

SOLICITATION VERSION

**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.

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DISCLAIMER

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

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THE STATEMENTS CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND EQUITY INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN. ALTHOUGH THE LFM DEBTORS AND THE KSMP DEBTORS (COLLECTIVELY, THE “DEBTORS”) HAVE MADE AN EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES COULD REASONABLY BE EXPECTED TO AFFECT MATERIALLY THE RECOVERIES UNDER THE PLAN, THIS DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT CERTAIN EVENTS DO OR DO NOT OCCUR.

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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

THE EXHIBITS ATTACHED TO THIS DISCLOSURE STATEMENT ARE INCORPORATED BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN
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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. 3108] (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
Forfeiture Property (if any) is obtained from Mattson and/or other Excluded Parties by the DOJ, the SEC or another
Governmental Unit.

28 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.”

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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.

2. Solicitation Materials

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

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

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

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

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.**

1 **3. Election on Investor Ballots to Contribute Certain Claims**

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

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

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

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

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.

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.

1 240, 241, 242, 355, 410, 411, 482, 503, 510, 655, 681, 711, 712, 1153, 1167, 1171, 1225, 1240, 1661,
2 and 1664. The LFM Debtors separately filed a motion to use the cash collateral of Socotra on February
3 12, 2025 [Docket No. 808], which the Bankruptcy Court granted on interim and final bases [Docket
4 Nos. 929 and 968].

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

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

22 2. KSMP

23 **DIP Financing:** On August 6, 2025, the Bankruptcy Court authorized KSMP, on an interim
24 basis, to separately obtain up to \$1 million of secured, superpriority postpetition financing from the
25 DIP Lender pursuant to that certain July 31, 2025 DIP Term Sheet [Docket No. 1966] (the “Interim
26 KSMP DIP Order”). KSMP’s authorization to obtain up to \$4,000,000 of secured, superpriority
27

28 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 **4. Position of KeyBank (not the Plan Proponents)²⁹**

4 KeyBank National Association (“KeyBank”) contends that (a) section 510(b) of the
5 Bankruptcy Code applies to the proposed Plan Recovery Trust distributions to Investors and that,
6 accordingly, any of its Allowed Secured Claims or Secured Lender Unsecured Claims must be paid in
7 full before any Investor Claims may receive distributions under the Plan or Plan Recovery Trust, and
8 (b) that classifying Secured Lender Claims together with Trade Claims violates section 1122(a) of the
9 Bankruptcy Code, that these types of claims are not substantially similar and must be separately
10 classified, and that classifying them together impermissibly dilutes Secured Lender votes. The Plan
11 Proponents dispute these contentions. KeyBank’s contentions and objections are expressly reserved
12 and preserved.

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

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

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

23 As set forth in more detail in the Investigation Report, the Plan Proponents believe that the
24 terms of the comprehensive compromise and settlement to be effected by the Plan are fair and
25 reasonable, and that its approval is in the best interests of the Estates and all stakeholders. The Plan
26

27
28 ²⁹ This section was added to the Disclosure Statement at the request of KeyBank. The Plan Proponents do not agree with
the assertions contained in this section.

Proponents will provide further evidence and argument supporting approval of this comprehensive compromise and settlement, including the elements detailed above, at the Confirmation Hearing.

C. Plan Recovery Trust

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

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

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

1. Contributed Claim Election

An Investor has the choice whether to contribute its Contributed Claims to the Plan Recovery Trust. **Investors will automatically contribute their Contributed Claims to the Plan Recovery Trust—and become Contributing Claimants—if they vote to accept the Plan and do not opt out of the Contributed Claim Election (unless the Investor’s claims are listed in the Schedule of Disclaimed Contributed Claims).** . Contributed Claims are defined as all Causes of Action that are legally assignable (including Causes of Action that are legally assignable solely because of the preemptive effect of the Plan) that the Contributing Claimant has against any Person that is not a Debtor and that are related in any way to the Debtors, their predecessors, their respective affiliates, or any Excluded Parties. Contributed Claims would include (a) all Causes of Action based on, arising out of, or related to the marketing, sale, or issuance of any investments related to the Debtors; (b) all Causes of Action for unlawful dividend, fraudulent conveyance, fraudulent transfer, voidable

1 transaction, or other avoidance claims under state or federal law; (c) all Causes of Action based on,
2 arising out of, or related to the misrepresentation of any of the Debtors' financial information, business
3 operations, or related internal controls; (d) all Causes of Action based on, arising out of, or related to
4 any failure to disclose, or actual or attempted cover up or obfuscation of, any of the wrongful conduct
5 described in the Disclosure Statement, including with respect to any alleged fraud related thereto; and
6 (e) all Causes of Action based on aiding or abetting, entering into a conspiracy with, or otherwise
7 supporting torts committed by the Debtors or their agents. Contributed Claims shall not include the
8 rights of a Contributing Claimant to receive the Distributions, if any, to which it is entitled under the
9 Plan.

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

21 **G. Discharge, Injunctions, Releases, and Exculpation**

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

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

24 **In accordance with section 1141(d)(3)(A) of the Bankruptcy Code,**
25 **the Plan does not discharge the Debtors. Section 1141(c) of the**
26 **Bankruptcy Code nevertheless provides, among other things, that**
27 **the property dealt with by the Plan, including, without limitation,**
28 **the Retained Real Properties, is free and clear of all claims and**
interests of creditors, equity security holders, and of general
partners in the Debtors. Accordingly, as of the Effective Date, all
Entities are precluded and barred from asserting against any
property to be distributed under the Plan any Claims, rights,

1 Causes of Action, liabilities, Equity Interests, or other action or
2 remedy based on any act, omission, transaction, or other activity
3 that occurred before the Effective Date, except as expressly
4 provided in the Plan or the Confirmation Order.

5 2. Debtors' Releases

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

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

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

3. Exculpation and Limitation of Liability

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

On the Effective Date, to the maximum extent permitted by law, no
Exculpated Party shall have or incur, and each Exculpated Party is
hereby exculpated from, any Claim, interest, obligation, suit,
judgment, damage, demand, debt, right, Cause of Action, loss,
remedy, or liability to any Person or Entity, including to any Holder
of a Claim or Equity Interest, for any claim (including, but not
limited to, any claim for breach of any fiduciary duty or any similar
duty), for any act or omission in connection with, relating to, or
arising out of the Chapter 11 Cases, including the formulation,
negotiation, preparation, dissemination, solicitation of acceptances,
implementation, confirmation, or consummation of the Plan, the
Disclosure Statement, or any contract, instrument, release, or other
agreement or document created, executed, or contemplated in
connection with the Plan, or the administration of the Plan, or the
administration of the Chapter 11 cases, or the operation of the
Debtors' businesses during the Chapter 11 Cases, or the disposition
of property and cash to be distributed during the Chapter 11 Cases
or to be distributed under the Plan; *provided, however*, that the

1 exculpation provisions of this Section 11.3 shall only apply, with
2 respect to the Responsible Individual and its Professionals, to acts
3 or omissions occurring after the Order for Relief Date; *provided,*
4 *further,* that the exculpation provisions of this Section 11.3 shall not
5 apply to acts or omissions constituting gross negligence, intentional
6 fraud, or willful misconduct by such Exculpated Party as
7 determined by a Final Order. For purposes of the foregoing, it is
8 expressly understood that any act or omission effected with the
9 approval of the Bankruptcy Court will be conclusively presumed
10 not to constitute intentional fraud or willful misconduct unless the
11 approval of the Bankruptcy Court was obtained by intentional
12 fraud or intentional misrepresentation, and the Exculpated Parties
13 shall be entitled in all respects to rely on the written advice of
14 counsel with respect to their duties and responsibilities under, or in
15 connection with, the Chapter 11 Cases, the Plan, and administration
16 thereof. This exculpation shall be in addition to, and not in
17 limitation of, all other releases, indemnities, exculpations, and any
18 other applicable law or rules protecting such Exculpated Parties
19 from liability.

11 4. Injunctions Related to Releases and Exculpation.

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

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

21 V.

22 RISK FACTORS

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

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

28 Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in
a particular class only if such claim or interest is substantially similar to the other claims or interests

1 in such class. The Plan Proponents believe that the classification of the Claims and Equity Interests
2 under the Plan complies with this requirement. Nevertheless, there can be no assurance that the
3 Bankruptcy Court will reach the same conclusion.

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

5 As with any proposed plan, the Plan Proponents may not receive the requisite acceptances to
6 confirm the Plan. If votes in Class 5 (Investor Claims) are received in number and amount sufficient
7 to enable the Court to confirm the Plan, the Plan Proponents intend to seek confirmation of the Plan
8 by the Court. If Class 5 (Investor Claims) rejects the Plan, the Plan Proponents will not seek
9 confirmation of the Plan and will need to incur additional fees and expenses to develop an alternative
10 path forward. Even if the requisite acceptances of the proposed Plan are received, the Court still might
11 not confirm the Plan as proposed if the Court finds that any of the statutory requirements for
12 confirmation under section 1129 of the Bankruptcy Code have not been met.

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

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

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

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

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

8 The Plan Proponents dispute these assertions which were added at the request of Timothy
9 Lefever.

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

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

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

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

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

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

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

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

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

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

26 Moreover, no Person may rely on the absence of a specific reference in the Plan, the
27 Confirmation Order, the Plan Recovery Trust Agreement, or the Disclosure Statement to any
28 Contributed Claims against such Person as any indication that the Plan Recovery Trust will not pursue

1 any and all available Contributed Claims against such Person. The objection to the Allowance of any
2 Claims will not in any way limit the ability or the right of the Plan Recovery Trust to assert, commence,
3 or prosecute any Contributed Claims. Nothing contained in the Plan, the Confirmation Order, the Plan
4 Recovery Trust Agreement, or the Disclosure Statement will be deemed to be a waiver, release, or
5 relinquishment of any Contributed Claims which the Contributing Claimants had immediately before
6 the Effective Date. The Plan Recovery Trust shall have, retain, reserve, and be entitled to assert all
7 Contributed Claims fully as if the Contributed Claims had not been contributed to the Plan Recovery
8 Trust in accordance with the Plan and the Plan Recovery Trust Agreement.

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

12 **G. Risks Regarding Real Estate**

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

declines in the value of real estate generally, risks related to general and economic conditions, changes in the value of the comparable properties, and defaults by real estate borrowers within the particular market or the broader economy.

VI.

CONFIRMATION OF THE PLAN

A. The Confirmation Hearing

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

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

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

B. Requirements for Confirmation of the Plan

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

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Plan Proponents believe that: (i) the Plan satisfies or will satisfy all of the necessary statutory requirements of chapter 11 of the Bankruptcy Code, (ii) the Plan Proponents have complied or will have complied with all of the necessary

requirements of chapter 11 of the Bankruptcy Code, and (iii) the Plan has been proposed in good faith. More specifically, the Plan Proponents believe that the Plan satisfies or will satisfy the following applicable Confirmation requirements of section 1129 of the Bankruptcy Code:

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

C. Best Interests of Creditors

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

1 Committee, have prepared a liquidation analysis attached hereto as **Exhibit C** (the “Liquidation
2 Analysis”).

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

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

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

17 In addition, a chapter 7 trustee likely would act quickly to sell or otherwise monetize the
18 Debtors’ assets, including because (i) a chapter 7 trustee probably would not have adequate staffing
19 or funding to dispose of the Properties over an extended period of time and (ii) a chapter 7 trustee
20 would need to seek authorization to operate the Debtors’ remaining business, which is relief that
21 should be granted only “for a limited period” in any event, *see* 11 U.S.C. § 721. Such a forced sale by
22 a chapter 7 trustee would likely ultimately result in substantially lower recoveries from the sale of the
23 Debtors’ assets, as set forth in the Liquidation Analysis. Additionally, there is a risk that the chapter
24 7 estates are not substantively consolidated. In this scenario, multiple chapter 7 trustee would be
25 appointed and there would likely be material delays and significant increased professional fees.

26 On balance, the Plan Proponents believe that a chapter 7 trustee would be less likely to
27 maximize the value available from all the Estate Assets and would be unable to obtain the benefits of
28 the compromises and settlements available under the Plan. Therefore, the Plan Proponents believe that

1 confirmation of the Plan will provide each Investor and other creditors with an equal or greater
2 recovery than such party would receive pursuant to the liquidation of the Debtors under chapter 7 of
3 the Bankruptcy Code.

4 **D. Feasibility**

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

12 **E. Acceptance by Impaired Classes**

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

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

22 Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired
23 claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in
24 number of allowed claims in that class, counting only those claims held by creditors that actually voted
25 to accept or reject the plan. Thus, a Class of Impaired Claims will have voted to accept the Plan only
26 if two-thirds in amount and a majority in number actually voting cast their Ballots in favor of
27 acceptance.
28

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

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

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

16 **1. No Unfair Discrimination**

17 The "unfair discrimination" test applies to classes of claims or interests that reject or are
18 deemed to have rejected a plan and that are of equal priority with another class of claims or interests
19 that is receiving different treatment under the plan. The test does not require that the treatment of such
20 classes of claims or interests be the same or equivalent, but that such treatment be "fair" under the
21 circumstances. In general, bankruptcy courts consider whether a plan discriminates unfairly in its
22 treatment of classes of claims of equal rank (*e.g.*, classes of the same legal character). Bankruptcy
23 courts will take into account various factors in determining whether a plan discriminates unfairly.
24 Accordingly, a plan could treat two classes of unsecured creditors differently without unfairly
25 discriminating against either class. The Plan Proponents submit that if they are required to "cram
26 down" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured such that it
27 does not "discriminate unfairly" against any rejecting Class.
28

1 **2. Fair and Equitable Test**

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

10 **G. Alternatives to Confirmation and Consummation of the Plan**

11 The Plan Proponents believe that the Plan affords Investors and other creditors the potential
12 for a materially better realization on the Estate Assets than a chapter 7 liquidation and, therefore, is in
13 the best interests of all stakeholders. If, however, the requisite acceptances of the voting Classes of
14 Claims are not received, or no Plan is confirmed and consummated, the theoretical alternatives include:
15 (a) formulation of an alternative chapter 11 plan or plans or (b) liquidation of the Debtors under chapter
16 7 of the Bankruptcy Code.

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

22 The Cases could also be converted to cases under chapter 7 of the Bankruptcy Code, pursuant
23 to which a statutory trustee would be elected or appointed to complete the liquidation of the Estate
24 Assets for distribution to creditors in accordance with the priorities established by the Bankruptcy
25 Code. As described above, the Plan Proponents believe that the Plan will provide each Investor and
26 other creditor with an equal or greater recovery than it would receive pursuant to liquidation of the
27 Debtors under chapter 7 of the Bankruptcy Code.
28

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.**³⁰ 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;

³⁰ 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.

- 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.³¹ This discussion does not address the tax consequences to holders of Claims who did not acquire such Claims at the issue price on original issue. No aspect of foreign, state, local or estate and gift taxation is addressed.

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

³¹ 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 against, currency risk or that are part of a straddle, constructive sale, or conversion transaction.

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

- 5 (i) whether the Claim or portion thereof constitutes a Claim for principal or
6 interest;
- 7 (ii) the type of consideration, if any, received by the Holder in exchange for the
8 Claim, and whether the Holder receives Distributions under the Plan in more
9 than one taxable year;
- 10 (iii) whether the Holder is a citizen or resident of the United States for tax purposes,
11 is otherwise subject to U.S. federal income tax on a net basis, or falls into any
12 special class of taxpayers, such as those that are excluded from this discussion
13 as noted above;
- 14 (iv) the manner in which the Holder acquired the Claim;
- 15 (v) the length of time that the Claim has been held;
- 16 (vi) whether the Claim was acquired at a discount;
- 17 (vii) whether the Holder has taken a bad-debt deduction or a worthless-securities
18 deduction with respect to the Claim or any portion thereof in the current or prior
19 taxable years;
- 20 (viii) whether the Holder has previously included in gross income accrued but unpaid
21 interest with respect to the Claim;
- 22 (ix) the method of tax accounting of the Holder;
- 23 (x) whether the Claim is an installment obligation for U.S. federal income tax
24 purposes; and
- 25 (xi) whether the “market discount” rules apply to the Holder.

26 Therefore, each Holder should consult such Holder’s own tax advisor for tax advice with
27 respect to that Holder’s particular situation and circumstances, and the particular tax consequences to
28 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

1 affect the U.S. federal income tax consequences of the Plan and the transactions contemplated
2 thereunder. No representations are being made regarding the particular tax consequences of the
3 confirmation or implementation of the Plan as to any Holder of a Claim. This discussion is not binding
4 upon the IRS or other taxing authorities. No assurance can be given that the IRS or another authority
5 would not assert, or that a court would not sustain, a different position from any discussed herein.

