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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

**THIRD AMENDED DISCLOSURE
STATEMENT IN SUPPORT OF THIRD
AMENDED JOINT CHAPTER 11 PLAN
OF LIQUIDATION**

In re

KS MATTSON PARTNERS, LP,

Debtor.

JOINT PLAN PROPONENTS

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

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

**THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
PACHULSKI STANG ZIEHL & JONES LLP**

Debra I. Grassgreen (Cal Bar. No. 169978)
John D. Fiero (Cal. Bar No. 136557)
Jason H. Rosell (Cal. Bar No. 269126)
Brooke E. Wilson (Cal. Bar No. 354614)
One Sansome Street, 34th Floor, Suite 3430
San Francisco, California 94104
Telephone: (415) 263-7000
Email: LMCommittee@pszjlaw.com



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

1 MATTERS ARE NOT GUARANTEES AND REPRESENT THE DEBTORS' ESTIMATES
2 AND ASSUMPTIONS ONLY AS OF THE DATE SUCH STATEMENTS WERE MADE AND
3 INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER
4 UNKNOWN FACTORS THAT COULD IMPACT THE PLAN PROPONENTS' PLAN OR
5 DISTRIBUTIONS THEREUNDER. IN ADDITION TO STATEMENTS THAT EXPLICITLY
6 DESCRIBE SUCH RISKS AND UNCERTAINTIES, READERS ARE URGED TO
7 CONSIDER STATEMENTS LABELED WITH THE TERMS "BELIEVES," "BELIEF,"
8 "EXPECTS," "INTENDS," "ANTICIPATES," "PLANS," OR SIMILAR TERMS TO BE
9 UNCERTAIN AND FORWARD-LOOKING. CREDITORS AND OTHER INTERESTED
10 PARTIES SHOULD ALSO REVIEW THE SECTION OF THIS DISCLOSURE STATEMENT
11 ENTITLED "RISK FACTORS" FOR A DISCUSSION OF CERTAIN FACTORS THAT MAY
12 AFFECT THE PLAN AND DISTRIBUTIONS THEREUNDER.
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<u>EXHIBIT A</u>	Third Amended Joint Chapter 11 Plan of Liquidation
<u>EXHIBIT B</u>	Corporate Organizational Charts
<u>EXHIBIT C</u>	Liquidation and Recovery Analysis
<u>EXHIBIT D</u>	Non-Exclusive Description of Preserved Trust Actions
<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>

I.

INTRODUCTION

LeFever Mattson, a California corporation ("LFM"), its affiliated debtors and debtors in possession (collectively with LFM, the "LFM Debtors"); KS Mattson Partners, LP ("KSMP" and, together with the LFM Debtors, the "Debtors"); and the Official Committee of Unsecured Creditors appointed in the above-captioned chapter 11 cases (the "Cases") to represent the interests of unsecured creditors and investors of the Debtors (the "Committee" and, together with the Debtors, the "Plan Proponents") hereby submit this Disclosure Statement pursuant to sections 1125 and 1126(b) of the Bankruptcy Code, in connection with the solicitation of votes on the *Third Amended Joint Chapter 11 Plan of Liquidation* [Docket No. 3054] (as amended, modified, or supplemented from time to time pursuant to its terms, the "Plan"). A copy of the Plan is attached hereto as **Exhibit A**.¹ **The Debtors and the Committee support confirmation of the Plan.**

This Disclosure Statement describes the historical background that led to the commencement of the Cases, explains what has happened during the Cases, and sets forth the Plan's proposed treatment of creditors, including those holding or asserting investments in or with the Debtors and/or claims related to such investments ("Investors").² The purpose of this Disclosure Statement is to enable Investors and other creditors whose claims are impaired under the Plan and who are entitled to vote on the Plan to make an informed decision when choosing to accept or reject the Plan. This

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

² The Plan more specifically defines an "Investor" as a Person or Entity that holds an Investor Claim. "Investor Claims" are defined in the Plan as "any Claim arising from or relating to an Investment, including, without limitation, (a) all Claims (including any contract or related Claims) based on, arising out of, or related to any Investments including the validity, marketing, sale, and issuance thereof; (b) all Claims for fraud, unlawful dividend, fraudulent conveyance, fraudulent transfer, voidable transaction, or other avoidance claims under state or federal law; (c) all Claims arising from or related to the preparation or filing of the Debtors' and/or their affiliates' (including the KSMP Investment Entities') federal, state, local, or other tax returns, forms, and other filings; (d) all Claims based on, arising out of, or related to the misrepresentation of any of the Debtors' or the KSMP Investment Entities' financial information, assets and properties, business operations, or related internal controls; (e) all Claims based on, arising out of, or related to any failure to disclose, or actual or attempted cover up or obfuscation of, any of the wrongful conduct described in the Disclosure Statement, including with respect to any alleged fraud related thereto and undisclosed loans; (f) all Claims based on aiding or abetting, entering into a conspiracy with, or otherwise supporting Investment-related torts committed by the Debtors, the KSMP Investment Entities, or their agents; and (g) any Claims arising from or relating to TIC Interests; provided that any and all Equity Interests asserted by a Person or Entity in the Debtors via a Proof of Interest shall be deemed to be an Investor Claim for purposes of classification and distributions under the Plan, without any further notice, motion, complaint, objection, or other action or order of the Court."

1 Disclosure Statement describes the terms and provisions of the Plan, the effects of confirmation of the
2 Plan, the risk factors associated with the Plan, and the manner in which distributions will be made
3 under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the
4 voting and election procedures that Investors and other creditors entitled to vote under the Plan must
5 follow for their votes to be counted.

6 **A. Overview of the Plan**

7 **1. General Structure of the Plan**

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

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

18 The Debtors and the Committee have conducted a comprehensive joint investigation into the
19 prepetition conduct of the Debtors, their principals, and relevant third parties (the "Investigation"). As
20 part of their Investigation, the Plan Proponents have issued more than 30 subpoenas, collected more
21 than one million documents, and engaged in a process to review the approximately 1,152 filed proofs
22 of claim and approximately 817 filed proofs of interest (asserting over 1,800 subclaims).

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

- 25 1. The Debtors operated a **Ponzi scheme**, a central feature of which was a bank account
26 maintained at Bank of the West (subsequently acquired by BMO Bank) ending in 1059
27 and primarily controlled by Mr. Mattson (the "1059 Account").
- 28 2. The Debtors' books and records are **incomplete**, such that determining with certainty

the ownership structure of each Debtor would be cost prohibitive *and may not be possible*.

3. The Debtors' prepetition operations involved a **vast array of intercompany transactions and transfers** among the Debtors that would be cost-prohibitive to untangle and validate, *if such disentanglement is even possible*.

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

Under the circumstances, the Debtors and the Committee have determined that it is in the best interests of Investors and other creditors to propose a global settlement (the "Global Settlement")—to be effectuated through the Plan—that treats Investors and other creditors fairly without incurring the considerable additional professional fees and costs that would be necessary to attempt to fully disentangle the Debtors. A comprehensive discussion of the facts and circumstances supporting the Global Settlement has been separately filed with the Court at Docket No. 2568 (the "Investigation Report"), which can be accessed from the Debtors' restructuring website at <https://veritaglobal.net/LM>.

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

The Plan provides for a single class of Investor Claims (not subclasses for each Debtor): Class 5. The Plan treats all Investors the same, as holders of tort claims against the Debtors, regardless of the nature or documentation of their investment and regardless of whether their investment is recorded in the Debtors' books and records. This Investor class will vote as one class to accept or reject the Plan, so that the overall will of the Investor community is captured. If Class 5 accepts the Plan, the Debtors and the Committee will move forward with confirmation of the Plan, including the substantive consolidation of the Debtors and KSMP Investment Entities. If the Investor class rejects

1 the Plan, the Debtors and the Committee will **not** move forward with the Plan. In the event Class 5
2 rejects the Plan, the Debtors and Committee will need to incur additional fees and expenses to develop
3 an alternative path forward.

4 The Plan is a **“single pot” plan**, meaning that it pools and consolidates all of the assets and
5 liabilities of all of the Debtors and the KSMP Investment Entities for distribution purposes.³ This
6 pooling is known as **substantive consolidation**. Under the Plan, no third parties—including Mr.
7 Mattson and Mr. Timothy LeFever—will receive a release for their conduct related to the Debtors.

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

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

25 To effectuate distributions to Investors, the Plan provides for the creation of the Plan Recovery
26 Trust. The Plan Recovery Trust will take ownership of the Debtors’ assets, sell or otherwise dispose

27 ³ By way of example, if Entity A holds \$100 of assets and owes \$0 of liabilities, and Entity B holds \$0 of assets and
28 owes \$100 of liabilities, and if those two entities are substantively consolidated, the resulting entity will hold \$100 of
assets and owe \$100 of liabilities.

1 of those assets to generate cash, and distribute that cash to Investors. The Plan Recovery Trust also
2 will own litigation claims against third parties, *including Mr. Mattson and Mr. LeFever*, and may
3 generate cash through prosecution or settlement of those claims. The Plan Recovery Trust will
4 distribute cash to Investors and creditors over time, as it monetizes the Plan Recovery Trust Assets.⁴

5 The Plan Recovery Trust will also hold certain litigation claims known as “Contributed
6 Claims.” Contributed Claims include all Causes of Action that are legally assignable (including Causes
7 of Action that are legally assignable solely because of the preemptive effect of the Plan) that an
8 Investor has against any Person that is not a Debtor and that are related in any way to the Debtors,
9 their predecessors, their respective affiliates, or any Excluded Parties. Investors will automatically
10 contribute their Contributed Claims to the Plan Recovery Trust—and become a Contributing
11 Claimant—if they vote to accept the Plan and do not opt out of the Contributed Claim Election, unless
12 the Investors’ claims and causes of action are listed in the Schedule of Disclaimed Contributed Claims.
13 Only Contributing Claimants will be entitled to receive a *pro rata* share of Class C Plan Recovery
14 Trust Units. Investors may wish to contribute their claims because combining all Contributed Claims
15 and similar Plan Recovery Trust Actions may allow those claims to be pursued and resolved more
16 efficiently and effectively.

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

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

21 The table below summarizes the classification and treatment of Claims and Equity Interests
22 under the Plan. **THE PROJECTED RECOVERIES FOR CLAIMS SET FORTH IN THE**
23 **TABLE BELOW ARE ESTIMATES ONLY. ACTUAL RECOVERIES MAY DIFFER.**⁵ For a
24 complete description of the classification and treatment of Claims and Equity Interests, reference
25 should be made to the Plan.

26
27 ⁴ Under the Plan, Investors will also receive pro rata distributions from the Investor Forfeiture Fund in the event that
28 Forfeiture Property (if any) is obtained from Mattson and/or other Excluded Parties by the DOJ, the SEC or another
Governmental Unit.

⁵ See Liquidation and Recovery Analysis included as part of Exhibit C attached hereto.

CLASS	DESCRIPTION	IMPAIRMENT	ENTITLED TO VOTE?	PROJECTED RECOVERY
None	Administrative Claims	Unimpaired	No	100%
None	DIP Claims	Unimpaired	No	100%
None	Priority Tax Claims	Unimpaired	No	100%
Class 1	Priority Claims	Unimpaired	No	100%
Class 2	Other Secured Claims	Unimpaired	No	100%
Class 3	Secured Lender Claims ⁶	Impaired	Yes	100%
Class 4	Trade Claims	Impaired	Yes	72.7%-100% ⁷
Class 5	Investor Claims	Impaired	Yes	19.7% - 35.9% ⁸ (Tranche 1 Claims)
Class 6	Intercompany Claims	Impaired	No	0%
Class 7	Equitably Subordinated Claims	Impaired	No	0%
Class 8	Equitably Subordinated Interests	Impaired	No	0%

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

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

B. Plan Voting Instructions and Procedures

1. Voting Rights

Under the Bankruptcy Code, only classes of claims or interests that are “impaired” and that are not deemed as a matter of law to have rejected a plan under section 1126 of the Bankruptcy Code are entitled to vote to accept or reject such plan. Any class that is “unimpaired” is not entitled to vote to accept or reject a plan and is conclusively presumed to have accepted the plan. As set forth in section 1124 of the Bankruptcy Code, a class is “impaired” if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified or altered by the proposed plan.

⁶ 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 Subclasses, listing the subclasses and applicable voting amounts of the Secured Lenders, is provided in **Exhibit E** attached hereto. If a Holder's Class 3 Claim is paid in full between the Voting Record Date and the Confirmation Date, the Holder's Class 3 vote on the Plan will not be counted. The Plan Proponents reserve the right to assert that the treatment provided to the Holders of Class 3 Claims pursuant to the Plan renders such Claims unimpaired.

⁷ Assumes that Class 4 votes to accept the Plan.

⁸ The estimated recovery is with respect to an Investor's Allowed Investor Tranche 1 Claim. The Plan provides that Investors will first receive their *pro rata* distribution of available assets on account of their Allowed Investor Tranche 1 Claim. If and when each Allowed Investor Tranche 1 Claim is paid in full, Investors will then receive their *pro rata* distribution of available assets on account of their Allowed Investor Tranche 2 Claim (if any). There is no expected recovery under the Plan for Investors on account of their Allowed Investor Tranche 2 Claims. See Liquidation and Recovery Analysis.

1 Holders of claims or interests within an impaired class are entitled to vote to accept or reject a plan if
2 such claims or interests are “allowed” under section 502 of the Bankruptcy Code. **Simply put:** not
3 everyone gets to vote on the Plan. In some cases, the law already assumes an answer—either yes (if
4 one’s rights aren’t being changed) or no (if one will not receive or retain any property). But if one’s
5 rights are being changed by the Plan, and if that person’s claims qualify as “allowed,” then that person
6 will have the right to cast a vote.

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

15 Pursuant to the Plan, Claims in Class 3 (Secured Lender Claims), Class 4 (Trade Claims), and
16 Class 5 (Investor Claims) are impaired and entitled to receive distributions.⁹ Holders of Claims in
17 those Classes—as of the dates specified in the Solicitation Procedures Order (the “Voting Record
18 Date”)—may vote on the Plan.

19 Under the Plan, the remaining classes are not entitled to vote. Claims in Class 1 (Priority
20 Claims) and Class 2 (Other Secured Claims) are unimpaired by the Plan—they will be paid in full—
21 and are therefore conclusively presumed to have accepted the Plan without a vote. Claims in Class 6
22 (Intercompany Claims), Class 7 (Equitably Subordinated Claims), and Class 8 (Equitably
23 Subordinated Interests) will not receive or retain any property under the Plan and are therefore deemed
24 to have rejected the Plan without a vote. In short, Classes 1 and 2 are treated as if they voted “yes,”
25 while Classes 6, 7, and 8 are treated as if they voted “no.”
26
27

28 ⁹ The Plan Proponents reserve the right to assert that the treatment provided to the Holders of Class 3 Claims pursuant to the Plan renders such Claims unimpaired.

1 2. **Solicitation Materials**

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

- 6 • A cover letter describing the contents of the Solicitation Package and directing parties
7 to the website at which they may view the Disclosure Statement and the exhibits
8 thereto, including the Plan and the exhibits attached thereto;
- 9 • The Bankruptcy Court order approving this Disclosure Statement (the “Solicitation
10 Procedures Order”) (excluding exhibits);
- 11 • For Holders of Class 5 Investor Claims only, the Plan Summary;
- 12 • The notice of, among other things, (i) the date, time, and place of the **status conference**
13 to schedule a hearing to consider Confirmation of the Plan and related matters and (ii)
14 the deadline for filing objections to Confirmation of the Plan (the “Confirmation
15 Notice”);
- 16 • One or more Ballots, to be used in voting to accept or to reject the Plan and, in the case
17 of Investors the applicable instructions to vote (the “Voting Instructions”);
- 18 • For Holders of Class 5 Investor Claims only, an Investor Settlement Offer Letter;
- 19 • A pre-addressed, postage prepaid return envelope; and
- 20 • Such other materials as the Bankruptcy Court may direct or approve.

