

Debra I. Grassgreen (CA Bar No. 169978)
 John D. Fiero (CA Bar No. 136557)
 Jason H. Rosell (CA Bar No. 269126)
 PACHULSKI STANG ZIEHL & JONES LLP
 One Sansome Street, Suite 3430
 San Francisco, CA 94104
 Telephone: (415) 263-7000
 Email: dgrassgreen@pszjlaw.com
 jfiero@pszjlaw.com
 jrosell@pszjlaw.com

*Counsel to the Official Committee
 of Unsecured Creditors*

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

In re:

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

Debtors.

Lead Case No. 24-10545 (CN)

(Jointly Administered)

Chapter 11

In re

KS MATTSON PARTNERS, LP,

Debtor.

**NOTICE OF FILING OF PROPOSED
 MODIFICATIONS TO (1) SECOND
 AMENDED CHAPTER 11 PLAN, (2)
 SECOND AMENDED DISCLOSURE
 STATEMENT, AND (3) LIQUIDATION
 AND RECOVERY ANALYSIS**

**TO THE UNITED STATES BANKRUPTCY COURT, THE OFFICE OF THE UNITED
 STATES TRUSTEE, AND OTHER PARTIES IN INTEREST:**

PLEASE TAKE NOTICE that on December 1, 2025, the Plan Proponents filed the *Second Amended Joint Chapter 11 Plan of Liquidation* [Docket No. 2944] (the “Second Amended Plan”) and the *Second Amended Disclosure Statement in Support of Second Amended Joint Chapter 11 Plan of Liquidation* [Docket No. 2945] (the “Second Amended Disclosure Statement”).

PLEASE TAKE FURTHER NOTICE that the Official Committee of Unsecured Creditors (the “Committee”) proposes certain modifications to the Second Amended Plan, Second

¹ The last four digits of LeFever Mattson’s tax identification number are 7537. The last four digits of the tax identification number for KS Mattson Partners, LP (“KSMP”) are 5060. KSMP’s address for service is c/o Stapleton Group, 514 Via de la Valle, Solana Beach, CA 92075. The address for service on LeFever Mattson and all other Debtors is 6359 Auburn Blvd., Suite B, Citrus Heights, CA 9562. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent at <https://veritaglobal.com>

1 Amended Disclosure Statement, and Liquidation and Recovery Analysis to address and resolve
2 the remaining objections received in response to the Solicitation Procedures Motion.²

3 **PLEASE TAKE FURTHER NOTICE** that attached hereto as **Exhibit A** are the
4 proposed modifications to the Second Amended Plan (changed pages only and exhibits omitted).

5 **PLEASE TAKE FURTHER NOTICE** that attached hereto as **Exhibit B** are the proposed
6 modifications to the Second Amended Disclosure Statement (changed pages only and exhibits
7 omitted).

8 **PLEASE TAKE FURTHER NOTICE** that attached hereto as **Exhibit C** are the
9 proposed modifications to the Liquidation and Recovery Analysis.

10 **PLEASE TAKE FURTHER NOTICE** that the **Tillman Opposing Investors, Fannie**
11 **Mae, and Freddie Mac, have confirmed that the Second Amended Disclosure Statement and**
12 **Second Amended Plan (together with the proposed modifications contained herein) resolve**
13 **their objections to the Solicitation Procedures Motion.**

14 **PLEASE TAKE FURTHER NOTICE** that the Committee believes that the proposed
15 modifications to page 33 of the Second Amended Disclosure Statement address KeyBank's
16 objection to the Solicitation Procedures Motion.

17 Dated: December 3, 2025

PACHULSKI STANG ZIEHL & JONES LLP

18 By: /s/ Jason H. Rosell

19 Debra Grassgreen

20 John D. Fiero

21 Jason H. Rosell

22 *Counsel to the Committee*

23
24
25
26 ² *Amended Joint Motion of Debtors and Official Committee of Unsecured Creditors for an Order (I) Approving the*
27 *Plan Summary and Amended Disclosure Statement; (II) Scheduling Hearing on Confirmation of Plan and*
28 *Approving the Form and Manner of Service of the Hearing Notice; (III) Establishing Procedures for the*
Solicitation and Tabulation of Votes on Plan; (IV) Establishing Procedures for the Estimation of Investor Claims
Solely for Voting Purposes; and (V) Approving Related Matters [Docket No. 2569] (the "Solicitation Procedures
Motion".)

EXHIBIT A

**Proposed Modifications to Second Amended Plan
(Changed Pages Only)**

TABLE OF CONTENTS

ARTICLE I. DEFINED TERMS AND RULES OF INTERPRETATION	2
ARTICLE II. CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS	2
2.1 Summary and Classification of Claims and Equity Interests.	2
ARTICLE III. TREATMENT OF CLAIMS AND EQUITY INTERESTS	4
3.1 Comprehensive Settlement of Claims and Controversies.	4
3.2 Special Provisions Relating to Investor-Specific Claims.	5
3.3 Unclassified Claims	5
3.3.1 Administrative Expense Claims	5
3.3.2 DIP Facility Claims	5
3.3.3 Professional Fee Claims	5
3.3.4 Involuntary Gap Claims.....	6
3.3.5 Priority Tax Claims.....	6
3.4 Class 1: Priority Claims	6
3.5 Class 2: Other Secured Claims	7
3.6 Class 3: Secured Lender Claims	7
3.7 Class 4: Trade Claims	8
3.8 Class 5: Investor Claims	89
3.9 Class 6: Intercompany Claims	9
3.10 Class 7: Equitably Subordinated Claims.	9
3.11 Class 8: Equitably Subordinated Interests	910
ARTICLE IV. ACCEPTANCE OR REJECTION OF THE PLAN	10
4.1 Impaired Classes Entitled to Vote.	10
4.2 Acceptance by an Impaired Class of Claims.	10
4.3 Presumed Acceptances by Unimpaired Classes.	10
4.4 Impaired Classes Deemed to Reject Plan.	10
4.5 Modifications of Votes.	1011

1	4.6	Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code.....	10 <u>11</u>
2	4.7	Elimination of Vacant Classes.....	11
3	4.8	Severability of Joint Plan.....	11
4	ARTICLE V. IMPLEMENTATION OF THE PLAN		11
5	5.1	Implementation of the Plan.....	11
6	5.2	Streamlining of the Debtors' Corporate Affairs.	11
7	5.2.1	Debtors' Existing Directors, Officers, and Managers.	11
8	5.2.2	Dissolution of the Debtors.....	11 <u>12</u>
9	5.2.3	Corporate Documents and Corporate Authority.....	12
10	5.3	Plan Recovery Trust	12
11	5.3.1	Appointment of Plan Recovery Trustee and Oversight Committee.	12
12	5.3.2	Creation and Governance of the Plan Recovery Trust.	12 <u>13</u>
13	5.3.3	Vesting of Plan Recovery Trust Assets.	13
14	5.3.4	Investor Forfeiture Fund.....	13
15	5.3.5	Purpose of the Plan Recovery Trust.	13 <u>14</u>
16	5.3.6	Authority.....	14
17	5.3.7	Limitation of Liability.	15
18	5.3.8	Indemnification.....	15
19	5.3.9	Insurance.....	16
20	5.3.10	Tax Reporting.....	16
21	5.3.11	Distributions to Plan Recovery Trust Beneficiaries.	16
22	5.3.12	Cash Investments.....	17
23	5.3.13	Registration and Transfer of the Plan Recovery Trust Units.....	17
24	5.3.14	Exemption.....	17 <u>18</u>
25	5.3.15	Contribution of Contributed Claims.	18
26	5.3.16	Pursuit and Resolution of Plan Recovery Trust Actions.	18
27	5.3.17	Termination of the Plan Recovery Trust.	18
28	5.3.18	Control Provision.....	19

1	5.4	Preservation of Privileges and Defenses.....	19
2	5.5	Preservation of Rights of Action.	19
3	5.5.1	Maintenance of Avoidance Actions and Causes of Action.	19
4	5.5.2	Preservation of All Plan Recovery Trust Actions Not Expressly Settled or Released.	19 <u>20</u>
5	5.6	Cancellation of Instruments.....	20
6	5.7	Substantive Consolidation.	20
7			
8		ARTICLE VI. EXECUTORY CONTRACTS AND UNEXPIRED LEASES	21 <u>22</u>
9	6.1	Assumption of Certain Executory Contracts and Unexpired Leases.....	21 <u>22</u>
10	6.1.1	Assumption of Agreements.	21 <u>22</u>
11	6.1.2	Cure Payments.....	22
12	6.1.3	Objections to Assumption or Cure Payments.....	22
13	6.1.4	Resolution of Claims Relating to Assumed Executory Contracts.....	22 <u>23</u>
14	6.2	Rejection of Executory Contracts and Unexpired Leases.	23
15	6.2.1	Rejected Agreements.....	23
16	6.2.2	Rejection Claims Bar Date.	23
17		ARTICLE VII. PROVISIONS GOVERNING DISTRIBUTIONS	24
18	7.1	Timing of Distributions for Allowed Claims.....	24
19	7.2	Calculating Distributions and Related Matters.....	24
20	7.3	Interest and Other Amounts Regarding Claims.....	24
21	7.4	Means of Cash Payment.	24
22	7.5	Form of Currency for Distributions.....	24
23	7.6	Fractional Distributions.	25
24	7.7	No Distributions With Respect to Certain Claims.....	25
25	7.8	Delivery of Distributions.	25
26	7.9	Application of Distribution Record Date and Other Transfer Restrictions.	26
27	7.10	Withholding, Payment, and Reporting Requirements Regarding Distributions.	26
28	7.11	Defenses and Setoffs.....	26