6 **THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF**
7 **CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT**
8 **A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE**
9 **FOLLOWING DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT**
10 **TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND**
11 **MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES.**
12 **ACCORDINGLY, EACH HOLDER IS STRONGLY URGED TO CONSULT SUCH**
13 **HOLDER'S INDEPENDENT TAX ADVISOR REGARDING THE FEDERAL, STATE,**
14 **LOCAL, AND FOREIGN INCOME TAX CONSEQUENCES OF THE PLAN.**

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

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

As of the Effective Date, the Plan Recovery Trust shall be established for the benefit of all Plan Recovery Trust Beneficiaries. The Plan Recovery Trustee will make a good-faith valuation of the Plan Recovery Trust Assets. All parties (including, without limitation, the Plan Recovery Trustee and the Plan Recovery Trust Beneficiaries) must consistently use such valuation for all U.S. federal income tax purposes. Allocations of taxable income of the Plan Recovery Trust (other than taxable income allocable to a Distribution Reserve) among Plan Recovery Trust Beneficiaries shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (were such cash permitted to be distributed at such time) if, immediately prior to such deemed distribution, the Plan Recovery Trust had distributed all of its assets (valued at their tax book value, and other than assets allocable to a Distribution Reserve) to the holders of the beneficial interests in the Plan Recovery Trust, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Plan Recovery Trust. Similarly, taxable loss of the Plan Recovery Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a distribution in liquidation of the remaining Plan Recovery Trust Assets. The tax book value of the Plan Recovery Trust Assets for this purpose shall be equal to the fair-market value of the Plan Recovery Trust Assets on the Effective Date, adjusted in accordance with tax accounting principles prescribed by the IRC, applicable Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Plan Recovery Trustee of an IRS private letter ruling if the Plan Recovery Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Plan Recovery Trustee), the Plan Recovery Trustee will (a) elect to treat any Plan Recovery Trust Assets allocable to a Distribution Reserve (a reserve for amounts and Plan Recovery Trust interests retained on account of Contingent Claims, Disputed Claims or Unliquidated Claims) as a “disputed ownership fund” governed by Treasury Regulation section 1.468B-9 and (b) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes. Accordingly, the Distribution Reserves will be subject to tax annually on a separate entity basis on any net income earned with respect to the Plan Recovery Trust Assets in such reserves, and all distributions from such reserves

1 will be treated as received by holders in respect of their Claims as if distributed by the Debtors. All
2 parties (including, without limitation, the Plan Recovery Trustee and the Holders of the Plan Recovery
3 Trust Units) will be required to report for U.S. federal income tax purposes consistently with the
4 foregoing.

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

15 Although the following discussion assumes that the Plan Recovery Trust would be treated as
16 a grantor trust for U.S. federal income tax purposes, no ruling has been requested from the IRS
17 concerning the tax status of the Plan Recovery Trust as a grantor trust. Accordingly, there can be no
18 assurance that the IRS would not take a contrary position to the classification of the Plan Recovery
19 Trust as a grantor trust for U.S. federal income tax purposes. If the IRS were to successfully challenge
20 this classification, the U.S. federal income tax consequences to the Plan Recovery Trust and the
21 holders of Plan Recovery Trust Units could vary from those discussed herein and, thus, there could be
22 less Available Cash than projected, resulting in lower recoveries for holders of Plan Recovery Trust
23 Units.

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

25 In general, each holder of an Allowed Claim will recognize gain or loss in an amount equal to
26 the difference between (i) the “amount realized” by such holder in satisfaction of its Claim and (ii)
27 such holder’s adjusted tax basis in such Claim. The “amount realized” by a holder will equal the sum
28 of cash and the aggregate fair-market value of the property received by such holder pursuant to the

1 Plan (such as a holder's undivided beneficial interest in the assets transferred to the Plan Recovery
2 Trust). Where gain or loss is recognized by a holder in respect of its Allowed Claim, the character of
3 such gain or loss (i.e., long-term or short-term capital, or ordinary income) will be determined by a
4 number of factors including (i) the tax status of the holder, (ii) whether the Claim constituted a capital
5 asset in the hands of the holder and how long it had been held, (iii) whether the Claim was originally
6 issued at a discount or acquired at a market discount, and (iv) whether and to what extent the holder
7 had previously claimed a bad debt deduction or theft loss in respect of the Claim.

8 Generally, a Holder of an Allowed Claim will realize gain or loss on the exchange under the
9 Plan of its Allowed Claim for Cash or other property in an amount equal to the difference between (i)
10 the sum of the amount of any Cash and the fair market value on the date of the exchange of any other
11 property received by the Holder and (ii) the adjusted tax basis of the Allowed Claim exchanged
12 therefor (other than basis attributable to accrued but unpaid interest previously included in the Holder's
13 taxable income). It is possible that any loss, or a portion of any gain, realized by a Holder of a Claim
14 may have to be deferred until all of the Distributions to such Holder are received.

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

20 A Holder of an Allowed Claim who receives, in respect of the Holder's Allowed Claim, an
21 amount that is less than that Holder's tax basis in such Allowed Claim may be entitled to a bad-debt
22 deduction under IRC section 166(a). The rules governing the character, timing, and amount of a bad-
23 debt deduction place considerable emphasis on the facts and circumstances of the holder, the obligor,
24 and the instrument with respect to which a deduction is claimed. **Holders of Allowed Claims,**
25 **therefore, are urged to consult their own tax advisors with respect to the ability to take a bad-**
26 **debt deduction.** A Holder that has previously recognized a loss or deduction in respect of that
27 Holder's Allowed Claim may be required to include in gross income (as ordinary income) any amounts
28 received under the Plan to the extent such amounts exceed the Holder's adjusted basis in such Allowed

1 Claim. Holders of Investor Claims may also be entitled to claim losses on account of a Ponzi scheme,
2 as discussed in Section VII.D. below.

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

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

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

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

21 After the Effective Date, any amount that a Plan Recovery Trust Beneficiary (as a Holder of a
22 Plan Recovery Trust Unit) receives as a distribution from the Plan Recovery Trust in respect of its
23 beneficial interest in the Plan Recovery Trust should not be included, for U.S. federal income tax
24 purposes, in the Holder's amount realized in respect of its Allowed Claim but should be separately
25 treated as a distribution received in respect of such Holder's beneficial interest in the Plan Recovery
26 Trust. In general, a Holder's aggregate tax basis in its undivided beneficial interest in the assets
27 transferred to the Plan Recovery Trust will equal the fair market value of such undivided beneficial
28 interest as of the Effective Date and the Holder's holding period in such assets will begin the day

1 following the Effective Date. Distributions to any Holder of an Allowed Claim will be allocated first
2 to the original principal portion of such Claim as determined for federal tax purposes and then, to the
3 extent the consideration exceeds such amount, to the remainder of such Claim. However, there is no
4 assurance that the IRS will respect such allocation for U.S. federal income tax purposes.

5 For all U.S. federal income tax purposes, all parties (including the Plan Recovery Trustee and
6 the Holders of Plan Recovery Trust Units) shall treat the transfer of the Plan Recovery Trust Assets to
7 the Plan Recovery Trust, in accordance with the terms of the Plan, as a transfer of those assets directly
8 to the Holders of Allowed Claims (and, with respect to the Contingent Claims, Disputed Claims and
9 Unliquidated Claims, to the Distribution Reserve) followed by the transfer of such assets by such
10 Holders to the Plan Recovery Trust. Consistent therewith, all parties shall treat the Plan Recovery
11 Trust as a grantor trust of which such Holders are to be the owners and grantors. Thus, such Holders
12 (and any subsequent Holders of interests in the Plan Recovery Trust) shall be treated as the direct
13 owners of an undivided beneficial interest in the assets of the Plan Recovery Trust. Accordingly, each
14 Holder of a beneficial interest in the Plan Recovery Trust will be required to report on its U.S. federal
15 income tax return(s) the Holder's allocable share of all income, gain, loss, deduction, or credit
16 recognized or incurred by the Plan Recovery Trust. The Plan Recovery Trust's taxable income will be
17 allocated to the Holders of Plan Recovery Trust Units in accordance with each such Holder's pro rata
18 share of the Plan Recovery Trust Units in the Plan Recovery Trust Assets. The character of items of
19 income, deduction, and credit to any Holder and the ability of such Holder to benefit from any
20 deductions or losses may depend on the particular situation of such Holder. The U.S. federal income
21 tax reporting obligation of a Holder of a beneficial interest in the Plan Recovery Trust is not dependent
22 upon the Plan Recovery Trust distributing any cash or other proceeds. Therefore, a Holder of a
23 beneficial interest in the Plan Recovery Trust may incur a U.S. federal income tax liability regardless
24 of the fact that the Plan Recovery Trust has not made, or will not make, any concurrent or subsequent
25 distributions to the Holder. If a Holder incurs a U.S. federal tax liability but does not receive
26 distributions commensurate with the taxable income allocated to it in respect of its Plan Recovery
27 Trust Unit in the Plan Recovery Trust, the Holder may be allowed a subsequent or offsetting loss.
28

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

8 **A Plan Recovery Trust Beneficiary who is a victim of a Ponzi scheme might be entitled**
9 **to claim a loss dependent on its individual circumstances.** Such losses that arise out of property
10 used in a trade or business or a transaction entered into for profit are deductible in the year in which
11 the loss is sustained and in an amount not to exceed the adjusted tax basis of the property involved. A
12 theft loss generally cannot be deducted in a tax year to the extent that there are reasonable prospects
13 of a recovery of some or all of the loss. In that event, the deduction is postponed until it can be
14 ascertained with reasonable certainty the likelihood and amount of any reimbursement that will be
15 received. The loss generally must be deducted in the first year a reasonable prospect of recovery no
16 longer exists, and cannot be claimed in any subsequent year. The reasonable prospect of
17 reimbursement rule applies only to that part of the loss for which reimbursement is available. However,
18 in 2009, the IRS issued Rev. Proc. 2009-20, 2009-14 I.R.B. 735, to provide an optional safe harbor
19 allowing certain taxpayers to claim a theft loss deduction under IRC section 165 for qualified losses
20 resulting from certain fraudulent investment schemes. Rev. Proc. 2009-20 generally defines a
21 qualified loss as a loss from a specified fraudulent arrangement, including Ponzi schemes, for which
22 authorities have charged the lead figure by indictment, information, or criminal complaint with a crime
23 that meets the definition of theft for purposes of IRC section 165. Under these safe-harbor provisions,
24 a qualified investor may deduct 95% of qualified investment in the discovery year (i.e., the year in
25 which the indictment, information, or complaint described in Rev. Proc. 2009-20 is filed) if the
26 qualified investor does not pursue any potential third-party recovery. A 75% deduction is available in
27 the discovery year if a qualified investor is pursuing or intends to pursue any potential third-party
28

1 recovery. The details for qualification for the safe harbor deduction are set forth in Rev. Proc. 2009-
2 20.

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

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

22 **E. Withholding on Distributions and Information Reporting**

23 All Distributions to Holders of Allowed Claims under the Plan and any Distributions to the
24 Holders of Plan Recovery Trust Units are subject to any applicable tax withholding, including
25 employment tax withholding. Under U.S. federal income tax law, interest, dividends, and other
26 reportable payments may, under certain circumstances, be subject to “backup withholding” at the then-
27 applicable withholding rate. Backup withholding generally applies if the payment recipient (i) fails to
28 furnish the recipient’s social security number or other taxpayer identification number, (ii) furnishes an

1 incorrect taxpayer identification number, (iii) fails to properly report interest or dividends, or (iv) under
2 certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the
3 taxpayer's identification number provided is the recipient's correct taxpayer identification number and
4 that such recipient is not subject to backup withholding. Backup withholding is not an additional tax
5 but merely an advance payment, which may be refunded to the extent it results in an overpayment of
6 tax. Certain Persons are exempt from backup withholding, including, in certain circumstances,
7 corporations, and financial institutions.

8 In addition, a Holder of an Allowed Claim that is a not a U.S. entity may be subject to additional
9 withholding, depending on, among other things, the particular type of income and whether the type of
10 income is subject to a lower treaty rate. As to certain Claims, it is possible that withholding may be
11 required with respect to distributions by the Debtor making such Distribution or by the Plan Recovery
12 Trust, as applicable, even if no withholding would have been required if payment was made before
13 the Cases. A non-U.S. Holder may also be subject to other adverse consequences in connection with
14 the implementation of the Plan. As discussed above, the foregoing discussion of the U.S. federal
15 income tax consequences of the Plan does not generally address the consequences to non-U.S. Holders.
16 Non-U.S. Holders are urged to consult their own tax advisors regarding potential withholding on
17 Distributions under the Plan.

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

24 VIII.

25 RECOMMENDATION

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

1 Dated: December 11, 2025

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EXHIBIT A

Joint Chapter 11 Plan

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SANTA ROSA DIVISION

In re LEFEVER MATTSON, a California corporation, <i>et al.</i> , Debtors.	Case No. 24-10545 CN (Lead Case) (Jointly Administered) Chapter 11
In re KS MATTSON PARTNERS, LP, Debtor.	THIRD AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION

Date: December 11, 2025

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INTRODUCTION¹

The LFM Debtors, KSMP, and the Committee jointly hereby propose the Plan, which provides for the resolution of the outstanding Claims asserted against and Equity Interests asserted in the Debtors. Provided herewith as a separate enclosure is a brief summary of the Plan (the “Plan Summary”), which all Investors are encouraged to read in its entirety in conjunction with the Plan and other documents referenced herein.²

This Plan represents a global settlement (the “Global Settlement”) of the complex issues in these Chapter 11 Cases, including (a) substantive consolidation of the Debtors and the KSMP Investment Entities, (b) the Ponzi determination, and (c) the allowance and treatment of all claims of Investors and other third parties. The Global Settlement, which was negotiated by the LFM Debtors, KSMP, and the Committee, provides for a “single pot,” such that all assets and liabilities of all Debtors and the KSMP Investment Entities are pooled and consolidated for distribution purposes, through substantive consolidation under this Plan. Pursuant to applicable law, all Investors and other holders of Investor Claims are treated the same, as holders of tort claims, regardless of the type of documentation or instrument held. Pursuant to the Global Settlement, each Investor will receive a claim for money (or value of property) it invested in the Debtors and the KSMP Investment Entities over time less any distributions the Investor received over the seven years prior to the Petition Date. This claim will receive a *pro rata* distribution of available assets and, only after such claim is paid in full, will there be any recovery on claims for profits, pursuant to the principles of “netting” in Ponzi scheme cases. However, as part of the Global Settlement, rather than netting from the suspected Ponzi scheme start date, the Plan provides that only payments made to Investors seven years prior to September 12, 2024, will be offset/netted in calculating the Investor Claims.³

The Plan further provides that Trade Claims are separately classified in Class 4. If Class 4 (Trade Claims) votes to accept the Plan, holders of Trade Claims will receive their *pro rata* share of the Trade Claims Settlement Fund (up to 100% of the amount of their Allowed Trade Claim). If Class 4 votes to reject the Plan, the Trade Claims Settlement Fund will not be established and holders of Trade Claims will receive their *pro rata* beneficial interest in the Plan Recovery Trust, which will be treated *pari passu* with Investor Tranche 1 Claims.

Further reference is made to the Disclosure Statement for (i) a discussion of the Debtors’ history, businesses, assets, results of operations, and other financial information; (ii) a summary and analysis of the Plan; and (iii) certain related matters, including risk factors relating to the consummation of the Plan and Distributions to be made under the Plan.

The Debtors and the Committee are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code, Bankruptcy Rule 3019, and Section 4.6, Section 4.8, and Section 12.5 of the Plan, the Plan Proponents reserve the right to alter, amend, modify, revoke, or withdraw the Plan prior to its substantial consummation.

¹ A capitalized term used but not defined in this Introduction shall have the meaning ascribed to it in Article I and Exhibit A.

² In the event of any inconsistencies between the terms of the Plan and the information and descriptions in the Plan Summary, the terms of the Plan shall control.

³ Investors will also receive *pro rata* distributions from the Investor Forfeiture Fund in the event that there is any Forfeiture Property obtained by the DOJ, the SEC, or another Governmental Unit.

No solicitation materials, other than the Disclosure Statement and related materials transmitted therewith, have been approved for use in soliciting acceptances of the Plan. Nothing in the Plan should be construed as constituting a solicitation of acceptances of the Plan unless and until the Disclosure Statement has been approved and distributed to Holders of Claims and Equity Interests to the extent required by section 1125 of the Bankruptcy Code.

ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO CAREFULLY READ THE PLAN AND THE DISCLOSURE STATEMENT (INCLUDING ALL EXHIBITS AND SCHEDULES THERETO), EACH IN ITS ENTIRETY, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

ARTICLE I.
DEFINED TERMS AND RULES OF INTERPRETATION

For purposes of the Plan, except as expressly provided or unless the context otherwise requires: (i) capitalized terms used herein shall have the meanings ascribed to them on Exhibit A annexed hereto; (ii) any capitalized term used in this Plan that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable; (iii) whenever the context requires, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter; (iv) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (v) any reference in the Plan to an existing document or exhibit means such document or exhibit as it may be amended, modified, or supplemented from time to time; (vi) unless otherwise specified, all references in the Plan to sections, articles, schedules, and exhibits are references to sections, articles, schedules, and exhibits of or to the Plan; (vii) the words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to the Plan in its entirety rather than to any particular paragraph, subparagraph, or clause contained in the Plan; (viii) captions and headings to articles and sections are inserted for convenience of reference only and shall not limit or otherwise affect the provisions hereof or the interpretation of the Plan; and (ix) the rules of construction set forth in section 102 of the Bankruptcy Code and in the Bankruptcy Rules shall apply.

ARTICLE II.
CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

2.1 Summary and Classification of Claims and Equity Interests.

This Section classifies Claims – except for Administrative Expense Claims, DIP Facility Claims, Professional Fee Claims, Involuntary Gap Claims, and Priority Tax Claims, which are not classified – for all purposes, including confirmation, Distributions, and voting. A Claim is classified in a particular Class only to the extent that the Claim falls within the Class description. To the extent that part of a Claim falls within a different Class description, that part of the Claim is classified in that different Class. The following table summarizes the Classes of Claims and Equity Interests under the Plan.