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

24 Well prior to the Voting Deadline (defined below), the Plan Proponents will file a Plan
25 Supplement that will contain additional information relating to the Plan and its implementation,
26 including the Plan Recovery Trust Agreement. You are encouraged to read the Plan Supplement and
27 its attachments. As the Plan Supplement is updated or otherwise modified, it will be made available
28 without charge on the Debtors’ restructuring website at <https://veritaglobal.net/LM>.

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

4 LeFever Mattson Ballot Processing Center
5 c/o KCC dba Verita
6 222 N. Pacific Coast Highway, Suite 300
7 El Segundo, CA 90245
(877) 709-4751 (U.S./Canada)
(424) 236-7231 (International)

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

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

14 **The deadline to vote on the Plan is January 21, 2026 at 11:59 p.m. (Pacific Time)** (the
15 "Voting Deadline"). In order for your vote to be counted, your Ballot must be properly completed in
16 accordance with the Voting Instructions on the Ballot and **actually received** no later than the Voting
17 Deadline.

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

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

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

3. Election on Investor Ballots to Contribute Certain Claims

The Ballots also permit each Investor—*i.e.*, each Holder of a Class 5 Claim—to assign its Contributed Claims to the Plan Recovery Trust. By casting a Ballot to accept the Plan and not opting out of the Contributed Claim Election, an Investor agrees that, subject to the Effective Date and the formation of the Plan Recovery Trust, it will be deemed to have assigned its Contributed Claims to the Plan Recovery Trust (provided that such Claims are not listed in the Schedule of Disclaimed Contributed Claims). Investors may wish to make this election because aggregating all Contributed Claims and similar Plan Recovery Trust Actions can allow these claims to be pursued and resolved more efficiently and effectively.

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

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

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

1 **4. Confirmation Hearing and Deadline for Objections to Confirmation**

2 Objections to Confirmation of the Plan must be Filed and served on the Plan Proponents and
3 certain other entities, all in accordance with the Confirmation Notice, so that such objections are
4 **actually received** by no later than **January 21, 2026 at 11:59 p.m. (Pacific Time)**. Unless objections
5 to Confirmation of the Plan are timely served and Filed in compliance with the Solicitation Procedures
6 Order, they may not be considered by the Bankruptcy Court. For further information, refer to Section
7 VI of this Disclosure Statement, “Confirmation of the Plan.”

8 **II.**

9 **BACKGROUND**

10 **A. Overview of Debtors’ Organizational Structure, History, and Business**

11 **1. The LFM Debtors**

12 LFM manages a large real estate portfolio. Mr. LeFever and Mr. Mattson each own 50% of the
13 equity in LFM. For decades, the company’s business has been the ownership of investment real
14 estate—single family homes as well as multi-unit properties. Originally, properties were owned by
15 LFM alone or as a tenant in common with other investors. Eventually the business model shifted to
16 creating limited liability companies, and then limited partnerships, to purchase multi-family or other
17 commercial properties.¹⁰ This structure allowed LFM to pool more capital by selling limited interests
18 to a small number of accredited investors while typically reserving an ownership interest in the
19 investment entity for itself as general partner or managing member.

20 Currently, LFM directly or indirectly controls or has ownership interests in fifty limited
21 partnerships (collectively, the “LPs”) and eight limited liability companies (collectively, the “LLCs”).
22 The LFM Debtors are comprised of LFM, CIP (as defined below), the Property Manager (as defined
23 below), and the fifty-eight LPs and LLCs (the “LFM Investment Entities”) that are listed on Exhibit B
24 to the Plan.¹¹ LFM, directly or indirectly, is the general partner or managing member, as applicable,
25 of each of the LFM Investment Entities.

26 ¹⁰ Under this shifted business model, investors who were tenants in common often deeded their interest in the property
27 to the newly created LLC or LP, and in exchange received a membership interest or limited partnership interest,
28 respectively.

¹¹ A corporate organizational chart showing the LFM Debtors’ organizational structure is attached hereto as **Exhibit B**
(the “LFM Organizational Chart”).

1 LFM also has ownership interests in four California corporations: (i) debtor Home Tax Service
2 of America, Inc., dba LeFever Mattson Property Management (the “Property Manager”), which
3 provides property management services, including to those properties owned by LFM Investment
4 Entities; (ii) debtor California Investment Properties, a California corporation (“CIP”), which is a real
5 estate brokerage; and (iii) non-debtors Pineapple Bear, a California corporation (which offers
6 hospitality and catering services) and Harrow Cellars, a California corporation (which operated a
7 winery and related businesses).

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

13 LFM has no employees. CIP, which also has no employees, is a real estate brokerage that has
14 provided services in connection with the Properties and others purchased or sold by LFM and the LFM
15 Investment Entities. The Property Manager has approximately fifty-two employees. It provides
16 property management services for the Properties and certain real properties owned by non-Debtors
17 through Property-specific management agreements, and it holds bank accounts in trust for the LFM
18 Investment Entities, for rents and expenses (the “Trust Accounts”). The Property Manager maintains
19 the books and records of each of the LFM Investment Entities (the “LFM Debtors’ Records”), except
20 as noted below with respect to the Mattson Maintained Debtors and LFM, including the identity of
21 Record Investors in each LFM Investment Vehicle¹² (the “LFM Debtors’ Investment Records”). The
22 Property Manager also made payments to Record Investors in the LFM Investment Entities on account
23 of their investments. However, the Property Manager did not maintain the books and records of eight
24 of the LFM Debtors (collectively, the “Mattson Maintained Debtors”);¹³ although LFM is the general
25 partner or managing member of each of the Mattson Maintained Debtors, the Property Manager

26
27 ¹² “LFM Investment Vehicle” includes not only the LFM Investment Entities, but also Properties for which LFM pooled
more capital by selling limited interests to a small number of accredited investors.

28 ¹³ The Mattson Maintained Debtors are: Apan Partners, LLC; Bay Tree, LP; Bishop Pine, LP; Butcher Road Partners,
LLC; Golden Tree, LP; Spruce Pine, LP; Watertree I, LP; and Windtree, LP.

1 understood that Mattson (or KSMP) maintained the books and records for such entities and did not
2 manage Properties for the Mattson Maintained Debtors.

3 Bradley D. Sharp, the President and Chief Executive Officer of Development Specialists, Inc.
4 (“DSI”), was appointed as the Responsible Individual for each LFM Debtor pursuant to local
5 Bankruptcy Rule 4002-1 [Docket Nos. 11, 30, 48]. Mr. Sharp is the individual with primary
6 responsibility for the duties and obligations of each LFM Debtor during the Cases. Mr. Sharp and DSI
7 were first engaged as financial advisors by the LFM Debtors in July 2024.

8 As of October 31, 2025, the LFM Debtors had approximately \$29,494,323.00 of cash on hand
9 in the aggregate and the fair market value of their remaining real estate was approximately
10 \$230,684,500.00 in the aggregate.

11 **2. The KSMP Debtors**

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

17 On November 22, 2024, LFM and Debtor Windtree, LP filed an involuntary chapter 11 petition
18 against KSMP, commencing Case No. 24-10715 (Bankr. N.D. Cal.) (the “KSMP Case”).¹⁴

19 After more than six months of contested proceedings, KSMP consented to a stipulated order
20 for relief in the KSMP Case, which was entered by the Bankruptcy Court on June 9, 2025 [KSMP
21 Docket No. 131]. Robbin Itkin has been appointed as the Responsible Individual for KSMP for
22 purposes of its bankruptcy case pursuant to local Bankruptcy Rule 4002-1 [KSMP Docket Nos. 133
23 & 172]. As the Responsible Individual, Ms. Itkin (a) is solely responsible for the duties and obligations
24 of KSMP as a debtor in possession pursuant to local Bankruptcy Rule 4002-1 and (b) is vested with
25 the authority to operate KSMP’s business pursuant to section 1108 of the Bankruptcy Code.

26
27
28 ¹⁴ References herein to “KSMP Docket No.” are to the docket entry numbers in *In re KS Mattson Partners, LP*, No. 24-10715 (Bankr. N.D. Cal.).

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

5 Because KSMP lacks necessary corporate records, including those of its affiliates, it was
6 unable to commence chapter 11 cases for three related entities—(i) Specialty Properties Partners, L.P.;
7 (ii) Treehouse Investments, L.P.; and (iii) Perris Freeway Plaza, LP.—before filing the Plan. KSMP
8 serves as the general partner of these entities, which the Joint Investigation shows were also involved
9 in the Ponzi scheme.

10 As of October 31, 2025, KSMP had approximately \$747,638.00 of cash on hand in the
11 aggregate and the fair market value of its remaining real estate was approximately \$76,477,000.00 in
12 the aggregate.

13 **B. Debtors' Secured and Unsecured Debt**

14 **1. The LFM Debtors**

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

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

24 **2. The KSMP Debtors**

25 Like the LFM Debtors, KSMP has unsecured debt in the form of trade debt, unsecured notes
26 payable, unsecured state and municipality liabilities, and security deposits held for tenants of the
27 Properties, and litigation claims.
28

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

3. KSMP Investment Entities

The Debtors have no evidence that the KSMP Investment Entities hold any assets or that they have any liabilities apart from Investor Claims.

C. Mattson Chapter 11 Case

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

D. Mr. Mattson’s Fraudulent Scheme

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

¹⁵ References herein to “Mattson Docket No.” are to the docket entry numbers in *In re Kenneth W. Mattson*, No. 24-10714 (Bankr. N.D. Cal.).

1 **E. Criminal and SEC Proceedings Against Mattson**

2 **1. Mattson Indictment**

3 On May 22, 2025, Mattson was arrested pursuant to a federal grand jury indictment (the
4 “Mattson Indictment”) charging him with, *inter alia*, wire fraud (18 U.S.C. § 1343), money laundering
5 (18 U.S.C. § 1957), and obstruction of justice in a federal investigation (18 U.S.C. § 1519).

6 **2. Mattson SEC Complaint**

7 On May 22, 2025, the SEC filed the Mattson SEC Complaint against Mattson and KSMP (as
8 Relief Defendant). According to the Mattson SEC Complaint, from approximately 2007 through April
9 2024, Mattson ran a Ponzi-like scheme by selling fake interests in various Debtors. The SEC alleges
10 that, in the last five years alone, Mattson fraudulently raised more than \$46 million from approximately
11 200 investors, including many retired seniors with IRAs. The SEC alleges that Mattson falsely told
12 the defrauded Investors that their investments would buy them equity in specific Debtors, entitling
13 them to distributions of the income generated by the Debtors’ Properties; that he commingled new
14 Investor funds with other personal and business funds in the 1059 Account; and that he used the
15 commingled funds to make Ponzi-like payments to existing Investors (with 6% or more annual
16 returns). The SEC also alleges that Mattson misappropriated Investor money to fund certain real estate
17 transactions through KSMP, pay expenses of KSMP, and pay his own personal expenses. Finally, the
18 SEC alleges that the Debtors’ business records are incomplete, false, and/or inaccurate relating to the
19 fraudulent scheme, and in some cases were compromised and/or deleted by Mr. Mattson.

20 **F. Events Immediately Preceding the LFM Debtors’ Chapter 11 Filing**

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

26 Over the following months, at least five lawsuits, including a class action suit filed in the
27 United States District Court for the Northern District of California, were commenced against Mattson,
28 LeFever, and the Debtors, asserting allegations of fraud. As a result of the pending litigation and need

1 to further investigate the extent of the suspected Mattson Transactions, the LFM Debtors filed
2 voluntary petitions for relief under chapter 11 of the Bankruptcy Code on August 6, 2024; September
3 12, 2024; and October 2, 2024 (collectively, the “Petition Dates”).¹⁶

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

9 III.

10 THE CHAPTER 11 CASES

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

12 At the beginning of their chapter 11 cases, the LFM Debtors filed routine first-day motions,
13 which were approved by the Bankruptcy Court on an interim and final basis.¹⁷ The Bankruptcy Court
14 ordered joint administration (for procedural purposes only) of the LFM Debtors’ chapter 11 cases on
15 September 20, 2024 and October 17, 2024,¹⁸ and the Bankruptcy Court ordered joint administration
16 (for procedural purposes only) of the LFM Debtors’ and KSMP’s chapter 11 cases on July 29, 2025.
17 The Bankruptcy Court appointed Kurtzman Carson Consultants, LLC dba Verita Global (“Verita
18 Global”), as claims and noticing agent. Verita Global maintains the Debtors’ restructuring website at
19 <https://veritaglobal.net/LM>.

20 During the Cases, the LFM Debtors have obtained approval from the Bankruptcy Court to
21 employ:¹⁹ (a) Development Specialists, Inc. (“DSI”), including the designation of Bradley Sharp of

22
23 ¹⁶ Fifty-eight affiliated LFM Debtors, including the corporate parent, LFM, filed their chapter 11 petitions on September
24 12, 2024 (the “LFM Petition Date”). Debtor Windscape Apartments, LLC, filed its chapter 11 petition on August 6,
2024. Debtors Pinewood Condominiums, LP, and Ponderosa Pines, LP, filed their chapter 11 petitions on October 2,
2024.

25 ¹⁷ See Docket Nos. 12-16, 59-62, and 161-164, and 178. Additionally, before LFM’s bankruptcy filing in September
26 2025, certain “first-day” orders were also entered in the earlier-filed Case of Debtor Windscape Apartments, LLC
(Case No. 24-10417), including orders authorizing this Debtor’s interim use of cash collateral [Windscape Docket No.
55] and interim continued use of this Debtor’s cash management system [Windscape Docket No. 56].

27 ¹⁸ Docket Nos. 45 & 168; Windscape Apartments, LLC, Case No. 24-10417, Docket No. 79; Pinewood Condominiums,
28 LP, Case No. 24-10598, Docket No. 15; Ponderosa Pines, LP, Case No. 24-10599, Docket No. 19.

¹⁹ See Docket Nos. 51, 160, 179, 641, 644, 1401, 846, 847, 969, 972, 973, 1040.

1 DSI as the Debtors' Chief Restructuring Officer; (b) Rishi Jain and Lance Miller as independent
2 directors of the Board of Directors of LFM; (c) Keller Benvenuti Kim LLP as bankruptcy counsel;
3 (d) FTI Consulting, Inc. and FTI Consulting Realty, Inc. (collectively, "FTI") as real estate advisor;²⁰
4 (e) SSL Law Firm LLP ("SSL") as real estate counsel; (f) The Law Office of Donald S. Davidson,
5 P.C., as special investigations counsel; (g) Buchalter, a Professional Corporation, as special litigation
6 counsel; (h) Slote, Links & Boreman, PC, as DRE Advisor; and (i) Sotheby's International Realty,
7 Marcus & Millichap, CBRE, Inc., KKG Inc. dba Coldwell Banker Kappel Gateway Realty, The Lake
8 Tahoe Brokerage Company, Inc., Compass California II, Inc., NRT West, Inc., and CB Sacramento
9 as real estate brokers (collectively, the "LFM Real Estate Brokers").

10 During the Cases, KSMP has obtained approval from the Bankruptcy Court to employ:²¹ (a)
11 Hogan Lovells US LLP as bankruptcy counsel; (b) Robbin Itkin as Responsible Individual; (c)
12 Stapleton Group a Part of J.S. Held LLC as operations and asset manager; and (d) Kidder Matthews,
13 Compass, W Real Estate – Sonoma, Premiere Estates Auction Company, and Douglas Elliman
14 (approval pending) as real estate brokers (collectively, the "KSMP Real Estate Brokers" and together,
15 with the LFM Real Estate Brokers, the "Real Estate Brokers").

16 **B. Use of Cash Collateral / DIP Financing**

17 **1. The LFM Debtors**

18 **Cash Collateral:** At the beginning of their chapter 11 cases, the LFM Debtors filed a motion
19 for use of cash collateral and obtained permission to use cash collateral on interim and final bases.
20 Docket Nos. 124 and 449. As of the LFM Petition Date, most of the Properties were generating rents
21 or other cash proceeds ("Cash Collateral") that were collateral of the Lenders under their deeds of
22 trust. By their motion, the LFM Debtors sought to use the Cash Collateral of Lenders who became
23 "Accepting Lenders" (subject to certain 13-week property budgets prepared by the LFM Debtors) and,
24 if necessary, present evidence that the interests of "Nonaccepting Lenders" were or would be
25 adequately protected. Subsequent to the Court granting the motion, the LFM Debtors obtained
26 approval of Cash Collateral stipulations with various Lenders. *See, e.g.*, Docket Nos. 233, 234, 239,

27 ²⁰ FTI serves as the joint real estate advisor for the Committee and the Debtors.

