m. (Pacific Time).

4 **F. Socotra Mediation and Motion to Pay Mediation Expenses**

5 Socotra Capital, Inc. and its affiliates (“Socotra”) hold deeds of trust and assignments of  
6 rents on 60 properties held by the LFM Debtors with approximately \$75 million in total loans.  
7 This represents about one-third of the LFM Debtors’ total secured debt, making Socotra the LFM  
8 Debtors’ largest secured creditor. Socotra holds deeds of trust and assignments of rents on 15  
9 properties held by KSMP with approximately \$27.3 million in total loans. In addition, KSMP  
10 believes that it may be a borrower on certain loans of Socotra for properties that were transferred  
11 from KSMP to one of the LFM Debtors, subject to a deed of trust. Substantially all the properties  
12 that serve as Socotra’s collateral were originally purchased by KSMP, an entity at the time  
13 controlled by Mr. Mattson, who was also the chief executive officer of LeFever Mattson and in  
14 control of the LFM Debtors during the relevant period. In at least two instances, it appears that  
15 Mr. Mattson used the LFM Debtors’ property to cross-collateralize KSMP properties securing the  
16 Socotra loans. The LFM Debtors have also uncovered evidence that, over the course of seven  
17 years, Mr. Mattson transferred approximately \$20 million from a LeFever Mattson bank account  
18 to Socotra—yet these payments appear to have been made for the benefit of Mr. Mattson or KSMP,  
19 not any of the LFM Debtors.

20 In an effort to avoid expensive and protracted litigation regarding Socotra’s claims and  
21 treatment under the Plan, the Plan Proponents and Socotra have scheduled a mediation on  
22 September 24 and September 25 in Los Angeles. In connection therewith, on September 10, 2025,  
23 the Debtors filed the *Joint Motion of LFM Debtors and KSMP to Pay Costs Related to Mediation*  
24 *with Socotra Capital* [Dkt. No. 2308] (the “Mediation Expense Motion”). The Court is scheduled  
25 to hear the Mediation Expense Motion on September 19, 2025.

26 **LFM CASES**

27 **A. LFM Debtors’ Cash On Hand**

28 The LFM Debtors were collectively holding \$16,282,866.61 in their debtor-in-possession

1 bank accounts as of August 31, 2025. A breakdown of the cash holdings of all 61 LFM Debtors is  
2 attached hereto as **Exhibit B**. Where cash represents the rent collected from property encumbered  
3 by a valid deed of trust and assignment of rents, it is the cash collateral of the respective secured  
4 lender.

5 **B. Real Property Sales**

6 The LFM Debtors began listing their properties for sale in March 2025 and have continued  
7 since, in consultation with their real estate experts and the Committee. The proceeds from these  
8 sales will help to fund the administration of these Chapter 11 Cases, allow for payment of claims  
9 secured by the properties, and maximize the available funds for distribution pursuant to the Plan.  
10 As contemplated by the Plan, the LFM Debtors anticipate that any of their properties not sold or  
11 otherwise disposed of prior to the effective date of the Plan will vest in the Plan Recovery Trust.

12 To expedite the sales of the LFM Debtors' properties, the Court granted two motions by  
13 the LFM Debtors to establish real estate sale procedures (the "Sale Procedures"). *See* Dkt. Nos.  
14 971 and 1381. While certain Properties have been excluded from the Sale Procedures—and the  
15 LFM Debtors reserve the right to not use the Sale Procedures for the sale of any given property  
16 and instead file a separate motion pursuant to section 363 of the Bankruptcy Code—the LFM  
17 Debtors believe that the Sale Procedures have saved their estates significant administrative costs  
18 and allowed for more speed and certainty in closing transactions.

19 Pursuant to the Sale Procedures, the LFM Debtors must allow for a minimum 21-day  
20 marketing period prior to considering offers. As of September 16, 2025, the LFM Debtors have  
21 received court approval for the sale of 26 Properties [Dkt. Nos. 1560, 1561, 1683, 1726, 1775,  
22 1778, 1984, 1986, 1990, 1991, 2012, 2072, 2105, 2106, 2107, 2108, 2109, 2111, 2185, 2202, 2230,  
23 2231, 2244, 2335, 2336, 2337]; 18 of those sales have closed, yielding combined gross proceeds  
24 of \$23,014,527 and combined net proceeds of \$9,744,377. The remaining eight properties with  
25 court approval that have not closed are expected to yield combined gross proceeds of  
26 approximately \$14,000,000 and combined net proceeds of approximately \$7,000,000.