CLASS	DESCRIPTION	IMPAIRED STATUS	VOTING STATUS
Class 1	Priority Claims	Unimpaired	Not Entitled to Vote (deemed to accept)

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

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

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

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

ARTICLE III.
TREATMENT OF CLAIMS AND EQUITY INTERESTS

3.1 Comprehensive Settlement of Claims and Controversies.

Pursuant to sections 1123(a)(5), 1123(b)(3), and 1123(b)(6) of the Bankruptcy Code, as well as Bankruptcy Rule 9019, and in consideration for the Distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good-faith compromise and settlement of all claims and controversies relating to the rights that a Holder of a Claim or an Equity Interest may have against any Debtor with respect to any Claim, any Equity Interest, or any Distribution on account thereof, as well as of all potential Intercompany Claims, Intercompany Liens, and Causes of Action against any Debtor. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise and settlement of all such claims or controversies and the Bankruptcy Court's finding that all such compromises and settlements are (i) in the best interest of the Debtors, the Estates, the KSMP Investment Entities, and their respective stakeholders; and (ii) fair, equitable, and reasonable. This comprehensive compromise and settlement is a critical component of the Plan and is designed to provide a resolution of myriad disputed Claims, Liens, and Causes of Action that otherwise could take years to resolve, which would both delay and reduce the Distributions ultimately available for Creditors.

As discussed above, the Global Settlement embodied in this Plan resolves the complex issues in these Chapter 11 Cases, including (a) substantive consolidation of the Debtors and the KSMP Investment Entities, (b) the Ponzi determination, and (c) the allowance and treatment of the Investor Claims. The Global Settlement, which was negotiated by the LFM Debtors, KSMP, and the Committee, provides for a "single pot," such that all assets and liabilities of all Debtors and the KSMP Investment Entities are pooled and consolidated for distribution purposes, through substantive consolidation under this Plan. Pursuant to applicable law, all Investors are treated the same, as holders of tort claims, regardless of the type of documentation or instrument held. Pursuant to the Global Settlement, each Investor will receive a claim for money (or value of property) it invested in the Debtors and the KSMP Investment Entities over time less any distributions the Investor received over the seven years prior to the Petition Date. This claim will receive a *pro rata* distribution of available assets and, only after such claim is paid in full, will there be any recovery on claims for expected profits, pursuant to the principles of "netting" in Ponzi scheme cases. However, as part of the Global Settlement, rather than netting from the suspected Ponzi scheme start date, the Plan provides that only payments made to Investors seven years prior to September 12, 2024, will be offset/netted in calculating Investor Claims. Further reference is made to the Disclosure Statement for (i) a discussion of the Debtors' history, businesses, assets, results of operations, and other financial information; (ii) a summary and analysis of the Plan; and (iii) certain related matters, including risk factors relating to the consummation of the Plan and Distributions to be made under the Plan.

1 **3.2 Special Provisions Relating to Investor-Specific Claims.** Nothing in the Plan will
2 impair the right of an Investor to independently pursue claims against third parties for which it has
3 independent legal standing that are unique to such Investor ("Investor-Specific Claims"). By way
4 of example, and not limitation, such unique claims include claims based on loss of lien or loss of
5 lien priority, claims against an Investor's own professional advisors, claims against retirement
6 servicers, and similar claims that may be asserted based on such Investor's particular
7 circumstances. The Investor-Specific Claims do not include (i) Claims common to all Investors,
8 (ii) Claims to recover commissions or referral fees paid by the Debtors to third parties in
9 connection with an Investor's investment with the Debtors or the KSMP Investment Entities, or
10 (iii) Contributed Claims.

11 **3.3 Unclassified Claims**

12 **3.3.1 Administrative Expense Claims**

13 Except as otherwise provided for herein, and subject to the requirements of the Plan, on
14 or as soon as reasonably practicable after the later of (a) the Effective Date, (b) thirty (30) calendar
15 days following the date on which an Administrative Expense Claim becomes an Allowed
16 Administrative Expense Claim, (c) the date on which such Allowed Administrative Expense Claim
17 is otherwise due and payable, or (d) such other date as may be mutually agreed to by the Plan
18 Recovery Trustee and the Holder of such Allowed Administrative Expense Claim, the Holder of
19 such Allowed Administrative Expense Claim shall receive, in full satisfaction, settlement, and
20 release of and in exchange for such Allowed Administrative Expense Claim, (a) Cash equal to the
21 unpaid portion of such Allowed Administrative Expense Claim or (b) such other less favorable
22 treatment as to which such Holder and the Plan Recovery Trustee shall have agreed upon in
23 writing.

24 All requests for payment of an Administrative Expense Claim must be Filed with the
25 Bankruptcy Court no later than the Administrative Expense Claims Bar Date. In the event of an
26 objection to Allowance of an Administrative Expense Claim, the Bankruptcy Court shall determine
27 the Allowed amount of such Administrative Expense Claim. Notwithstanding anything to the
28 contrary contained herein, postpetition statutory tax claims shall not be subject to any
Administrative Claims Bar Date.

18 **THE FAILURE TO FILE A MOTION REQUESTING ALLOWANCE OF AN**
19 **ADMINISTRATIVE EXPENSE CLAIM ON OR BEFORE THE ADMINISTRATIVE**
20 **EXPENSE CLAIMS BAR DATE, OR THE FAILURE TO SERVE SUCH MOTION**
21 **TIMELY AND PROPERLY, SHALL RESULT IN THE ADMINISTRATIVE EXPENSE**
22 **CLAIM BEING FOREVER BARRED AND DISALLOWED WITHOUT FURTHER**
23 **ORDER OF THE BANKRUPTCY COURT.**

24 **3.3.2 DIP Facility Claims**

25 The DIP Facility Claims shall be deemed to be Allowed Claims in the full amount
26 outstanding under the DIP Credit Agreements as of the Effective Date (including any unpaid
27 accrued interest and unpaid fees, expenses, and other obligations under the DIP Credit Agreements
28 as of the Effective Date). On the Effective Date, in full and complete satisfaction of the DIP
Facility Claims, the DIP Lender will receive Cash equal to the unpaid portion of the DIP Facility
Claims.

29 **3.3.3 Professional Fee Claims**

30 All final requests for payment of Professional Fee Claims pursuant to sections 327, 328,
31 330, 331, 363, 503(b), or 1103 of the Bankruptcy Code must be made by application Filed with
32 the Bankruptcy Court no later than forty-five (45) calendar days after the Effective Date.

Objections to such applications must be Filed and served on counsel to the Plan Recovery Trustee, counsel to the U.S. Trustee, and the requesting Professional in accordance with the Local Rules. All Professional Fee Claims shall be promptly paid from the Plan Recovery Trust to the extent approved by Final Order of the Bankruptcy Court. On the Effective Date, the Plan Recovery Trust shall establish the Professional Fee Reserve. The Professional Fee Reserve shall vest in the Plan Recovery Trust and shall be maintained by the Plan Recovery Trustee in accordance with the Plan. The Plan Recovery Trust shall fully fund the Professional Fee Reserve on the Effective Date in an amount that is determined by the Plan Proponents prior to the Confirmation Hearing and that approximates the total projected amount of unpaid Professional Fee Claims on the Effective Date. All Professional Fee Claims that have not previously been paid, otherwise satisfied, or withdrawn shall be paid first from the Professional Fee Reserve; *provided, however*, that the Professional Fee Reserve is an estimate and shall not be construed as a cap on the rights of a Holder of an Allowed Professional Fee Claim to receive payment in full on account of such Claim from the Plan Recovery Trust. Any excess funds in the Professional Fee Reserve shall be released to the Plan Recovery Trust to be used for other purposes consistent with the Plan.

3.3.4 Involuntary Gap Claims

To be eligible to receive Distributions under the Plan on account of an Involuntary Gap Claim, a proof of claim must be Filed or deemed Filed with the Bankruptcy Court so as to be received on or before the applicable Claims Bar Date. Any Holder of an Involuntary Gap Claim that does not properly assert such Claim shall have its Claim deemed Disallowed under the Plan and be forever barred from asserting such Claim against Debtor KSMP, any of the other Debtors, or any of their respective Estates, assets, or property. Any such Claim shall be Disallowed, and the Holder thereof shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset, recoup, or recover such Claim. Except as otherwise provided for herein, and subject to the requirements of the Plan, on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) thirty (30) calendar days following the date on which an Involuntary Gap Claim becomes Allowed, the Holder of such Allowed Involuntary Gap Claim shall receive, in full satisfaction, settlement, and release of and in exchange for such Allowed Involuntary Gap Claim, (a) Cash equal to the unpaid portion of such Allowed Involuntary Gap Claim or (b) such other less favorable treatment as to which such Holder and the Plan Recovery Trust shall have agreed upon in writing.

3.3.5 Priority Tax Claims

In full satisfaction, settlement, and release of and in exchange for such Claims, Allowed Priority Tax Claims shall be paid, at the Plan Recovery Trustee's option, as follows: (a) Cash equal to the unpaid portion of such Allowed Priority Tax Claim on the later of the Effective Date and thirty (30) calendar days following the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim; (b) in regular installment payments in Cash over a period not exceeding five (5) years after the Petition Date, plus interest on the unpaid portion thereof at the rate determined under applicable non-bankruptcy law as of the calendar month in which the Effective Date occurs (*provided* that such election shall be without prejudice to the right to prepay any such Allowed Priority Tax Claim in full or in part without penalty); or (c) such other treatment as to which the Holder of an Allowed Priority Tax Claim and the Plan Recovery Trust shall have agreed upon in writing.

3.4 Class 1: Priority Claims

Classification. Class 1 consists of all Priority Claims.

Treatment. On, or as soon as reasonably practicable after, the later of (i) the Effective Date and (ii) the date on which a Priority Claim becomes payable pursuant to and as specified by an order of the Bankruptcy Court, the Holder of such Allowed Class 1 Claim shall receive, in full

satisfaction, settlement, and release of and in exchange for such Allowed Class 1 Claim, either (a) Cash from the Plan Recovery Trust equal to the unpaid portion of such Allowed Class 1 Claim or (b) such other less favorable treatment from the Plan Recovery Trust to which such Holder and the Plan Recovery Trust shall have agreed upon in writing.

Impairment and Voting. Class 1 is Unimpaired. Holders of Class 1 Claims (Priority Claims) are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

3.5 Class 2: Other Secured Claims

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

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

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

3.6 Class 3: Secured Lender Claims

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

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

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

(ii) Retained Real Properties: If the Real Property securing the applicable Class 3 Claim is Retained Real Property, the Holder of the Class 3 Claim shall receive Cash in an amount equal to such Allowed Secured Lender Claim from the proceeds of the sale of the applicable Retained Real Property as soon as reasonably practicable, but no later than thirty (30) days after the later to occur of (A) the closing of the sale of the Retained Real

Property and (B) the date such Claim becomes an Allowed Secured Lender Claim; *provided that* pending and prior to such sale, the Holder will retain its lien in the applicable Retained Real Property after the Effective Date, but after the sale, the Holder will have a lien in only the net sale proceeds with the same validity and priority as it had in the Retained Real Property as of the Petition Date.

(iii) Settling Secured Lenders: If the Holder of a Class 3 Claim has entered into a Secured Lender Settlement Agreement prior to the Effective Date, the Holder of the Class 3 Claim shall receive, subject to the terms of this Plan and the applicable Secured Lender Settlement Agreement, the treatment expressly provided for in the Secured Lender Settlement Agreement. To the extent of any inconsistency or conflict between the terms of this Plan and the applicable Secured Lender Settlement Agreement, the Secured Lender Settlement Agreement shall control.

Impairment and Voting. Class 3 is Impaired and entitled to vote to accept or reject the Plan, and the votes of such Holders will be solicited with respect to such Allowed Class 3 Claims; *provided that* the Plan Proponents reserve the right to assert that the treatment provided to the Holders of Class 3 Claims pursuant to this Plan renders such Claims unimpaired, and *provided further*, 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. A Secured Lender whose asserted Secured Lender Claim was paid in full in the asserted amount at closing of the sale of the Real Property does **not** hold a Class 3 Claim and is not entitled to vote on the Plan.

3.7 Class 4: Trade Claims

Classification. Class 4 consists of all Trade Claims.

Treatment. On the Effective Date, or as soon as practicable thereafter, each Holder of an Allowed Class 4 Claim will receive:

(i) ***If Class 4 votes to accept the Plan***, each Holder of an Allowed Trade Claim shall receive its Pro Rata share of the Trade Claims Settlement Fund, in full and final satisfaction, settlement, and release of and in exchange for such Allowed Trade Claims; or

(ii) ***If Class 4 votes to reject the Plan***, each Holder of an Allowed Trade Claim shall 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. The issuance of the Class A Plan Recovery Trust Units is in full and complete satisfaction of Allowed Class 4 Claims in the event Class 4 rejects the Plan.

Impairment and Voting. Class 4 is Impaired under the Plan and entitled to vote to accept or reject the Plan, and the votes of such Holders will be solicited with respect to such Allowed Class 4 Claims.

3.8 Class 5: Investor Claims

Classification. Class 5 consists of all Investor Claims.

Treatment.

(i) Plan Recovery Trust Units. On the Effective Date, or as soon as practicable thereafter, in full satisfaction, settlement, and release of and in exchange for such Investor Claims, each Holder of an Allowed Class 5 Claim will receive its (i) Pro Rata distribution of Class A Plan Recovery Trust Units on account of its Allowed Investor Tranche 1 Claim (Pro Rata with Holders

of Allowed Trade Claims if Class 4 votes to reject the Plan) and (ii) Pro Rata distribution of Class B Plan Recovery Trust Units on account of its Allowed Investor Tranche 2 Claim, if any; and

(ii) Investor Forfeiture Fund. The Plan Recovery Trustee shall distribute the Cash proceeds in the Investor Forfeiture Fund to (a) the Holders of Allowed Investor Tranche 1 Claims on account of such Claims on a Pro Rata basis, and (b) after all Allowed Investor Tranche 1 Claims have been paid in full, the Holders of Allowed Investor Tranche 2 Claims on account of such Claims on a Pro Rata basis.

Contributed Claim Election. Each Holder of an Investor Claim that **accepts the Plan and does not opt-out of the Contributed Claim Election** shall (i) be deemed to contribute its Contributed Claims to the Plan Recovery Trust and (ii) on the Effective Date, or as soon as practicable thereafter, receive a Pro Rata Distribution of Class C Plan Recovery Trust Units. The Pro Rata Distribution of Class C Plan Recovery Trust Units shall be the ratio of (a) such Holder's Allowed Investor Claim to (b) the total Allowed Investor Claims of all Holders that make the Contributed Claim Election. By accepting the Plan, the Holder of an Investor Claim agrees that, subject to the occurrence of the Effective Date and the formation of the Plan Recovery Trust, it will be deemed, without further action, (i) to have irrevocably contributed its Contributed Claims to the Plan Recovery Trust and (ii) to have agreed to execute any documents reasonably requested to memorialize such contribution. All Causes of Action identified on the Schedule of Disclaimed Contributed Claims will not be Contributed Claims for purposes of the Plan.

Impairment and Voting. Class 5 is Impaired under the Plan and entitled to vote to accept or reject the Plan.

3.9 Class 6: Intercompany Claims

Classification. Class 6 consists of all Intercompany Claims.

Treatment. As of the Effective Date, all Intercompany Claims shall be deemed void, cancelled, and of no further force and effect. On and after the Effective Date, the Holders of Class 8 Claims shall not be entitled to, and shall not receive or retain, any property or interest in property under the Plan on account of such Allowed Class 8 Claims.

Impairment and Voting. Class 6 is Impaired under the Plan, deemed to reject the Plan, and not entitled to vote to accept or reject the Plan.

3.10 Class 7: Equitably Subordinated Claims.

Classification. Class 7 consists of all Equitably Subordinated Claims.

Treatment. The Holders of Allowed Class 7 Claims will retain a residual right to receive Available Cash that remains in the Plan Recovery Trust after the final administration of all Plan Recovery Trust Assets and the complete satisfaction of all senior payment rights within the Plan Recovery Trust Waterfall, including satisfaction of all Investor Claims. Any such recovery will be shared Pro Rata with Holders of Allowed Equitably Subordinated Interests.

Impairment and Voting. Class 7 is Impaired under the Plan, estimated to receive zero recovery under the Plan and therefore deemed to reject the Plan, and not entitled to vote to accept or reject the Plan.

3.11 Class 8: Equitably Subordinated Interests

Classification. Class 8 consists of all Equitably Subordinated Interests in the Debtors.

Treatment. The Holders of Allowed Class 8 Interests will retain a residual right to receive Available Cash that remains in the Plan Recovery Trust after the final administration of all Plan Recovery Trust Assets and the complete satisfaction of all senior payment rights within the Plan Recovery Trust Waterfall, including satisfaction of all Investor Claims. Any such recovery will be shared Pro Rata with Holders of Allowed Equitably Subordinated Claims.

Impairment and Voting. Class 8 is Impaired under the Plan, estimated to receive zero recovery under the Plan and therefore deemed to reject the Plan, and not entitled to vote to accept or reject the Plan.

ARTICLE IV.
ACCEPTANCE OR REJECTION OF THE PLAN

4.1 Impaired Classes Entitled to Vote.

Only the votes of Holders of Allowed Claims in Class 3, Class 4, and Class 5 shall be solicited with respect to the Plan.