28 ²¹ *See* KSMP Docket No. 223; Docket Nos. 2086, 2240, 2241, 2242, and 2243.

240, 241, 242, 355, 410, 411, 482, 503, 510, 655, 681, 711, 712, 1153, 1167, 1171, 1225, 1240, 1661, and 1664. The LFM Debtors separately filed a motion to use the cash collateral of Socotra on February 12, 2025 [Docket No. 808], which the Bankruptcy Court granted on interim and final bases [Docket Nos. 929 and 968].

In January 2025, the LFM Debtors filed a motion [Docket No. 694] (the “Cash Collateral Motion – Third Party Borrowers”) seeking authorization to use the Cash Collateral of certain secured creditors who appear to hold deeds of trust and assignments of rent on certain of the Properties, to fund operating expenses at the Property level. While the LFM Debtors own the Properties, the LFM Debtors were not and are not in privity with and have no contractual relationship with these secured creditors.²² The Bankruptcy Court granted the Cash Collateral Motion – Third Party Borrowers on March 5, 2025 [Docket No. 970].

DIP Financing: On January 23, 2025, the Bankruptcy Court authorized the LFM Debtors, on a final basis, to obtain up to \$6 million of secured, superpriority postpetition financing from Serene Investment Management, LLC (the “DIP Lender”) pursuant to the terms of the credit agreement attached to the final order. Docket No. 643 (the “Final LFM DIP Order”). Subject to the limitations set forth in the Final DIP Order, the LFM Debtors granted the DIP Lender an allowed superpriority administrative claims against LFM and Heacock Park Apartments, LP (“Heacock Park”) pursuant to section 364(c)(1) of the Bankruptcy Code; liens on and security interests in notes in the respective amounts of \$7,294,493.35 and \$2,600,000.00 held by LFM (the “Cornerstone Notes”) secured by senior liens on property located at 23570 Arnold Dr., Sonoma, California and owned by Heacock Park (the “DIP Collateral”), pursuant to section 364(c)(2).

2. KSMP

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

²² Before the commencement of the Debtors’ cases, the applicable Properties were acquired from the original borrowers, often without the knowledge or consent of the secured creditors who held liens on the Properties.

1 postpetition financing from the DIP Lender was approved by the Court on a final basis pursuant to a
2 final order entered on September 25, 2025 [Docket No. 2414].

3 **C. Appointment of the Unsecured Creditors' Committee**

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

10 Pursuant to Court orders, Pachulski Stang Ziehl & Jones LLP is employed as the Committee’s
11 bankruptcy counsel, FTI is jointly employed as the LFM Debtors’ and Committee’s real estate advisor,
12 and PwC US Business Advisory LLP is employed as the Committee’s financial advisor.²³

13 **D. Schedules and Statements of Financial Affairs**

14 On November 15, 2024, the LFM Debtors filed their respective Schedules and Statements
15 [Docket Nos. 292-353]. The LFM Debtors filed Amended Schedules and Statements on September 9,
16 2025 [Docket Nos. 2251-2291, 2293-2305].

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

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

28 ²³ See Docket Nos. 250, 641, and 1235.

1 **E. Claims Bar Dates**

2 Pursuant to an order entered on December 13, 2024 [Docket No. 459], the Bankruptcy Court
3 established February 14, 2025, as the deadline for nongovernmental creditors to file proofs of Claim
4 against the LFM Debtors and for Investors to file proofs of interest in the LFM Debtors. Pursuant to
5 an order entered on August 28, 2025 [Docket No. 2184], the Bankruptcy Court established October 3,
6 2025, as the deadline for nongovernmental creditors to file proofs of Claim against KSMP.

7 To date, approximately 1,152 proofs of claim and 817 proofs of interest (asserting over 1,800
8 subclaims) have been filed. The Debtors have not completed claim/interest reconciliation work (to
9 the extent feasible) but do anticipate doing so before the Effective Date of the Plan.

10 **F. Asset Sales**

11 As discussed herein, the Debtors collectively hold a highly diversified real estate portfolio of
12 over 200 Properties—comprised of commercial, residential, office, and mixed-use real estate, as well
13 as vacant land—located throughout Northern California, including in the cities of Cameron Park,
14 Carmichael, Ceres, Citrus Heights, Concord, Elk Grove, Fairfield, Fresno, Napa, Orangevale, Perris,
15 Roseville, Sacramento, San Leandro, Sonoma, Suisun City, Truckee, Vacaville, and Vallejo. While
16 Properties have not been appraised individually, the Debtors estimate that they are collectively worth
17 several hundred million dollars, and that the Debtors have equity in many of the Properties. The
18 Debtors and their professionals, specifically FTI, SSL, Stapleton, and the Real Estate Brokers, have
19 conducted, and continuing to conduct in the case of KSMP, a thorough review of the real estate
20 portfolio and are running sale processes to monetize the Properties (the “Sale Process”). To facilitate
21 a streamlined Sale Process, the LFM Debtors and KSMP filed motions for the approval of certain
22 omnibus procedures for the sale of the Properties, including the use of sale notices and procedures for
23 parties to object or submit overbids (including credit bids). The Bankruptcy Court granted the LFM
24 Debtors’ motions pursuant to orders entered on March 5, 2025 [Docket No. 971] and May 1, 2025
25 [Docket No. 1381], and KSMP’s motion pursuant to an order entered on October 24, 2025 [Docket
26 No. 2694] (collectively, the “Sale Procedures Orders”).

27 As of October 31, 2025, approximately 44 sale notices have been filed pursuant to the Sale
28 Procedures Orders and 6 Property sales were approved in connection with an omnibus sale motion.

1 The Debtors expect to close additional real estate sales before the Effective Date. Nonetheless, the
2 Debtors expect that there will be Properties retained by the Debtors and transferred to the Plan
3 Recovery Trust upon the Effective Date (the “Retained Real Properties”).

4 **G. Committee’s Motion for Substantive Consolidation of LFM and KSMP**

5 On June 20, 2025, the Committee filed a motion to substantively consolidate LFM and KSMP
6 [Docket No. 1585]. On December 1, 2025, the Committee filed an amended motion [Docket No. 2943]
7 (the “Substantive Consolidation Motion”) to substantively consolidate all of the Debtors and the KSMP
8 Investment Entities. As set forth in detail in the Substantive Consolidation Motion, as a result of Mr.
9 Mattson’s malfeasance, the business and financial affairs of all of the Debtors and KSMP Investment
10 Entities are so intertwined and poorly documented as to render the exercise of disentangling their affairs
11 needlessly expensive, complicated, and likely futile. This matter is pending before the Court.

12 **H. Committee Standing Stipulations**

13 Pursuant to orders entered on April 8, 2025, May 23, 2025, July 1, 2025, July 10, 2025, and
14 July 18, 2025, October 21, 2025, and October 31, 2025, the Committee has standing to pursue:

- 15 • Estate causes of action against Mr. Mattson, Mr. LeFever, members of their family
16 within two degrees of consanguinity, and their non-Debtor affiliates and defenses to
17 claims asserted by Mattson and LeFever against the Debtors;
 - 18 • Potential claims and actions against Hanson Bridgett LLP, former outside corporate
19 counsel to the Debtors, and Scott Smith, a former partner of Hanson Bridgett LLP who
20 subsequently served as in-house general counsel to the Debtors from approximately
21 February 2024 to the LFM Petition Date;
 - 22 • Estate causes of action against Socotra and its affiliates and defenses to claims asserted
23 by Socotra and its affiliates against the Debtors;
 - 24 • Estate causes of action against the Secured Lenders (as defined in Docket No. 1744)
25 and defenses to claims asserted by the Secured Lenders (as defined in Docket No. 1744)
26 against the Debtors; and
 - 27 • Estate causes of action regarding 3557 Golf View Terrace, Santa Rosa, CA 95404.
- 28

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

The Andrew Revocable Trust dated June 21, 2001, and the Burgess Trust dated October 9, 2006, filed a motion to appoint a chapter 11 trustee for debtor Live Oak Investments, LP [Docket No. 1746].²⁴ The Debtors opposed this motion [Docket No. 1699 and 1978], which opposition was joined by the Committee [Docket No. 1671]. On December 2, 2025, the motion was withdrawn.

J. Settlement with Socotra

On October 15, 2025, the Plan Proponents filed a joint motion for Court approval under Bankruptcy Rule 9019 [Docket No. 2556] (the “Socotra Settlement Motion”) of the Socotra Settlement Agreement entered into by the Plan Proponents on the one hand, and Socotra Capital, Inc. and certain listed affiliates on the other hand. This settlement represents the successful conclusion of substantial arm’s length negotiations and a formal mediation by the settling parties under the supervision of retired Judge Lee Bogdanoff. In the sound exercise of their business judgment, after substantial diligence efforts led by the Committee, preparation by the Committee of a proposed draft complaint against Socotra, as well as detailed factual and legal research and investigations conducted by the Debtors and the Committee, the Plan Proponents concluded that the benefits of the Socotra Settlement Agreement far outweigh any costs or foregone litigation opportunities. In short, this settlement enable the Debtors to resolve the largest secured claims against their estates, obtain the vote of Socotra in support of the Plan, avoid millions of dollars in heavily contested litigation, capture millions of dollars in value for the estates through sales of Socotra collateral via a beneficial sharing formula, and avoid unnecessary delay in distributions to creditors and investors.

Pursuant to an order entered on November 14, 2025 [Docket No. 2852], the Court granted the Socotra Settlement Motion.

IV.

OVERVIEW OF THE PLAN AND

PROVISIONS RELATING TO THE GLOBAL SETTLEMENT

This section provides a brief summary of certain material provisions and elements of the Plan. It is qualified in its entirety by reference to the Plan (as well as the exhibits thereto and definitions

²⁴ The Chase 1992 Family Trust filed a statement in support of this motion at Docket No. 2007.

1 therein). The statements contained in this Disclosure Statement do not purport to be precise or
2 complete statements of all the terms and provisions of the Plan or documents referred to therein;
3 reference is made to the Plan and to such documents for the full and complete statement of such terms
4 and provisions. Additional details regarding the Global Settlement will be contained in the
5 Investigation Report.

6 **A. Comprehensive Compromise and Settlement Under the Plan**

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

17 This Global Settlement, which was negotiated by the LFM Debtors, KSMP, and the
18 Committee, provides for a "single pot," such that all assets and liabilities of all Debtors and three non-
19 debtor affiliates (the KSMP Investment Entities) are pooled and consolidated for distribution purposes,
20 through substantive consolidation under the Plan. **Pursuant to applicable law, the Plan treats all**
21 **Investors the same, as holders of tort claims against the Debtors, regardless of the nature or**
22 **documentation of their investment and regardless of whether their investment is recorded in the**
23 **Debtors' books and records.** Pursuant to the Global Settlement, each Investor will receive a claim
24 for money (or value of property) it invested in the Debtors or the KSMP Investment Entities over time
25 less any distributions the Investor received over the seven years prior to September 12, 2024. This
26 claim will receive a *pro rata* distribution of available assets and, only after such claim is paid in full,
27 will there be any recovery on claims for expected profits, pursuant to the principles of "netting" in
28 Ponzi scheme cases. However, as part of the Global Settlement, rather than netting from the suspected

1 Ponzi scheme start date, only payments made to Investors on or after September 12, 2017—the earliest
2 date for which the Debtors have available bank records—will be offset/netted in calculating Investor
3 Claims.

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

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

- 13 • The unwinding of the Mattson Transactions,
- 14 • Fraudulent conveyance claims stemming from the Mattson Transactions,
- 15 • The ownership structure of the Debtors,
- 16 • The tracing of Properties transferred among the Debtors, and
- 17 • The tracing of cash among the Debtors.

18 Each of these matters is explained further in the Investigation Report.

19 **1. Substantive Consolidation Issues**

20 Substantive consolidation is a construct of federal common law, emanating from equity, which
21 treats separate legal entities as if they were merged into a single survivor left with all the cumulative
22 assets and liabilities, save for inter-entity liabilities, which are erased. As further described in the
23 Investigation Report, there is a compelling argument for substantive consolidation of the Debtors and
24 KSMP Investment Entities, given the effects of the Mattson Transactions and the historical
25 commingling of assets and liabilities among the Debtors and non-debtor affiliates. *See, e.g., In re*
26 *Bonham*, 229 F.3d 750, 764-65 (9th Cir. 2000) (consolidating debtor and non-debtor entities in Ponzi
27 scheme case). The process to “unscramble” these Entities, which the Plan Proponents doubt is even
28

possible, would be lengthy and likely so expensive that Investor recoveries would dramatically decrease, if not fall to zero.

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

This substantive consolidation will not affect (without limitation) (i) the defenses of the Debtors, KSMP Investment Entities or the Plan Recovery Trust to any Claim, Avoidance Action, or other Cause of Action, including the ability to assert any counterclaim; (ii) the setoff or recoupment rights of the Debtors, KSMP Investment Entities or the Plan Recovery Trust; (iii) requirements for any third party to establish mutuality prior to substantive consolidation in order to assert a right of setoff against the Debtors, KSMP Investment Entities or Plan Recovery Trust; or (iv) distributions to the Debtors, the Estates, the KSMP Investment Entities or the Plan Recovery Trust out of any insurance policies or proceeds of such policies. The contemplated substantive consolidation also will not: (i) affect the separate legal existence of the Debtors and KSMP Investment Entities for purposes other than implementation of the Plan pursuant to its terms, including without limitation 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

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

10 **2. Ponzi Scheme Issues**

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

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

23 Following a judicial determination that the Debtors were operating a Ponzi scheme, any
24 payments of "interest" or other consideration that was transferred from any Person to an Investor
25 during the period before the Petition Dates, but typically excluding payments representing the return
26 of or repayment of principal owed on the applicable investment, could potentially be avoided and
27 recovered as an "actual" fraudulent transfer. *See, e.g., Donell v. Kowell*, 533 F.3d 762, 770-72 (9th
28 Cir. 2008); *AFI Holding, Inc. v. Mackenzie*, 525 F.3d 700, 708-09 (9th Cir. 2008); *Perkins v. Haines*,

661 F.3d 623, 627 (11th Cir. 2011); *Geltzer v. Barish (In re Geltzer)*, 502 B.R. 760, 770 (Bankr. S.D.N.Y. 2013); *Fisher v. Sellis (In re Lake States Commodities, Inc.)*, 253 B.R. 866, 871-72 (Bankr. N.D. Ill. 2000).²⁵ Because avoidance litigation would be a further hardship on the victims of the Debtors' fraudulent scheme, and to eliminate the significant litigation expense and inefficiency associated with seeking recovery from Investors of prepetition distributions on account of interest or the like (that would ultimately only reduce the aggregate amount available for distribution on account of allowable claims), the Plan contemplates that each Investor will receive (a) a claim for the total amount of money (or value of property) it invested in the Debtors over time *less* the total amount of any distributions the Investor received over the seven years prior to the Petition Date (the "Investor Tranche 1 Claim") and (b) if applicable, a separate claim for the amount of those deducted distributions (the "Investor Tranche 2 Claim"). The Plan provides that Investors will first receive their *pro rata* distribution of available assets on account of their Investor Tranche 1 Claim. If and when each Investor Tranche 1 Claim is paid in full, Investors will then receive their *pro rata* distribution of available assets on account of their Investor Tranche 2 Claim (if any).²⁶

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

As of the date hereof, the Plan Proponents estimate that Investors, in the aggregate, have invested \$347,589,811.00 of money or value of property in the Debtors or the KSMP Investment

²⁵ As discussed in the Investigation Report, in relation to recovering on an actual fraudulent transfer in the Ponzi scheme context, courts apply an irrebuttable presumption known as the Ponzi scheme presumption – the existence of a Ponzi scheme is sufficient to establish actual intent under the Fraudulent Transfer Laws (as defined and discussed in the Investigation Report).