27 The LFM Debtors have filed 15 Sale Notices for which the notice period has not yet run or  
28 that are pending court approval. The sales reflected in these 15 Sale Notices are expected to yield



1 combined gross proceeds of approximately \$43,000,000 and combined net proceeds of  
2 approximately \$9,000,000. Nine were filed on an individual property basis [Dkt. Nos. 1919, 2046,  
3 2083, 2082, 2176, 2178, 2190, 2191, 2351], and six were included in the omnibus motion to sell  
4 property that is the collateral of Socotra [Dkt. No. 2215].

5 The LFM Debtors have executed an additional 12 purchase and sale agreements (“PSAs”)  
6 for transactions that are now in the due diligence or sale notice preparation stage, and the LFM  
7 Debtors are in the process of finalizing PSAs for another three Properties, with sale notices  
8 expected to be filed as soon as those agreements are finalized and the prospective buyers complete  
9 their due diligence. These 15 properties are currently expected to yield gross proceeds of  
10 approximately \$108,000,000 and combined net proceeds of approximately \$18,000,000, subject  
11 to potential price adjustments, overbids, and final debt payoff amount determination.

12 Of the properties that remain to be sold where no PSA has been signed, the LFM Debtors  
13 expect approximately \$30 million in net proceeds, though this is only a general estimate based on  
14 broker opinions of value and the experience of the LFM Debtors’ real estate professionals, and the  
15 final figures will depend on a number of factors, including market and property conditions.

16 In July 2025, the LFM Debtors entered into a PSA for an approximately 40-unit  
17 development near Truckee, California, owned by LeFever Mattson and known as Pinyon Creek II.  
18 While that PSA has expired by its terms, the LFM Debtors and their professionals remain in  
19 negotiations with the PSA counterparty and other prospective purchasers, and are optimistic that  
20 a new PSA with a purchaser will be entered into soon.

21 The LFM Debtors are also actively marketing the commercial space known as Cornerstone  
22 Sonoma, which is owned by LFM Debtor Heacock Park Apartments, LP. Other remaining  
23 properties are still being prepared for marketing, as the LFM Debtors and their professionals work  
24 through issues with individual properties to improve potential outcomes from the marketing  
25 process. A small number of the LFM Debtors’ properties are not yet listed with any brokers for a  
26 variety of reasons that are unique to each property.



1 **C. DIP Financing and Cash Collateral**

2 In December 2024, the LFM Debtors negotiated a \$6 million DIP facility (the “LFM Serene  
3 Facility”) with Serene Investment Management, LLC (“Serene”), which was approved on a final  
4 basis by the Court in January 2025. *See* Dkt. No. 643. The maturity date of the Serene Facility is  
5 on or about December 24, 2025. As of September 17 2025, the outstanding balance on the LFM  
6 Serene Facility, including principal, interest, and fees, is approximately \$7.168 million. The LFM  
7 Debtors and their professionals have engaged in discussions with Serene regarding strategies for  
8 repayment of the LFM Serene Facility in 2025, or an extension through the first quarter of 2026.  
9 Serene’s collateral for the LFM Serene Facility is two notes held by LeFever Mattson secured by  
10 the Cornerstone Sonoma property. The LFM Debtors anticipate that the sale of either Pinyon Creek  
11 II or Cornerstone Sonoma will yield enough proceeds to repay the full amount of the LFM Serene  
12 Facility.

13 The Court has entered orders authorizing the Debtors’ use of the cash collateral of nearly  
14 all of their secured creditors. *See, e.g.,* Dkt. Nos. 355, 449, 503, 510, 681, and 712. The Debtors  
15 have negotiated the great majority of these orders consensually, resulting in significantly less  
16 administrative expense than might have been generated through multiple contested matters and  
17 evidentiary hearings. The Debtors are continuing to work cooperatively with secured lenders  
18 regarding issues related to their collateral.

19 **D. Professional Fees**

20 The total estimated accrued administrative expenses for the LFM Debtors is shown in the  
21 table below. This is comprised largely of accrued but unpaid professional fees through August 31,  
22 2025, including estimated amounts not yet allowed by the Court. The LFM Debtors are not aware  
23 of any material administrative expenses that are not professional fees or fees of the Debtors’  
24 directors, officers, or claims agent.