CLASS	DESCRIPTION	IMPAIRED STATUS	VOTING STATUS
Class 1	Priority Claims	Unimpaired	Not Entitled to Vote (deemed to accept)
Class 2	Other Secured Claims	Unimpaired	Not Entitled to Vote (deemed to accept)
Class 3	Secured Lender Claims ⁴	Impaired	Entitled to Vote
Class 4	Trade Claims	Impaired	Entitled to Vote
Class 5	Investor Claims	Impaired	Entitled to Vote
Class 6	Intercompany Claims	Impaired	Not Entitled to Vote (deemed to reject)
Class 7	Equitably Subordinated Claims	Impaired	Not Entitled to Vote (deemed to reject)
Class 8	Equitably Subordinated Interests	Impaired	Not Entitled to Vote (deemed to reject)

The classifications set forth on the Ballots: (i) are set forth solely for purposes of voting to accept or reject the Plan; (ii) do not necessarily represent, and in no event shall be deemed to modify or otherwise affect, the actual classification of such Claims under the Plan for distribution purposes; (iii) may not be relied upon by any Holder of a Claim as representing the actual classification of such Claim under the Plan for distribution purposes; and (iv) shall not be binding on the Debtors, the Estates, the Plan Recovery Trust or the Plan Recovery Trustee except for Plan voting purposes.

NOTWITHSTANDING ANY OTHER TERM OR PROVISION OF THE PLAN, NO DISTRIBUTIONS WILL BE MADE ON ACCOUNT OF ANY CLAIM THAT IS NOT AN ALLOWED CLAIM, AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM THAT IS A DISALLOWED CLAIM. IN ADDITION, THE PROPOSED CLASSIFICATION AND TREATMENT OF ANY CLAIMS AND EQUITY INTERESTS SET FORTH HEREIN, INCLUDING, WITHOUT LIMITATION, THE DESIGNATION OF ANY CLASS AS IMPAIRED OR UNIMPAIRED, SHALL NOT BE DEEMED A WAIVER OR RELEASE OF ANY CAUSE OF ACTION OR AVOIDANCE ACTION AGAINST ANY HOLDER OF A CLAIM OR ANY OTHER PARTY, INCLUDING, WITHOUT LIMITATION, THE DEBTORS' OR THE PLAN RECOVERY TRUSTEE'S RIGHT TO SEEK SUBORDINATION OF ANY CLAIM AND RECLASSIFY SUCH CLAIM INTO CLASS 7, AND ALL SUCH CAUSES OF ACTION AND AVOIDANCE ACTIONS ARE HEREBY PRESERVED UNDER THE PLAN.

⁴ For voting purposes and to comply with section 1122(a) of the Bankruptcy Code, each Allowed Secured Lender Claim shall be deemed to be in its own subclass.- A Schedule of Secured Lender ~~Claims, listing the subclasses and voting amounts of the Secured Lenders,~~ Subclasses is provided in Exhibit E of the Disclosure Statement.

3.5 Class 2: Other Secured Claims

Classification. Class 2 consists of all Other Secured Claims. For voting purposes, and to comply with section 1122(a) of the Bankruptcy Code, each Allowed Other Secured Claim shall be deemed to be in its own subclass.

Treatment. In full and final satisfaction, settlement, release, and discharge of any Allowed Class 2 Claim, except to the extent that the Plan Recovery Trustee and a holder of an Allowed Class 2 Claim agree to a less favorable treatment of such Claim, each holder of an Allowed Class 2 Claim shall, at the option of the Plan Recovery Trustee, (i) retain its Class 2 Claim and the Collateral securing such Claim; (ii) receive Cash in an amount equal to such Allowed Class 2 Claim, including the payment of any interest due and payable under section 506(b) of the Bankruptcy Code, on the Effective Date or as soon as reasonably practicable thereafter, but in no event later than thirty (30) days after the later to occur of (A) the Effective Date and (B) the date such Claim becomes an Allowed Claim; or (iii) receive treatment of such Allowed Class 2 Claim in any other manner that is necessary to satisfy the requirements of section 1124 of the Bankruptcy Code. In the event a Class 2 Claim is treated under clause (ii) of this Section 3.5, the Liens securing such Class 2 Claim shall be deemed released immediately upon payment.

Impairment and Voting. Class 2 is Unimpaired. Holders of Class 2 Claims (Other Secured Claims) are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

3.6 Class 3: Secured Lender Claims

Classification. Class 3 consists of all Secured Lender Claims. For voting purposes, and to comply with section 1122(a) of the Bankruptcy Code, each Allowed Secured Lender Claim shall be deemed to be in its own subclass (Class 3-A, 3-B, etc.).

Treatment. In full and final satisfaction, settlement, release, and discharge of any Allowed Class 3 Claim, except to the extent that the Plan Recovery Trustee and a holder of an Allowed Class 3 Claim agree to a less favorable treatment of such Claim, each Holder of an Allowed Class 3 Claim shall receive one of the following treatments, as applicable:

(i) Escrowed Sale Proceeds: If the Real Property securing the applicable Class 3 Claim has been sold pursuant to an order of the Bankruptcy Court prior to the Effective Date, the Holder of a Class 3 Claim shall receive Cash in an amount equal to such Allowed Class 3 Claim on the Effective Date or as soon as reasonably practicable thereafter. The purpose of this subsection is to address any sale proceeds of sold Real Property that have been escrowed prior to the Effective Date.

(ii) Retained Real Properties: If the Real Property securing the applicable Class 3 Claim is Retained Real Property, the Holder of the Class 3 Claim shall receive Cash in an amount equal to such Allowed Secured Lender Claim from the proceeds of the sale of the applicable Retained Real Property as soon as reasonably practicable, but no later than thirty (30) days after the later to occur of (A) the closing of the sale of the Retained Real Property and (B) the date such Claim becomes an Allowed Secured Lender Claim; *provided that* pending and prior to such sale, the Holder will retain its lien in the applicable Retained Real Property after the Effective Date, but after the sale, the Holder will have a lien in only the net sale proceeds with the same validity and priority as it had in the Retained Real Property as of the Petition Date.

(iii) Settling Secured Lenders: If the Holder of a Class 3 Claim has entered into a Secured Lender Settlement Agreement prior to the Effective Date, the Holder of the Class 3 Claim shall receive, subject to the terms of this Plan and the applicable Secured Lender

5.3.9 Insurance.

The Plan Recovery Trustee shall be authorized, but not required, to obtain any insurance coverage that it deems necessary, at the Plan Recovery Trust's sole expense, for itself and its agents, and the Oversight Committee, including coverage with respect to the liabilities, duties, and obligations of the Plan Recovery Trustee and the Oversight Committee, which insurance coverage may, at the sole discretion of the Plan Recovery Trustee, be extended for a reasonable period after the termination of the Plan Recovery Trust.

5.3.10 Tax Reporting.

- (a) The Plan Recovery Trustee shall timely file tax returns for the Plan Recovery Trust treating the Plan Recovery Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a).
- (b) The Plan Recovery Trustee shall be responsible for timely payment of all taxes (if any) imposed on and payable by the Plan Recovery Trust or any Plan Recovery Trust Assets.
- (c) The Plan Recovery Trustee shall distribute such tax-related notices, beneficiary statements, and information returns, as applicable, to the applicable Holders of Allowed Claims as are required by applicable law or that the Plan Recovery Trustee determines are otherwise necessary or desirable.
- (d) The Plan Recovery Trustee is authorized to file a request for expedited determination under section 505(b) of the Bankruptcy Code for any tax returns filed with respect to the Debtors.

5.3.11 Distributions to Plan Recovery Trust Beneficiaries.

- (a) After the payment of or reserve for (i) all administrative and priority claims (including, without limitation, Administrative Expense Claims, [Professional Fee Claims](#), Involuntary Gap Claims, Priority Tax Claims, and Priority Claims) in accordance with the Plan and the Plan Recovery Trust Agreement, and (ii) all Plan Recovery Trust expenses, including any litigation financing expenses, the Plan Recovery Trust will make Distributions of Available Cash to the Plan Recovery Trust Beneficiaries pursuant to the following waterfall and related provisions (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 (if applicable) and Investor Tranche 1 Claims have been paid in full;
 - (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 2 Claims have been paid in full;
 - (iii) Class C Plan Recovery Trust Units. Notwithstanding anything to the contrary contained herein or in the Confirmation Order, the Plan Recovery Trust shall distribute the net proceeds of any Contributed Claims solely to Holders of Class C Plan Recovery Trust Units on a Pro Rata basis.