²⁶ As set forth in the Liquidation and Recovery Analysis, it is estimated that Investors will receive under the Plan a recovery of approximately 19.7% - 35.9% on account of their Allowed Investor Tranche 1 Claims (subject to the notes, conditions, and limitations set forth in the Liquidation and Recovery Analysis). No recovery under the Plan is expected for Investors on account of their Allowed Investor Tranche 2 Claims.

1 Entities and received \$97,046,952.00 of distributions over the seven years prior to the Petition Date.
2 Accordingly, the Plan Proponents estimate a total of \$234,019,730.00 Investor Tranche 1 Claims and
3 a total of \$97,046,952.00 of Investor Tranche 2 Claims. The Plan Proponents estimate that there will
4 be approximately fifteen Investors whose Investor Tranche 1 Claim will be equal to or less than \$0
5 and may be subject to avoidance litigation.

6 **3. Position of the Tillman Opposing Investors (not the Plan Proponents)**²⁷

7 Certain parties who invested in the Debtors (the “Tillman Opposing Investors”)²⁸ oppose the
8 proposed Ponzi finding and do not believe that it would be appropriate for the Bankruptcy Court to
9 make such a finding as part of its evaluation or approval of the Plan. The Tillman Opposing Investors
10 maintain that the business operations of the Debtors do not meet the elements of a Ponzi scheme under
11 applicable Ponzi scheme case law, most notably the Ninth Circuit’s recent decision in *Kirkland v. Rund*
12 (*In re EPD Inv. Co., LLC*), 114 F.4th 1148, 1159 (9th Cir. 2024), in which the Ninth Circuit held that
13 its “definition of a Ponzi scheme recognizes two essential elements: (1) the funneling of money from
14 new investors to pay old investors, and (2) no legitimate profit-making business opportunity exists for
15 investors.” The Tillman Opposing Investors maintain that the Debtors cannot meet these elements, and
16 in particular the element that “no legitimate profit making business opportunity exist[ed] for
17 investors,” as the Tillman Opposing Investors assert that various Debtors offered investors legitimate
18 business opportunities for decades, including the opportunity to purchase interests in legitimate
19 income-producing commercial real estate or in limited partnerships or limited liability companies that
20 owned and managed legitimate income-producing commercial real estate. The Tillman Opposing
21 Investors believe that the Debtors carried out significant legitimate business operations during the
22 relevant time period that generated profits for investors, including through the buying and selling of
23 commercial real estate; the sale and transfer to and from investors of legitimate interests in real
24 property or interests in vehicles holding real property; the management of real estate, including the
25 collection of rent and other income and the maintenance of, or improvements to, real property; and the
26 distribution of income and profits from real property. In fact, Tillman Opposing Investors maintain,

27 ²⁷ 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.

28 ²⁸ The Tillman Opposing Investors are listed in the *Disclosure Statements Pursuant to Rule 2019* [Docket No. 2206].

1 Mr. Mattson leveraged the success and track record of the legitimate business of Debtors to induce
2 certain other investors to purchase fraudulent investments, such that the existence of legitimate profit-
3 making business opportunities was critical to his scheme.

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

18 The Tillman Opposing Investors note that the consequences of a Ponzi scheme finding include
19 that it creates an irrebuttable presumption that all investors were participants in the scheme, even if
20 investors received funds in good faith, had no knowledge of the scheme, and had no role in
21 perpetuating the scheme. This presumption, the Tillman Opposing Investors assert, could result in
22 some investors having liability to the Debtors' estates for the repayment of distributions they received
23 in connection with their investments. Further, the Tillman Opposing Investors maintain that the Plan
24 Proponents' proposed 7-year "netting" period would not be fair to investors as a whole, because it
25 would favor earlier investors – who have received distributions for a far longer period – over later
26 investors, such that earlier investors would have a smaller portion of their distributions netted against
27 their principal investment than later investors. The Tillman Opposing Investors assert that this result
28

1 is contrary to the theory behind a Ponzi scheme presumption – protecting later investors whose
2 investment dollars went to benefit earlier investors.

3 **B. The Settlement Provisions Are Fair and Reasonable**

4 The proposed Plan facilitates the prompt resolution of the countless complex legal issues and
5 disputes in the Cases by resolving several major issues that would otherwise require lengthy, costly,
6 and uncertain litigation. If these issues were litigated, it could be years before Investors receive
7 distributions, if any at all. In contrast, the Plan provides a certain mechanism for significant
8 Distributions to be made to Investors and other Creditors in a more timely and orderly fashion.

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

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

18 **C. Plan Recovery Trust**

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

27 The Oversight Committee, whose initial volunteer members will be chosen by the Committee
28 and identified in the Plan Supplement, will supervise the Plan Recovery Trustee. The Plan Recovery

Trustee shall have the authority to, among other things, (i) review, reconcile, and object to Claims and Equity Interests in the Debtors; (ii) calculate and make Distributions in accordance with the Plan Recovery Trust Waterfall; (iii) retain and employ professionals; (iv) sell, monetize, or abandon Plan Recovery Trust Assets; and (v) pursue, prosecute, settle, or abandon any Plan Recovery Trust Actions. The Plan Recovery Trust Actions include (i) all Avoidance Actions and Causes of Action held by the Debtors or the Estates and (ii) any Causes of Action that are contributed to the Plan Recovery Trust as Contributed Claims (*see* Section IV.E.1), in each case as against any Entity that is not a Debtor.

D. 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.

E. 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 4 Claim, its *pro rata* distribution of the Class A Plan Recovery Trust Units, which will be treated *pari passu* with Investor Tranche 1 Claims.

After (i) all administrative and priority claims (including, without limitation, Administrative Expense Claims, Involuntary Gap Claims, Professional Fee 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 Investors and Holders of Trade Claims (if Class 4 votes to reject the Plan) as follows:

- (i) *First*, the Plan Recovery Trust shall distribute the proceeds of the Plan Recovery Trust Assets to each Investor and Holder of a Trade Claim (if Class 4 votes to reject the Plan) on a Pro Rata basis until all Investor Tranche 1 Claims and Allowed Trade Claims (if Class 4 votes to reject the Plan) have been paid in full;
- (ii) *Second*, the Plan Recovery Trust shall distribute the proceeds of the Plan Recovery Trust Assets to each Investor on a Pro Rata basis until all Investor Tranche 2 Claims have been paid in full;
- (iii) 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 Investors that voted to accept the Plan and did not opt out of the Contributed Claim Election.

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. 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 against retirement servicers, and similar claims that may be asserted based on such Investor's
2 particular circumstances. Investor-Specific Claims **do not include** (i) Claims common to all Investors,
3 (ii) Claims to recover commissions or referral fees paid by the Debtors to third parties in connection
4 with an Investor's investment with the Debtors, or (iii) Contributed Claims.

5 1. Contributed Claim Election

6 An Investor has the choice whether to contribute its Contributed Claims to the Plan Recovery
7 Trust. **Investors will automatically contribute their Contributed Claims to the Plan Recovery**
8 **Trust—and become Contributing Claimants—if they vote to accept the Plan and do not opt out**
9 **of the Contributed Claim Election (unless the Investor's claims are listed in the Schedule of**
10 **Disclaimed Contributed Claims).** . Contributed Claims are defined as all Causes of Action that are
11 legally assignable (including Causes of Action that are legally assignable solely because of the
12 preemptive effect of the Plan) that the Contributing Claimant has against any Person that is not a
13 Debtor and that are related in any way to the Debtors, their predecessors, their respective affiliates, or
14 any Excluded Parties. Contributed Claims would include (a) all Causes of Action based on, arising out
15 of, or related to the marketing, sale, or issuance of any investments related to the Debtors; (b) all
16 Causes of Action for unlawful dividend, fraudulent conveyance, fraudulent transfer, voidable
17 transaction, or other avoidance claims under state or federal law; (c) all Causes of Action based on,
18 arising out of, or related to the misrepresentation of any of the Debtors' financial information, business
19 operations, or related internal controls; (d) all Causes of Action based on, arising out of, or related to
20 any failure to disclose, or actual or attempted cover up or obfuscation of, any of the wrongful conduct
21 described in the Disclosure Statement, including with respect to any alleged fraud related thereto; and
22 (e) all Causes of Action based on aiding or abetting, entering into a conspiracy with, or otherwise
23 supporting torts committed by the Debtors or their agents. Contributed Claims shall not include the
24 rights of a Contributing Claimant to receive the Distributions, if any, to which it is entitled under the
25 Plan.

26 If an Investor elects to contribute its Contributed Claims to the Plan Recovery Trust, that
27 Investor will receive a Pro Rata Distribution of Class C Plan Recovery Trust Units on the Effective
28 Date, or as soon as practicable thereafter. The distribution will be based on ratio of (a) the Investor's

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. 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**
14 **the property dealt with by the Plan, including, without limitation,**
15 **the Retained Real Properties, is free and clear of all claims and**
16 **interests of creditors, equity security holders, and of general**
17 **partners in the Debtors. Accordingly, as of the Effective Date, all**
18 **Entities are precluded and barred from asserting against any**
19 **property to be distributed under the Plan any Claims, rights,**
20 **Causes of Action, liabilities, Equity Interests, or other action or**
21 **remedy based on any act, omission, transaction, or other activity**
22 **that occurred before the Effective Date, except as expressly**
23 **provided in the Plan or the Confirmation Order.**

24 **2. Debtors' Releases**

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

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

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

11 3. Exculpation and Limitation of Liability

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

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

1 **4. Injunctions Related to Releases and Exculpation.**

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

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

16 **V.**

17 **RISK FACTORS**

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

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

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

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

 As with any proposed plan, the Plan Proponents may not receive the requisite acceptances to
confirm the Plan. If votes in Class 5 (Investor Claims) are received in number and amount sufficient
to enable the Court to confirm the Plan, the Plan Proponents intend to seek confirmation of the Plan
by the Court. If Class 5 (Investor Claims) rejects the Plan, the Plan Proponents will not seek
confirmation of the Plan and will need to incur additional fees and expenses to develop an alternative

1 path forward. Even if the requisite acceptances of the proposed Plan are received, the Court still might
2 not confirm the Plan as proposed if the Court finds that any of the statutory requirements for
3 confirmation under section 1129 of the Bankruptcy Code have not been met.

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

9 Moreover, if the Plan is not confirmed by the Court, each Debtor will be responsible for paying
10 its own administrative fees, including professionals' fees. Given that the Plan substantively
11 consolidates the Debtors' estates, upon confirmation of the Plan, the Debtors' pooled assets will be
12 used to pay the Debtors' collective professionals' fees. If the Plan is not confirmed, the Debtors'
13 estates will not be consolidated, and each individual Debtor will be responsible for payment of
14 professionals' fees accrued in the Chapter 11 Cases, which may be allocated on a pro rata basis, or
15 some other basis determined by the Court. Those allocated fees may be substantial.

16 The fees of Professionals incurred through October 31, 2025 total approximately \$28 million,
17 and the projected fees of Professionals from November 1, 2025 through the Effective Date of the Plan
18 are estimated to total \$18,250,000.00.

19 **C. The Proposed Ponzi Findings May Be Contested**

20 Parties may object to the scope of the Ponzi findings proposed by the Plan Proponents and
21 assert that Mr. Kenneth Mattson operated a Ponzi scheme separate and apart from the legitimate
22 business operations of the LFM Debtors. Parties may further assert that Mr. Mattson concealed his
23 fraudulent Ponzi scheme from Investors and employees of the LFM Debtors and that the investigation
24 has not disclosed any evidence supporting a finding that employees or officers of the LFM Debtors
25 (other than Mr. Mattson) knew of or participated in Mr. Mattson's fraud.

26 The Plan Proponents dispute these assertions which were added at the request of Timothy
27 Lefever.
28

1 **D. The Conditions Precedent to the Effective Date of the Plan May Not Occur**

2 As more fully set forth in the Plan, the Effective Date is subject to the following conditions
3 being satisfied or waived in accordance with the Plan:

- 4 (a) the Bankruptcy Court shall have entered the Confirmation Order in a form
5 reasonably acceptable to the Plan Proponents;
- 6 (b) the Confirmation Order shall not be subject to any stay;
- 7 (c) the Confirmation Order shall contain a finding in a form reasonably acceptable
8 to the Plan Proponents that the Debtors and the KSMP Investment Entities were
9 operated as a Ponzi scheme (subject to Section 3.1 of the Plan);
- 10 (d) all governmental and material third-party approvals and consents necessary in
11 connection with the transactions contemplated by the Plan, if any, shall have
12 been obtained and be in full force and effect;
- 13 (e) all actions and all agreements, instruments, or other documents necessary to
14 implement the terms and provisions of the Plan shall have been effected or
15 executed and delivered, as applicable;
- 16 (f) the Professional Fee Reserve shall have been funded pursuant to the Plan; and
- 17 (g) the Committee shall have chosen the members of the Oversight Committee.

18 There can be no assurance that any or all such conditions will be satisfied (or waived). If such
19 conditions precedent are not met or waived, the Effective Date will not occur. Accordingly, even if
20 the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Effective Date will
21 occur.

22 **E. Claims Estimation and Allowance of Claims**

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

28 Distributions to Holders of Allowed Class 5 Claims (Investor Claims) will be affected by the
pool of Allowed Claims in the Class. The amount of Distributions that may be received by a particular
Holder of an Allowed Claim in Class 5 may be either adversely or favorably affected by the aggregate
amount of Class 5 Claims ultimately Allowed.

1 **F. Potential Pursuit of Plan Recovery Trust Actions Against Creditors and Others**

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

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

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

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

G. Risks Regarding Real Estate

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

VI.

CONFIRMATION OF THE PLAN

A. The Confirmation Hearing

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

1 in interest may object to Confirmation of the Plan.

2 The Court has scheduled a **status conference on January 23, 2026 at 11:00 a.m. (Pacific**
3 **Time)** to determine the time and date of the Confirmation Hearing. Subsequent to the status
4 conference, the Plan Proponents will file and serve a notice on all parties in interest that sets forth the
5 time and date of the Confirmation Hearing. The Confirmation Hearing may be adjourned from time
6 to time without further notice except for an announcement of the adjourned date made at the
7 Confirmation Hearing or any adjournment thereof.

8 Objections to Confirmation of the Plan must be filed and served so that they are actually
9 received by no later than **January 21, 2026, at 11:59 p.m. (Pacific Time)**. **Unless objections to**
10 **Confirmation of the Plan are timely served and filed in compliance with the Solicitation**
11 **Procedures Order, they may not be considered by the Bankruptcy Court.**

12 **B. Requirements for Confirmation of the Plan**

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

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

- 24 • The Plan complies with the applicable provisions of the Bankruptcy Code.
- 25 • The Plan Proponents have complied with the applicable provisions of the Bankruptcy
- 26 Code.
- 27 • The Plan has been proposed in good faith and not by any means forbidden by law.

- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Cases, or in connection with the Plan and incident to the Cases, has been disclosed to the Court, and any such payment: (1) made before the Confirmation of the Plan is reasonable or (2) is subject to the approval of the Court as reasonable, if it is to be fixed after Confirmation of the Plan.
- Either each Holder of a Claim in an Impaired Class of Claims has accepted the Plan, or each such Holder will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated on the Effective Date of the Plan under chapter 7 of the Bankruptcy Code.
- The Classes of Claims that are entitled to vote on the Plan will have accepted the Plan, or at least one Class of Impaired Claims will have accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in that Class, and the plan does not “discriminate unfairly” and is “fair and equitable” with respect to each Class of Claims that is impaired under, and has not accepted, the Plan.
- Except to the extent a different treatment is agreed to, the Plan provides that all Allowed Administrative Claims and Allowed Priority Claims will be paid in full on the Effective Date, or as soon thereafter as is reasonably practicable.
- All accrued and unpaid fees of the type described in 28 U.S.C. § 1930, including the fees of the U.S. Trustee, will be paid through the Effective Date.