4.2 Acceptance by an Impaired Class of Claims.

In accordance with section 1126(c) of the Bankruptcy Code, and except as provided in section 1126(e) of the Bankruptcy Code, the Holders of Claims in any Class of Claims (including any subclass) entitled to vote on the Plan shall have accepted the Plan if the Plan is accepted by the Holders of at least two-thirds ($\frac{2}{3}$) in dollar amount and more than one-half ($\frac{1}{2}$) in number of the Allowed Claims in such Class (or subclass) that have timely and properly voted to accept or reject the Plan.

4.3 Presumed Acceptances by Unimpaired Classes.

Class 1 and Class 2 are Unimpaired under the Plan. Under section 1126(f) of the Bankruptcy Code, the Holders of Claims in such Unimpaired Classes are conclusively presumed to have accepted the Plan, and, therefore, the votes of such Holders shall not be solicited.

4.4 Impaired Classes Deemed to Reject Plan.

Holders of Claims in Class 6 (Intercompany Claims) are not entitled to receive or retain any property or interests in property under the Plan. Under section 1126(g) of the Bankruptcy Code, such Holders are deemed to have rejected the Plan, and, therefore, the votes of such Holders shall not be solicited.

Holders of Claims in Class 7 and Equitably Subordinated Interests in Class 8 are estimated to receive zero recovery under the Plan, deemed to have rejected the Plan, and the votes of such Holders shall not be solicited.

4.5 Modifications of Votes.

Following the Voting Deadline, no Holders of Claims entitled to vote on the Plan will be able to change their votes cast on the Plan or any attendant elections or preferences without the written consent of the Plan Proponents, which consent may be given or withheld in the Plan Proponents' reasonable discretion.

4.6 Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code.

Because at least one Impaired Class is deemed to have rejected the Plan, the Plan Proponents will and hereby do request confirmation of the Plan under section 1129(b) of the

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

4.7 Elimination of Vacant Classes.

Any Class of Claims that does not contain, as of the date of the commencement of the Confirmation Hearing, a Holder of an Allowed Claim, or a Holder of a Claim temporarily allowed under Bankruptcy Rule 3018, shall be deemed deleted from the Plan for purposes of determining acceptance of the Plan by such Class under section 1129(a)(8) of the Bankruptcy Code.

4.8 Severability of Joint Plan.

The Plan represents a joint plan composed of individual plans for each of the Debtors. As further discussed in Section 12.5 of the Plan, the Plan Proponents may alter, amend, or modify the Plan at or before the Confirmation Hearing, including to remove one or more Debtors from the Plan, in the Plan Proponents' reasonable discretion.

ARTICLE V. IMPLEMENTATION OF THE PLAN

5.1 Implementation of the Plan.

The Plan will be implemented by various acts and transactions as set forth in the Plan, including, among other things, the establishment of the Plan Recovery Trust, the Oversight Committee, and the Plan Recovery Trustee, and the making of Distributions by the Plan Recovery Trustee in accordance with the Plan.

5.2 Streamlining of the Debtors' Corporate Affairs.

5.2.1 Debtors' Existing Directors, Officers, and Managers.

On the Effective Date, each of the Debtors' existing directors, officers, and managers shall be terminated automatically without the need for any Corporate Action and without the need for any corporate, limited liability company, or limited partnership filings, and shall have no ongoing rights against or obligations to the Debtors or the Estates, including under any applicable prepetition agreements (all of which will be deemed terminated). On the Effective Date, the Plan Recovery Trustee shall succeed to all such powers as would have been applicable to the Debtors' officers and managers with respect to all Plan Recovery Trust Assets; *provided, however*, that the Plan Recovery Trustee may continue to consult with or employ the Debtors' former directors, officers, employees, and managers to the extent required to comply with applicable law or to implement the Plan or the Plan Recovery Trust.

5.2.2 Dissolution of the Debtors.

On the Effective Date, each of the Debtors will be dissolved automatically without the need for any Corporate Action, 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 by or on behalf of such dissolving Debtor or any other Person or any payments to be made in connection therewith; *provided, however*, that the Plan Recovery Trustee may in its discretion file any certificates of cancellation or other documents as may be appropriate in connection with dissolution of the Debtors. On and as of the earlier of the Closing Date and the date on which the Plan Recovery Trustee Files with the Bankruptcy Court a notice of dissolution as to a Debtor, such Debtor will be dissolved automatically without the need for any Corporate Action, without the need for any corporate, limited liability company, or limited partnership filings, and without the need for any

1 other or further actions to be taken by or on behalf of such dissolving Debtor or any other Person
2 or any payments to be made in connection therewith; *provided, however*, that the Plan Recovery
3 Trustee may in its discretion file any certificates of cancellation or dissolution as may be
4 appropriate in connection with dissolution of any Debtors.

5.2.3 Corporate Documents and Corporate Authority.

5 On the Effective Date, the certificates of incorporation, bylaws, operating agreements,
6 partnership agreements, and articles of organization, as applicable, of all the Debtors shall be
7 deemed amended to the extent necessary to carry out the provisions of the Plan. The entry of the
8 Confirmation Order shall constitute authorization for the Debtors and the Plan Recovery Trustee,
9 as applicable, to take or cause to be taken all actions (including, if applicable, Corporate Actions)
10 necessary or appropriate to implement all provisions of, and to consummate, the Plan prior to, on,
11 and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to
12 have been authorized and approved by the Bankruptcy Court without further approval, act, or
13 action under any applicable law, order, rule, or regulation.

5.3 Plan Recovery Trust.

5.3.1 Appointment of Plan Recovery Trustee and Oversight Committee.

12 On and after the Effective Date, the Plan Recovery Trustee shall become and serve as the
13 trustee of the Plan Recovery Trust. The Plan Recovery Trustee's compensation and other related
14 information will be more specifically set forth in the Plan Recovery Trust Agreement. The Plan
15 Recovery Trustee may resign at any time upon thirty (30) days' written notice filed with the
16 Bankruptcy Court, provided that such resignation shall only become effective upon the
17 appointment of a permanent or interim successor Plan Recovery Trustee. The Bankruptcy Court
18 may remove the Plan Recovery Trustee solely for cause, upon motion and after notice and a
19 hearing. In the event of the resignation or removal, death or incapacity of the Plan Recovery
20 Trustee, the Bankruptcy Court shall designate another person to serve as Plan Recovery Trustee
21 and thereupon the successor Plan Recovery Trustee shall become fully vested with all of the rights,
22 powers, duties and obligations of its predecessor.

23 On and after the Effective Date, the initial Oversight Committee shall begin to serve
24 without further action, consistent with the Plan and the Plan Recovery Trust Agreement, and shall
25 oversee the Plan Recovery Trustee's performance of its duties and otherwise serve the functions
26 described in the Plan and the Plan Recovery Trust Agreement. The Oversight Committee members
27 shall serve on a voluntary basis without compensation, but they shall be reimbursed from the Plan
28 Recovery Trust for any reasonable expenses in accordance with the Plan Recovery Trust
Agreement.

5.3.2 Creation and Governance of the Plan Recovery Trust.

23 On the Effective Date, the Plan Recovery Trustee shall execute the Plan Recovery Trust
24 Agreement and shall take any other action necessary to establish the Plan Recovery Trust in
25 accordance with the Plan and the beneficial interests therein. For federal income tax purposes, the
26 transfer of the assets to the Plan Recovery Trust will be treated as a sale or other disposition of
27 assets (except for the assets transferred to the Disputed Ownership Fund as provided in Section 7.7
28 of the Plan) to the Plan Recovery Trust Beneficiaries in exchange for their claims and interests in
the Chapter 11 Cases. Any income or loss from the transfer of assets to the Plan Recovery Trust
shall flow through to the ultimate taxpaying member of each Debtor who will be responsible to
pay the tax liability, if any. For federal income tax purposes, the Plan Recovery Trust Beneficiaries
shall be treated as the grantors of the Plan Recovery Trust and deemed to be the owners of the
assets of the Plan Recovery Trust. The transfer of the Plan Recovery Trust Assets to the Plan
Recovery Trust shall be deemed a transfer to the Plan Recovery Trust Beneficiaries by the Debtors,

1 followed by a deemed transfer by such Plan Recovery Trust Beneficiaries to the Plan Recovery
2 Trust. The Debtors, the Plan Recovery Trust Beneficiaries, and the Plan Recovery Trust will
3 consistently report the valuation of the assets transferred to the Plan Recovery Trust. Such
4 consistent valuations and revised reporting will be used for all federal income tax purposes. Income
5 deductions, gain, or loss from the Plan Recovery Trust shall be reported to the Plan Recovery Trust
6 Beneficiaries in conjunction with the filing of the Plan Recovery Trust's income tax returns. Each
7 Plan Recovery Trust Beneficiary shall report income, deductions, gain, or loss on such Plan
8 Recovery Trust Beneficiary's income tax returns. The Plan Recovery Trust shall be governed by
9 the Plan Recovery Trust Agreement and administered by the Plan Recovery Trustee. The powers,
10 rights, and responsibilities of the Plan Recovery Trustee shall be specified in the Plan Recovery
11 Trust Agreement. After an objection to a Disputed Claim is resolved or a Contingent Claim or
12 Unliquidated Claim has been determined in whole or in part by a Final Order or by agreement, the
13 Plan Recovery Trust Units or Cash held in the Disputed Ownership Fund shall be transferred as
14 described in the Plan Recovery Trust Agreement.

15 **5.3.3 Vesting of Plan Recovery Trust Assets.**

16 On the Effective Date, the Plan Recovery Trust shall be automatically vested with all of
17 the Debtors' and the Estates' respective rights, title, and interest in and to all Plan Recovery Trust
18 Assets. Except as specifically provided in the Plan or the Confirmation Order, in accordance with
19 section 1141 of the Bankruptcy Code, the Plan Recovery Trust Assets shall automatically vest in
20 the Plan Recovery Trust free and clear of all Claims, Liens, or interests, subject only to the Plan
21 Recovery Trust Units, and the Plan Recovery Trust Expenses, as provided for in the Plan Recovery
22 Trust Agreement, and such vesting shall be exempt from any stamp, real estate transfer, other
23 transfer, mortgage reporting, sales, use, or other similar tax. The Plan Recovery Trustee shall be
24 the exclusive trustee of the Plan Recovery Trust Assets for purposes of 31 U.S.C. § 3713(b) and
25 26 U.S.C. § 6012(b)(3), as well as the representative of the Estates appointed pursuant to section
26 1123(b)(3) of the Bankruptcy Code regarding all Plan Recovery Trust Assets. The Plan Recovery
27 Trust shall hold and distribute the Plan Recovery Trust Assets in accordance with the provisions
28 of the Plan and the Plan Recovery Trust Agreement.

1 **5.3.4 Investor Forfeiture Fund.**

2 In the event that any Forfeiture Property obtained by the DOJ, the SEC, or another
3 Governmental Unit is transferred to the Plan Recovery Trust for administration for the benefit of
4 Investors, such Forfeiture Property shall be deposited in, and become property of, the Investor
5 Forfeiture Fund. The Investor Forfeiture Fund shall be free and clear of any and all claims and
6 liens, and shall not constitute property of the Debtors or the Plan Recovery Trust. All Cash in the
7 Investor Forfeiture Fund shall be distributed solely to Investors on a Pro Rata basis on account of
8 their Allowed Investor Tranche 1 Claims and Investor Tranche 2 Claims, in accordance with the
9 Plan. The Plan Recovery Trustee is authorized to and shall distribute all Cash in the Investor
10 Forfeiture Fund only to Investors who are Holders of Allowed Class A Plan Recovery Trust Units
11 or Class B Plan Recovery Trust Units on account thereof, subject to the Plan and the Plan Recovery
12 Trust Agreement; *provided that* the Plan Recovery Trustee and its agents will be reimbursed from
13 the Investor Forfeiture Fund for reasonable costs and expenses incurred by said parties related to
14 the Plan Recovery Trustee's collection, administration, and distribution of such Cash to the
15 applicable Investors.

16 **5.3.5 Purpose of the Plan Recovery Trust.**

17 The Plan Recovery Trust shall be established for the purpose of pursuing, collecting, or
18 monetizing the Plan Recovery Trust Assets and making Distributions from the proceeds of such
19 assets to the Plan Recovery Trust Beneficiaries in accordance with Treasury Regulation section
20 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.
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5.3.6 Authority.

Subject to the authority and supervision of the Oversight Committee as set forth in the Plan Recovery Trust Agreement, the Plan Recovery Trustee shall have the authority and right on behalf of the Plan Recovery Trust, without the need for Bankruptcy Court approval (in each case, unless otherwise provided in the Plan and the Plan Recovery Trust Agreement), to carry out and implement all applicable provisions of the Plan, including to:

- (a) appear on behalf of the Plan Recovery Trust in the Chapter 11 Cases and any proceedings related thereto;
- (b) review, reconcile, compromise, settle, or object to Claims and Equity Interests and resolve such objections as set forth in the Plan, free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules;
- (c) calculate and make Distributions (including, without limitation, to Holders of Allowed Class 4 Claims of the Trade Claims Settlement Fund if Class 4 votes to accept the Plan, and to Investors from the Investor Forfeiture Fund) and calculate and establish reserves under and in accordance with the Plan;
- (d) retain, compensate, and employ professionals and other Persons to represent the Plan Recovery Trustee with respect to and in connection with its rights and responsibilities;
- (e) establish, maintain, and administer documents and accounts of the Debtors as appropriate, which shall be segregated to the extent appropriate in accordance with the Plan;
- (f) maintain, conserve, collect, settle, and protect the Plan Recovery Trust Assets, including, without limitation, any Retained Real Properties, whether wholly or jointly owned (subject to the limitations described herein and in the Plan Recovery Trust Agreement);
- (g) sell, monetize, transfer, assign, distribute, abandon, or otherwise dispose of the Plan Recovery Trust Assets (including, without limitation, any Retained Real Properties, whether wholly or jointly owned) or any part thereof or interest therein upon such terms as the Plan Recovery Trustee determines to be necessary, appropriate, or desirable, subject to the provisions of the Plan and the Plan Recovery Trust Agreement;
- (h) pursue, prosecute, settle, or abandon any Plan Recovery Trust Actions in Bankruptcy Court or any other court;
- (i) negotiate and enter into litigation or operational funding arrangements upon such terms as the Plan Recovery Trustee determines to be necessary, appropriate, or otherwise desirable and in the best interests of Plan Recovery Trust Beneficiaries, subject to the provisions of the Plan Recovery Trust Agreement;
- (j) negotiate, incur, and pay the Plan Recovery Trust Expenses;
- (k) prepare and file any and all informational returns, reports, statements, returns, and other documents or disclosures relating to the Debtors that are required under the Plan, by any governmental unit, or by applicable law;

- 1 (l) compile and maintain the official claims register, including for purposes of making
2 Distributions under the Plan;
- 3 (m) comply with the Plan, exercise the Plan Recovery Trustee's rights, and perform the
4 Plan Recovery Trustee's obligations; and
- 5 (n) exercise such other powers as deemed by the Plan Recovery Trustee to be necessary
6 and proper to implement the Plan.

7 To the extent necessary to give full effect to its administrative rights and duties under the
8 Plan, the Plan Recovery Trustee shall be deemed to be vested with all rights, powers, privileges,
9 and authorities of (i) an appropriate corporate, limited liability company, or limited partnership
10 officer or manager of each of the Debtors under any applicable non-bankruptcy law and (ii) a
11 "trustee" of each of the Debtors under sections 704 and 1106 of the Bankruptcy Code.

12 **5.3.7 Limitation of Liability.**

13 The Plan Recovery Trustee and the Oversight Committee shall enjoy all of the rights,
14 powers, immunities, and privileges applicable to a Bankruptcy Code chapter 7 trustee with respect
15 to limitations of liability, subject to the Plan Recovery Trust Agreement. The Plan Recovery
16 Trustee and the Oversight Committee may, in connection with the performance of their respective
17 functions, each in their sole and absolute discretion, consult with their attorneys, accountants,
18 advisors, and agents, and shall not be liable for any act taken, or omitted to be taken, or suggested
19 to be done in accordance with advice or opinions rendered by such Persons, regardless of whether
20 such advice or opinions were in writing. Notwithstanding such authority, neither the Plan Recovery
21 Trustee nor the Oversight Committee shall be under an obligation to consult with any such
22 attorneys, accountants, advisors, or agents, and their determination not to do so shall not result in
23 the imposition of liability on the Plan Recovery Trustee or the Oversight Committee, as applicable,
24 unless such determination is based on willful misconduct, gross negligence, or intentional fraud.
25 Persons dealing with the Plan Recovery Trustee and the Oversight Committee shall look only to
26 the Plan Recovery Trust Assets to satisfy any liability incurred by the Plan Recovery Trustee or
27 the Oversight Committee to such Person in carrying out the terms of the Plan or the Plan Recovery
28 Trust Agreement, and the Plan Recovery Trustee and the Oversight Committee shall have no
personal obligation to satisfy such liability.