(d) Notwithstanding anything to the contrary contained herein, the substantive consolidation of the Debtors and the KSMP Investment Entities shall not: (i) affect the separate legal existence of the Debtors and the KSMP Investment Entities 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 or KSMP Investment Entity; (ii) impair, prejudice, or otherwise affect any individual Debtor's or KSMP Investment Entity'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 and KSMP Investment Entities; or (iii) give rise to any right under any executory contract, insurance contract, or other contract to which a consolidated Debtor or KSMP Investment Entity 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. The substantive consolidation of the Debtors and the KSMP Investment Entities shall also not impair or otherwise affect any ~~third party~~ Person's defenses, claims, counterclaims, or other rights that may be asserted by such ~~third party~~ Person in connection with any ~~related~~ litigation commenced by the Debtors or the Plan Recovery Trustee (or any estate representative or other successor).

(e) The Disclosure Statement and the Plan shall be deemed to be a motion requesting that the Bankruptcy Court approve the substantive consolidation contemplated by the Plan. Unless an objection to the proposed substantive consolidation is made in writing by any Creditor purportedly affected by such substantive consolidation on or before the deadline to object to Confirmation of the Plan, or such other date as may be fixed by the Bankruptcy Court, the substantive consolidation contemplated by the Plan may be approved by the Bankruptcy Court at the Confirmation Hearing.

ARTICLE VI.

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

6.1 Assumption of Certain Executory Contracts and Unexpired Leases.

6.1.1 Assumption of Agreements.

On the Effective Date, the Debtors shall assume all executory contracts and unexpired leases that are listed on the Schedule of Assumed Agreements and shall assign such contracts and leases to the Plan Recovery Trust or its designee. The Confirmation Order will constitute a Bankruptcy Court order approving the assumption and assignment or rejection, as applicable, of executory contracts and unexpired leases consistent with the foregoing.

The Plan Proponents reserve the right to amend the Schedule of Assumed Agreements at any time prior to the Effective Date (i) to delete any executory contract or unexpired lease and provide for its rejection under the Plan or otherwise, or (ii) to add any executory contract or unexpired lease and provide for its assumption and assignment under the Plan. The Plan Proponents will provide notice of any amendment to the Schedule of Assumed Agreements to the party or parties to those agreements affected by such amendment.

Unless otherwise specified on the Schedule of Assumed Agreements, each executory contract and unexpired lease listed or to be listed therein shall include any and all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument, or other document is also listed on the Schedule of Assumed Agreements.

1 **EXHIBIT A**

2 **Defined Terms**

3 1. **“Administrative Expense Claim”** means a Claim, to the extent not previously
4 paid, otherwise satisfied, or withdrawn, for costs and expenses of administration of the Chapter 11
5 Cases pursuant to sections 503(b), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code,
6 including: (a) the actual and necessary costs and expenses incurred on or after the Petition Date or
the Order for Relief Date, as applicable, until and including the Effective Date, of preserving the
Estates and operating the Debtors’ businesses; (b) all fees and charges assessed against the Estates
under chapter 123 of Title 28 of the United States Code; and (c) all Section 503(b)(9) Claims.

7 2. **“Administrative Expense Claims Bar Date”** means the last date by which any
8 Person must File a request for payment of an Administrative Expense Claim other than a
9 Professional Fee Claim, which date shall be the first Business Day that is at least thirty (30)
10 calendar days after the Effective Date. Post-petition statutory tax Claims shall not be subject to the
Administrative Expense Claims Bar Date. In the case of the LFM Debtors, the Claims Bar Date
for Section 503(b)(9) Claims is the LFM General Claims Bar Date. In the case of KSMP, the
Claims Bar Date for Section 503(b)(9) Claims is the Administrative Expense Claims Bar Date.

11 3. **“Allowed, Allowed Claim, or Allowed [] Claim”** means:

12 (a) with respect to a Claim arising prior to the Petition Date (including, in the case of
13 the LFM Debtors, a Section 503(b)(9) Claim):

14 (i) either (A) a proof of claim was timely Filed by the applicable Claims Bar
15 Date, or (B) a proof of claim is deemed timely Filed either as a result of
such Claim being Scheduled or by a Final Order; and

16 (ii) either (A) the Claim is not a Contingent Claim, a Disputed Claim, an
17 Unliquidated Claim, or a Disallowed Claim; or (B) the Claim is expressly
allowed by a Final Order or under the Plan;

18 (b) with respect to a Claim arising on or after the Petition Date (excluding, in the case
19 of the LFM Debtors, a Section 503(b)(9) Claim), a Claim that has been allowed by
a Final Order or under the Plan.

20 ~~Unless otherwise specified in the Plan or by a Final Order, an “Allowed Administrative~~
21 ~~Expense Claim” or “Allowed Claim” shall not, for any purpose under the Plan, include interest,~~
22 ~~penalties, fees, or late charges on such Administrative Expense Claim or Claim from and after the~~
23 ~~Petition Date. Moreover, any portion of a Claim that is withdrawn, expunged, satisfied, released,~~
24 ~~or waived during the Chapter 11 Cases or following the Effective Date is not an Allowed Claim.~~
25 ~~Any and all Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant~~
26 ~~to an order of the Bankruptcy Court shall not be considered “Allowed Claims” hereunder.~~
27 ~~Notwithstanding any of the foregoing, Investor Claims will be Allowed as set forth in the Investor~~
28 ~~Settlement Amount Procedures Order, the LFM Bar Date Order and/or any other subsequent orders~~
~~of the Court.~~

25 4. **“Allowed Equity Interest”** means an Equity Interest that is not a Disputed Equity
26 Interest or Disallowed Equity Interest.

27 5. **“Available Cash”** means all Cash held by the Debtors and the KSMP Investment
28 Entities on the Effective Date or by the Plan Recovery Trust from the Effective Date; in each case,
after payments, allocations, or reserves in accordance with the Plan and the Plan Recovery Trust
Agreement.

133. **“Section 503(b)(9) Claim”** means a Claim arising under Bankruptcy Code section 503(b)(9) for the value of any goods that were received by the Debtors within twenty (20) calendar days before the applicable Petition Date and that were sold to the Debtors in the ordinary course of their business.

134. **“Secured Claim”** means a Claim that is secured by a valid, perfected, and enforceable Lien on property in which the Debtors or the Estates have an interest, which Lien is valid, perfected, and enforceable under applicable law and not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law. A Claim is a Secured Claim only to the extent of the value of the Holder’s interest in the Debtors’ interest in the Collateral or to the extent of the amount subject to setoff against a Cause of Action held by the Debtors, whichever is applicable, and as determined under section 506(a) of the Bankruptcy Code. No Investor Claim shall be defined, classified, or treated as a Secured Claim under the Plan.

135. **“Secured Lender Claims”** means the Secured Claims of Retained Property Secured Lenders, Sold Real Property Secured Lenders, and Settling Secured Lenders.

136. **“Secured Lender Settlement Agreement”** means any and all settlement agreements between the Plan Proponents and a Settling Secured Lender resolving the treatment of the Settling Secured Lender’s Secured Claim. The Socotra Settlement Agreement is a Secured Lender Settlement Agreement.

137. **“Secured Lenders”** means the Retained Property Secured Lenders, the Settling Secured Lenders, and the Sold Real Property Secured Lenders. A Schedule of Secured Lender [Claims Subclasses](#) is provided in [Exhibit E](#) to the Disclosure Statement.

138. **“Securities Act”** means the Securities Act of 1933, as amended.

139. **“Settling Secured Lender”** means any Holder of a Secured Claim that enters into a Secured Lender Settlement Agreement prior to the Effective Date. Socotra is a Settling Secured Lender.

140. **“Socotra”** means Socotra Capital, Inc. and its affiliates identified in the Socotra Settlement Agreement.

141. **“Socotra Claims”** means all Claims of Socotra identified in the Socotra Settlement Agreement.

142. **“Socotra Settlement Agreement”** means that certain *Settlement Agreement* dated as of October 14, 2025 by and among the Debtors, the Committee and Socotra [Docket No. 2556], approved by and subject to the Socotra Settlement Order.

143. **“Socotra Settlement Order”** means the Court’s Order entered on November 14, 2025 [Docket No. 2852], approving the Socotra Settlement Agreement and granting related relief.

144. **“Sold Real Properties”** means the Real Properties that are not identified in the Plan Supplement as Real Properties to be retained by the Debtors and transferred to the Plan Recovery Trust upon the Effective Date, or that otherwise have been sold or transferred by the Debtors to a third party prior to the Effective Date.