C. Best Interests of Creditors

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

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

Conversion to chapter 7 of the Bankruptcy Code would mean the establishment of a new claims bar date, which could result in new Claims being asserted against the Estates, thereby diluting the

1 recoveries of other Holders of Allowed Claims. It would also require Holders of Claims and Interests
2 against the Debtors to file new proofs of claim and interest in their chapter 7 cases.

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

10 In addition, a chapter 7 trustee likely would act quickly to sell or otherwise monetize the
11 Debtors' assets, including because (i) a chapter 7 trustee probably would not have adequate staffing
12 or funding to dispose of the Properties over an extended period of time and (ii) a chapter 7 trustee
13 would need to seek authorization to operate the Debtors' remaining business, which is relief that
14 should be granted only "for a limited period" in any event, *see* 11 U.S.C. § 721. Such a forced sale by
15 a chapter 7 trustee would likely ultimately result in substantially lower recoveries from the sale of the
16 Debtors' assets, as set forth in the Liquidation Analysis. Additionally, there is a risk that the chapter
17 7 estates are not substantively consolidated. In this scenario, multiple chapter 7 trustee would be
18 appointed and there would likely be material delays and significant increased professional fees.

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

25 **D. Feasibility**

26 Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the plan is not likely
27 to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or
28 any successor to the Debtors (unless such liquidation or reorganization is proposed in the plan). The

1 Plan Proponents believe that this requirement is satisfied, and the Debtors believe the Debtors' Cash
2 and any additional proceeds from the Plan Recovery Trust Assets will be sufficient to allow the Plan
3 Recovery Trustee to make all payments required to be made under the Plan. Accordingly, the Plan
4 Proponents believe that the Plan is feasible.

5 **E. Acceptance by Impaired Classes**

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

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

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

21 **F. Confirmation Without Acceptance by All Impaired Classes**

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

1 To the extent that any Impaired Class **other than Class 5** rejects the Plan or is deemed to have
2 rejected the Plan, the Plan Proponents will request Confirmation of the Plan under section 1129(b) of
3 the Bankruptcy Code. **The Plan Proponents will not request Confirmation of the Plan under**
4 **section 1129(b) of the Bankruptcy Code if Class 5 votes to reject the Plan (excluding the votes of**
5 **Insiders).** The Plan Proponents reserve the right to alter, amend, modify, revoke, or withdraw the
6 Plan, the Plan Supplement, or any schedule or exhibit, including to amend or modify it to satisfy the
7 requirements of section 1129(b) of the Bankruptcy Code, if necessary.

8 **1. No Unfair Discrimination**

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

20 **2. Fair and Equitable Test**

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

G. Alternatives to Confirmation and Consummation of the Plan

The Plan Proponents believe that the Plan affords Investors and other creditors the potential for a materially better realization on the Estate Assets than a chapter 7 liquidation and, therefore, is in the best interests of all stakeholders. If, however, the requisite acceptances of the voting Classes of Claims are not received, or no Plan is confirmed and consummated, the theoretical alternatives include: (a) formulation of an alternative chapter 11 plan or plans or (b) liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

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

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

VII.

CERTAIN UNITED STATES FEDERAL INCOME TAX

CONSEQUENCES OF THE PLAN

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS

This discussion is provided for informational purposes only, and is based on provisions of the Internal Revenue Code of 1986, as amended (the “IRC”), Treasury Regulations promulgated

thereunder, judicial authorities, and current administrative rulings and practice, all as in effect on the date hereof. **The tax consequences described herein are subject to significant uncertainties.**²⁹ No legal opinions have been requested from counsel with respect to any of the tax aspects of the Plan and no rulings have been or will be requested from the Internal Revenue Service (“IRS”) with respect to the any of the issues discussed below. Further, legislative, judicial, or administrative changes may occur that could affect the accuracy of the statements and conclusions set forth below as well as the tax consequences to the holders of Claims and Equity Interests. Any such changes or interpretations may be retroactive and could significantly, and adversely, affect the United States federal income tax consequences of the Plan.

The following summary does not address the U.S. federal income tax consequences to the Holders of Claims or Equity Interests **not** entitled to vote to accept or reject the Plan. In addition, the following discussion is limited to Holders that are United States persons within the meaning of the IRC. For purposes of the following discussion, a “United States person” is any of the following:

- An individual who is a citizen or resident of the United States;
- A corporation created or organized under the laws of the United States or any state or political subdivision thereof;
- An estate, the income of which is subject to federal income taxation regardless of its source; or
- A trust that (a) is subject to the primary supervision of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust, or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

This discussion does not address all aspects of U.S. federal income taxation that (i) may be relevant to a particular Holder in light of its particular facts and circumstances or (ii) to certain types of Holders subject to special treatment under the IRC.³⁰ This discussion does not address the tax

²⁹ Uncertainties are due to the complexity of certain aspects of the Plan, the lack of applicable legal precedent, the possibility of changes in the law, the differences in the nature of the Claims (including Claims within the same Class) and Equity Interests, the holder’s status and method of accounting (including holders within the same Class), and the potential for disputes as to legal and factual matters with the IRS.

³⁰ Examples of Holders subject to special treatment under the IRC are governmental entities and entities exercising governmental authority, foreign companies, persons who are not citizens or residents of the United States, banks and certain other financial institutions, broker-dealers, insurance companies, tax-exempt organizations, real-estate investment trusts, small business investment companies, regulated investment companies, persons that have a functional currency other than the U.S. dollar, and persons holding Claims that are a hedge against, or that are hedged

1 consequences to holders of Claims who did not acquire such Claims at the issue price on original issue.
2 No aspect of foreign, state, local or estate and gift taxation is addressed.

3 It is intended and assumed for purposes of this Disclosure Statement, that Investor Claims will
4 be treated as indebtedness of the Debtors for U.S. federal income tax purposes and that the tax
5 consequences to the Debtors and the Investors will be determined accordingly. The IRS has submitted
6 Claims in these Cases and it is expected that as part of the settlement with the IRS, the characterization
7 of the Investor Claims and the tax treatment of the Plan to the Debtors will be negotiated and agreed
8 to. However, there is no authority addressing the treatment of claims similar to the Investor Claims
9 and there no assurance that the IRS will agree to the treatment of the Investor Claims as indebtedness.
10 If the Investor Claims are instead treated as equity interests in the Debtor entities, the tax consequences
11 of the Plan to Investors would be significantly different then described below and Investors could be
12 subject to tax on gains related to the transfer of the Properties to the liquidating trust or other Creditors,
13 or to sales that may have been consummated prior to the commencement of the Bankruptcy
14 proceedings.

15 In addition to the investor Claims being characterized as indebtedness, the tax treatment of
16 Holders of Claims and the character, amount, and timing of income, gain, or loss recognized as a
17 consequence of the Plan and the Distributions provided for by the Plan may vary, depending upon the
18 following factors, among others:

- 19 (i) whether the Claim or portion thereof constitutes a Claim for principal or
20 interest;
- 21 (ii) the type of consideration, if any, received by the Holder in exchange for the
22 Claim, and whether the Holder receives Distributions under the Plan in more
23 than one taxable year;
- 24 (iii) whether the Holder is a citizen or resident of the United States for tax purposes,
25 is otherwise subject to U.S. federal income tax on a net basis, or falls into any
26 special class of taxpayers, such as those that are excluded from this discussion
27 as noted above;
- 28 (iv) the manner in which the Holder acquired the Claim;
- (v) the length of time that the Claim has been held;

against, currency risk or that are part of a straddle, constructive sale, or conversion transaction.

- (vi) whether the Claim was acquired at a discount;
- (vii) whether the Holder has taken a bad-debt deduction or a worthless-securities deduction with respect to the Claim or any portion thereof in the current or prior taxable years;
- (viii) whether the Holder has previously included in gross income accrued but unpaid interest with respect to the Claim;
- (ix) the method of tax accounting of the Holder;
- (x) whether the Claim is an installment obligation for U.S. federal income tax purposes; and
- (xi) whether the “market discount” rules apply to the Holder.

Therefore, each Holder should consult such Holder’s own tax advisor for tax advice with respect to that Holder’s particular situation and circumstances, and the particular tax consequences to such Holder of the transactions contemplated by the Plan.

A significant amount of time may elapse between the date of the Disclosure Statement and the receipt of a final Distribution under the Plan. Events occurring after the date of the Disclosure Statement, such as new or additional tax legislation, court decisions, or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. No representations are being made regarding the particular tax consequences of the confirmation or implementation of the Plan as to any Holder of a Claim. This discussion is not binding upon the IRS or other taxing authorities. No assurance can be given that the IRS or another authority would not assert, or that a court would not sustain, a different position from any discussed herein.

THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FOLLOWING DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER’S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, EACH HOLDER IS STRONGLY URGED TO CONSULT SUCH HOLDER’S INDEPENDENT TAX ADVISOR REGARDING THE FEDERAL, STATE,

1 **LOCAL, AND FOREIGN INCOME TAX CONSEQUENCES OF THE PLAN.**

2 **B. Certain U.S. Federal Income Tax Consequences of the Plan Recovery Trust**

3 Under the terms of the Plan, the Plan Recovery Trust Assets are expected to be transferred to
4 the Plan Recovery Trust in a taxable disposition. To the extent that any Plan Recovery Trust Assets
5 are transferred to a Secured Lender to satisfy a Secured Lender Claim, such transfers are also expected
6 to be taxable transactions to the Debtor entities. In addition, it is possible that the forgiveness of
7 accrued interest on a Secured Lender Claim, and a portion of the taxable gain, could give rise to
8 cancellation of indebtedness income. Any income or gain from the transfer of assets to the Plan
9 Recovery Trust and the satisfaction of any Secured Lender Claims would then flow through to the
10 ultimate taxpaying owner or member of the transferring Debtor who would be responsible for paying
11 any resulting tax liability. The tax consequences of the Plan, however, are subject to many
12 uncertainties due to the complexity of the Plan and the lack of interpretative authority regarding certain
13 changes in the tax law. Uncertainties with regard to the U.S. federal income tax consequences of the
14 Plan also arise due to the inherent nature of estimates of value that will impact the determination of
15 the amount of income or gain from the transfer of assets to the Plan Recovery Trust.

16 As of the Effective Date, the Plan Recovery Trust shall be established for the benefit of all
17 Plan Recovery Trust Beneficiaries. The Plan Recovery Trustee will make a good-faith valuation of the
18 Plan Recovery Trust Assets. All parties (including, without limitation, the Plan Recovery Trustee and
19 the Plan Recovery Trust Beneficiaries) must consistently use such valuation for all U.S. federal income
20 tax purposes. Allocations of taxable income of the Plan Recovery Trust (other than taxable income
21 allocable to a Distribution Reserve) among Plan Recovery Trust Beneficiaries shall be determined by
22 reference to the manner in which an amount of cash equal to such taxable income would be distributed
23 (were such cash permitted to be distributed at such time) if, immediately prior to such deemed
24 distribution, the Plan Recovery Trust had distributed all of its assets (valued at their tax book value,
25 and other than assets allocable to a Distribution Reserve) to the holders of the beneficial interests in
26 the Plan Recovery Trust, adjusted for prior taxable income and loss and taking into account all prior
27 and concurrent distributions from the Plan Recovery Trust. Similarly, taxable loss of the Plan
28 Recovery Trust shall be allocated by reference to the manner in which an economic loss would be

1 borne immediately after a distribution in liquidation of the remaining Plan Recovery Trust Assets. The
2 tax book value of the Plan Recovery Trust Assets for this purpose shall be equal to the fair-market
3 value of the Plan Recovery Trust Assets on the Effective Date, adjusted in accordance with tax
4 accounting principles prescribed by the IRC, applicable Treasury Regulations, and other applicable
5 administrative and judicial authorities and pronouncements. Subject to definitive guidance from the
6 IRS or a court of competent jurisdiction to the contrary (including the receipt by the Plan Recovery
7 Trustee of an IRS private letter ruling if the Plan Recovery Trustee so requests one, or the receipt of
8 an adverse determination by the IRS upon audit if not contested by the Plan Recovery Trustee), the
9 Plan Recovery Trustee will (a) elect to treat any Plan Recovery Trust Assets allocable to a Distribution
10 Reserve (a reserve for amounts and Plan Recovery Trust interests retained on account of Contingent
11 Claims, Disputed Claims or Unliquidated Claims) as a “disputed ownership fund” governed by
12 Treasury Regulation section 1.468B-9 and (b) to the extent permitted by applicable law, report
13 consistently with the foregoing for state and local income tax purposes. Accordingly, the Distribution
14 Reserves will be subject to tax annually on a separate entity basis on any net income earned with
15 respect to the Plan Recovery Trust Assets in such reserves, and all distributions from such reserves
16 will be treated as received by holders in respect of their Claims as if distributed by the Debtors. All
17 parties (including, without limitation, the Plan Recovery Trustee and the Holders of the Plan Recovery
18 Trust Units) will be required to report for U.S. federal income tax purposes consistently with the
19 foregoing.

20 The Plan Recovery Trust is intended to qualify as a liquidation trust for U.S. federal income
21 tax purposes. In general, a liquidation trust is not a separate taxable entity but rather is treated for U.S.
22 federal income tax purposes as a “grantor” trust (i.e., a pass-through entity). The IRS, in Revenue
23 Procedure 94-45, 1994-28 I.R.B. 124, set forth the general criteria for obtaining an IRS ruling as to
24 the grantor trust status of a liquidation trust under a chapter 11 plan. The Plan Recovery Trust has been
25 structured with the intention of complying with such general criteria. Pursuant to the Plan, and in
26 conformity with Revenue Procedure 94-45, all parties (including the Plan Recovery Trustee and the
27 Holders of Plan Recovery Trust Units) are required to treat for U.S. federal income tax purposes, the
28

1 Plan Recovery Trust as a grantor trust of which the Holders of Plan Recovery Trust Units are the
2 owners and grantors.

3 Although the following discussion assumes that the Plan Recovery Trust would be treated as
4 a grantor trust for U.S. federal income tax purposes, no ruling has been requested from the IRS
5 concerning the tax status of the Plan Recovery Trust as a grantor trust. Accordingly, there can be no
6 assurance that the IRS would not take a contrary position to the classification of the Plan Recovery
7 Trust as a grantor trust for U.S. federal income tax purposes. If the IRS were to successfully challenge
8 this classification, the U.S. federal income tax consequences to the Plan Recovery Trust and the
9 holders of Plan Recovery Trust Units could vary from those discussed herein and, thus, there could be
10 less Available Cash than projected, resulting in lower recoveries for holders of Plan Recovery Trust
11 Units.

12 **C. Consequences to Holders of Claims Generally**

13 In general, each holder of an Allowed Claim will recognize gain or loss in an amount equal to
14 the difference between (i) the “amount realized” by such holder in satisfaction of its Claim and (ii)
15 such holder’s adjusted tax basis in such Claim. The “amount realized” by a holder will equal the sum
16 of cash and the aggregate fair-market value of the property received by such holder pursuant to the
17 Plan (such as a holder’s undivided beneficial interest in the assets transferred to the Plan Recovery
18 Trust). Where gain or loss is recognized by a holder in respect of its Allowed Claim, the character of
19 such gain or loss (i.e., long-term or short-term capital, or ordinary income) will be determined by a
20 number of factors including (i) the tax status of the holder, (ii) whether the Claim constituted a capital
21 asset in the hands of the holder and how long it had been held, (iii) whether the Claim was originally
22 issued at a discount or acquired at a market discount, and (iv) whether and to what extent the holder
23 had previously claimed a bad debt deduction or theft loss in respect of the Claim.

24 Generally, a Holder of an Allowed Claim will realize gain or loss on the exchange under the
25 Plan of its Allowed Claim for Cash or other property in an amount equal to the difference between (i)
26 the sum of the amount of any Cash and the fair market value on the date of the exchange of any other
27 property received by the Holder and (ii) the adjusted tax basis of the Allowed Claim exchanged
28 therefor (other than basis attributable to accrued but unpaid interest previously included in the Holder’s

1 taxable income). It is possible that any loss, or a portion of any gain, realized by a Holder of a Claim
2 may have to be deferred until all of the Distributions to such Holder are received.