25

| Professional            | Accrued Unpaid Fees Through 8/31/25 |
|-------------------------|-------------------------------------|
| Keller Benvenuti Kim    | \$2,976,910                         |
| DSI                     | \$3,377,624                         |
| Rishi Jain (Director)   | \$15,000                            |
| Lance Miller (Director) | \$15,000                            |

26  
27  
28

|                    |                     |
|--------------------|---------------------|
| Donald S. Davidson | \$22,243            |
| Verita (156 & 327) | \$1,367,889         |
| PSZJ               | \$4,309,220         |
| PwC                | \$3,972,303         |
| SSL                | \$649,556           |
| Buchalter          | \$222,783           |
| FTI (tax)          | \$78,449            |
|                    | <b>\$17,006,977</b> |

**E. Monthly Operating Reports**

The LFM Debtors have filed all operating reports through August 2025. The LFM Debtors have also provided regular financial reporting to their numerous secured lenders (with copies to the Committee) in compliance with their various cash collateral agreements.

**F. Postpetition Taxes**

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

**G. Insurance**

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

**H. Quarterly Fees**

The LFM Debtors anticipate that they will be able to timely pay all of their actual or estimated quarterly fees for the third quarter of 2025, due at the end of October. Should any actual quarterly fees be greater than the estimated amounts, the LFM Debtors will pay the difference.

**KSMP Case**

**A. KSMP's Cash On Hand**

KSMP was holding \$812,461 in its debtor-in-possession bank accounts as of August 31, 2025. Where cash represents the rent collected from property encumbered by a valid deed of trust and assignment of rents, it is the cash collateral of the respective secured lender.

**B. Retention of Professionals and Real Estate Brokers**

KSMP has employed or sought to employ the following professionals thus far in the Chapter 11 Cases:

- Hogan Lovells US LLP ("Hogan Lovells"), as lead bankruptcy counsel [Case No. 24-10715, Dkt. No. 185]<sup>2</sup>, granted by order dated July 18, 2025 [Case No. 24-10715, Dkt. No. 223].
- Stapleton Group, a part of J.S. Held, LLC ("Stapleton"), as operations and asset manager [Case No. 24-10715, Dkt. No. 206], granted by order dated August 22, 2025 [Dkt. No. 2086].
- The following real estate brokers: (i) Kidder Matthews [Dkt. No. 2041], granted by order dated September 8, 2025 [Dkt. No. 2243]; (ii) Compass [Dkt. No. 2043], granted by order dated September 8, 2025 [Dkt. No. 2240]; (iii) W Real Estate [Dkt. No. 2049], granted by order dated September 8, 2025 [Dkt. No. 2242]; (iv) Premiere Estates [Dkt. No. 2052], granted by order dated September 8, 2025 [Dkt. No. 2241]; and (v) Douglas Elliman [Dkt. No. 2228], granted by order dated September 16, 2025 [Dkt. No. 2357].

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<sup>2</sup> KSMP's chapter 11 case (Case No. 24-10715) was administratively consolidated with the chapter 11 cases of the LFM Debtors by order entered July 29, 2025 [Dkt. No. 1887]. This included filing all pleadings in lead case number 24-10545. To avoid confusion, "Case No. 24-10715" has been written before pleadings filed on the docket in Case No. 24-10715 prior to entry of the joint administration order.

1 By the *Stipulated Bridge Order in Connection with the Motion to Substantively*  
2 *Consolidate the Bankruptcy Estates of LeFever Mattson and KS Mattson Partners, LP* [Dkt. No.  
3 1887], the Court extended Verita's service as claims agent to the KSMP chapter 11 case. KSMP  
4 is continuing to assess the need for additional professionals to assist in the chapter 11 process and  
5 will file an appropriate application or motion if any additional professionals are required. KSMP  
6 anticipates filing a motion under section 363 of the Bankruptcy Code to retain PURE Property  
7 Management as property manager for its Sonoma assets.  
8

9 **C. Real Property Sales**

10 KSMP's brokers have begun to market KSMP's real property assets. KSMP's strategy  
11 involves prioritizing those properties that appear to have the greatest equity value and to be the  
12 most straightforward to sell (for example, because they are unencumbered and/or do not have any  
13 tenants in common). KSMP anticipates filing a motion to approve procedures to sell its real property  
14 assets, which will divide assets into residential and commercial, with streamlined procedures for  
15 residential assets consistent with expectations for buyers in the residential market.  
16

17 As of the filing of this report, KSMP has active listings for seven properties and has already  
18 received a full-price offer for one property. KSMP anticipates shortly filing a stand-alone motion  
19 seeking approval of the sale for which it has received a full-price offer.  
20