145. **“Sold Real Property Secured Lender”** means a lender to a Debtor or an affiliate of a Debtor (including, without limitation, a retail or commercial bank) that is not an Investor and that purportedly held a Secured Claim on account of a deed of trust or Lien against one or more of the Real Properties sold by the Debtors prior to the Effective Date.

EXHIBIT B

**Proposed Modifications to Second Amended Disclosure Statement
(Changed Pages Only)**

C.	Appointment of the Unsecured Creditors' Committee	20
D.	Schedules and Statements of Financial Affairs	20
E.	Claims Bar Dates	21
F.	Asset Sales	21
G.	Committee's Motion for Substantive Consolidation of LFM and KSMP	22
H.	Committee Standing Stipulations	22
I.	Motion to Appoint Trustee for Live Oak Investments, LP	23
J.	Settlement with Socotra	23
IV.	OVERVIEW OF THE PLAN AND PROVISIONS RELATING TO THE GLOBAL SETTLEMENT	24
A.	Comprehensive Compromise and Settlement Under the Plan	24
1.	Substantive Consolidation Issues.....	25
2.	Ponzi Scheme Issues	27
3.	<u>Position of the Tillman Opposing Investors (not the Plan Proponents).....</u>	<u>29</u>
B.	The Settlement Provisions in the Plan Are Fair and Reasonable and in the Best Interest of All Investors and Other Creditors.....	32 <u>31</u>
C.	Plan Recovery Trust.....	32
D.	<u>Secured Lender Claims</u>	<u>32</u>
D E.	Distributions to Holders of Trade Claims and Plan Recovery Trust Beneficiaries	33
E F.	Investor-Specific Claims.....	34
1.	Contributed Claim Election	34
F G.	Discharge, Injunctions, Releases, and Exculpation	35
1.	Non-Discharge of the Debtors	35
2.	Debtors' Releases.....	36
3.	Exculpation and Limitation of Liability	36
4.	Injunctions Related to Releases and Exculpation.	37
V.	RISK FACTORS	37
A.	Parties May Object to the Plan's Classification of Claims and Equity Interests...	38
B.	The Plan Proponents May Not Be Able to Obtain Confirmation of the Plan.....	38
C.	<u>The Proposed Ponzi Findings May Be Contested.....</u>	<u>39</u>
E D.	The Conditions Precedent to the Effective Date of the Plan May Not Occur	39

1	D E.	Claims Estimation and Allowance of Claims	39
2	E F.	Potential Pursuit of Plan Recovery Trust Actions Against Creditors and Others..	40
3	F G.	Risks Regarding Real Estate	41
4	VI.	CONFIRMATION OF the PLAN	41
5	A.	The Confirmation Hearing.....	41
6	B.	Requirements for Confirmation of the Plan.....	42
7	C.	Best Interests of Creditors.....	43
8	D.	Feasibility.....	45
9	E.	Acceptance by Impaired Classes	45
10	F.	Confirmation Without Acceptance by All Impaired Classes.....	45
11	1.	No Unfair Discrimination	46
12	2.	Fair and Equitable Test	46
13	G.	Alternatives to Confirmation and Consummation of the Plan.....	47
14	VII.	CERTAIN UNITED STATES FEDERAL INCOME TAX	
15		CONSEQUENCES OF THE PLAN.....	47
16	B.	Certain U.S. Federal Income Tax Consequences of the Plan Recovery Trust	51
17	C.	Consequences to Holders of Claims Generally	53
18	D.	Consequences to Plan Recovery Trust Beneficiaries.....	55
19	E.	Withholding on Distributions and Information Reporting.....	58
20	VIII.	RECOMMENDATION	59

EXHIBITS & SCHEDULES

21	<u>EXHIBIT A</u>	Second Amended Joint Chapter 11 Plan of Liquidation
22	<u>EXHIBIT B</u>	Corporate Organizational Charts
23	<u>EXHIBIT C</u>	Liquidation and Recovery Analysis
24	<u>EXHIBIT D</u>	Non-Exclusive Description of Preserved Trust Actions
25	<u>EXHIBIT E</u>	Schedule of Secured Lender Subclasses

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

1 the Plan Recovery Trustee to bring any Plan Recovery Trust Action in the name of an individual
2 Debtor or KSMP Investment Entity; (ii) impair, prejudice, or otherwise affect any individual Debtor's
3 or KSMP Investment Entity's Causes of Action, including Avoidance Actions, against any Person that
4 vest in the Plan Recovery Trust; (iii) constitute or give rise to any defense, counterclaim, or right of
5 netting or setoff with respect to any Cause of Action vesting in the Plan Recovery Trust that could not
6 have been asserted against the consolidated Debtors and KSMP Investment Entities; or (iii) give rise
7 to any right under any executory contract, insurance contract, or other contract to which a consolidated
8 Debtor or KSMP Investment Entity is party, except to the extent required by section 365 of the
9 Bankruptcy Code in connection with the assumption of such contract by the applicable Debtors. The
10 substantive consolidation of the Debtors and the KSMP Investment Entities shall also not impair or
11 otherwise affect any ~~third-party~~ Person's defenses, claims, counterclaims, or other rights that may be
12 asserted by such ~~third-party~~ Person in connection with any ~~related~~ litigation commenced by the Debtors
13 ~~of~~ for the Plan Recovery Trustee (or any estate representative or other successor).

14 2. Ponzi Scheme Issues

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

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

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

8 The Plan Proponents seek to establish claims allowance and settlement procedures (the
9 "Investor Claim Settlement Procedures")—parallel to solicitation of the Plan—that implement the
10 terms of the Global Settlement with respect to the allowance of Investor Claims. *See* Docket No. 2365.
11 This parallel process will enable the Plan Proponents to make progress on the allowance of Investor
12 Claims in advance of the hearing on confirmation of the Plan and thus expedite distributions to
13 Investors following the Effective Date.

14 As of the date hereof, the Plan Proponents estimate that Investors, in the aggregate, have
15 invested \$347,589,811.00 of money or value of property in the Debtors or the KSMP Investment
16 Entities and received \$97,046,952.00 of distributions over the seven years prior to the Petition Date.
17 Accordingly, the Plan Proponents estimate a total of \$234,019,730.00 Investor Tranche 1 Claims and
18 a total of \$97,046,952.00 of Investor Tranche 2 Claims. The Plan Proponents estimate that there will
19 be approximately fifteen Investors whose Investor Tranche 1 Claim will be equal to or less than \$0
20 and may be subject to avoidance litigation.

21 ~~Notwithstanding any of the foregoing, any finding of fact or conclusion of law by the~~
22 ~~Bankruptcy Court or any appellate court in connection with the confirmation of the Plan relating to~~
23 ~~any Ponzi Finding (as defined in the Plan Summary) will have no preclusive effect on the Objecting~~
24 ~~Secured Lenders in any future litigation or proceeding against such Objecting Secured Lender in any~~
25 ~~tribunal. Neither the Debtors, the Committee, nor the Plan Recovery Trustee will seek to enforce any~~
26 ~~such findings against the Objecting Secured Lender or contend that such Objecting Secured Lender is~~
27 ~~bound by any such findings. Any and all rights and defenses of such Objecting Secured Lender to~~
28 ~~defend the claims and causes of action against it will be preserved.~~

3. Position of the Tillman Opposing Investors (not the Plan Proponents)²⁸

Certain parties who invested in the Debtors (the “Tillman Opposing Investors”)²⁹ oppose the proposed Ponzi finding and do not believe that it would be appropriate for the Bankruptcy Court to make such a finding as part of its evaluation or approval of the Plan. The Tillman Opposing Investors maintain that the business operations of the Debtors do not meet the elements of a Ponzi scheme under applicable Ponzi scheme case law, most notably the Ninth Circuit’s recent decision in *Kirkland v. Rund (In re EPD Inv. Co., LLC)*, 114 F.4th 1148, 1159 (9th Cir. 2024), in which the Ninth Circuit held that its “definition of a Ponzi scheme recognizes two essential elements: (1) the funneling of money from new investors to pay old investors, and (2) no legitimate profit-making business opportunity exists for investors.” The Tillman Opposing Investors maintain that the Debtors cannot meet these elements, and in particular the element that “no legitimate profit making business opportunity exist[ed] for investors,” as the Tillman Opposing Investors assert that various Debtors offered investors legitimate business opportunities for decades, including the opportunity to purchase interests in legitimate income-producing commercial real estate or in limited partnerships or limited liability companies that owned and managed legitimate income-producing commercial real estate. The Tillman Opposing Investors believe that the Debtors carried out significant legitimate business operations during the relevant time period that generated profits for investors, including through the buying and selling of commercial real estate; the sale and transfer to and from investors of legitimate interests in real property or interests in vehicles holding real property; the management of real estate, including the collection of rent and other income and the maintenance of, or improvements to, real property; and the distribution of income and profits from real property. In fact, Tillman Opposing Investors maintain, Mr. Mattson leveraged the success and track record of the legitimate business of Debtors to induce certain other investors to purchase fraudulent investments, such that the existence of legitimate profit-making business opportunities was critical to his scheme.