3 When gain or loss is recognized by a Holder, such gain or loss may be long-term capital gain
4 or loss if the Claim disposed of is a capital asset in the hands of the Holder and has been held for more
5 than one year. **Each Holder of an Allowed Claim should consult its own tax advisor to determine**
6 **whether gain or loss recognized by such Holder will be long-term capital gain or loss and the**
7 **specific tax effect thereof on such Holder.**

8 A Holder of an Allowed Claim who receives, in respect of the Holder's Allowed Claim, an
9 amount that is less than that Holder's tax basis in such Allowed Claim may be entitled to a bad-debt
10 deduction under IRC section 166(a). The rules governing the character, timing, and amount of a bad-
11 debt deduction place considerable emphasis on the facts and circumstances of the holder, the obligor,
12 and the instrument with respect to which a deduction is claimed. **Holders of Allowed Claims,**
13 **therefore, are urged to consult their own tax advisors with respect to the ability to take a bad-**
14 **debt deduction.** A Holder that has previously recognized a loss or deduction in respect of that
15 Holder's Allowed Claim may be required to include in gross income (as ordinary income) any amounts
16 received under the Plan to the extent such amounts exceed the Holder's adjusted basis in such Allowed
17 Claim. Holders of Investor Claims may also be entitled to claim losses on account of a Ponzi scheme,
18 as discussed in Section VII.D. below.

19 Holders of Allowed Claims who were not previously required to include any accrued but
20 unpaid interest with respect to an Allowed Claim may be treated as receiving taxable interest income
21 to the extent any consideration they receive under the Plan is allocable to such interest. A Holder
22 previously required to include in gross income any accrued but unpaid interest with respect to an
23 Allowed Claim may be entitled to recognize a deductible loss to the extent such interest is not satisfied
24 under the Plan.

25 A Holder of an Allowed Claim constituting an installment obligation for tax purposes may be
26 required to currently recognize any gain remaining with respect to such obligation if, pursuant to the
27 Plan, the obligation is considered to be satisfied at other than at face value or distributed, transmitted,
28 sold, or otherwise disposed of within the meaning of IRC section 453B.

1 Holders of Disallowed Claims will not receive any Distribution as part of the Plan.
2 Accordingly, because such a Holder may receive an amount that is less than that Holder's tax basis in
3 such Claim, such Holder may be entitled to a bad-debt deduction under IRC section 166(a). The rules
4 governing the character, timing, and amount of a bad-debt deduction place considerable emphasis on
5 the facts and circumstances of the holder, the obligor, and the instrument with respect to which a bad-
6 debt deduction is claimed. Holders of Disallowed Claims, therefore, are urged to consult their own tax
7 advisors with respect to the ability to take a bad debt deduction.

8 **D. Consequences to Plan Recovery Trust Beneficiaries**

9 After the Effective Date, any amount that a Plan Recovery Trust Beneficiary (as a Holder of a
10 Plan Recovery Trust Unit) receives as a distribution from the Plan Recovery Trust in respect of its
11 beneficial interest in the Plan Recovery Trust should not be included, for U.S. federal income tax
12 purposes, in the Holder's amount realized in respect of its Allowed Claim but should be separately
13 treated as a distribution received in respect of such Holder's beneficial interest in the Plan Recovery
14 Trust. In general, a Holder's aggregate tax basis in its undivided beneficial interest in the assets
15 transferred to the Plan Recovery Trust will equal the fair market value of such undivided beneficial
16 interest as of the Effective Date and the Holder's holding period in such assets will begin the day
17 following the Effective Date. Distributions to any Holder of an Allowed Claim will be allocated first
18 to the original principal portion of such Claim as determined for federal tax purposes and then, to the
19 extent the consideration exceeds such amount, to the remainder of such Claim. However, there is no
20 assurance that the IRS will respect such allocation for U.S. federal income tax purposes.

21 For all U.S. federal income tax purposes, all parties (including the Plan Recovery Trustee and
22 the Holders of Plan Recovery Trust Units) shall treat the transfer of the Plan Recovery Trust Assets to
23 the Plan Recovery Trust, in accordance with the terms of the Plan, as a transfer of those assets directly
24 to the Holders of Allowed Claims (and, with respect to the Contingent Claims, Disputed Claims and
25 Unliquidated Claims, to the Distribution Reserve) followed by the transfer of such assets by such
26 Holders to the Plan Recovery Trust. Consistent therewith, all parties shall treat the Plan Recovery
27 Trust as a grantor trust of which such Holders are to be the owners and grantors. Thus, such Holders
28 (and any subsequent Holders of interests in the Plan Recovery Trust) shall be treated as the direct

1 owners of an undivided beneficial interest in the assets of the Plan Recovery Trust. Accordingly, each
2 Holder of a beneficial interest in the Plan Recovery Trust will be required to report on its U.S. federal
3 income tax return(s) the Holder's allocable share of all income, gain, loss, deduction, or credit
4 recognized or incurred by the Plan Recovery Trust. The Plan Recovery Trust's taxable income will be
5 allocated to the Holders of Plan Recovery Trust Units in accordance with each such Holder's pro rata
6 share of the Plan Recovery Trust Units in the Plan Recovery Trust Assets. The character of items of
7 income, deduction, and credit to any Holder and the ability of such Holder to benefit from any
8 deductions or losses may depend on the particular situation of such Holder. The U.S. federal income
9 tax reporting obligation of a Holder of a beneficial interest in the Plan Recovery Trust is not dependent
10 upon the Plan Recovery Trust distributing any cash or other proceeds. Therefore, a Holder of a
11 beneficial interest in the Plan Recovery Trust may incur a U.S. federal income tax liability regardless
12 of the fact that the Plan Recovery Trust has not made, or will not make, any concurrent or subsequent
13 distributions to the Holder. If a Holder incurs a U.S. federal tax liability but does not receive
14 distributions commensurate with the taxable income allocated to it in respect of its Plan Recovery
15 Trust Unit in the Plan Recovery Trust, the Holder may be allowed a subsequent or offsetting loss.

16 The Plan Recovery Trustee will file with the IRS returns for the Plan Recovery Trust as a
17 grantor trust pursuant to Treasury Regulations section 1.671-4(a). The Plan Recovery Trustee will also
18 send to each Holder of a beneficial interest in the Plan Recovery Trust a separate statement setting
19 forth the Holder's share of items of income, gain, loss, deduction, or credit and will instruct the Holder
20 to report such items on its U.S. federal income tax return. Events subsequent to the date of this
21 Disclosure Statement, such as the enactment of additional tax legislation, could also change the U.S.
22 federal income tax consequences of the Plan and the transactions contemplated thereunder.

23 **A Plan Recovery Trust Beneficiary who is a victim of a Ponzi scheme might be entitled**
24 **to claim a loss dependent on its individual circumstances.** Such losses that arise out of property
25 used in a trade or business or a transaction entered into for profit are deductible in the year in which
26 the loss is sustained and in an amount not to exceed the adjusted tax basis of the property involved. A
27 theft loss generally cannot be deducted in a tax year to the extent that there are reasonable prospects
28 of a recovery of some or all of the loss. In that event, the deduction is postponed until it can be

1 ascertained with reasonable certainty the likelihood and amount of any reimbursement that will be
2 received. The loss generally must be deducted in the first year a reasonable prospect of recovery no
3 longer exists, and cannot be claimed in any subsequent year. The reasonable prospect of
4 reimbursement rule applies only to that part of the loss for which reimbursement is available. However,
5 in 2009, the IRS issued Rev. Proc. 2009-20, 2009-14 I.R.B. 735, to provide an optional safe harbor
6 allowing certain taxpayers to claim a theft loss deduction under IRC section 165 for qualified losses
7 resulting from certain fraudulent investment schemes. Rev. Proc. 2009-20 generally defines a
8 qualified loss as a loss from a specified fraudulent arrangement, including Ponzi schemes, for which
9 authorities have charged the lead figure by indictment, information, or criminal complaint with a crime
10 that meets the definition of theft for purposes of IRC section 165. Under these safe-harbor provisions,
11 a qualified investor may deduct 95% of qualified investment in the discovery year (i.e., the year in
12 which the indictment, information, or complaint described in Rev. Proc. 2009-20 is filed) if the
13 qualified investor does not pursue any potential third-party recovery. A 75% deduction is available in
14 the discovery year if a qualified investor is pursuing or intends to pursue any potential third-party
15 recovery. The details for qualification for the safe harbor deduction are set forth in Rev. Proc. 2009-
16 20.

17 In 2011, the IRS issued Rev. Proc. 2011-58, 2011-58 I.R.B. 849, which modified the provisions
18 of Rev. Proc. 2009-20. Under Rev. Proc. 2011-58, the safe harbor provisions of Rev. Proc. 2009-20
19 may be utilized if a lead figure was charged by indictment or information under state or federal law
20 with the commission of fraud, embezzlement, or a similar crime that, if proven, would meet the
21 definition of theft for purposes of IRC section 165 and Treasury regulations section 1.165-8(d) under
22 the law of the jurisdiction in which the theft occurred, and the indictment or information has not been
23 withdrawn or dismissed. Under Rev. Proc. 2011-58, the safe harbor provisions of Rev. Proc. 2009-20
24 may also be utilized if a lead figure was the subject of a state or federal criminal complaint alleging
25 the commission of a crime described in section 4.02(1) of Rev. Proc. 2011-58, the complaint has not
26 been withdrawn or dismissed, and either (a) the complaint alleged an admission by the lead figure, or
27 the execution of an affidavit by that person admitting the crime; or (b) a receiver or trustee was
28 appointed with respect to the arrangement or assets of the arrangement were frozen.

Rev. Proc. 2011-58 further clarified, among other things, that the terms “indictment,” “information,” and “criminal complaint” as used in Rev. Proc. 2009-20 have meanings similar to the use of those terms in the Federal Rules of Criminal Procedure. Given the Mattson Indictment and Mattson SEC Complaint, safe harbor treatment under Rev. Proc. 2009-20 may be available to certain Plan Recovery Trust Beneficiaries. **Plan Recovery Trust Beneficiaries should consult with their own tax advisors to determine if a theft loss deduction is permissible**, as well as the timing, amount, and applicable limitations for any such theft loss deduction.

E. Withholding on Distributions and Information Reporting

All Distributions to Holders of Allowed Claims under the Plan and any Distributions to the Holders of Plan Recovery Trust Units are subject to any applicable tax withholding, including employment tax withholding. Under U.S. federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to “backup withholding” at the then-applicable withholding rate. Backup withholding generally applies if the payment recipient (i) fails to furnish the recipient’s social security number or other taxpayer identification number, (ii) furnishes an incorrect taxpayer identification number, (iii) fails to properly report interest or dividends, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the taxpayer’s identification number provided is the recipient’s correct taxpayer identification number and that such recipient is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain Persons are exempt from backup withholding, including, in certain circumstances, corporations, and financial institutions.

In addition, a Holder of an Allowed Claim that is a not a U.S. entity may be subject to additional withholding, depending on, among other things, the particular type of income and whether the type of income is subject to a lower treaty rate. As to certain Claims, it is possible that withholding may be required with respect to distributions by the Debtor making such Distribution or by the Plan Recovery Trust, as applicable, even if no withholding would have been required if payment was made before the Cases. A non-U.S. Holder may also be subject to other adverse consequences in connection with the implementation of the Plan. As discussed above, the foregoing discussion of the U.S. federal

1 income tax consequences of the Plan does not generally address the consequences to non-U.S. Holders.
2 Non-U.S. Holders are urged to consult their own tax advisors regarding potential withholding on
3 Distributions under the Plan.

4 In addition, Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal
5 income tax return of certain types of transactions in which the taxpayer participated, including, among
6 other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess
7 of specified thresholds. Holders are urged to consult their own tax advisors regarding these Treasury
8 Regulations and whether the transactions contemplated by the Plan would be subject to these Treasury
9 Regulations and require disclosure on the Holder's tax returns.

10 **VIII.**

11 **RECOMMENDATION**

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

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Respectfully submitted,

KELLER BENVENUTTI KIM LLP

By: /s/ Thomas B. Rupp

Tobias S. Keller
David A. Taylor
Thomas B. Rupp

Counsel to the LFM Debtors

HOGAN LOVELLS US LLP

By: /s/ Erin N. Brady

Richard L. Wynne
Erin N. Brady
Edward J. McNeilly

Counsel to KS Mattson Partners, LP

PACHULSKI STANG ZIEHL & JONES LLP

By: /s/ Jason H. Rosell

Debra Grassgreen
John D. Fiero
Jason H. Rosell
Brooke E. Wilson

*Counsel to the Official Committee
of Unsecured Creditors*

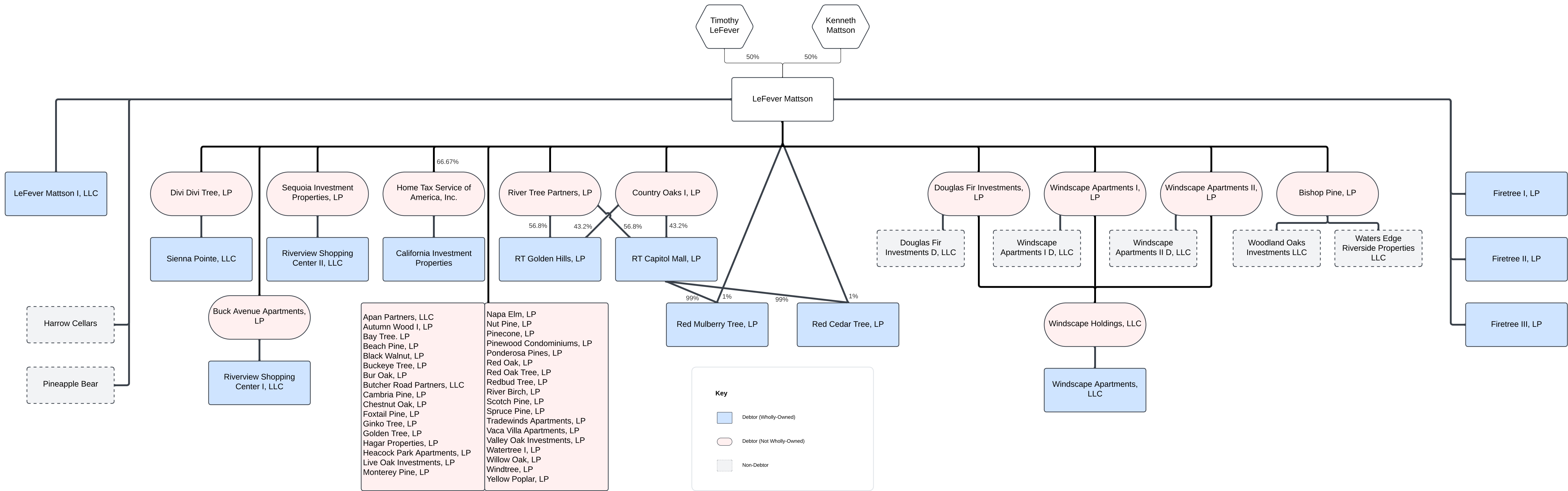
EXHIBIT A

Joint Chapter 11 Plan

[Filed Separately]