19 **5.3.8 Indemnification.**

20 The Plan Recovery Trust shall indemnify any Plan Recovery Trust Indemnified Party for,
21 and shall defend and hold it harmless against, any loss, liability, damage, judgment, fine, penalty,
22 claim, demand, settlement, cost, or expense (including the reasonable fees and expenses of the
23 professionals of such Plan Recovery Trust Indemnified Party) incurred without gross negligence,
24 willful misconduct, or intentional fraud on the part of such Plan Recovery Trust Indemnified Party
25 (which gross negligence, willful misconduct, or intentional fraud if any, must be determined by a
26 final, non-appealable order of a court of competent jurisdiction) for any action taken, suffered, or
27 omitted to be taken by such Plan Recovery Trust Indemnified Party in connection with the
28 acceptance, administration, exercise, and performance of its duties under the Plan or the Plan
Recovery Trust Agreement, as applicable. An act or omission taken with the approval of the
Bankruptcy Court, and not inconsistent therewith, will be conclusively presumed not to constitute
gross negligence, willful misconduct, or intentional fraud. In addition, the Plan Recovery Trust
shall, to the fullest extent permitted by law, indemnify, defend, and hold harmless the Plan
Recovery Trust Indemnified Parties, from and against and with respect to any and all liabilities,
losses, damages, claims, costs, and expenses, including attorneys' fees arising out of or due to their
actions or omissions, or consequences of such actions or omissions, with respect to the Plan
Recovery Trust or the implementation or administration of the Plan if the Plan Recovery Trust
Indemnified Party acted in good faith and in a manner reasonably believed to be in, or not opposed

1 to, the best interest of the Plan Recovery Trust. To the extent the Plan Recovery Trust indemnifies,
2 defends, and holds harmless any Plan Recovery Trust Indemnified Party as provided above, the
3 legal fees and related costs incurred by counsel to the Plan Recovery Trust in monitoring or
4 participating in the defense of such claims giving rise to the right of indemnification shall be paid
5 as Plan Recovery Trust Expenses. The costs and expenses incurred in enforcing the right of
6 indemnification in this Section shall be paid from the Plan Recovery Trust.

5.3.9 Insurance.

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

5.3.10 Tax Reporting.

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

5.3.11 Distributions to Plan Recovery Trust Beneficiaries.

- 26 (a) After the payment of or reserve for (i) all administrative and priority claims
27 (including, without limitation, Administrative Expense Claims, Professional Fee
28 Claims, Involuntary Gap Claims, Priority Tax Claims, and Priority Claims) in
29 accordance with the Plan and the Plan Recovery Trust Agreement, and (ii) all Plan
30 Recovery Trust expenses, including any litigation financing expenses, the Plan
31 Recovery Trust will make Distributions of Available Cash to the Plan Recovery
32 Trust Beneficiaries pursuant to the following waterfall and related provisions (the
33 "Plan Recovery Trust Waterfall"):
- 34 (i) Class A Plan Recovery Trust Units. *First*, the Plan Recovery Trust shall
35 distribute the proceeds of the Plan Recovery Trust Assets to each Holder of
36 Class A Plan Recovery Trust Units on a Pro Rata basis until all Allowed
37 Trade Claims (if applicable) and Investor Tranche 1 Claims have been paid
38 in full;
- 39 (ii) Class B Plan Recovery Trust Units. *Second*, the Plan Recovery Trust shall
40 distribute the proceeds of the Plan Recovery Trust Assets to each Holder of

Class B Plan Recovery Trust Units on a Pro Rata basis until all Investor Tranche 2 Claims have been paid in full;

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

(b) 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.

(c) No later than (i) the first Business Day that is at least 180 calendar days after the Effective Date and (ii) the last Business Day of each subsequent 180-calendar-day period after the Effective Date until the Closing 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.

5.3.12 Cash Investments.

Except as may be otherwise provided in the Plan Recovery Trust Agreement, the Plan Recovery Trustee may invest Cash of the Plan Recovery Trust, including any earnings thereon or proceeds therefrom and any Cash realized from the monetization of the Plan Recovery Trust Assets, which investments will not be required to comply with section 345(b) of the Bankruptcy Code; *provided, however*, that such investments must be investments that are permitted to be made by a "liquidating trust" within the meaning of Treasury Regulation section 301.7701-4(d), as reflected therein, or under applicable guidelines, rulings, or other controlling authorities, except as may be otherwise provided in the Plan Recovery Trust Agreement.

5.3.13 Registration and Transfer of the Plan Recovery Trust Units.

(a) The record holders of the Plan Recovery Trust Units shall be recorded and set forth in a registry maintained by, or at the direction of, the Plan Recovery Trustee expressly for such purpose.

(b) Upon their issuance as of the Effective Date, and thereafter, the Plan Recovery Trust Units will be subject to restrictions on transfer under the Plan Recovery Trust Agreement, which restrictions shall prohibit the Plan Recovery Trust Units from being certificated or transferable except by operation of law or by will or the laws of descent and distribution, in each case following written notice to the Plan Recovery Trustee.

5.3.14 Exemption.

To the extent the Plan Recovery Trust Units are deemed to be "securities," the issuance of such interests under the Plan are exempt, pursuant to section 1145 of the Bankruptcy Code, from registration under the Securities Act and any applicable state and local laws requiring registration of securities.

1 **5.3.15 Contribution of Contributed Claims.**

2 On the Effective Date, all Contributed Claims will be irrevocably contributed to the Plan
3 Recovery Trust. No Person may rely on the absence of a specific reference in the Plan, the
4 Confirmation Order, the Plan Recovery Trust Agreement, or the Disclosure Statement to any
5 Contributed Claims against such Person as any indication that the Plan Recovery Trust will not
6 pursue any and all available Contributed Claims against such Person. The objection to the
7 Allowance of any Claims will not in any way limit the ability or the right of the Plan Recovery
8 Trust to assert, commence, or prosecute any Contributed Claims. Nothing contained in the Plan,
9 the Confirmation Order, the Plan Recovery Trust Agreement, or the Disclosure Statement will be
10 deemed to be a waiver, release, or relinquishment of any Contributed Claims that the Contributing
11 Claimants had immediately prior to the Effective Date. The Plan Recovery Trust shall have, retain,
12 reserve, and be entitled to assert all Contributed Claims fully as if the Contributed Claims had not
13 been contributed to the Plan Recovery Trust in accordance with the Plan and the Plan Recovery
14 Trust Agreement. Contributed Claims shall not include the rights of a Contributing Claimant to
15 receive the Distributions, if any, to which it is entitled under the Plan. In the exercise of its
16 reasonable discretion and in accordance with the Plan Recovery Trust Agreement, the Plan
17 Recovery Trustee shall not be obligated to pursue any Contributed Claim.

18 A Cause of Action identified on the Schedule of Disclaimed Contributed Claims will not
19 be a Contributed Claim for purposes of the Plan.

20 **5.3.16 Pursuit and Resolution of Plan Recovery Trust Actions.**

21 The Plan Recovery Trust, as a successor in interest to the Debtors, the Estates, the KSMP
22 Investment Entities, and the Contributing Claimants, may and will have the exclusive right, power,
23 and interest on behalf of itself, the Debtors, the Estates, the KSMP Investment Entities, and the
24 Contributing Claimants, subject to the Plan Recovery Trust Agreement, to institute, commence,
25 file, pursue, prosecute, enforce, abandon, settle, compromise, release, waive, dismiss, or withdraw,
26 as appropriate, any and all Plan Recovery Trust Actions without any further order of the
27 Bankruptcy Court, except as otherwise provided in the Plan Recovery Trust Agreement. From and
28 after the Effective Date, the Plan Recovery Trust, in accordance with section 1123(b)(3) of the
Bankruptcy Code, shall serve as a representative of the Estates with respect to any and all Plan
Recovery Trust Actions that were Estate Assets and shall retain and possess the right to institute,
commence, file, pursue, prosecute, enforce, abandon, settle, compromise, release, waive, dismiss,
or withdraw, as appropriate, any and all Plan Recovery Trust Actions in any court or other tribunal.

20 **5.3.17 Termination of the Plan Recovery Trust.**

21 The Plan Recovery Trustee and the Plan Recovery Trust shall be discharged or terminated,
22 as the case may be, at such time as: (a) the Plan Recovery Trustee determines that the pursuit of
23 additional Plan Recovery Trust Actions is not likely to yield sufficient additional proceeds to
24 justify further pursuit of such Plan Recovery Trust Actions; and (b) all Distributions required to
25 be made from the Plan Recovery Trust to the Holders of Allowed Claims and to the Plan Recovery
26 Trust Beneficiaries under the Plan and the Plan Recovery Trust Agreement have been made, but
27 in no event shall the Plan Recovery Trust be terminated later than five (5) years from the Effective
28 Date unless the Bankruptcy Court, upon motion made within the six-month period before such
fifth anniversary (and, in the event of further extension, by order of the Bankruptcy Court, upon
motion made within the six-month period before the end of the preceding extension), determines
that a fixed-period extension (subject to the terms of the Plan Recovery Trust Agreement) is
necessary to facilitate or complete the recovery on, and monetization of, the Plan Recovery Trust
Assets. Notwithstanding the foregoing, and without further order of the Bankruptcy Court, upon
the fifth anniversary of the Plan Recovery Trust, and continuing each year thereafter, the
termination date of the Plan Recovery Trust shall automatically extend by 1-year if any Plan
Recovery Trust Actions are pending as of such anniversary date. Upon termination of the Plan

Recovery Trust, any remaining Plan Recovery Trust Assets that exceed the amounts required to be paid under the Plan may be transferred by the Plan Recovery Trustee to a non-profit organization of its choosing.

5.3.18 Control Provision.

To the extent there is any inconsistency between the Plan as it relates to the Plan Recovery Trust and the Plan Recovery Trust Agreement, the specific provisions in the Plan Recovery Trust Agreement shall control.

5.4 Preservation of Privileges and Defenses.

The actions taken by the Debtors, the Plan Recovery Trust, or any of their respective Related Parties in connection with the Plan shall not be (or be deemed to be) a waiver of any privilege or defense of the Debtors, the KSMP Investment Entities, or the Plan Recovery Trust, as applicable, including any attorney-client privilege or work-product doctrine. Notwithstanding any Debtors providing any privileged information related to any Plan Recovery Trust Actions to the Plan Recovery Trustee, the Plan Recovery Trust, or any Person associated with any of the foregoing, such privileged information shall be without waiver in recognition of the joint, common, or successor interest in prosecuting the Plan Recovery Trust Actions and shall remain privileged. The Plan Recovery Trust shall retain the right to waive its own privileges. Only the Plan Recovery Trustee shall have the right to waive the attorney-client privilege, work-product doctrine, or other protections as to the Debtors, the KSMP Investment Entities, and the Plan Recovery Trust.

5.5 Preservation of Rights of Action.

5.5.1 Maintenance of Avoidance Actions and Causes of Action.

Except as otherwise provided in the Plan or the Confirmation Order, from and after the Effective Date, the Plan Recovery Trust will retain all rights to institute, commence, file, pursue, prosecute, enforce, abandon, settle, compromise, release, waive, dismiss, or withdraw, as appropriate, any and all of the Debtors', Estates', or KSMP Investment Entities' Causes of Action and Causes of Action that are Contributed Claims (whether existing as of the Petition Date or thereafter arising), and all Avoidance Actions, all as Plan Recovery Trust Actions, in each case in any court or other tribunal, including in an adversary proceeding Filed in the Chapter 11 Cases, subject to the requirements set forth in the Plan and the Plan Recovery Trust Agreement. The Plan Recovery Trust shall have the exclusive right, power, and interest on behalf of itself, the Debtors, the Estates, the KSMP Investment Entities, and the Contributing Claimants to enforce, sue on, settle, compromise, transfer, or assign (or decline to do any of the foregoing) any or all of the Plan Recovery Trust Actions without notice to or approval from the Bankruptcy Court, subject to the Plan Recovery Trust Agreement. In accordance with the Plan, and pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, from and after the Effective Date, the Plan Recovery Trust may compromise and settle Plan Recovery Trust Actions, subject to the Plan Recovery Trust Agreement.

5.5.2 Preservation of All Plan Recovery Trust Actions Not Expressly Settled or Released.

The failure to specifically identify in the Disclosure Statement (including the exhibits and schedules thereto) or the Plan any potential or existing Avoidance Action or Cause of Action as a Plan Recovery Trust Action is not intended to and shall not limit the rights of the Plan Recovery Trust to pursue any such Avoidance Action or Cause of Action. Unless a Plan Recovery Trust Action is expressly waived, relinquished, released, compromised, or settled in the Plan or any Final

Order (including the Confirmation Order), the Debtors expressly reserve such Plan Recovery Trust Action for later resolution by the Plan Recovery Trustee (including any Avoidance Action or Cause of Action not specifically identified or of which the Debtors may presently be unaware or that may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time or facts or circumstances that may change or be different from those the Debtors now believe to exist). As such, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches will apply to any such Avoidance Action or Cause of Action upon or after Confirmation of the Plan based on the Disclosure Statement, the Plan, or the Confirmation Order, except when such Avoidance Action or Cause of Action has been expressly released. In addition, the right to pursue or adopt any claims alleged in any lawsuit in which any Debtor or the Plan Recovery Trust is a plaintiff, defendant, or interested party is fully reserved as against any Person or Entity, including the plaintiffs or co-defendants in such lawsuits.

5.6 Cancellation of Instruments.

Except as otherwise provided in the Plan, and except with respect to any executory contracts and unexpired leases that are assumed and assigned pursuant to a Final Order, any agreement, bond, certificate, contract, indenture, lease, note, security, warrant, or other instrument or document evidencing or creating any indebtedness or obligation of the Debtors shall be deemed cancelled on the Effective Date, and all Liens, mortgages, pledges, grants, trusts, and other interests relating thereto shall be automatically cancelled, and all obligations of the Debtors thereunder or in any way related thereto shall be discharged.

5.7 Substantive Consolidation.

(a) On the Effective Date, all Debtors and the KSMP Investment Entities (collectively, the “**Consolidated Estates**”) shall be substantively consolidated pursuant to sections 105(a), 541, 1123, and 1129 of the Bankruptcy Code into debtor LeFever Mattson, a California corporation. As a result of the substantive consolidation, on the Effective Date, all property, rights, and claims of the Consolidated Estates and all Claims against the Consolidated Estates shall be deemed to be pooled for purposes of distributions under the Plan. Further, as a result of this substantive consolidation, all claims between and among the Consolidated Estates shall be cancelled. Holders of Allowed Claims shall be entitled to only one satisfaction on account of such Claims, and any contingent or otherwise duplicative Claims against one or more of the Consolidated Estates based upon claims for which one or more of the Consolidated Estates are also liable shall be disallowed.

(b) Entry of the Confirmation Order shall constitute the approval, pursuant to sections 105(a), 541, 1123, and 1129 of the Bankruptcy Code, of the substantive consolidation of all of the Debtors and the KSMP Investment Entities and in the manner set forth in this Section; *provided, however*, that (i) while all Debtors and the KSMP Investment Entities shall be substantively consolidated for purposes of Distribution to creditors, such that all Investors shall have claims against a single pool of the Debtors’ and the KSMP Investment Entities’ consolidated assets, the actual substantive consolidation of entities, particularly for tax purposes, shall be at the option of the Debtors or the Plan Recovery Trustee and (ii) any and all TIC Interests in the Real Properties that are held by any Debtor shall not be substantively consolidated. Notwithstanding the substantive consolidation to be implemented under the Plan, fees payable pursuant to 28 U.S.C. § 1930 shall be due and payable by each individual Debtor through the Effective Date.

(c) The substantive consolidation effected pursuant to the Plan shall not affect, without limitation, (i) the Debtors’, the KSMP Investment Entities’, or the Plan Recovery

Trust's defenses to any Claim, Avoidance Action, or other Cause of Action, including the ability to assert any counterclaim; (ii) the Debtors', the KSMP Investment Entities', or the Plan Recovery Trust's setoff or recoupment rights; (iii) requirements for any third party to establish mutuality prior to substantive consolidation in order to assert a right of setoff against the Debtors, the KSMP Investment Entities, or the 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.

(d) Notwithstanding anything to the contrary contained herein, the substantive consolidation of the Debtors and the KSMP Investment Entities shall not: (i) affect the separate legal existence of the Debtors and the KSMP Investment Entities for purposes other than implementation of the Plan pursuant to its terms, including the ability of the Plan Recovery Trustee to bring any Plan Recovery Trust Action in the name of an individual Debtor or KSMP Investment Entity; (ii) impair, prejudice, or otherwise affect any individual Debtor's or KSMP Investment Entity's Causes of Action, including Avoidance Actions, against any Person that vest in the Plan Recovery Trust; (iii) constitute or give rise to any defense, counterclaim, or right of netting or setoff with respect to any Cause of Action vesting in the Plan Recovery Trust that could not have been asserted against the consolidated Debtors and KSMP Investment Entities; or (iii) give rise to any right under any executory contract, insurance contract, or other contract to which a consolidated Debtor or KSMP Investment Entity is party, except to the extent required by section 365 of the Bankruptcy Code in connection with the assumption of such contract by the applicable Debtors. The substantive consolidation of the Debtors and the KSMP Investment Entities shall also not impair or otherwise affect any Person's defenses, claims, counterclaims, or other rights that may be asserted by such Person in connection with any litigation commenced by the Debtors or the Plan Recovery Trustee (or any estate representative or other successor).

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

ARTICLE VI.

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

6.1 Assumption of Certain Executory Contracts and Unexpired Leases.

6.1.1 Assumption of Agreements.

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

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

Proponents will provide notice of any amendment to the Schedule of Assumed Agreements to the party or parties to those agreements affected by such amendment.

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

6.1.2 Cure Payments.

Any amount that must be paid under section 365(b)(1) of the Bankruptcy Code to cure a default under and compensate the non-debtor party to an executory contract or unexpired lease to be assumed under the Plan is identified as the "Cure Payment" on the Schedule of Assumed Agreements. Unless the parties mutually agree to a different date, such payment shall be made in Cash within thirty (30) days following the later of: (i) the Effective Date and (ii) entry of a Final Order resolving any disputes regarding (A) the amount of any Cure Payment, (B) the ability of the Debtors or the Plan Recovery Trustee to provide "adequate assurance of future performance" within the meaning of section 365 of the Bankruptcy Code with respect to a contract or lease to be assumed, to the extent required, or (C) any other matter pertaining to assumption and assignment.