²⁸ This section was added to the Disclosure Statement at the request of the Tillman Opposing Investors. The Plan Proponents do not agree with the assertions contained in this section.

²⁹ The Tillman Opposing Investors are listed in the *Disclosure Statements Pursuant to Rule 2019* [Docket No. 2206].

1 The Tillman Opposing Investors maintain that the Debtors' and Committee's arguments that
2 the Debtors operated a Ponzi scheme center primarily on Mr. Mattson's use of a single bank account,
3 the 1059 Account, in which Mr. Mattson is alleged to have comingled funds from various sources and
4 paid distributions to investors, at least in part, using new capital from other investors. However, the
5 Tillman Opposing Investors maintain that the Plan Proponents cannot demonstrate that the entire
6 business operations of Debtors met the criteria for a Ponzi scheme under applicable case law, including
7 the *Kirkland* case. Moreover, the Tillman Opposing Investors assert that the Plan Proponents cannot
8 show that all distributions to investors from the 1059 Account consisted of investment dollars from
9 other investors rather than, for example, proceeds from the sale of real property or income from real
10 property. Indeed, the Tillman Opposing Investors assert, the SEC did not allege in the SEC Complaint
11 that the entire operation of Debtors was a Ponzi scheme or even that Mr. Mattson operated a Ponzi
12 scheme; instead it alleged only that *Mr. Mattson*, either personally or through KS Mattson Partners
13 LP, operated a "Ponzi-like" scheme and made "Ponzi-like payments to existing investors." *E.g.* SEC
14 Complaint ¶¶ 8-9.

15 The Tillman Opposing Investors note that the consequences of a Ponzi scheme finding include
16 that it creates an irrebuttable presumption that all investors were participants in the scheme, even if
17 investors received funds in good faith, had no knowledge of the scheme, and had no role in
18 perpetuating the scheme. This presumption, the Tillman Opposing Investors assert, could result in
19 some investors having liability to the Debtors' estates for the repayment of distributions they received
20 in connection with their investments. Further, the Tillman Opposing Investors maintain that the Plan
21 Proponents' proposed 7-year "netting" period would not be fair to investors as a whole, because it
22 would favor earlier investors – who have received distributions for a far longer period – over later
23 investors, such that earlier investors would have a ~~greater~~smaller portion of their distributions netted
24 against their principal investment than later investors. The Tillman Opposing Investors assert that this
25 result is contrary to the theory behind a Ponzi scheme presumption – protecting later investors whose
26 investment dollars went to benefit earlier investors.

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. Secured Lender Claims

Allowed Secured Lender Claims will be determined in accordance with section 502 and 506 of the Bankruptcy Code. Accordingly, pursuant to section 506 of the Bankruptcy Code, to the extent an Allowed Secured Lender Claim is secured by property the value of which is greater than the amount of such claim, then any reasonable fees, costs, or charges (including attorney's fees) provided for under the governing loan documents will be added to such Allowed Secured Lender Claim, up to the value of such property. If the value of such property is insufficient to cover the asserted fees, costs, or charges, then such fees, costs, or charges are not allowed under section 506 of the Bankruptcy Code.

For purposes of clarity, notwithstanding anything to the contrary contained in the Plan, Disclosure Statement, or Confirmation Order, any Claim of a Secured Lender arising under section 502(h) of the Bankruptcy Code will not be treated or otherwise classified as an Investor Claim.

~~D.~~ Distributions to Holders of Trade Claims and Plan Recovery Trust Beneficiaries

With regard to Trade Claims in Class 4, the Plan provides that, (a) ***if Class 4 votes to accept the Plan***, on the Effective Date, or as soon as practicable thereafter, each Holder of an Allowed Trade Claim will receive its Pro Rata share of the Trade Claims Settlement Fund (\$4,000,000), in full and final satisfaction, settlement, and release of such Allowed Trade Claims; or (b) ***if Class 4 votes to reject the Plan***, the Trade Claims Settlement Fund will not be established, and instead, each Holder of an Allowed Trade Claim will receive from the Plan Recovery Trust on account of its Allowed Class 6 Claim, its *pro rata* distribution of the Class A Plan Recovery Trust Units, which will be treated *pari pasu* with Investor Tranche 1 Claims.

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 (if applicable, if Class 4 votes to reject the Plan) and Investor Tranche 1 Claims have been paid in full;
- (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 2 Claims have been paid in full;
- (iii) Class C 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 C 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.

F. ~~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

1 Allowed Investor Claim to (b) the total Allowed Investor Claims of all Investors that make the
2 Contributed Claims Election. By accepting the Plan and not opting out of the Contributed Claim
3 Election, the Holder of an Investor Claim agrees that, subject to the occurrence of the Effective Date
4 and the formation of the Plan Recovery Trust, it will be deemed, without further action, (i) to have
5 irrevocably contributed its Contributed Claims to the Plan Recovery Trust and (ii) to have agreed to
6 execute any documents reasonably requested to memorialize such contribution. In the exercise of its
7 reasonable discretion and in accordance with the Plan Recovery Trust Agreement, the Plan Recovery
8 Trustee shall not be obligated to pursue any Contributed Claim.

9 **G. ~~F.~~ Discharge, Injunctions, Releases, and Exculpation**

10 **1. Non-Discharge of the Debtors**

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

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

19 **2. Debtors' Releases**

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

21 **On the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, each of the Debtors shall be**
22 **deemed to have forever released, waived, and discharged each of the other Debtors from any and all claims, obligations, suits,**
23 **judgments, damages, demands, debts, rights, Causes of Action, and liabilities whatsoever, whether known or unknown, whether**
24 **foreseen or unforeseen, whether liquidated or unliquidated, whether fixed or contingent, whether matured or unmatured,**
25 **existing or hereafter arising, at law, in equity, or otherwise, that are based in whole or in part on any act, omission, transaction, event,**
26 **or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the conduct of the Debtors'**
27 **businesses, the Chapter 11 Cases, or the Plan.**

28 **Entry of the Confirmation Order shall constitute (i) the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the**

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.

{Remainder of page intentionally left blank}

EXHIBIT E

Schedule of Secured Lender Subclasses

Subclass	Secured Lender	Claim Number	Voting Amount	Collateral Address
Class 3-A	Fidelity National Title Insurance Company <u>FIDELITY NATIONAL TITLE INSURANCE COMPANY</u>	KSMP-21	\$295,336.43	834 Donner Avenue
Class 3-B	Axos Bank	KSMP-315531	\$4,200,000.00	969 Rachael Road
Class 3-C	Bank of America, N.A.	LFM-314633	\$319,165.14	5605 Orange Way 7320 Berna Way
Class 3-D	Bank of America NA	KSMP-315532	\$200,000.00	531/533 Camino
Class 3-E	Amanda Henry as Trustee For the Frank Bragg Revocable Trust dated June 5, 2002	LFM-628	\$1,249,282.68	453/457/459 2nd St W
Class 3-F	Butcher Road Partners LLC	LFM-314659	\$3,500,000.00	280/310/312/350 Butcher Rd
Class 3-G	Citizens Business Bank, a California state-chartered bank	LFM-1195	\$4,202,093.64	103/105 Commerce Ct
Class 3-H	Citizens Business Bank, a California state-chartered bank	LFM-1203	\$286,924.96	4950/4960/4970 Allison Pkwy 103/105 Commerce Court
Class 3-I	JPMorgan Chase Bank, National Association	LFM-1393	\$4,796.11	7327/7329 Berna Way
Class 3-J	JPMorgan Chase Bank, National Association	LFM-1386	\$19,143.67	7332/7334 Arleta Court
<u>Class 3-H</u>	<u>JPMorgan Chase Bank, National Association</u>	<u>LFM-1393</u>	<u>\$4,796.11</u>	<u>7327/7329 Berna Way</u>
Class 3-K	Comerica Bank	LFM-506	\$3,103,756.37	400 West Spain
Class 3-L	Comerica Bank	LFM-508	\$2,183,985.20	450 West Spain
Class 3-M	Deutsche Bank Trust Company Americas, as Trustee for Residential Accredit Loans, Inc., Mortgage Asset-Backed Pass-Through Cer	KSMP-713	\$1,792,122.39	454 15th St
Class 3-N	Deutsche Bank Trust Company, Trustee for Residential Accredit Loans	KSMP-315536	\$1,200,000.00	3557 Golf View Terrace
Class 3-O	Duggan s Mission Chapel	LFM-383	\$5,089,289.54	520/530/532 Studley 525 W Napa
Class 3-P	Fannie Mae	LFM-1278	\$3,659,285.59	453 Fleming Ave E
Class 3-Q	Flagstar Bank	KSMP-315539	\$409,000.00	1549 E Napa
Class 3-R	Hampton <u>Federal Home Loan Mortgage Group Inc.</u> Corporation	KSMP-315540 <u>LFM-910</u>	\$320,000.00 <u>3,624,209.66</u>	1834-1836 Oceanfront Blvd <u>7337 Power Inn Rd</u>
Class 3-S	JPMorgan Chase Bank National Association	KSMP-29	\$35,204.35	3557 Golf View Terrace
Class 3-T	JPMorgan Chase Bank, National Association	KSMP-775	\$5,506,969.31	1836 Oceanfront Blvd
Class 3-U	KeyBank National Association, as Special Servicer to U.S. Bank Trust Company, NA, as Trustee for the Registered Holders	LFM-1522	\$1,312,991.13	1190 Dana Dr
Class 3-V	KeyBank National Association, as Special Servicer to Computershare Trust Company, NA, as Trustee for the Registered Holders	LFM-1532	\$2,726,713.02	3310 - 3336 Cimmarron
<u>Class 3-S</u>	<u>KeyBank National Association, as Special Servicer to U.S. Bank Trust Company, NA, as Trustee for the Registered Holders</u>	<u>LFM-1547</u>	<u>\$3,946,215.29</u>	<u>1189 Dana Dr</u>