21 **D. DIP Financing and Cash Collateral**

22 On July 29, 2025, KSMP filed a motion seeking interim and final orders approving entry  
23 into a debtor-in-possession financing facility with Serene Investment Management, LLC ("Serene")  
24 in the amount of up to \$1 million on an interim basis and up to \$4 million on a final basis [Dkt. No.  
25 1892] (the "KSMP DIP Motion"). On August 6, 2025, the Court approved the KSMP DIP Motion  
26 on an interim basis [Dkt. No. 1966] (the "KSMP Interim DIP Order"). The final hearing on the  
27 KSMP DIP Motion is scheduled for September 19, 2025. To date, KSMP has borrowed \$850,000  
28 under the KSMP Interim DIP Order. Serene has agreed to extend the maturity date of the DIP

1 facility from December 31, 2025 (the date in the term sheet) to February 6, 2026, without charging  
2 any additional fees.

3 The Court has entered orders authorizing KSMP's consensual use of the cash collateral of  
4 secured lender, Socotra. *See* Case No. 24-10715, Dkt. No. 225; Dkt. No. 1992. KSMP continues to  
5 work cooperatively with secured lenders regarding issues related to their collateral. KSMP has  
6 established segregated debtor-in-possession cash collateral accounts for each secured lender where  
7 the property securing its loans is generating cash.

8  
9 **E. Bar Date and Town Hall**

10 On August 28, 2025, the Court entered an order [Dkt. No. 2184] establishing October 3,  
11 2025 at 11:59 p.m. as the general bar date for creditors to file proofs of claim against KSMP. On  
12 September 15, 2025, KSMP and the Committee hosted a town hall meeting by webinar in which  
13 the Responsible Individual gave creditors information on KSMP's chapter 11 case and KSMP  
14 provided a step-by-step guide on how to complete the proof of claim form and voluntary  
15 questionnaire.

16  
17 **F. Additional Chapter 11 Cases**

18 KSMP anticipates that it will file chapter 11 petitions for three entities (Perris Freeway  
19 Plaza LP, Specialty Properties Partners, LP and Treehouse Investments, LP) of which KSMP is the  
20 general partner.

21  
22 **G. Professional Fees**

23 The total estimated accrued administrative expenses for KSMP is shown in the table below.  
24 This is comprised largely of accrued but unpaid professional fees through August 31, 2025,  
25 including estimated amounts not yet allowed by the Court. KSMP is not aware of any material  
26 administrative expenses that are not professional fees or fees of KSMP's Responsible Individual  
27 or claims agent.

| Professional         | Accrued Unpaid Fees Through 8/31/25 |
|----------------------|-------------------------------------|
| Hogan Lovells US LLP | \$2,711,371.11                      |

|   |                       |              |
|---|-----------------------|--------------|
| 1 | Stapleton             | \$727,056.91 |
| 2 | Verita (claims agent) | \$57,976.37  |

3 Neither Hogan Lovells nor Stapleton have yet filed any professional fee applications. Both  
4 Hogan Lovells and Stapleton anticipate filing fee applications after real property assets are sold to  
5 minimize the costs to the estate that would be caused by borrowing under the DIP facility with  
6 Serene to fund professional fee payments.

7 **H. Monthly Operating Reports**

8 KSMP has filed its monthly operating reports on an ongoing basis since the June 9, 2025  
9 entry of the order for relief (the “Relief Date”). In addition to the required monthly operating  
10 reports, KSMP is providing regular financial reporting to Serene (as DIP lender).  
11

12 On July 10, 2025, KSMP timely filed the *Periodic Report Regarding Value, Operations,*  
13 *and Profitability of Entities in Which the Debtor’s Estate Holds a Substantial or Controlling*  
14 *Interest* [Dkt. No. 187] (the “Periodic Report”). The Periodic Report listed certain entities in which  
15 the Debtor, through the Responsible Individual, believes it has, may have, or may have once had  
16 an interest in, based on information currently available to the Responsible Individual. The  
17 Responsible Individual continues to diligence these entities and their ownership.  
18

19 **I. Postpetition Taxes**

20 KSMP may contest certain property taxes and assessments that came due postpetition.  
21 KSMP expects that most undisputed property taxes will be paid through sale transactions for  
22 KSMP’s properties. KSMP is seeking to diligence whether it may owe any other post-Relief Date  
23 taxes given the limited information available to it. However, as KSMP is a pass-through entity  
24 with no employees, to the best of its knowledge, based on the limited information in its possession,  
25 KSMP does not owe any post-Relief Date income or employee taxes.  
26