Pending the Bankruptcy Court's ruling on any such dispute, the executory contract or unexpired lease at issue shall be deemed assumed by the Debtors, unless otherwise agreed by the parties or ordered by the Bankruptcy Court.

6.1.3 Objections to Assumption or Cure Payments.

Any party to an executory contract or unexpired lease that is proposed to be assumed, or assumed and assigned, under the Plan that objects to such assumption, or assumption and assignment (including the proposed Cure Payment), must File with the Bankruptcy Court and serve on parties entitled to notice a written objection with any factual contentions therein supported by declarations or references to the record. Such objection must be Filed and served on or before the deadline established by the Solicitation Procedures Order. Any Person that fails to timely File and serve such objection shall be deemed to waive any and all objections to the proposed assumption, or assumption and assignment (including the proposed Cure Payment), of its contract or lease.

In the absence of a timely objection by a party to an executory contract or unexpired lease, the Confirmation Order shall constitute a conclusive determination regarding the amount of any Cure Payment and compensation due under the applicable executory contract or unexpired lease, as well as a conclusive finding that adequate assurance of future performance with respect to such executory contract or unexpired lease has been demonstrated, to the extent required.

6.1.4 Resolution of Claims Relating to Assumed Executory Contracts.

Payment of the Cure Payment established under the Plan, by the Confirmation Order, or by any other order of the Bankruptcy Court, with respect to an assumed, or assumed and assigned, executory contract or unexpired lease, shall be deemed to satisfy, in full, any prepetition or post-petition arrearage or other Claim (including any Claim asserted in a Filed proof of claim or listed on the Schedules) with respect to such contract or lease (irrespective of whether the Cure Payment is less than the amount set forth in such proof of claim or the Schedules). Upon the tendering of the Cure Payment, any such Filed or Scheduled Claim shall be disallowed with prejudice, without further order of the Bankruptcy Court or action by any Person.

6.2 Rejection of Executory Contracts and Unexpired Leases.

6.2.1 Rejected Agreements.

On the Effective Date, all executory contracts and unexpired leases of the Debtors shall be rejected except for (i) executory contracts and unexpired leases that have been previously assumed or rejected by the Debtors, (ii) all executory contracts and unexpired leases specified as to be assumed in Section 6.1.1 above (including all contracts and leases set forth in the Schedule of Assumed Agreements, as may be amended), and (iii) any agreement, obligation, security interest, transaction, or similar undertaking that the Debtors believe is not executory or a lease, but that is later determined by the Bankruptcy Court to be an executory contract or unexpired lease that is subject to assumption or rejection under section 365 of the Bankruptcy Code. Executory contracts and unexpired leases that have been previously assumed, or assumed and assigned, pursuant to an order of the Bankruptcy Court shall not be affected by the Plan. The Confirmation Order will constitute a Bankruptcy Court order approving the rejection, on the Effective Date, of the executory contracts and unexpired leases to be rejected under the Plan.

6.2.2 Rejection Claims Bar Date.

Any Rejection Claim or other Claim for damages arising from the rejection under the Plan of an executory contract or unexpired lease must be Filed and served no later than the Rejection Claims Bar Date. Any such Rejection Claim that is not timely Filed and served will be forever disallowed, barred, and unenforceable, and the Holder of such Claim will not receive and be barred from receiving any Distributions on account of such untimely Claim. The Plan Recovery Trustee may object to any Rejection Claim by the Claim Objection Deadline. The Rejection Claims Bar Date established by the Plan does not alter any rejection claims bar date established by an order of the Bankruptcy Court with respect to any executory contract or unexpired lease that was previously rejected in the Chapter 11 Cases.

ARTICLE VII. **PROVISIONS GOVERNING DISTRIBUTIONS**

7.1 Timing of Distributions for Allowed Claims.

Except as otherwise provided herein or as ordered by the Bankruptcy Court, all Distributions to Holders of Allowed Claims and Plan Recovery Trust Units as of the applicable Distribution Date shall be made on or as soon as practicable after the applicable Distribution Date; *provided, however*, that the Plan Recovery Trustee, in its discretion, may defer Distributions to a Holder of Plan Recovery Trust Units (other than the final Distribution) if the amount available for Distribution to such Holder is not at least \$100. Notwithstanding anything else to the contrary in the Plan, and as provided in section 502(d) of the Bankruptcy Code, the Plan Recovery Trustee is not required to make any Distributions on account of Allowed Claims or Equity Interests, and no such Claims or Equity Interests shall be deemed Allowed, unless and until such Holder has paid the Net Prepetition Investor Recovery, or such portion thereof as agreed to as a compromise and settlement, to the Plan Recovery Trust or until any Plan Recovery Trust Action seeking recovery of the Net Prepetition Investor Recovery is disallowed in its entirety by a Final Order. Distributions on account of Claims or Equity Interests that first become Allowed Claims or Equity Interests after the applicable Distribution Date shall be made pursuant to Section 7.3 of the Plan and on the day selected by the Plan Recovery Trustee. Distributions made as soon as reasonably practicable after the Effective Date or such other date set forth herein shall be deemed to have been made on such date.

7.2 Calculating Distributions and Related Matters.

The Plan Recovery Trust shall hold back from Distributions reasonable reserves when calculating Distributions (and amounts to hold in Distribution Reserves).

7.3 Interest and Other Amounts Regarding Claims.

Except to the extent provided (i) in section 506(b) of the Bankruptcy Code and Allowed by a Final Order or otherwise agreed, (ii) in the Plan, or (iii) in the Confirmation Order, postpetition interest shall not accrue or be paid on any Claims, and no Holder of an Allowed Claim shall be entitled to interest, penalties, including, without limitation, prepayment penalties, fees, or late charges accruing or chargeable on any Claim from and after the Petition Date.

7.4 Means of Cash Payment.

Cash payments under the Plan shall be made, in the sole discretion of the Plan Recovery Trustee, by check, wire transfer, electronic funds transfer, or ACH from a domestic bank. Cash payments to foreign Holders of Allowed Claims or Plan Recovery Trust Units may be made, in the sole discretion of the Plan Recovery Trustee, by such means as are necessary or customary in a particular foreign jurisdiction. Cash payments made pursuant to the Plan in the form of checks shall be null and void if not cashed within 180 calendar days of the date of issuance. Requests for reissuance of any check within 180 calendar days of the date of issuance shall be made in writing to the Plan Recovery Trustee.

7.5 Form of Currency for Distributions.

All Distributions under the Plan shall be made in U.S. Dollars. Where a Claim has been denominated in foreign currency on a proof of claim, the Allowed amount of such Claim shall be calculated in U.S. Dollars based upon the currency conversion rate in place as of the Petition Date and in accordance with section 502(b) of the Bankruptcy Code.

7.6 Fractional Distributions.

Notwithstanding anything in the Plan to the contrary, no payment of fractional cents shall be made pursuant to the Plan. Whenever any payment of a fraction of a cent under the Plan would otherwise be required, the actual Distribution made shall reflect a rounding of such fraction to the nearest whole penny (up or down), with half cents or more being rounded up and fractions less than half of a cent being rounded down.

7.7 No Distributions With Respect to Certain Claims.

Notwithstanding anything in the Plan to the contrary, no Distribution or other consideration of any kind shall be made on account of any Contingent Claim, Unliquidated Claim, Disputed Claim, or Disputed Equity Interest unless and until such Claim or Equity Interest becomes an Allowed Claim or Allowed Equity Interest, and then only to the extent that such Claim or Equity Interest becomes an Allowed Claim or Allowed Equity Interest and as provided under the Plan for such Allowed Claim or Allowed Equity Interest. Nonetheless, in undertaking the calculations concerning Allowed Claims or Allowed Equity Interests under the Plan, including the determination of Distributions due to the Holders of Allowed Claims or Allowed Equity Interests, each Contingent Claim, Unliquidated Claim, Disputed Claim, or Disputed Equity Interest shall be treated as if it were an Allowed Claim or Allowed Equity Interest (which, for Unliquidated Claims, shall mean that they shall be treated as if Allowed in such amounts as determined in the reasonable discretion of the Plan Recovery Trustee), except that if the Bankruptcy Court estimates the likely portion of such a Claim or Equity Interest to be Allowed or authorized or the Holder of such Claim or Equity Interest and the Plan Recovery Trustee otherwise determine the amount that would

1 constitute a sufficient reserve for such a Claim or Equity Interest, such amount as determined by
2 the Bankruptcy Court or by agreement of the Holder of such Claim or Equity Interest and the Plan
3 Recovery Trustee shall be used with respect to such Claim or Equity Interest. A Distribution due
4 on account of a Contingent Claim, Unliquidated Claim, Disputed Claim, or Disputed Equity
5 Interest shall be held in reserve by the Plan Recovery Trustee in one or more Distribution Reserves.
6 The Plan Recovery Trust will elect to treat any Distribution Reserve as a "Disputed Ownership
7 Fund," pursuant to Treasury Regulation section 1.468B-9(c)(2)(ii). As outlined in this Section,
8 Holders of such Claims or Equity Interests are not treated as transferors of the money or property
9 transferred to the "Disputed Ownership Fund." For federal income tax purposes, a "Disputed
10 Ownership Fund" is treated as the owner of all assets that it holds. A "Disputed Ownership Fund"
11 is treated as a C corporation for purposes of the Internal Revenue Code. A "Disputed Ownership
12 Fund" must file all required income and information tax returns and make all tax payments.

7.8 Delivery of Distributions.

13 Distributions on account of Plan Recovery Trust Units shall be made to Holders of Plan
14 Recovery Trust Units as of the record date set for such Distribution. Distributions to a Holder of
15 Plan Recovery Trust Units or an Allowed Claim that has not been converted to Plan Recovery
16 Trust Units shall be made (a) at the address for distributions set forth in the proof of claim Filed
17 by such Holder, (b) at the address stated in the Schedules if no proof of claim has been Filed, or
18 (c) at the address set forth in the most recent written notice of address change delivered to the
19 Claims Agent or the Plan Recovery Trustee. If any Distribution to a Holder of Plan Recovery Trust
20 Units or an Allowed Claim is returned as undeliverable, no further Distribution to such Holder
21 shall be made unless and until the Plan Recovery Trustee is notified of such Holder's then-current
22 address. The responsibility to provide the Claims Agent or the Plan Recovery Trustee with a
23 current address of a Holder of a Plan Recovery Trust Unit or Claim shall always be the
24 responsibility of such Holder. Amounts on account of undeliverable Distributions shall be held in
25 trust by the Plan Recovery Trustee on behalf of the Holder of the Plan Recovery Trust Unit or
26 Claim to which they are payable until the earlier of (i) the date that such undeliverable
27 Distributions are claimed by such Holder and (ii) 180 calendar days after the date that the
28 undeliverable Distributions were made.

7.9 Application of Distribution Record Date and Other Transfer Restrictions.

18 At the close of business on the Distribution Record Date, the claims registers for all Claims
19 and Equity Interests shall be closed, and there shall be no further changes in the record holders of
20 any Claims or Equity Interests. Except as provided herein, the Plan Recovery Trust shall have no
21 obligation to recognize any putative transfer of a Claim or Equity Interest or portion thereof
22 occurring after the Distribution Record Date and shall be entitled instead to recognize and deal for
23 all purposes hereunder with only those record holders stated on the claims registers as of the close
24 of business on the Distribution Record Date irrespective of the number of Distributions to be made
25 under the Plan to such Persons or the date of such Distributions.

7.10 Withholding, Payment, and Reporting Requirements Regarding Distributions.

26 All Distributions under the Plan shall, to the extent applicable, comply with all tax
27 withholding, payment, and reporting requirements imposed by any federal, state, provincial, local,
28 or foreign taxing authority, and all Distributions shall be subject to any such withholding, payment,
and reporting requirements. The Plan Recovery Trust shall be authorized to take any and all actions
that may be necessary or appropriate to comply with such tax withholding, payment, and reporting
requirements, including, to the extent such information is not already available to the Plan
Recovery Trust, requiring each Holder of a Plan Recovery Trust Unit or Claim to provide an
executed current Form W-9, Form W-8, or similar tax form as a prerequisite to receiving a
Distribution. Notwithstanding any other provision of the Plan, (a) each Holder of a Plan Recovery
Trust Unit or an Allowed Claim that is to receive a Distribution pursuant to the Plan shall have

1 sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed
2 by any governmental unit, including income, withholding, and other tax obligations, on account
3 of such Distribution, and including, in the case of any Holder of a Disputed Claim that has become
4 an Allowed Claim, any tax obligation that would be imposed on the Plan Recovery Trust in
5 connection with such Distribution; and (b) no Distribution shall be made to or on behalf of such
6 Holder pursuant to the Plan unless and until such Holder has made arrangements reasonably
7 satisfactory to the Plan Recovery Trust for the payment and satisfaction of such withholding tax
8 obligations or such tax obligation that would be imposed in connection with such Distribution.

7.11 Defenses and Setoffs.

6 On and after the Effective Date, the Plan Recovery Trust shall have all of the Debtors' and
7 the Estates' rights and defenses under section 558 of the Bankruptcy Code. Nothing under the Plan
8 shall affect the rights and defenses of the Debtors, the Estates, or the Plan Recovery Trust on
9 account of any Claim or Equity Interest, including all rights with respect to legal and equitable
10 objections, defenses, setoffs, or recoupment against such Claims and Equity Interests.
11 Accordingly, the Plan Recovery Trust may, but shall not be required to, set off against any Claim
12 or Equity Interest or any Allowed Claim or Equity Interest, and the payments or other Distributions
13 to be made pursuant to the Plan on account of such Claim or Equity Interest, claims, rights, or
14 defenses of any nature whatsoever that the Debtors, the Estates, or the Plan Recovery Trust, as
15 applicable, may have against the Holder of such Claim or Equity Interest; *provided, however*, that
16 neither the failure to do so nor the allowance of any Claim or Equity Interest hereunder shall
17 constitute a waiver or release of any such claims, rights, or defenses that may exist against such
18 Holder.

7.12 Allocation of Distributions.

14 A Distribution received under the Plan by a Holder of a Claim or Plan Recovery Trust
15 Units shall be deemed to be allocated first to the principal amount of such Claim, or the Claim to
16 which the applicable Plan Recovery Trust Unit relates, as determined for United States federal
17 income tax purposes, and then to accrued interest, if any, with respect to such Claim.

7.13 Joint Distributions.

18 The Plan Recovery Trustee may, in its sole discretion, make Distributions jointly to a
19 Holder of a Claim or Plan Recovery Trust Unit and any other Person or Entity that the Plan
20 Recovery Trustee has determined to have an interest in such Claim or Plan Recovery Trust Unit.

7.14 Forfeiture of Distributions.

21 If the Holder of a Claim or Plan Recovery Trust Unit fails to cash a check payable to it
22 within the time period set forth in Section 7.4, fails to claim an undeliverable Distribution within
23 the time limit set forth in Section 7.8, or fails to complete and return to the Plan Recovery Trustee
24 the appropriate Form W-8 or Form W-9 within 180 calendar days after a request for the completion
25 and return of the appropriate form pursuant to Section 7.10 (or such later time as approved by a
26 Bankruptcy Court order), then such Holder shall be deemed to have forfeited its right to any
27 reserved and future Distributions under the Plan. Any such forfeited Distributions shall be deemed
28 Available Cash for all purposes, notwithstanding any federal or state escheat laws to the contrary.

ARTICLE VIII.
PROCEDURES FOR RESOLVING CLAIMS AND EQUITY INTERESTS

8.1 Resolution of Disputed Claims and Equity Interests.

From and after the Effective Date, the Plan Recovery Trustee shall have the exclusive authority to compromise, resolve, and Allow any Disputed Claim or Disputed Equity Interest without the need to obtain approval from the Bankruptcy Court, except as otherwise provided in the Plan Recovery Trust Agreement, and an agreement entered into by the Plan Recovery Trustee with respect to the Allowance of a Claim or Equity Interest shall be conclusive evidence and a final determination of the Allowance of such Claim or Equity Interest; *provided, however*, that, under the Plan, a Claim or Equity Interest asserted by an Excluded Party is a Disputed Claim or Disputed Equity Interest, as applicable, in its entirety and will have no right to receive a Distribution under the Plan unless and until such Claim or Equity Interest is affirmatively Allowed by a Final Order.

8.2 Claim and Equity Interest Objections.

All objections to Claims or Equity Interests (other than Professional Fee Claims, which shall be governed by Section 3.3.3 of the Plan) shall be Filed by the Plan Recovery Trustee on or before the Claim Objection Deadline, which date may be extended on presentment of an order to the Bankruptcy Court by the Plan Recovery Trustee prior to the expiration of such period and without need for notice or hearing. If a timely objection has not been Filed to a proof of claim or proof of interest or the Schedules have not been amended with respect to a Claim or Equity Interest that was Scheduled by the Debtors but was not Scheduled as contingent, unliquidated, or disputed, then the Claim to which the proof of claim or Scheduled Claim relates will be treated as an Allowed Claim and the Equity Interest to which the proof of interest or Scheduled Equity Interest will be treated as an Allowed Equity Interest, as applicable.