Subclass	Secured Lender	Claim Number	Voting Amount	Collateral Address
Class 3- WT	KeyBank National Association, as Special Servicer to U.S. Bank National Association, as Trustee for the Registered Holders	LFM-1562	\$4,065,227.41	5800 Fair Oaks Blvd
Class 3- X	KeyBank National Association, as Special Servicer to U.S. Bank Trust Company, NA, as Trustee for the Registered Holders	LFM-1547	\$3,946,215.29	1189 Dana Dr
Class 3- YU	LAFM Loan Owner, LLC	KSMP-716	\$3,818,082.62	969 Rachael Road
Class 3- ZV	LAFM Loan Owner, LLC	KSMP-744	\$5,565,610.47	531/533 Camino
Class 3-AA	LAFM Loan Owners, LLC	KSMP-315545	\$5,600,000.00	62 Farragut Ave
Class 3- ABW	Leland McAbee	LFM-741	\$316,300.00	830 Illinois St #1-4
Class 3-AC	MERS, Nominee for BOFI Federal Bank	KSMP-315546	\$5,600,000.00	1834-1836 Oceanfront Blvd
Class 3- ADX	Michael R. and Ana Cavanaugh, as Trustees of the Michael R. and Ana R. Cavanaugh Family Trust Dated October 20, 2004	LFM-144	\$1,350,646.62	802 Studley St 801 W Napa St
Class 3- AEY	U.S. Bank National Association, as Trustee for LEHMAN XS TRUST MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2007-15N	LFM-1381	\$311,895.39	1173 Araquipa Ct
Class 3- AFZ	Nationstar Mortgage LLC	LFM-1391	\$134,563.83	157 James River Rd
Class 3- AGAA	U.S. Bank National Association, as Trustee for LEHMAN XS TRUST MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2006-3	LFM-1413	\$234,509.54	7300 Berna Way 7325 Arleta Ct
Class 3- AHAB	Bruce Needleman, Trustee , Edna M. Hayes, Trustee of the Needleman Hayes Family Trust	LFM-314621	\$2,600,000.00	20490 Broadway
Class 3- AIAC	NexBank	LFM-502	\$1.00	1050 Elm St
Class 3- AJAD	PHH Mortgage Services	LFM-314518	\$295,804.64	7328/7330 Arleta Ct
Class 3- AKAE	PHH Mortgage Services	LFM-314646	\$225,826.07	7335/7337 Arleta Ct
Class 3- ALAF	Poppy Bank, fka First Community Bank	LFM-1235	\$865,294.30	430 West Napa
Class 3- AMAG	ReProp Financial Mortgage Investors, LLC	KSMP-34	\$2,668,644.00	405 London Way
Class 3-AN	Robert Bass LLC	KSMP-315548	\$1,700,000.00	1014 1st St W 856 4th St E
Class 3- AOAH	Ronald Brandvein	LFM-212	\$109,000.00	5601/5603 Orange Ave
Class 3- APAI	Y. Tito Sasaki and Janet L. Sasaki Trust	LFM-140	\$1,558,838.00	22001 8th St E
Class 3- AQAJ	Visio International Inc. and Y. Tito Sasaki and Janet L. Sasaki, Trust	LFM-166	\$2,283,742.36	21881/21885/21889 8th St E
Class 3-AR	Socotra Capital, Inc.	LFM-389	\$16,262,114.81	1045 Bart Rd 18701 Gehrieke Rd 18935 W 5th St 900 E Napa St 925-927 Broadway 446 W. Napa

Subclass	Secured Lender	Claim Number	Voting Amount	Collateral Address
				454 W. Napa 462 W. Napa 424 2nd St W 1025 Napa Rd
Class 3-AS	Socotra Capital, Inc.	LFM-1217	\$6,457,939.52	1549 E Napa St 24265/24321 Arnold Rd 786 Broadway 790 Broadway 856 4th Street E 1014 1st St W
Class 3- ATAK	Socotra Capital, Inc.	LFM-324	\$4,842,388.87	333/371/411 Wilkerson Ave.
<u>Class 3-AL</u>	<u>Socotra Capital, Inc.</u>	<u>LFM-387</u>	<u>\$2,033,413.74</u>	<u>151 E Napa St</u>
Class 3- AUAM	Socotra Capital, Inc.	LFM-388	\$1,500,328.32	377 West Spain Street
Class 3- AVAN	Socotra Capital, Inc.	LFM-398 ⁹	\$3,492,538.62 <u>16,262,114.81</u>	20564 Broadway <u>1045 Bart Rd</u> <u>18701 Gehricke Rd</u> <u>18935 W 5th St</u> <u>900 E Napa St</u> <u>925-927 Broadway</u> <u>446 W. Napa</u> <u>454 W. Napa</u> <u>462 W. Napa</u> <u>424 2nd St W</u> <u>1025 Napa Rd</u>
				391-455 Oak Street 19173 Railroad Ave 653 3rd Street W 789 Cordilleras
Class 3- AWAO	Socotra Capital, Inc.	LFM-390	\$6,265,597.38	16721 Sonoma Highway <u>635/645-651/1151/1161-1167</u> <u>Broadway</u> <u>10 Maple St</u>
				635/645-651/1151/1161-1167 Broadway 10 Maple St
Class 3-AX	Socotra Capital, Inc.	LFM-394	\$3,038,291.77	17700 Sonoma Hwy 201 Meadowlark
Class 3-AY	Socotra Capital, Inc.	LFM-401	\$3,286,027.71	446/454 3rd Street West
Class 3-AZ	Socotra Capital, Inc.	LFM-387	\$2,033,413.74	151 E Napa St

Subclass	Secured Lender	Claim Number	Voting Amount	Collateral Address
Class 3- BA AP	Socotra Capital, Inc.	LFM-392	\$8,128,236.30	1870 Thornsberry Dr 1221 Apple Tree Ct <u>19450 Old Winery Rd</u> <u>222/226 W. Spain</u> <u>282 Patten St</u> <u>141-145 E. Napa Street</u> <u>921 Broadway</u>
Class 3-AQ	<u>Socotra Capital, Inc.</u>	<u>LFM-394</u>	<u>\$3,038,291.77</u>	19450 Old Winery Rd 201 <u>Meadowlark</u> <u>17700 Sonoma Hwy</u> 222/226 W. Spain 282 Patten St 141-145 E. Napa Street 921 Broadway
Class 3- BB AR	Socotra Capital, Inc.	LFM-396	\$14,157,857.05	171 W. Spain Street <u>23250 Maffei Road</u> <u>101/103/310 Meadowlark Ln</u> <u>24101/24151 Arnold Dr</u> <u>302-310 1st Street East</u>
Class 3- AX AS	<u>Socotra Capital, Inc.</u>	<u>LFM-398</u>	<u>\$7,744,758.31</u>	23250 Maffei Road <u>596 3rd St E</u>
Class 3- AY AT	<u>Socotra Capital, Inc.</u>	<u>LFM-399</u>	<u>\$3,492,538.62</u>	101/103/310 Meadowlark Ln 24101/24151 Arnold Dr <u>20564</u> <u>Broadway</u> <u>391-455 Oak Street</u> <u>19173 Railroad Ave</u> <u>653 3rd Street W</u> <u>789 Cordilleras</u>
Class 3-AU	<u>Socotra Capital, Inc.</u>	<u>LFM-401</u>	<u>\$3,286,027.71</u>	302-310 1st <u>446/454 3rd Street</u> East <u>West</u>
Class 3- BC AV	Socotra Capital, Inc.	LFM-404	\$18,730,646.16	10306 Badger Lane <u>10308 Badger Lane</u> <u>10326 Badger Lane</u> <u>10328 Badger Lane</u> <u>10334 Badger Lane</u> <u>10336 Badger Lane</u> <u>10342 Badger Lane</u> <u>10344 Badger Lane</u> <u>107 Quail Court</u> <u>109 Quail Court</u>
Class 3- BF AW	<u>Socotra Capital, Inc.</u>	<u>LFM-1217</u>	<u>\$6,457,939.52</u>	10308 Badger Lane <u>1549 E Napa St</u> <u>24265/24321 Arnold Rd.</u> <u>786 Broadway</u> <u>790 Broadway</u> <u>856 4th Street E</u> <u>1014 1st St W</u>