27 **J. Insurance**

28 When the Responsible Individual was appointed on June 16, 2025, less than half of

1 KSMP's properties had property insurance coverage. The Responsible Individual has caused  
2 property insurance to be put in place for all properties (other than vacant land) and has caused  
3 general liability insurance to be put in place for KSMP. KSMP has submitted appropriate insurance  
4 documentation to the United States Trustee in connection with the Initial Debtor Interview and has  
5 provided updated insurance documentation whenever policies are renewed or new policies are  
6 purchased. KSMP believes that the insurance program in place is appropriate and adequate to  
7 protect the estates' assets.  
8

9 **K. Quarterly Fees**

10 KSMP anticipates that it will be able to timely pay all its actual or estimated quarterly fees  
11 for the third quarter of 2025. Should any actual quarterly fees be greater than the estimated  
12 amounts, KSMP will pay the difference.  
13

14 **CONCLUSION**

15 The Debtors and Committee are focused on promptly confirming the Plan to facilitate an  
16 initial distribution to investors as soon as possible and limit administrative expenses. The Plan  
17 Proponents welcome the opportunity to present an overview of the Plan to the Court and investors  
18 at the Status Conference and will be prepared to address any questions from the Court at the Status  
19 Conference.  
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1 Dated: September 17, 2025

**KELLER BENVENUTTI KIM LLP**

2 By: /s/ Thomas B. Rupp

3 Thomas B. Rupp

4 *Counsel to the LFM Debtors*

5  
6 Dated: September 17, 2025

**HOGAN LOVELLS US LLP**

7 By: /s/ Erin N. Brady

8 Erin N. Brady

9 *Counsel to KSMP*

10 Dated: September 17, 2025

**PACHULSKI STANG ZIEHL & JONES LLP**

11 By: /s/ Jason H. Rosell

12 Jason H. Rosell

13 *Counsel to the Committee*

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**EXHIBIT A**

**(Case Resolution Calendar)**

| <b>Date</b>       | <b>Description</b>  |
|-------------------|---|
| November 19, 2025 | Proposed Hearing on the Solicitation Procedures Motion  |
| November 20, 2025 | Voting Record Date  |
| December 3, 2025  | (1) Last Day to Serve Solicitation Packages<br>(2) Last Day for the Committee to send Settlement Offer Letters  |
| December 17, 2025 | Last Day to file Plan Supplement  |
| January 7, 2026   | (1) Voting Deadline<br>(2) Last Day for Investors to object to Proposed Claim Amounts in Investors' Class 6 Ballots<br>(3) Last Day to File Objections to Plan<br>(4) Last Day for 3018 Motions of Non-Investor Claims<br>(5) Last Day for Investors to return Settlement Offer Letters to the Committee via email or mail  |
| January 21, 2026  | Last Day for Plan Proponents to file Objections to 3018 Motions for Non-Investor Claims   |
| January 28, 2026  | (1) Last Day for Plan Proponents to file Replies to Investors' Objections to Proposed Claim Amounts for voting purposes<br>(2) Last Day for Plan Proponents to file: (a) Replies to Objections to Plan Confirmation; (b) Voting Certification; and (c) Confirmation Brief<br>(3) Last Day for Committee and Investors to meet and confer regarding a resolution of any discrepancies contained in a Settlement Offer Letter<br>(4) Last Day for parties to filed replies in support of 3018 Motions for Non-Investor Claims |
| February 4, 2026  | (1) Confirmation Hearing on Plan<br>(2) Hearing on Unresolved Investors' Objections to Proposed Claims Amounts for voting purposes, and Unresolved 3018 Motions for Non-Investor Claims   |

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**EXHIBIT B**  
**(LFM Debtor Cash Balances as of August 31, 2025)**