8.3 Estimation of Certain Claims.

The Plan Recovery Trustee may, at any time, move for a Bankruptcy Court order estimating any Contingent Claim, Disputed Claim, or Unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction and power to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection.

8.4 Distributions Following Allowance.

Once a Contingent Claim, Unliquidated Claim, or a Disputed Claim or Equity Interest becomes an Allowed Claim or Equity Interest, in whole or in part, including pursuant to the Plan, the Plan Recovery Trust shall distribute from the applicable Distribution Reserves to the Holder of such Allowed Claim or Equity Interest the Distributions, if any, to which such Holder is then entitled to under the Plan. Such Distributions, if any, shall be made on the next Distribution Date after the date on which the order or judgment allowing any such Claim or Equity Interest becomes a Final Order or on which the Claim or Equity Interest otherwise becomes an Allowed Claim or Equity Interest, or, if there is no applicable Distribution Date, then within ninety (90) calendar days after the date on which the Claim becomes an Allowed Claim or Equity Interest. Unless otherwise specifically provided in the Plan or allowed by a Final Order, no interest shall be paid on Contingent Claims Unliquidated Claims, or Disputed Claims or Equity Interests that later become Allowed Claims or Equity Interests.

1 **8.5 Disposition of Assets in Reserves After Disallowance.**

2 After an objection to a Disputed Claim or Equity Interest is sustained or a Contingent or
3 Unliquidated Claim has been determined in whole or in part by a Final Order or by agreement,
4 such that the Contingent Claim, Unliquidated Claim, or Disputed Claim or Equity Interest is a
5 Disallowed Claim or Equity Interest in whole or in part, any Cash held in an applicable Distribution
6 Reserve on account of the particular Claim or Equity Interest in excess of the Distributions due on
7 account of any resulting Allowed Claim or Equity Interest shall be used or distributed in a manner
8 consistent with the Plan and any reserved Plan Recovery Trust Units shall be cancelled.

6 **ARTICLE IX.**
7 **CONDITIONS PRECEDENT TO THE EFFECTIVE DATE**

8 **9.1 Conditions to the Effective Date.**

9 The Effective Date shall not occur and the Plan shall not be consummated unless and until
10 each of the following conditions has been satisfied or duly waived pursuant to Section 9.2 of the
11 Plan:

- 11 (a) the Bankruptcy Court shall have entered the Confirmation Order in a form
12 reasonably acceptable to the Plan Proponents;
- 12 (b) the Confirmation Order shall not be subject to any stay;
- 13 (c) the Confirmation Order shall contain a finding in a form reasonably acceptable to
14 the Plan Proponents that the Debtors and the KSMP Investment Entities were
15 operated as a Ponzi scheme (subject to Section 3.1 of the Plan);
- 16 (d) all governmental and material third-party approvals and consents necessary in
17 connection with the transactions contemplated by the Plan, if any, shall have been
18 obtained and be in full force and effect;
- 19 (e) all actions and all agreements, instruments, or other documents necessary to
20 implement the terms and provisions of the Plan shall have been effected or executed
21 and delivered, as applicable;
- 22 (f) the Professional Fee Reserve shall have been funded pursuant to Section 3.3.3 of
23 the Plan; and
- 24 (g) the Committee shall have chosen the members of the Oversight Committee.

25 **9.2 Waiver of Conditions to the Effective Date.**

26 The conditions to the Effective Date set forth in Section 9.1 of the Plan may be waived in
27 writing by agreement of each of the Plan Proponents in their reasonable discretion, at any time
28 without further order.

25 **9.3 Effect of Non-Occurrence of Conditions to the Effective Date.**

26 If any condition to the Effective Date is not satisfied or duly waived in accordance with
27 Section 9.1 and Section 9.2 of the Plan, upon notification Filed by the Debtors with the Bankruptcy
28 Court, (i) the Confirmation Order shall be vacated; (ii) no Distributions shall be made; (iii) the
Debtors, the Estates, the Committee and all Creditors shall be restored to the *status quo* as of the
day immediately preceding the Confirmation Hearing as though the Confirmation Order was not
entered; and (iv) all of the Debtors' and the Estates' obligations with respect to Claims or Equity

Interests shall remain unchanged and nothing contained in the Plan shall constitute a waiver or release of any Causes of Action by or against the Debtors, the Estates, the KSMP Investment Entities, or any other Person or prejudice in any manner the rights, claims, or defenses of the Debtors, the Estates, the KSMP Investment Entities, or any other Person.

9.4 Notice of the Effective Date.

Promptly after the occurrence of the Effective Date, the Plan Recovery Trustee or its agents shall mail or cause to be mailed to all Creditors a notice that informs such Creditors of (i) entry of the Confirmation Order and the resulting confirmation of the Plan; (ii) the occurrence of the Effective Date; (iii) the assumption, assignment, and rejection of executory contracts and unexpired leases pursuant to the Plan, as well as the deadline for the filing of resulting Rejection Claims; (iv) the deadline established under the Plan for the filing of Administrative Expense Claims; and (v) such other matters as the Plan Recovery Trustee finds appropriate.

ARTICLE X. **RETENTION OF JURISDICTION AND POWER**

10.1 Scope of Retained Jurisdiction and Power.

Under sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, and except as otherwise ordered by the Bankruptcy Court, the Bankruptcy Court shall retain jurisdiction and power over all matters arising in, arising under, or related to the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including jurisdiction and power to do the following:

- (a) except as otherwise Allowed pursuant to the Plan or in the Confirmation Order, Allow, classify, determine, disallow, establish the priority or secured or unsecured status of, estimate, limit, liquidate, or subordinate any Claim or Equity Interest, in whole or in part, including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the allowance or priority of Claims or Equity Interests;
- (b) hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 327, 328, 330, 331, 363, 503(b), 1103, and 1129(a)(4) of the Bankruptcy Code;
- (c) hear and determine all matters with respect to the assumption or rejection of any executory contract or unexpired lease to which a Debtor is a party or with respect to which a Debtor may be liable, including, if necessary, the nature or amount of any required cure or the liquidation or allowance of any Claims arising therefrom;
- (d) effectuate performance of and payments under the provisions of the Plan and enforce remedies on any default under the Plan;
- (e) hear and determine any and all adversary proceedings, motions, applications, and contested or litigated matters arising out of, under, or related to, the Chapter 11 Cases, including the Plan Recovery Trust Actions, and with respect to the Plan;
- (f) enter such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created, executed, or contemplated in connection with the Plan, the Plan Supplement, the Disclosure Statement, or the Confirmation Order, including any sale, transfer, assignment, abandonment, or other disposition of Plan Recovery Trust Assets (whether consisting of wholly or partially owned

Retained Real Property or otherwise), that the Plan Recovery Trustee may, in its sole discretion, bring before the Bankruptcy Court for approval;

- (g) hear and determine disputes arising in connection with the interpretation, implementation, consummation, or enforcement of the Plan, including disputes arising under agreements (including, without limitation, the Plan Recovery Trust Agreement), documents, or instruments executed in connection with the Plan, or to maintain the integrity of the Plan following consummation;
- (h) consider any modifications of the Plan, cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;
- (i) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with the implementation, consummation, or enforcement of the Plan or the Confirmation Order;
- (j) enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified, or vacated;
- (k) hear and determine any matters arising in connection with or relating to the Plan, the Plan Supplement, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created, executed, or contemplated in connection with any of the foregoing documents and orders;
- (l) enforce, interpret, and determine any disputes arising in connection with any stipulations, orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings associated with the Plan or otherwise entered in connection with the Chapter 11 Cases (whether or not any or all of the Chapter 11 Cases have been closed);
- (m) except as otherwise limited herein, recover all Estate Assets, wherever located;
- (n) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
- (o) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, the Bankruptcy Code and title 28 of the United States Code;
- (p) resolve any cases, controversies, suits, or disputes related to the Plan Recovery Trust, the Oversight Committee, or the Plan Recovery Trustee; and
- (q) enter a Final Decree closing the Chapter 11 Cases of the Debtors.

10.2 Reserved Rights to Seek Bankruptcy Court Approval.

Even if the Plan allows an action to be taken without Bankruptcy Court approval, the Plan Recovery Trustee may seek explicit approval from the Bankruptcy Court for such an action, including the administration, distribution, or proposed sale of any of the Plan Recovery Trust Assets. The Bankruptcy Court shall retain jurisdiction and power for such purposes and shall approve or disapprove any such proposed action upon motion Filed by the Plan Recovery Trustee.

10.3 Non-Exercise of Jurisdiction.

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under, or related to the Chapter 11 Cases, including the matters set forth in Section 10.1 of the Plan, the provisions of this Article X shall have no effect on, and shall not control, limit, or prohibit the exercise of jurisdiction by any other court having competent jurisdiction with respect to, such matter.

**ARTICLE XI.
RELEASES; INJUNCTION**

11.1 Non-Discharge of the Debtors.

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

11.2 Debtors' Releases.

- (a) On the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, each of the Debtors shall be deemed to have forever released, waived, and discharged each of the other Debtors from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities whatsoever, whether known or unknown, whether foreseen or unforeseen, whether liquidated or unliquidated, whether fixed or contingent, whether matured or unmatured, existing or hereafter arising, at law, in equity, or otherwise, that are based in whole or in part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the conduct of the Debtors' businesses, the Chapter 11 Cases, or the Plan.
- (b) Entry of the Confirmation Order shall constitute (i) the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases set forth in this Section 11.2; and (ii) the Bankruptcy Court's findings that such releases are (1) in exchange for good and valuable consideration provided by the Debtors (including performance of the terms of the Plan), and a good-faith settlement and compromise of the released claims, (2) in the best interests of the Debtors and their Estates, (3) fair, equitable, and reasonable, and (4) given and made after due notice and opportunity for hearing.

11.3 Exculpation.

On the Effective Date, to the maximum extent permitted by law, no Exculpated Party shall have or incur, and each Exculpated Party is hereby exculpated from, any Claim, interest, obligation, suit, judgment, damage, demand, debt, right, Cause of Action, loss, remedy, or liability to any Person or Entity, including to any Holder of a Claim or Equity Interest, for any claim (including, but not limited to, any claim for breach of any fiduciary duty or any similar duty), for any act or omission in connection with, relating to, or arising

1 out of the Chapter 11 Cases, including the formulation, negotiation, preparation,
2 dissemination, solicitation of acceptances, implementation, confirmation, or consummation
3 of the Plan, the Disclosure Statement, or any contract, instrument, release, or other
4 agreement or document created, executed, or contemplated in connection with the Plan, or
5 the administration of the Plan, or the administration of the Chapter 11 cases, or the operation
6 of the Debtors' businesses during the Chapter 11 Cases, or the disposition of property and
7 cash to be distributed during the Chapter 11 Cases or to be distributed under the Plan;
8 *provided, however*, that the exculpation provisions of this Section 11.3 shall only apply, with
9 respect to the Responsible Individual and its Professionals, to acts or omissions occurring
10 after the Order for Relief Date; *provided, further*, that the exculpation provisions of this
11 Section 11.3 shall not apply to acts or omissions constituting gross negligence, intentional
12 fraud, or willful misconduct by such Exculpated Party as determined by a Final Order. For
13 purposes of the foregoing, it is expressly understood that any act or omission effected with
14 the approval of the Bankruptcy Court will be conclusively presumed not to constitute
15 intentional fraud or willful misconduct unless the approval of the Bankruptcy Court was
16 obtained by intentional fraud or intentional misrepresentation, and the Exculpated Parties
17 shall be entitled in all respects to rely on the written advice of counsel with respect to their
18 duties and responsibilities under, or in connection with, the Chapter 11 Cases, the Plan, and
19 administration thereof. This exculpation shall be in addition to, and not in limitation of, all
20 other releases, indemnities, exculpations, and any other applicable law or rules protecting
21 such Exculpated Parties from liability.

12 11.4 Injunctions Related to Releases and Exculpation.

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

18 ARTICLE XII. 19 MISCELLANEOUS PROVISIONS

20 12.1 Payment of Statutory Fees.

21 All fees payable pursuant to 28 U.S.C. § 1930, as determined by the Bankruptcy Court at
22 the Confirmation Hearing, shall be paid by the Debtors on or before the Effective Date. All such
23 fees that arise after the Effective Date shall be paid from the Plan Recovery Trust.

24 12.2 SEC-Related Provisions.

25 Notwithstanding any provision herein to the contrary or an abstention from voting
26 on the Plan, no provision of the Plan, or any order confirming the Plan: (i) releases any non-
27 debtor Person or Entity from any claim or cause of action of the SEC; or (ii) enjoins, limits,
28 impairs, or delays the SEC from commencing or continuing any claims, causes of action,
proceedings, or investigations against any non-debtor person or entity in any forum.

27 12.3 Post-Effective-Date Reporting.

- 28 (a) Beginning the first quarter-end following the Effective Date and continuing on each
quarter-end thereafter until the Closing Date, within thirty (30) calendar days after

the end of such period, the Plan Recovery Trustee shall File quarterly reports with the Bankruptcy Court. Each quarterly report shall contain financial, Distributions, settlement, sale, and such other information as provided for in the Plan Recovery Trust Agreement.

- (b) The Plan Recovery Trustee shall, as soon as practicable after the end of each calendar year and upon termination of the Plan Recovery Trust, provide or make available a written report and account to the Plan Recovery Trust Beneficiaries which report and account sets forth (i) the assets and liabilities of the Plan Recovery Trust at the end of such calendar year or upon termination, (ii) the receipts and disbursements of the Plan Recovery Trust for such calendar year or period, and (iii) changes in the Plan Recovery Trust Assets and actions taken by the Plan Recovery Trustee in the performance of its duties under the Plan or the Plan Recovery Trust Agreement that the Plan Recovery Trustee determines in its discretion may be relevant to Plan Recovery Trust Beneficiaries, such as material changes or actions that, in the opinion of the Plan Recovery Trustee, may have a material effect on the Plan Recovery Trust Assets that were not previously reported. Such reports may be provided or made available to the Plan Recovery Trust Beneficiaries, in the discretion of the Plan Recovery Trustee, by any reasonable means, including U.S. mail, electronic transmission, or a virtual data room to which Plan Recovery Trust Beneficiaries shall have access, or publication to a publicly-available website or by press release distributed via a generally recognized business news service. The Plan Recovery Trustee may provide or make available to the Plan Recovery Trust Beneficiaries similar reports for such interim periods during the calendar year as the Plan Recovery Trustee deems advisable.

12.4 Dissolution of the Committee.

The Committee shall be automatically dissolved on the Effective Date and, on the Effective Date, each member thereof and each Professional retained by the Committee shall be released and discharged from all rights, duties, responsibilities, and obligations arising from, or related to, the Debtors, their membership on the Committee, the Plan, or the Chapter 11 Cases, except with respect to the rights (if any) of former members of the Committee to select successor designees on the Oversight Committee in accordance with the terms of the Plan Recovery Trust Agreement.

12.5 Modifications and Amendments.

- (a) In the Plan Proponents' reasonable discretion, the Plan Proponents may alter, amend, or modify the Plan under section 1127(a) of the Bankruptcy Code at any time at or prior to the conclusion of the Confirmation Hearing, provided that the Schedule of Assumed Contracts may be altered, amended, or modified up until the Effective Date or by further order of the Bankruptcy Court. All alterations, amendments, or modifications to the Plan must comply with section 1127 of the Bankruptcy Code. The Debtors shall provide parties in interest with notice of such alterations, amendments, or modifications as may be required by the Bankruptcy Rules or order of the Bankruptcy Court. A Creditor that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, or modified, if the proposed alteration, amendment, or modification does not materially and adversely change the treatment of the Claim or Equity Interest of such Creditor.
- (b) After entry of the Confirmation Order and prior to substantial consummation of the Plan (as defined in section 1101(2) of the Bankruptcy Code), the Plan Proponents or the Plan Recovery Trust, as applicable, may, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure

Statement approved with respect to the Plan, or the Confirmation Order, and such matters as may be necessary to carry out the purpose and effect of the Plan so long as such proceedings do not adversely affect the treatment of Holders of Claims or Equity Interests under the Plan. Such proceedings must comply with section 1127 of the Bankruptcy Code. To the extent required, notice of such proceedings shall be served in accordance with the Bankruptcy Rules or an order of the Bankruptcy Court. A Creditor that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, or modified, if the proposed alteration, amendment, or modification does not materially and adversely change the treatment of the Claim or Equity Interests of such Creditor.

12.6 Severability of Plan Provisions.

If, at or before the Confirmation Hearing, the Bankruptcy Court holds that any Plan term or provision is invalid, void, or unenforceable, the Bankruptcy Court may alter or interpret that term or provision so that it is valid and enforceable to the maximum extent possible consistent with the original purpose of that term or provision. That term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the Plan's remaining terms and provisions will remain in full force and effect and will in no way be affected, impaired, or invalidated. The Confirmation Order will constitute a judicial determination providing that each Plan term and provision, as it may have been altered or interpreted in accordance with this Section, is valid and enforceable under its terms.

12.7 Compromises and Settlements.

From and after the Effective Date, the Plan Recovery Trustee, subject to the terms of the Plan Recovery Trust Agreement, may compromise and settle disputes with respect to any Claim or Equity Interest or any Plan Recovery Trust Action without any further approval by the Bankruptcy Court. Until the Effective Date, the Debtors expressly reserve the right to compromise and settle, subject to the approval of the Bankruptcy Court, any Claim against them, any Equity Interest asserted in them, or any Avoidance Action or Cause of Action belonging to the Estates.