Subclass	Secured Lender	Claim Number	Voting Amount	Collateral Address
				10326 Badger Lane 10328 Badger Lane 10334 Badger Lane 10336 Badger Lane 10342 Badger Lane 10344 Badger Lane 107 Quail Court 109 Quail Court
Class 3- BD <u>AX</u>	Socotra Capital, Inc.	LFM-1219	\$1,974,284.59	19340 7th St E
Class 3- BE <u>AY</u>	Socotra Select Portfolio Servicing, Inc.	KSMP-315550 LFM-314552	\$2,800,000.00 <u>373,344.31</u>	1549 E Napa St, Sonoma, CA 95476 <u>1130 Pear Tree Ln</u>
Class 3-BF	Socotra Capital Inc.	KSMP-315553	\$4,700,000.00	8340/8350 Auburn
Class 3-BG	Socotra Capital Inc.	KSMP-315552	\$1,133,905.00	22666 Broadway, Sonoma, CA 95746
Class 3-BH	Socotra Opportunity Fund, LLC	KSMP-315554	\$1,925,000.00	452 C 1st St E
Class 3-BI	Socotra Opportunity Fund, LLC	KSMP-315555	\$1,700,000.00	450 1st St E #A,B, K, Sonoma, CA 95476
Class 3-BJ	Socotra Opportunity Fund, LLC	KSMP-315556	\$600,000.00	450J 1st Street East, Sonoma, CA 95476
Class 3-BK	Socotra Opportunity REIT I LLC	KSMP-315557	\$2,008,664.00	18275 Sonoma Highway, Boyes Hot Springs 18285 Hwy 12, El Verano, CA 95476 Arroyo Rd, Boyes Hot Springs 320 Arroyo Rd, Boyes Hot Springs
Class 3-BL	Socotra Opportunity REIT I LLC	KSMP-315558	\$1,021,803.00	18590 Hwy 12, Boyes Hot Springs, CA 95476
Class 3-BM	Socotra Opportunity REIT I LLC	KSMP-315559	\$1,212,448.00	19357 Hwy 12, Sonoma, CA 94559
Class 3-BN	Socotra Opportunity REIT I LLC	KSMP-315560	\$1,500,000.00	230 E Napa
Class 3-BO	Socotra Opportunity REIT I LLC	KSMP-315561	\$1,998,344.00	415 Pacific Ave
Class 3-BP	Socotra REIT I LLC	KSMP-315563	\$1,447,000.00	414 W Napa
Class 3-BQ	Socotra REIT I LLC	KSMP-315562	\$1,400,000.00	1014 1st St W, Sonoma, CA 95476
Class 3-BR	Socotra REIT I LLC	KSMP-315564	\$1,865,000.00	856 4th St E, Sonoma, CA 95476
Class 3- BS <u>AZ</u>	Select Portfolio Servicing, Inc.	LFM-314648	\$312,351.40	5509 Orange Ave 7343 Arleta Ct
Class 3- BT <u>BA</u>	Select Portfolio Servicing, Inc.	LFM-314649	\$294,007.31	5601/5603 Orange Ave
Class 3- BU <u>BB</u>	Select Portfolio Servicing, Inc.	LFM-314651	\$310,912.09	7312/7314 Berna Way
Class 3- BV <u>BC</u>	Select Portfolio Servicing, Inc.	LFM-314652	\$295,678.30	7316/7318 Arleta Ct
Class 3- BW <u>BD</u>	Select Portfolio Servicing, Inc.	LFM-314654	\$308,414.07	7319/7321 Berna Way
Class 3-BX	Select Portfolio Servicing, Inc.	LFM-314552	\$373,344.31	1130 Pear Tree Ln
Class 3-BY	Sylva Family Properties	KSMP-315577	\$1,524,726.00	230 E Napa

Subclass	Secured Lender	Claim Number	Voting Amount	Collateral Address
Class 3- BZ BE	The Bank of New York Mellon, f/k/a the Bank of New York, as Trustee, on Behalf of the Holders of the Alternative Loan Trust	KSMP-794	\$1,426,346.31	531-533 Camino
Class 3- CA BF	Tri Counties Bank	LFM-314568	\$156,479.98	6359 Auburn Blvd
Class 3-CB	Trustee of the John and Mary Metallinos Living Trust	KSMP-315582	\$2,500,000.00	22 Boyes Blvd
Class 3-CC	Trustee, Gerald and Carol Shiffman Joint Trust	KSMP-315583	\$2,950,000.00	47/49 Natoma St
Class 3-CD	Trustee, Gerald and Carol Shiffman Joint Trust	KSMP-315584	\$2,950,000.00	8349/8350 Auburn Blvd
Class 3- CE BG	U.S. Bank NA, Successor Trustee to Bank of America, NA, Successor in Interest to LaSalle Bank NA, as Trustee	KSMP-31	\$1,672,512.42	236 King Ave
<u>Class 3-BH</u>	<u>Umpqua Bank, Successor in Interest to Sacramento Bank of Commerce, a Division of Redding Bank of Commerce</u>	<u>LFM-191</u>	<u>\$6,310,302.52</u>	<u>951/1035/1047 Alamo Dr</u>
Class 3- CF BI	Umpqua Bank, Successor in Interest by Merger to Columbia State Bank	LFM-195	\$1,684,637.83	170 - 182 First St E
Class 3- CG BJ	Umpqua Bank, Successor in Interest to Sacramento Bank of Commerce, a Division of Redding Bank of Commerce	LFM-198	\$14,328,260.33	2151 Salvio St
Class 3-CH	Umpqua Bank, Successor in Interest to Sacramento Bank of Commerce, a Division of Redding Bank of Commerce	LFM-191	\$6,310,302.52	951/1035/1047 Alamo Dr
Class 3- CI BK	Virginia Ghilarducci	LFM-110	\$1,400,000.00	241 1st St W
Class 3- CJ BL	Susan Leeming	LFM-30	\$325,000.00	24160 Turkey Rd 24237 Arnold Rd.
Class 3-CK	WE Alliance Secured Income Fund, LLC	KSMP-315586	\$4,700,000.00	3003 Castle Rd
Class 3- CL BM	Wilmington Trust, National Association, as Trustee for the Benefit of the Registered Holders	LFM-1303	\$16,868,467.23	9415 - 9471 N Fort Washington
Class 3- CM BN	Federal Home Loan Mortgage Corporation Butler Trust November 6, 1996	LFM-910 KSMP-765	\$3,624,209.66 598,000.00	7337 Power Inn Rd 3217 Walnut Avenue
Class 3-CN	Socotra Capital, Inc.	LFM-398	\$7,744,758.31	596 3rd St E

EXHIBIT C

**Proposed Modifications to Liquidation and Recovery Analysis
(Changed Pages Only)**

\$									
	Note	Ch.				Ch.			
		Low		High		Low		High	
		\$	%	\$	%	\$	%	\$	%
Unsold	[1]								
Gross Asset Sale Proceeds		\$ 37,835		\$ 45,830		54,590		76,477	
Closing Costs		(2,838)		(3,094)		(4,094)		(5,440)	
Taxes Paid at Closing		(593)		(833)		(848)		(929)	
Secured Debt and Other Amounts		(21,926)	100%	(28,025)	100%	(31,818)	100%	(46,590)	100%
Net		12,479		13,878		17,829		23,518	
Cash on Hand	[2]	94,745		94,745		94,745		94,745	
Other Assets	[3]	1,183		2,100		1,183		2,100	
Other Recoveries (net)	[4]	2,000		27,000		2,000		27,000	
Total		\$ 110,407		\$ 137,722		\$ 115,757		\$ 147,363	
DIP	[5]	(12,100)	100%	(12,100)	100%	(12,100)	100%	(12,100)	100%
Remaining		98,307		125,622		103,657		135,263	
Administrative									
Ch. 7 Trustee Commission	[6]	(4,073)	100%	(5,090)	100%	n/a		n/a	
Ch. 7 Case Professionals	[7]	(21,000)	100%	(15,000)	100%	n/a		n/a	
Ch. 11 Wind Down budget	[8]	n/a	100%	n/a	100%	(5,500)	100%	(4,500)	100%
Ch. 11 Administrative Claims	[9]								
Accrued Professional Fees		(48,500)	100%	(44,000)	100%	(48,500)	100%	(44,000)	100%
Other Ch. 11 Administrative Claims		(510)	100%	(410)	100%	(510)	100%	(410)	100%
Total		(74,083)		(64,500)		(54,510)		(48,910)	
Remaining		24,224		61,122		49,147		86,353	
Priority	[10]	(2,000)	100%	(1,000)	100%	(2,000)	100%	(1,000)	100%
Funds		\$ 22,224		\$ 60,122		\$ 47,147		\$ 85,353	
Estimated		Claim Amount	Recovery	Claim Amount	Recovery	Ch. 11 Recovery		Ch. 11 Recovery	
Class	[11]	5,500	9.3%	4,000	25.3%	5,500	72.7%	4,000	100.0%
Class	[12]								
Investor Tranche 1 Claims	[13]	\$ 234,000	9.3%	\$ 234,000	25.3%	\$ 234,000	19.7%	\$ 234,000	35.9%
Investor Tranche 2 Claims	[14]	\$ 97,000	0.0%	\$ 97,000	0.0%	\$ 97,000	0.0%	\$ 97,000	0.0%
Total		\$ 331,000	6.6%	\$ 331,000	17.9%	\$ 331,000	14.0%	\$ 331,000	25.5%