EXHIBIT B

Corporate Organizational Charts



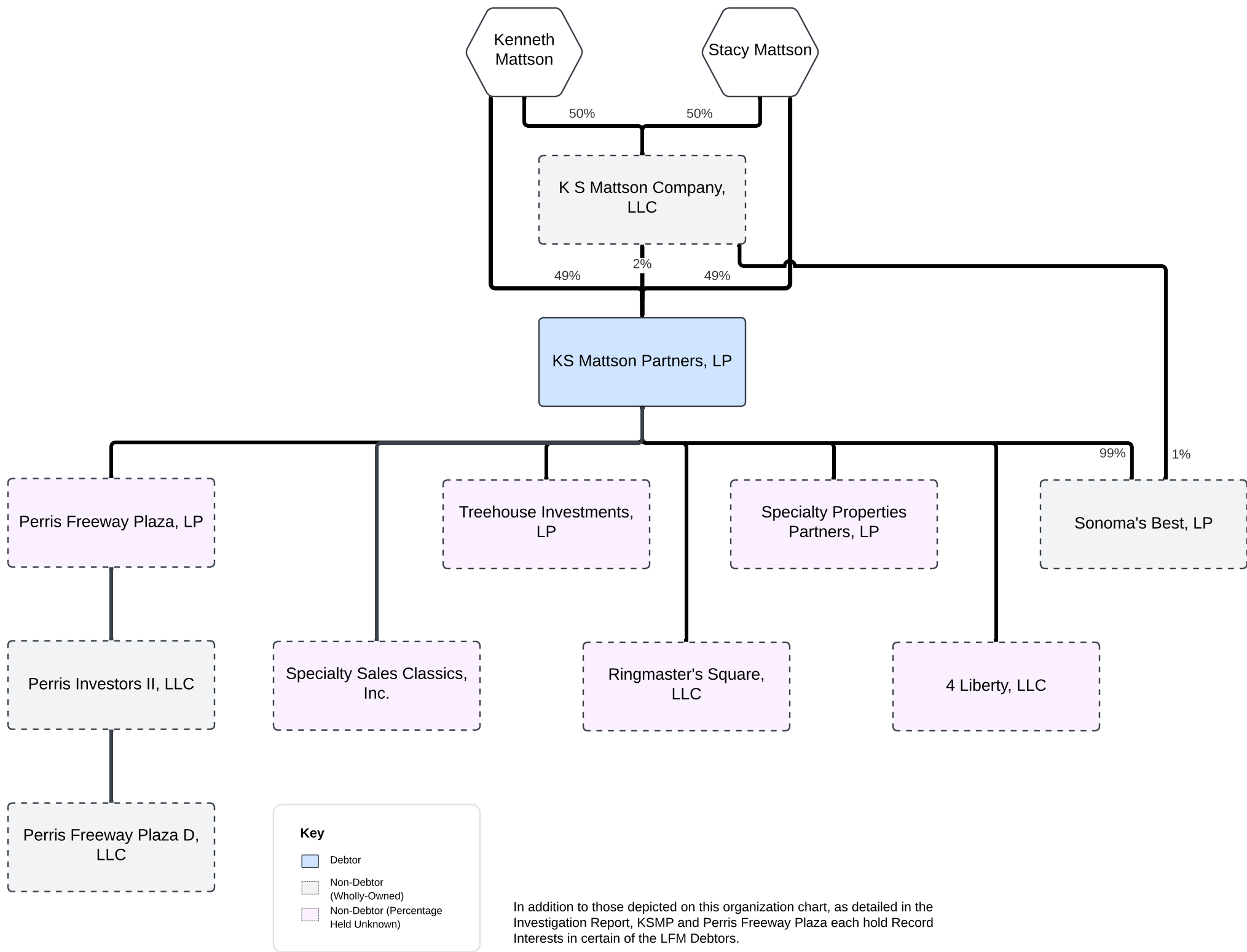


EXHIBIT C

Liquidation and Recovery Analysis

INTRODUCTION

The “best interests” test in section 1129(a)(7) of the Bankruptcy Code requires that the Bankruptcy Court find, as a condition to confirmation of the Plan, that each holder of a Claim or Interest in each Impaired Class: (i) has accepted the Plan; or (ii) will receive or retain under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Person would receive if the Chapter 11 Cases were instead converted to chapter 7 of the Bankruptcy Code on the Conversion Date (defined below) and the assets liquidated by a chapter 7 trustee. To make these findings, the Bankruptcy Court must: (1) estimate the cash proceeds that a chapter 7 trustee would generate if the Chapter 11 Cases were converted to chapter 7 cases and the assets of such Debtors’ estates were liquidated as of the Conversion Date (defined below); (2) determine the distribution that each non-accepting holder of a Claim or Interest would receive from the net proceeds available for distribution under the priority scheme dictated in chapter 7; and (3) compare each holder’s estimated recovery under a chapter 7 liquidation scenario to the distributions under the Plan that such holder would receive if the Plan were confirmed and consummated.

The Debtors, with the assistance of their restructuring advisors, have prepared this hypothetical liquidation (the “Liquidation Analysis”), which estimates potential cash distributions to holders of allowed claims and interests in a hypothetical chapter 7 liquidation of all the Debtors’ assets. The Liquidation Analysis is based upon certain assumptions further detailed in the accompanying “Notes to the Liquidation Analysis.”

Based on the estimated range of recoveries for each class of creditors in the Liquidation Analysis, the Debtors submit that holders of Impaired Claims will receive more value under the proposed Plan than in a chapter 7 liquidation scenario. The Plan thus satisfies the best interests test under section 1129(a)(7) of the Bankruptcy Code. This analysis is based on estimates and assumptions that, while considered reasonable by management, may not be realized and are inherently subject to uncertainties, and actual recoveries in a chapter 7 liquidation could be higher or lower than recoveries set forth in this Liquidation Analysis.

STATEMENT OF LIMITATIONS

The Liquidation Analysis was prepared for the sole purpose of assisting the Bankruptcy Court and Holders of Impaired Claims or Equity Interests in determining that the best interest of creditors test is met and should not be used for any other purpose. The determination of the hypothetical proceeds, and costs of the liquidation of the Debtors’ assets, is an uncertain process involving the use of estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies beyond the control of the Debtors, their management, and their advisors. Inevitably, some assumptions in the Liquidation Analysis may not materialize in an actual chapter 7 liquidation, and unanticipated events and circumstances could affect the ultimate results. This Liquidation Analysis was prepared for the sole purpose of generating a reasonable good-faith estimate of the proceeds that would be generated if the Debtors were liquidated in accordance with chapter 7 of the Bankruptcy Code after conversion of the Chapter 11 Cases on the Conversion Date (defined below). The underlying financial information in the Liquidation

Analysis was not compiled or examined by any independent accountants. No independent appraisals were conducted in preparing the Liquidation Analysis.

ACCORDINGLY, WHILE DEEMED REASONABLE BASED ON THE FACTS CURRENTLY AVAILABLE, NEITHER THE DEBTORS NOR THEIR PROFESSIONALS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS WOULD OR WOULD NOT APPROXIMATE THE ESTIMATES AND ASSUMPTIONS REPRESENTED IN THE LIQUIDATION ANALYSIS. ACTUAL RESULTS COULD VARY MATERIALLY.

In preparing the Liquidation Analysis, estimated Allowed Claims are based upon a review of Claims listed on the Debtors' statements of assets and liabilities as well as various other financial statements and reports (the "Financial Reports") and Proofs of Claim and Proofs of Interest filed to date. In addition, the Liquidation Analysis includes estimates for Claims not currently asserted in the Chapter 11 Cases or currently contingent, but which could be asserted and Allowed in a chapter 7 liquidation, including but not limited to Administrative Claims, claims arising in connection with the rejection of contracts, employee-related obligations, Liquidation Costs (as defined herein), trustee fees, tax liabilities, and other Allowed Claims. To date, the Bankruptcy Court has not estimated or otherwise fixed the total amount of Allowed Claims used for purposes of preparing the Liquidation Analysis. For purposes of the Liquidation Analysis, the Debtors' estimates of Allowed Claims contained in the Liquidation Analysis reference specific Claims estimates, even though the Debtors' estimates of ranges of projected recoveries under the Plan to holders of Allowed Claims and Interests are based on ranges of Allowed Claims and Interests. Therefore, estimates of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including determining the value of any distribution to be made on account of Allowed Claims and Interests under the Plan.

NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE OR CONSTITUTES A CONCESSION OR ADMISSION OF THE DEBTORS. THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH IN THE LIQUIDATION ANALYSIS.

BASIS OF PRESENTATION

This hypothetical Liquidation Analysis assumes conversion of each of the Chapter 11 Cases to chapter 7 liquidation cases approximately three weeks after a contested confirmation hearing of the Plan and is presumed to be March 31, 2026 (the "Conversion Date") and presents a recovery scenario on a substantively consolidated basis. On the Conversion Date, it is assumed that the Office of the United States Trustee would appoint a chapter 7 trustee to oversee the liquidation of the bankruptcy estates of the Debtors, during which time all of the assets of the Debtors would be sold or otherwise liquidated, and the net cash proceeds (net of liquidation related costs) would be distributed to creditors in accordance with applicable law.

The Liquidation Analysis is based on estimates of the Debtors' assets and liabilities derived from the Debtors' periodic financial reports and budgets as well as estimates from the Debtors' real

estate advisors, which are routinely provided to the Debtors' constituents. Except as otherwise noted herein, the Liquidation Analysis is based upon the unaudited financial statements of the Debtors as of September 30, 2025, and those values are assumed to be representative of the Debtors' assets and liabilities as of the Conversion Date. Except as otherwise noted herein, the Debtors' Management team believes that the September 30, 2025 values reflect the best available estimates for purposes of this analysis, although actual values at the Conversion Date could differ materially. The values utilized for Unsold Retained Properties are based on either the latest available Broker Opinions of Value ("BOV's") or actual offers received. The estimates provided by the Debtors' real estate advisors as it relates to the forecasted timing and net property sale proceeds are constantly evolving as updated information becomes available. The estimates provided by the Debtors' real estate advisors reflect the latest information available as of the time of publication.

The Debtors' anticipated property sales are expected to occur through the Conversion Date. Any properties that have not been sold or returned to the lenders at that point are assumed to be liquidated by the chapter 7 trustee after the Conversion Date ("Retained Properties"). The Liquidation Analysis assumes approximately 30 properties will be retained by the Plan Recovery Trust.

The Liquidation Analysis assumes Debtor and non-Debtor affiliate operations will cease as of the Conversion Date and that the chapter 7 trustee will engage third parties, as necessary, to manage and maintain the Retained Properties pending the sale process.

For the purposes of this analysis, it is assumed that the sale of the above assets takes six months from the Conversion Date under the direction of the chapter 7 trustee who is assisted by real estate brokers, a financial advisor, and bankruptcy counsel. During this time, it is assumed that the trustee will engage a property management company to support the sale process, assist the trustee with wind-down tasks, and ensure the assets are managed and maintained until sale.

All non-Debtor affiliates are assumed to have *de minimis* asset value and therefore no recoveries are assumed on account of non-Debtor affiliate assets.

There can be no assurance that the liquidation would be completed in the assumed timeframe, nor that the assumed realizable asset values would in fact be realized through the liquidation process.

The Liquidation Analysis is further based on the assumption that the Debtors continue to have authority to use the applicable secured lenders' cash collateral during the course of the chapter 7 liquidation period to support the liquidation process. This is only an assumption and is by no means meant to represent an agreement with the lenders as to the use of cash collateral in a liquidation scenario. Absent the use of cash collateral in the quantum estimated, the values realized for the assets will likely be materially lower. Use of cash collateral is assumed for modeling purposes; however, secured lenders may contest such use and a chapter 7 trustee may lack adequate liquidity to preserve value, leading to accelerated deterioration of assets and materially lower recoveries.

LIQUIDATION ANALYSIS

\$ in 000s

	Note	Ch. 7 Estimated Range of Outcomes				Ch. 11 Estimated Range of Outcomes			
		Low		High		Low		High	
		\$	%	\$	%	\$	%	\$	%
Unsold Retained Properties	[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 Asset Sale Proceeds		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 Assets Available for Distribution		\$ 110,405		\$ 137,717		\$ 115,751		\$ 147,357	
DIP Financing Claims	[5]	(12,100)	100%	(12,100)	100%	(12,100)	100%	(12,100)	100%
Remaining Assets Available for Distribution		98,305		125,617		103,651		135,257	
Administrative Claims									
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 Administrative Claims		(74,023)		(64,140)		(54,510)		(48,910)	
Remaining Assets Available for Distribution		24,282		61,476		49,141		86,347	
Priority Claims	[10]	(2,000)	100%	(1,000)	100%	(2,000)	100%	(1,000)	100%
Funds Available for Distribution		\$ 22,282		\$ 60,476		\$ 47,141		\$ 85,347	
Estimated Claims Pool		Claim Amount	Recovery	Claim Amount	Recovery	Ch. 11 Recovery		Ch. 11 Recovery	
Class 4 (Trade Claims)	[11]	5,500	9.3%	4,000	25.4%	5,500	72.7%	4,000	100.0%
Class 5 (Investor Claims)	[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 Investor Claims		\$ 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 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.
- Other Third Party Recoveries (net). Represents the estimated range of recoveries on account of (a) preference payments (*i.e.*, payments made to vendors and Investors in the 90 days preceding these Chapter 11 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 this Liquidation 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 tremendously complex and laborious undertaking. The incremental fees associated with these efforts has been conservatively estimated at \$5.0 million for a Ponzi finding and \$5.0 million for substantive consolidation. It is assumed for purposes of this Liquidation Analysis that it will take approximately three (3) years to have the issues of substantive consolidation and a Ponzi finding

determined pursuant to a final non-appealable order. The foregoing costs are in addition to the baseline costs associated with the administration of the hypothetical chapter 7 cases.

The worst-case (“Low”) scenario assumes that the fees associated with the efforts to successfully achieve a substantive consolidation of the Debtors as well as a Ponzi finding will be even higher than in the High scenario. The incremental fees associated with these efforts have been estimated at \$7.5 million for a Ponzi finding and \$7.5 million for substantive consolidation. This is in addition to the baseline costs associated with the administration of these cases which have also been assumed to increase by \$1 million in the worst-case scenario. There is additional risk that each Debtor will require an individual trustee, who would then require separate professionals, further increasing expenses.

Note 8 – Chapter 11 Wind Down Budget

Consists of estimated expenses related to claims reconciliation, preparation of final tax returns, management and maintenance of the retained properties, any costs associated with the disposition of remnant assets and other administrative costs associated with the final wind down of the Debtors.

Note 9 – Chapter 11 Administrative Claims

Represents estimated accrued and unpaid Chapter 11 Administrative Expenses, primarily comprised of the following: (i) unpaid postpetition accounts payable (*i.e.*, the timing differential between when liabilities have been incurred versus when they are invoiced and ultimately payable) and (ii) chapter 11 professional fees outstanding as of the Conversion Date.

Note 10 – Priority Claims

Priority claims represent accrued liabilities for taxes and employee obligations payable by the Debtor entities. The ultimate amount of priority claims is undetermined as of the date hereof but is based on the Claims register as of October 3, 2025. The liquidation analysis assumes no income tax liability. The liquidation analysis assumes all tenant security deposit claims are addressed through property sales.

Note 11 – Trade Claims (Class 4)

Represents all non-priority unsecured Claims that are not Investor Claims, including, without limitation, (i) all such Claims owed to the Debtors’ vendors, suppliers and providers of goods and services received by the Debtors during the ordinary course of business prepetition on account of or relating to such goods and services, and (ii) Rejection Claims.

The ultimate amount of other general unsecured claims is undetermined as of the date hereof but is based on the Claims register as of October 3, 2025, and the Debtors’ best estimates for any unquantified claims that the Debtors expect a valid unsecured claim to exist.

This Liquidation Analysis assumes that Trade Claims are treated *pro rata* with Investor Claims in a chapter 7 liquidation. This Liquidation Analysis further assumes that Class 4 (Trade Claims)

accepts the Plan in the plan recovery analysis and holders of Class 4 receive their *pro rata* share of the Trade Claims Settlement Fund (\$4 million).

Note 12 – Investor Claims (Class 5)

This Liquidation Analysis assumes that Investor Claims will be calculated as (a) all cash transferred from the Investor to the Debtors that can be validated by the Debtors plus (b) the fair market value of any property transferred to the Debtors (*e.g.*, via a 1031 exchange) at the time of such transfer. Amount Invested includes all validated amounts invested regardless of time period (*i.e.*, amounts invested before the Ponzi Start Date are included). Appreciated roll-overs to other investments are not included. The ultimate amount of the total investor claims is undetermined at the date hereof, but is based on the Debtors' professionals' review of the Proofs of Interests and proofs of claims filed and the Debtors' best estimates. Subordinated claims have been reflected at \$0.