**LeFever Mattson et al**

Cash on Hand

| <b>Debtor</b>  | <b>Case No</b> | <b>8/31 Cash Balance</b> |
|--|----------------|--------------------------|
| LeFever Mattson, a California corporation                  | 24-10545       | 961,411.73               |
| Home Tax Service of America, Inc.                          | 24-10544       | 167,513.74               |
| Apan Partners LLC  | 24-10487       | 600.00                   |
| Autumn Wood I, LP  | 24-10488       | 88,623.08                |
| Bay Tree, LP   | 24-10489       | 940.00                   |
| Beach Pine, LP   | 24-10490       | 621,500.40               |
| Bishop Pine, LP  | 24-10491       | 96,284.57                |
| Black Walnut, LP   | 24-10492       | 1,729,628.60             |
| Buck Avenue Apartments, LP                                 | 24-10493       | 3,372.21                 |
| Buckeye Tree, LP   | 24-10494       | 127,777.75               |
| Bur Oak, LP  | 24-10495       | 38,468.16                |
| Butcher Road Partners, LLC                                 | 24-10496       | 900.00                   |
| California Investment Properties, a California corporation | 24-10543       | 1,924.42                 |
| Cambria Pine, LP   | 24-10497       | 6,361.83                 |
| Chestnut Oak, LP   | 24-10498       | 27,123.22                |
| Country Oaks I, LP   | 24-10499       | 1,473.80                 |
| Divi Divi Tree, L.P.                                       | 24-10500       | 69.69                    |
| Douglas Fir Investments, LP                                | 24-10501       | (8,430.00)               |
| Firetree I, LP   | 24-10502       | 82,390.32                |
| Firetree II, LP  | 24-10503       | 4,437.66                 |
| Firetree III, LP   | 24-10504       | 78,719.54                |
| Foxtail Pine, LP   | 24-10505       | 17,582.62                |
| Ginko Tree, LP   | 24-10506       | 363,903.76               |
| Golden Tree, LP  | 24-10507       | 298,303.05               |
| Hagar Properties, LP                                       | 24-10508       | 319,973.64               |
| Heacock Park Apartments, LP                                | 24-10509       | 69,488.88                |
| LeFever Mattson I, LLC                                     | 24-10510       | 900.00                   |
| Live Oak Investments, LP                                   | 24-10511       | 3,131,048.41             |
| Monterey Pine, LP  | 24-10512       | 156,084.63               |
| Napa Elm, LP   | 24-10513       | 62.16                    |
| Nut Pine, LP   | 24-10514       | 96,972.95                |
| Pinecone, LP   | 24-10515       | 452.51                   |
| Pinewood Condominiums, LP                                  | 24-10598       | 42,149.17                |
| Ponderosa Pines, LP  | 24-10599       | 600.00                   |
| Red Cedar Tree, LP   | 24-10517       | 93,190.48                |
| Red Mulberry Tree, LP                                      | 24-10518       | 120,541.23               |
| Red Oak Tree, LP   | 24-10520       | 1,190,351.71             |
| Red Oak, LP  | 24-10519       | 235,739.13               |
| Red Spruce Tree, LP  | 24-10521       | 52,585.15                |
| Redbud Tree, LP  | 24-10516       | 1,000.00                 |

|                                   |          |                     |
|-----------------------------------|----------|---------------------|
| River Birch, LP                   | 24-10522 | 136,732.04          |
| River Tree Partners, LP           | 24-10523 | 1,473.80            |
| River View Shopping Center 1, LLC | 24-10524 | 124,012.15          |
| River View Shopping Center 2, LLC | 24-10525 | 39,324.50           |
| RT Capitol Mall, LP               | 24-10526 | 7,573.62            |
| RT Golden Hills, LP               | 24-10527 | 578,664.09          |
| Scotch Pine, LP                   | 24-10528 | 2,615.69            |
| Sequoia Investment Properties, LP | 24-10529 | 1,189.58            |
| Sienna Pointe, LLC                | 24-10530 | 3,169,650.62        |
| Spruce Pine, LP                   | 24-10532 | 1,000.00            |
| Tradewinds Apartments, LP         | 24-10533 | 10,845.51           |
| Vaca Villa Apartments, LP         | 24-10534 | 20,950.42           |
| Valley Oak Investments, LP        | 24-10535 | 927,419.49          |
| Watertree I, LP                   | 24-10536 | 97,050.46           |
| Willow Oak, LP                    | 24-10537 | 125,334.56          |
| Windscape Apartments I, LP        | 24-10538 | -                   |
| Windscape Apartments II, LP       | 24-10539 | -                   |
| Windscape Apartments, LLC         | 24-10417 | 760,281.38          |
| Windscape Holdings, LLC           | 24-10540 | 524.51              |
| Windtree, LP                      | 24-10541 | 20,692.81           |
| Yellow Poplar, LP                 | 24-10542 | 35,511.19           |
|                                   |          | <hr/> 16,282,866.61 |