\$									
	Note	Ch.				Ch.			
		Low		High		Low		High	
		\$	%	\$	%	\$	%	\$	%
Unsold	[1]								
Gross Asset Sale Proceeds		\$ 37,835		\$ 45,830		54,590		76,477	
Closing Costs		(2,838)		(3,094)		(4,094)		(5,440)	
Taxes Paid at Closing		(593)		(833)		(848)		(929)	
Secured Debt and Other Amounts		(21,928)	100%	(28,031)	100%	(31,824)	100%	(46,596)	100%
Net		12,477		13,872		17,824		23,512	
Cash on Hand	[2]	94,745		94,745		94,745		94,745	
Other Assets	[3]	1,183		2,100		1,183		2,100	
Other Recoveries (net)	[4]								
Recoveries from Secured Lenders (net)		2,000		12,000		2,000		12,000	
Other Third Party Recoveries (net)		-		15,000		-		15,000	
Total		\$ 110,405		\$ 137,717		\$ 115,751		\$ 147,357	
DIP	[5]	(12,100)	100%	(12,100)	100%	(12,100)	100%	(12,100)	100%
Remaining		98,305		125,617		103,651		135,257	
Administrative									
Ch. 7 Trustee Commission	[6]	(4,013)	100%	(4,730)	100%	n/a		n/a	
Ch. 7 Case Professionals	[7]	(21,000)	100%	(15,000)	100%	n/a		n/a	
Ch. 11 Wind Down budget	[8]	n/a	100%	n/a	100%	(5,500)	100%	(4,500)	100%
Ch. 11 Administrative Claims	[9]								
Accrued Professional Fees		(48,500)	100%	(44,000)	100%	(48,500)	100%	(44,000)	100%
Other Ch. 11 Administrative Claims		(510)	100%	(410)	100%	(510)	100%	(410)	100%
Total		(74,023)		(64,140)		(54,510)		(48,910)	
Remaining		24,282		61,476		49,141		86,347	
Priority	[10]	(2,000)	100%	(1,000)	100%	(2,000)	100%	(1,000)	100%
Funds		\$ 22,282		\$ 60,476		\$ 47,141		\$ 85,347	
Estimated		Claim Amount	Recovery	Claim Amount	Recovery	Ch. 11 Recovery		Ch. 11 Recovery	
Class	[11]	5,500	9.3%	4,000	25.4%	5,500	72.7%	4,000	100.0%
Class	[12]								
Investor Tranche 1 Claims	[13]	\$ 234,000	9.3%	\$ 234,000	25.4%	\$ 234,000	19.7%	\$ 234,000	35.9%
Investor Tranche 2 Claims	[14]	\$ 97,000	0.0%	\$ 97,000	0.0%	\$ 97,000	0.0%	\$ 97,000	0.0%
Total		\$ 331,000	6.6%	\$ 331,000	18.1%	\$ 331,000	14.0%	\$ 331,000	25.5%

NOTES TO THE LIQUIDATION ANALYSIS

Note 1 – Unsold Retained Properties

Properties that have not been sold or returned to the lenders as of the Conversion Date are assumed to be liquidated by the chapter 7 trustee during the post-Conversion Date period. It is assumed that the estimated liquidation value of the properties will be 80% of the BOVs obtained by the Debtors in the High scenario and 75% of the BOVs in the Low Scenario to account for a lack of continuity in the sales process and liquidation on a compressed timeline. The secured debt and other amounts owed include any estimated net proceeds owed to tenant-in-common owners. Any properties for which the estimated gross proceeds less the closing costs and taxes are less than the estimated secured debt and any other amounts owed are assumed to be returned to the lenders and no net proceeds have been reflected in the Liquidation Analysis.

Note 2 – Cash and Cash Equivalents

Reflects the Debtors' estimated cash balance as of the Conversion Date including the anticipated proceeds from real estate transactions that are expected to close by the Conversion Date. Any properties not sold and abandoned prior to the Conversion Date are assumed to have been non-judicially foreclosed.

Note 3 – Other Assets

Includes estimated collections related to:

- Reserves Held by Lenders. Certain lenders hold reserves that are assumed to be released to the Debtors at sale closing and have not been reflected in the estimated Net Asset Sale Proceeds.
- Judgments. Includes amounts related to judgment obtained and affirmed upon appeal.

Other assets of the Debtors, including outstanding accounts receivable related to past due rents, furniture, fixtures, and equipment, and any interests in non-debtor subsidiaries, are assumed to have a \$0 value in the Liquidation Analysis.

Note 4 – Other Recoveries (net)

Includes estimated cash recoveries related to:

- Recoveries from Secured Lenders (net). ~~Represents the an estimated range of recoveries from other claims and causes of action against the secured lenders based on the information and analysis available at the time of filing this Liquidation Analysis. The estimates are presented net of any professional fees related to successful recoveries.~~ **Preference Recoveries**. ~~Represents the estimated range of recoveries on account of preference payments (i.e., payments made to vendors and investors in the 90 days preceding the Chapter 11 bankruptcy that were not in the ordinary course) net of expenses associated with the prosecution of such claims.~~

- ~~Other Claims and Causes of Action~~ Third Party Recoveries (net). Represents ~~an~~ the estimated range of recoveries ~~from~~ on account of (a) preference payments (i.e., payments made to vendors and investors in the 90 days preceding these Chapter 11 bankruptcy Cases that were not in the ordinary course) net of expenses associated with the prosecution of such claims and (b) other claims and causes of action against third parties (other than Secured Lenders) based on the information and analysis available at the time of filing ~~the~~ this ~~L~~ Liquidation a Analysis. The estimates are presented net of any professional fees related to successful recoveries.

Note 5 – DIP Facility Claims

Represents the \$10 million aggregate principal balance of the postpetition loan provided by the DIP Lender to the Debtors during the Chapter 11 Cases, comprised of a \$4 million DIP Facility for KSMP and a \$6 million DIP Facility for LeFever Mattson. The DIP Facility Claims have liens on certain assets and priority above all other unsecured claims against the Debtors. The KSMP DIP Facility (\$4 million) is limited to liens on the assets of KSMP and the LeFever Mattson DIP Facility (\$6 million) is limited to liens on the assets of LeFever Mattson. In addition to principal amount outstanding, also included in the claim amount are (i) accrued and unpaid interest and fees through the assumed Conversion Date and (ii) reimbursement of any outstanding DIP Lender's professional fees pursuant to the DIP Orders.

Note 6 – Chapter 7 Trustee Commission Fees

Fees associated with the appointment of a chapter 7 trustee in accordance with section 326 of the Bankruptcy Code. Distributable value on which the trustee commission fee is charged includes all money or property disbursed by the trustee.

Note 7 – Chapter 7 Trustee Professional Fees

Represents the professionals engaged by the trustee to assist with the liquidation of the Debtors' assets under a hypothetical chapter 7 liquidation process. These fees are based on estimated monthly run-rates by type of professional (legal, financial, tax / accounting, property management, and other) with a phased reduction throughout the first 12 months of the liquidation. It is anticipated that a chapter 7 trustee would not be able to retain any of the existing case professionals as they will be creditors and not disinterested under the Bankruptcy Code. Accordingly, new professionals will need to be retained who will have a steep learning curve, resulting in incremental expenses.

The Plan provides for substantive consolidation of the debtors as well as a determination of a Ponzi finding. If the Plan is not confirmed, the Liquidation Analysis assumes that in a best-case ("High") scenario, the chapter 7 trustee will engage professionals to successfully achieve a substantive consolidation of the Debtors as well as a Ponzi finding. The effort associated with this will be significant and will require forensic accounting, motions, hearings, and a significant amount of litigation expense. As indicated in the *Joint Investigation Report and Summary of Global Settlement* [Docket No. 2568], the volume of the transactions involved coupled with the inadequacy of certain records that span across decades and more than sixty entities leads to a