Note 13 – Investor Tranche 1 Claims

This Liquidation Analysis projects Investor Tranche 1 Claims in accordance with the Investor Settlement Amount Procedures Order, which provides that Investor Tranche 1 Claims means a claim for money (or value of property) invested in the Debtors over time less any distributions the Investor received over the seven years prior to September 12, 2024.

Note 14 – Investor Tranche 2 Claims

This Liquidation Analysis projects Investor Tranche 2 Claims in accordance with the Investor Settlement Amount Procedures Order, which provides that Investor Tranche 2 Claims mean a claim for the distributions deducted in calculating an Investor Tranche 2 Claim.

EXHIBIT D

Non-Exclusive Description of Plan Recovery Trust Actions

POTENTIAL LITIGATION TARGETS

Based upon the Investigation conducted by the Plan Proponents to date, the Persons or Entities described or otherwise identified herein may be subject to claims to be filed after confirmation of the Plan. The purpose of this non-exclusive description of Plan Recovery Trust Actions is to generally identify the causes of action being retained under the Plan and potentially pursued by the Plan Recovery Trustee (collectively, the “Target List”). The Target List is not exhaustive and the Plan Proponents currently may be unaware of potential claims against other defendants. The Investigation is continuing and will be continued by the Plan Recovery Trustee. A capitalized term used but not defined herein shall have the meaning ascribed to it in the Plan.

In addition, the Target List is incorporated by reference in, and comprises an integral part of, the Disclosure Statement, and should be referred to and considered in connection with any review of the Disclosure Statement. The Target List does not specify all Plan Recovery Trust Actions that may be brought under the Plan, and it shall in no way be deemed to limit or otherwise impair any specific Plan Trust Recovery Action that may ultimately be brought. No Person or Entity may rely on the absence of a specific reference in the Plan, the Disclosure Statement, or this Target List to any Cause of Action or Avoidance Action against it as an indication that the Plan Recovery Trust will not pursue any and all available Causes of Action and Avoidance Actions against it. The Plan Proponents reserve the right to amend, modify, or supplement this Target List up to the Effective Date.

1. All directors, officers, and employees of the Debtors and their affiliates and their family members and affiliates, including, without limitation, Kenneth W. Mattson, Stacy Mattson, Timothy J. LeFever, Amy K. LeFever, Monley Hamlin Construction, Capitol Resource Institute, Sonoma Collective, and Laurel Wreath Foundation.
2. All attorneys and accountants that provided services to the Debtors, including, without limitation, Scott Smith, Hanson Bridgett LLP, and Fennemore Craig, P.C., and Fennemore LLP.
3. All real estate brokers that facilitated the purchase or sale of real properties by the Debtors or their affiliates.
4. All investors who received more than 100% of their aggregate investment amount.

5. All persons and entities that received contributions from the Debtors or their affiliates, including, without limitation, charitable contributions and political contributions (e.g., First Covenant Church of Oakland, Creekside Community Church of San Leandro, Youth for Christ, Capitol Resource Institute, and Laurel Wreath Foundation).
6. All persons and entities that received fraudulent transfers or preferential payments within the meaning of sections 544, 547, 548 and 549 of the Bankruptcy Code, and all parties for whose benefit such transfers were made within the meaning of section 550 of the Bankruptcy Code, including, without limitation, any professional fee retainers paid by the Debtors for the benefit of Kenneth W. Mattson (e.g., Law Offices of Randy Sue Pollock).
7. All financial institutions (including, without limitation including where such financial institutions are the successors or assigns of the financial institution that maintained such deposit accounts or made such loans) that maintained deposit accounts for, or made loans to, the Debtors or their affiliates, including, without limitation, the financial institutions identified on Schedule 1 hereto.
8. All title insurers and underwritten title companies that were involved in the closing or insurance for (i) any loans to the Debtors or their affiliates or (ii) any transfers of ownership of any real properties to or from the Debtors or their affiliates.
9. All title companies that were involved in (i) the recordation and reconveyance of deeds of trust involving the Debtors or their affiliates or (ii) the recordation of grant deeds or other ownership deeds involving the Debtors or their affiliates.
10. All contractors and suppliers used by the Debtors and their affiliates, including, without limitation, Monley Hamlin Construction.
11. All financial advisors that recommended investing in the Debtors or their affiliates.
12. All self-directed IRA custodians that facilitated investments in the Debtors and their affiliates, including, without limitation, Madison Trust and Pacific Premier Trust.
13. All 1031 exchange intermediaries, including, without limitation, Investment Property Exchange Services, Inc. (known as IPX1031) and First American Exchange Company.
14. All persons and entities that are liable to the Debtors for breaches of the automatic stay under section 362(a) of the Bankruptcy Code, including without limitation, (i) Louie M. Bertorelli, Denise R. Bertorelli, the Law Office of David M. Kindopp and David Kindopp for filing and prosecuting after the KSMP Petition Date the lawsuit captioned *Louie M. Bertorelli and Denise R. Bertorelli v. Guy Leonard Martin, et al.*, Case No. 25CV01819 in the Mendocino County Superior Court; (ii) any and all persons and entities that undertook any act to create, perfect, or enforce any lien against property of the estate or record any interest against any property of the estate after the KSMP Petition Date, (iii) America West Lender Services, LLC, Deutsche Bank Trust Company Americas as Trustee for Residential Accredit Loans, Inc., Mortgage Asset-Backed Pass-Through Certificates, Series 2007-Q01, Nationstar

1 Mortgage, LLC dba Mr. Cooper and all other persons or entities involved with
2 respect to the foreclosure against 3557 Golf View Terrace, Santa Rosa, CA 95405,
3 (iv) Thomas Kelly and Law Offices of Thomas P. Kelly III P.C., William Andrew
4 (purported General Partner of Live Oak, LP) and any limited partners of Live Oak,
LP or any other persons or entities that purported to remove LeFever Mattson, a
California corporation, as general partner of Live Oak, LP on October 9, 2025.

5 15. All other Causes of Action against Thomas Kelly and Law Offices of Thomas P.
6 Kelly III P.C., William Andrew (purported General Partner of Live Oak, LP) and
any limited partners of Live Oak, LP with respect to Live Oak, LP.

7 16. All persons and entities that are liable to the Debtors for causes of action unrelated
8 to the Mattson Transactions, including for tort and breach of contract actions
9 against former vendors and contract counterparties, including, without limitation,
an action to collect on the judgment of the Sonoma County Superior Court in *KS*
Mattson Partners v. Benedetti Farms, Inc. (SCV-270023).

10 17. All persons and entities that are occupying any real property in which any of the
11 Debtors have an interest without lawful authority or appropriate compensation to
the Debtors.

12 18. Marc Lair, Equitable Ocean Front, LLC, Hampton Mortgage Group, and any
13 affiliates of any of the foregoing, for all Causes of Action related to the Mattson
14 Transactions.

Schedule 1 to Exhibit D

List of Financial Institution Targets

#	Financial Institution Target
1	Axos Bank
2	Bank of America, N.A.
3	BMO Bank N.A.
4	Bruce Needleman, Trustee
5	California Bank of Commerce
6	Chase Bank (Commercial Loans)
7	Chase Bank (Residential Loans)
8	Citizens Business Bank
9	Comerica Bank
10	Deutsche Bank Trust Company Americas as Trustee for Residential Accredit Loans, Inc., Mortgage Asset-Backed Pass-Through Certificates, Series 2007-Q01
11	Duggans Mission Chapel
12	Edna M. Hayes, Trustee of the Needleman Hayes Family Trust
13	First Bank
14	Flagstar Bank
15	Frank Bragg Revocable Trust
16	Freddie Mac
17	Hampton Mortgage Group
18	James Walker
19	KeyBank (Servicer)
20	LAFM Loan Owners (Serene)
21	MERS, Nominee for BOFI Federal Bank
22	Michael & Ana Cavanaugh
23	Nationstar Mortgage, LLC dba Mr. Cooper
24	NexBank
25	PHH Mortgage Services (Servicer)
26	Poppy Bank

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#	Financial Institution Target
27	ReProp Financial
28	Select Portfolio Servicing, Inc. (Servicer)
29	Tri Counties Bank
30	Trustee of the John and Mary Metallinos Living Trust
31	Umpqua Bank
32	US Bank (Servicer)
33	Virginia Ghilarducci Trustee
34	Wells Fargo
35	Wilmington Trust
36	Y. Tito Sasaki, Trustee & Janet L. Sasaki, Visio International Employee Pension Trust

EXHIBIT E

Schedule of Secured Lender Subclasses

Subclass	Secured Lender	Claim Number	Voting Amount	Collateral Address
Class 3-A	FIDELITY NATIONAL TITLE INSURANCE COMPANY	KSMP-21	\$295,336.43	834 Donner Avenue
Class 3-B	Bank of America, N.A.	LFM-314633	\$319,165.14	5605 Orange Way 7320 Berna Way
Class 3-C	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-D	Butcher Road Partners LLC	LFM-314659	\$3,500,000.00	280/310/312/350 Butcher Rd
Class 3-E	Citizens Business Bank, a California state-chartered bank	LFM-1195	\$4,202,093.64	103/105 Commerce Ct
Class 3-F	Citizens Business Bank, a California state-chartered bank	LFM-1203	\$286,924.96	4950/4960/4970 Allison Pkwy 103/105 Commerce Court
Class 3-G	JPMorgan Chase Bank, National Association	LFM-1386	\$19,143.67	7332/7334 Arleta Court
Class 3-H	JPMorgan Chase Bank, National Association	LFM-1393	\$4,796.11	7327/7329 Berna Way
Class 3-I	Comerica Bank	LFM-506	\$3,103,756.37	400 West Spain
Class 3-J	Comerica Bank	LFM-508	\$2,183,985.20	450 West Spain
Class 3-K	Deutsche Bank Trust Company Americas, as Trustee for Residential Accredited Loans, Inc., Mortgage Asset-Backed Pass-Through Cer	KSMP-713	\$1,792,122.39	454 15th St
Class 3-L	Duggan s Mission Chapel	LFM-383	\$5,089,289.54	520/530/532 Studley 525 W Napa
Class 3-M	Fannie Mae	LFM-1278	\$3,659,285.59	453 Fleming Ave E
Class 3-N	Federal Home Loan Mortgage Corporation	LFM-910	\$3,624,209.66	7337 Power Inn Rd
Class 3-O	JPMorgan Chase Bank National Association	KSMP-29	\$35,204.35	3557 Golf View Terrace
Class 3-P	JPMorgan Chase Bank, National Association	KSMP-775	\$5,506,969.31	1836 Oceanfront Blvd
Class 3-Q	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-R	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
Class 3-S	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-T	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-U	LAFM Loan Owner, LLC	KSMP-716	\$3,818,082.62	969 Rachael Road
Class 3-V	LAFM Loan Owner, LLC	KSMP-744	\$5,565,610.47	531/533 Camino
Class 3-W	Leland McAbee	LFM-741	\$316,300.00	830 Illinois St #1-4
Class 3-X	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

Subclass	Secured Lender	Claim Number	Voting Amount	Collateral Address
Class 3-Y	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-Z	Nationstar Mortgage LLC	LFM-1391	\$134,563.83	157 James River Rd
Class 3-AA	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-AB	Bruce Needleman, Trustee , Edna M. Hayes, Trustee of the Needleman Hayes Family Trust	LFM-314621	\$2,600,000.00	20490 Broadway
Class 3-AC	NexBank	LFM-502	\$1.00	1050 Elm St
Class 3-AD	PHH Mortgage Services	LFM-314518	\$295,804.64	7328/7330 Arleta Ct
Class 3-AE	PHH Mortgage Services	LFM-314646	\$225,826.07	7335/7337 Arleta Ct
Class 3-AF	Poppy Bank, fka First Community Bank	LFM-1235	\$865,294.30	430 West Napa
Class 3-AG	ReProp Financial Mortgage Investors, LLC	KSMP-34	\$2,668,644.00	405 London Way
Class 3-AH	Ronald Brandvein	LFM-212	\$109,000.00	5601/5603 Orange Ave
Class 3-AI	Y. Tito Sasaki and Janet L. Sasaki Trust	LFM-140	\$1,558,838.00	22001 8th St E
Class 3-AJ	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-AK	Socotra Capital, Inc.	LFM-324	\$4,842,388.87	333/371/411 Wilkerson Ave.
Class 3-AL	Socotra Capital, Inc.	LFM-387	\$2,033,413.74	151 E Napa St
Class 3-AM	Socotra Capital, Inc.	LFM-388	\$1,500,328.32	377 West Spain Street
Class 3-AN	Socotra Capital, Inc.	LFM-389	\$16,262,114.81	1045 Bart Rd 18701 Gehricke Rd 18935 W 5th St 900 E Napa St 925-927 Broadway 446 W. Napa 454 W. Napa 462 W. Napa 424 2nd St W 1025 Napa Rd
Class 3-AO	Socotra Capital, Inc.	LFM-390	\$6,265,597.38	16721 Sonoma Highway 635/645-651/1151/1161-1167 Broadway 10 Maple St
Class 3-AP	Socotra Capital, Inc.	LFM-392	\$8,128,236.30	1870 Thornsberry Dr 1221 Apple Tree Ct 19450 Old Winery Rd 222/226 W. Spain 282 Patten St 141-145 E. Napa Street 921 Broadway
Class 3-AQ	Socotra Capital, Inc.	LFM-394	\$3,038,291.77	201 Meadowlark 17700 Sonoma Hwy

Subclass	Secured Lender	Claim Number	Voting Amount	Collateral Address
Class 3-AR	Socotra Capital, Inc.	LFM-396	\$14,157,857.05	171 W. Spain Street 23250 Maffei Road 101/103/310 Meadowlark Ln 24101/24151 Arnold Dr 302-310 1st Street East
Class 3-AS	Socotra Capital, Inc.	LFM-398	\$7,744,758.31	596 3rd St E
Class 3-AT	Socotra Capital, Inc.	LFM-399	\$3,492,538.62	20564 Broadway 391-455 Oak Street 19173 Railroad Ave 653 3rd Street W 789 Cordilleras
Class 3-AU	Socotra Capital, Inc.	LFM-401	\$3,286,027.71	446/454 3rd Street West
Class 3-AV	Socotra Capital, Inc.	LFM-404	\$18,730,646.16	10306 Badger Lane 10308 Badger Lane 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-AW	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-AX	Socotra Capital, Inc.	LFM-1219	\$1,974,284.59	19340 7th St E
Class 3-AY	Select Portfolio Servicing, Inc.	LFM-314552	\$373,344.31	1130 Pear Tree Ln
Class 3-AZ	Select Portfolio Servicing, Inc.	LFM-314648	\$312,351.40	5509 Orange Ave 7343 Arleta Ct
Class 3-BA	Select Portfolio Servicing, Inc.	LFM-314649	\$294,007.31	5601/5603 Orange Ave
Class 3-BB	Select Portfolio Servicing, Inc.	LFM-314651	\$310,912.09	7312/7314 Berna Way
Class 3-BC	Select Portfolio Servicing, Inc.	LFM-314652	\$295,678.30	7316/7318 Arleta Ct
Class 3-BD	Select Portfolio Servicing, Inc.	LFM-314654	\$308,414.07	7319/7321 Berna Way
Class 3-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-BF	Tri Counties Bank	LFM-314568	\$156,479.98	6359 Auburn Blvd
Class 3-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

Subclass	Secured Lender	Claim Number	Voting Amount	Collateral Address
Class 3-BH	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-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-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-BK	Umpqua Bank, Successor in Interest by Merger to Columbia State Bank	LFM-193	\$19,389,605.75	520 Capitol Mall
Class 3-BL	Virginia Ghilarducci	LFM-110	\$1,400,000.00	241 1st St W
Class 3-BM	Susan Leeming	LFM-30	\$325,000.00	24160 Turkey Rd 24237 Arnold Rd.
Class 3-BN	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-BO	Butler Trust November 6, 1996	KSMP-765	\$598,000.00	3217 Walnut Avenue