12.8 Binding Effect of Plan.

Upon the Effective Date, section 1141 of the Bankruptcy Code shall become applicable with respect to the Plan, and the Plan shall be binding on all Entities to the fullest extent permitted by section 1141(a) of the Bankruptcy Code. Confirmation of the Plan binds each Holder of a Claim or Equity Interest to all the terms and conditions of the Plan, whether or not such Holder's Claim or Equity Interest is Allowed, whether or not such Holder holds a Claim or Equity Interest that is in a Class that is Impaired under the Plan, and whether or not such Holder has accepted the Plan.

12.9 Term of Injunctions or Stays.

Unless otherwise provided herein or in the Confirmation Order, all injunctions or stays in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code or otherwise, and extant as of the Confirmation Hearing (excluding any injunctions or stays contained in or arising from the Plan or the Confirmation Order), shall remain in full force and effect through the Effective Date.

12.10 Revocation, Withdrawal, or Non-Consummation.

The Plan Proponents reserve the right to revoke or withdraw the Plan at any time prior to the Confirmation Hearing and to File subsequent plans. If the Plan Proponents revoke or withdraw the Plan prior to the Confirmation Hearing, or if the Effective Date does not occur, then (a) the Plan shall be null and void in all respects; and (b) nothing contained in the Plan, and no acts taken

1 in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver
2 or release of any Claims against, or any Equity Interests in, any Debtor, or any Causes of Action
3 by or against any Debtor or any other Entity, (ii) prejudice in any manner the rights of any Debtor
or any other Entity in any further proceedings involving a Debtor, or (iii) constitute an admission
of any sort by any Debtor or any other Entity.

4 **12.11 Exemption from Transfer Taxes.**

5 Pursuant to section 1146 of the Bankruptcy Code, the vesting of the Plan Recovery Trust
6 Assets in the Plan Recovery Trust, the issuance, transfer, or exchange of notes or equity securities
7 under the Plan, the creation of any mortgage, deed of trust, lien, pledge, or other security interest,
8 or the making or assignment of any lease or sublease, or making or delivery of any deed or other
instrument of transfer under, in furtherance of, or in connection with the Plan, shall not be subject
to any stamp, real estate transfer, mortgage recording, or other similar tax.

9 **12.12 Computation of Time.**

10 In computing any period of time prescribed or allowed by the Plan, the provisions of
Bankruptcy Rule 9006(a) shall apply.

11 **12.13 Transactions on Business Days.**

12 If the Effective Date or any other date on which a transaction may occur under the Plan
13 shall occur on a date that is not a Business Day, any transactions or other actions contemplated by
the Plan to occur on such date shall instead occur on the next Business Day.

14 **12.14 Good Faith.**

15 Confirmation of the Plan shall constitute a conclusive determination that: (a) the Plan, and
16 all the transactions and settlements contemplated thereby, have been proposed in good faith and in
compliance with all applicable provisions of the Bankruptcy Code and the Bankruptcy Rules; and
17 (b) the solicitation of acceptances or rejections of the Plan has been in good faith and in compliance
with all applicable provisions of the Bankruptcy Code and the Bankruptcy Rules, and, in each case,
18 that the Plan Proponents and their respective Related Parties have acted in good faith in connection
therewith.

19 **12.15 Governing Law.**

20 Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy
21 Code and Bankruptcy Rules), (a) the laws of the State of California shall govern the construction
and implementation of the Plan and any agreements, documents, and instruments executed in
22 connection with the Plan (except as may be provided otherwise in any such agreements,
documents, or instruments) and (b) the laws of the state of incorporation or formation of each
23 Debtor shall govern corporate, limited liability company, or limited partnership governance
matters with respect to such Debtor; in each case without giving effect to the principles of conflicts
24 of law thereof. Any applicable non-bankruptcy law that would prohibit, limit, or otherwise restrict
implementation of the Plan based on (i) the commencement of the Chapter 11 Cases, (ii) the
25 appointment of the Plan Recovery Trustee, (iii) the wind down of the Debtors, (iv) the
monetization of some or all of the Plan Recovery Trust Assets, or (v) any other act or action to be
26 done pursuant to or contemplated by the Plan is superseded and rendered inoperative by the Plan
and federal bankruptcy law.

1 **12.16 Notices.**

2 Following the Effective Date, all pleadings and notices Filed in the Chapter 11 Cases shall
3 be served solely on (a) the Plan Recovery Trust and its counsel, (b) the U.S. Trustee, (c) any Person
4 whose rights are affected by the applicable pleading or notice, and (d) any Person Filing a specific
5 request for notices and papers on and after the Effective Date.

6 **12.17 Final Decree.**

7 Upon the Plan Recovery Trustee's determination that all Claims and Equity Interests have
8 been Allowed, disallowed, expunged, or withdrawn and that all Plan Recovery Trust Assets have
9 been monetized, abandoned, or otherwise administered, the Plan Recovery Trust shall move for
10 the entry of the Final Decree. On entry of the Final Decree, the Plan Recovery Trustee and the
11 Oversight Committee shall be deemed discharged and have no further duties or obligations to the
12 Plan Recovery Trust or any other Entity.

13 **12.18 Additional Documents.**

14 On or before the Effective Date, the Plan Proponents may File with the Bankruptcy Court
15 such agreements and other documents as may be necessary or appropriate to effectuate and further
16 evidence the terms and conditions of the Plan. The Debtors and the Plan Recovery Trust, as
17 applicable, and all Holders receiving Distributions pursuant to the Plan and all other parties in
18 interest may, from time to time, prepare, execute, and deliver any agreements or documents and
19 take any other acts as may be necessary or advisable to effectuate the provisions and intent of the
20 Plan.

21 **12.19 Conflicts with the Plan.**

22 In the event and to the extent that any provision of the Plan is inconsistent with the
23 provisions of the Disclosure Statement, any other order entered in the Chapter 11 Cases, or any
24 other agreement to be executed by any Person pursuant to the Plan, the provisions of the Plan shall
25 control and take precedence; *provided, however*, that if there is any inconsistency between the
26 Plan, the provisions of the Disclosure Statement, and any other order entered in the Chapter 11
27 Cases, on the one hand, and the Plan Recovery Trust Agreement regarding the protocols, authority
28 and decision-making power of the Oversight Committee, on the other hand, the specific provisions
in the Plan Recovery Trust Agreement regarding the Oversight Committee shall control; *provided,*
further, that the Confirmation Order shall control and take precedence in the event of any
inconsistency between the Confirmation Order, any provision of the Plan, and any of the foregoing
documents.

21 **ARTICLE XIII.**
22 **REQUEST FOR CONFIRMATION AND RECOMMENDATION**

23 **13.1 Request for Confirmation.**

24 The Plan Proponents request confirmation of the Plan in accordance with section 1129 of
the Bankruptcy Code.

25 **13.2 Recommendation.**

26 The Plan Proponents believe that confirmation and implementation of the Plan are the best
27 alternative under the circumstances and urge all Holders of Claims and Equity Interests entitled to
28 vote on the Plan to vote in favor of and support confirmation of the Plan.

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Respectfully submitted,

**LEFEVER MATTSON,
A CALIFORNIA CORPORATION, ET AL.**

By: /s/ Bradley Sharp
Name: Bradley Sharp
Title: Chief Restructuring Officer

KS MATTSON PARTNERS, LP

By: /s/ Robbin Itkin
Name: Robbin Itkin
Title: Responsible Individual

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: /s/ Kevin Katari
Name: Kevin Katari
Title: Chairperson

EXHIBIT A

Defined Terms

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

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

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

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

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

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

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

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

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

6. **“Avoidance Actions”** means any and all causes of action, claims, remedies, or rights that may be brought by or on behalf of the Debtors or the Estates under sections 506(c), 510, 542, 544, 545, 547, 548, 549, 550, 551, 552(b) or 553 of the Bankruptcy Code, or under related state or federal statutes, or pursuant to any theory or cause of action under common law, regardless whether such action has been commenced prior to the Effective Date.

7. **“Ballot”** means the ballot form distributed to each Holder of a Claim or Equity Interest entitled to vote to accept or reject the Plan.

8. **“Bankruptcy Code”** means Title 11 of the United States Code, 11 U.S.C. §§ 101–

1532, as the same may be amended from time to time to the extent applicable to the Chapter 11 Cases.

9. **“Bankruptcy Court”** means the United States Bankruptcy Court for the Northern District of California, or in the event such court ceases to exercise jurisdiction over any Chapter 11 Case, such other court or adjunct thereof that exercises jurisdiction over such Chapter 11 Case in lieu of the United States Bankruptcy Court for the Northern District of California.

10. **“Bankruptcy Rules”** means the Federal Rules of Bankruptcy Procedure promulgated by the Supreme Court of the United States under 28 U.S.C. § 2075, as the same may be amended from time to time to the extent applicable to the Chapter 11 Cases.

11. **“Business Day”** means any day other than a Saturday, a Sunday, a “legal holiday” (as defined in Bankruptcy Rule 9006(a)), or any other day on which commercial banks in New York, New York are required or authorized to close by law or executive order.

12. **“Cash”** means cash and cash equivalents, including bank deposits, wire transfers, checks representing good funds, and legal tender of the United States of America or instrumentalities thereof.

13. **“Causes of Action”** means any and all claims, rights, actions, causes of action, liabilities, obligations, suits, debts, remedies, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, rights of setoff, third-party claims, subordination claims, subrogation claims, contribution claims, reimbursement claims, indemnity claims, counterclaims, and cross claims, damages, or judgments whatsoever, whether known or unknown, reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, foreseen or unforeseen, asserted or unasserted, existing or hereafter arising, in law, at equity, by statute, whether for tort, fraud, contract, or otherwise.

14. **“Chapter 11 Cases”** means the chapter 11 bankruptcy cases commenced by the Debtors, which are being jointly administered under the case caption *In re LeFever Mattson, et al.*, Case No. 24-10545 (Bankr. N.D. Cal.).

15. **“Claim”** means any “claim,” as defined in section 101(5) of the Bankruptcy Code, against any of the Debtors or against property of any of the Debtors.

16. **“Claim Objection Deadline”** means subject to extension as set forth in Section 8.2 of the Plan, the date that is the first Business Day that is at least 180 calendar days after the Effective Date. The Claim Objection Deadline may be extended by order of the Bankruptcy Court.

17. **“Claims Agent”** means Kurtzman Carson Consultants, LLC dba Verita Global, the Debtors’ court-appointed claims, noticing, and balloting agent.

18. **“Claims Bar Date”** means, as applicable, the Administrative Expense Claims Bar Date, the Governmental Claims Bar Date, the KSMP Bar Date, the LFM General Claims Bar Date, or the Rejection Claims Bar Date.

19. **“Class”** means a category of Claims or Equity Interests designated pursuant to the Plan, or any subclass thereof.

20. **“Class A Plan Recovery Trust Units”** means the Plan Recovery Trust Units to be distributed on a Pro Rata basis to Holders of (i) Allowed Trade Claims (if Class 4 votes to reject the Plan) on account of their Allowed Trade Claims, and (ii) Allowed Investor Claims on account of their Investor Tranche 1 Claims, pursuant to the Plan and the Plan Recovery Trust Agreement.

1 21. **“Class B Plan Recovery Trust Units”** means the Plan Recovery Trust Units to be
2 distributed to Investors under the Plan and the Plan Recovery Trust Agreement on account of their
Investor Tranche 2 Claims.

3 22. **“Class C Plan Recovery Trust Units”** means the Plan Recovery Trust Units to be
4 distributed to Investors under the Plan and the Plan Recovery Trust Agreement on account of their
Contributed Claims.

5 23. **“Closing Date”** means the date on which all of the Chapter 11 Cases have been
6 closed in accordance with Section 12.17 of the Plan.

7 24. **“Collateral”** means any Estate Asset that is subject to a Lien to secure the payment
8 or performance of a Claim, which Lien is perfected and not subject to avoidance under the
Bankruptcy Code or otherwise invalid or unenforceable under the Bankruptcy Code or applicable
non-bankruptcy law.

9 25. **“Committee”** means the official committee of unsecured creditors, as provided for
10 under section 1102 of the Bankruptcy Code, which was appointed in the Chapter 11 Cases, as it
may be reconstituted from time to time.

11 26. **“Confirmation”** means entry by the Bankruptcy Court of the Confirmation Order.

12 27. **“Confirmation Hearing”** means the hearing or hearings held by the Bankruptcy
13 Court to consider Confirmation of the Plan as required by section 1128(a) of the Bankruptcy Code,
as such hearing may be continued from time to time.

14 28. **“Confirmation Order”** means the order of the Bankruptcy Court confirming the
15 Plan pursuant to section 1129 of the Bankruptcy Code in a form reasonably acceptable to the Plan
Proponents.

16 29. **“Contingent Claim”** means any Claim that is Scheduled or Filed as contingent.

17 30. **“Contributed Claim Election”** means an election by an Investor, as indicated on
18 an Investor Ballot, to contribute its Contributed Claims to the Plan Recovery Trust pursuant to the
terms of this Plan.

19 31. **“Contributed Claims”** means all Causes of Action of a Contributing Claimant that
20 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
21 are related in any way to the Debtors, their predecessors, their respective affiliates, or any Excluded
Parties, including (a) all Causes of Action based on, arising out of, or related to the marketing,
22 sale, and issuance of any investments related to the Debtors; (b) all Causes of Action for unlawful
dividend, fraudulent conveyance, fraudulent transfer, voidable transaction, or other avoidance
23 claims under state or federal law; (c) all Causes of Action based on, arising out of, or related to the
misrepresentation of any of the Debtors’ financial information, business operations, or related
24 internal controls; (d) all Causes of Action based on, arising out of, or related to any failure to
disclose, or actual or attempted cover up or obfuscation of, any of the wrongful conduct described
25 in the Disclosure Statement, including with respect to any alleged fraud related thereto; and (e) all
Causes of Action based on aiding or abetting, entering into a conspiracy with, or otherwise
26 supporting torts committed by the Debtors or their agents; *provided that* if a particular Cause of
Action is identified on the Schedule of Disclaimed Contributed Claims by (a) the Plan Proponents
27 prior to the Effective Date or (b) the Plan Recovery Trustee on and after the Effective Date, then
such Cause of Action will not be a Contributed Claim.

28 32. **“Contributing Claimants”** means any and all Holders of Investor Claims that (i)

1 affirmatively cast a Ballot on account of an Investor Claim to **accept** the Plan and (ii) **did not opt-**
2 **out** of the Contributed Claim Election.

3 33. **“Corporate Action”** means any action, approval, authorization, decision, or other
4 act of any kind that would be necessary on the part of any Person for any corporation, limited
5 liability company, limited partnership, or other Person to in turn act.

6 34. **“Creditor”** means any Holder of a Claim.

7 35. **“Cure Payment”** means the payment of Cash or the distribution of other property
8 (as the parties may agree or the Bankruptcy Court may order) that is necessary to cure any and all
9 defaults under an executory contract or unexpired lease so that such contract or lease may be
10 assumed, or assumed and assigned, pursuant to section 1123(b)(2) of the Bankruptcy Code.

11 36. **“Debtor”** or **“Debtors”** means, individually and collectively, each of the LFM
12 Debtors and KSMP.

13 37. **“Defined Term”** means any capitalized term that is defined in this Exhibit A of the
14 Plan.

15 38. **“DIP Credit Agreements”** means, collectively, the definitive form of loan and
16 security agreements entered into by the applicable Debtors in accordance with the DIP Orders.

17 39. **“DIP Facility Claims”** means a Claim arising under, relating to, derived from,
18 based upon, or secured pursuant to the DIP Facilities, including, Claims for all principal amounts
19 outstanding, interest, fees, expenses, costs, indemnification obligations, reimbursement
20 obligations, and any other charges arising thereunder, in each case, with respect to the DIP
21 Facilities.

22 40. **“DIP Facilities”** means the debtor-in-possession credit facilities provided to the
23 Debtors on the terms and conditions set forth in the DIP Credit Agreements and the DIP Orders.

24 41. **“DIP Lender”** means Serene Investment Management LLC.

25 42. **“DIP Orders”** means (a) the final order entered by the Bankruptcy Court on
26 January 23, 2025 [Docket No. 643] and (b) the final ordered entered by the Bankruptcy Court on
27 September 25, 2025 [Docket No. 2414].

28 43. **“Disallowed Claim”** means any Claim that (a) is not Scheduled, or is listed on the
Schedules as contingent, unliquidated, disputed, or in an amount equal to zero, unknown,
undetermined, or similar, and whose Holder failed to timely File a proof of claim by the applicable
Claims Bar Date (unless the late filing was permitted by a Bankruptcy Court order), but excluding
any Claim that is expressly Allowed by a Final Order or under the Plan; or (b) has been disallowed
pursuant to an order of the Bankruptcy Court.

44. **“Disallowed Equity Interest”** means any Equity Interest that (a) is not listed on
the *Omnibus List of Equity Security Holders* [Docket No. 353] and whose Holder failed to timely
File a proof of interest by the applicable Claims Bar Date (unless the late filing was permitted by
a Bankruptcy Court order), but excluding any Equity Interest that is expressly Allowed by a Final
Order or under the Plan; or (b) has been disallowed pursuant to an order of the Bankruptcy Court.

45. **“Disclosure Statement”** means that certain disclosure statement relating to the
Plan, including all exhibits and schedules thereto, as approved by the Bankruptcy Court pursuant
to section 1125 of the Bankruptcy Code, as it subsequently may be amended, modified, or
supplemented by the Plan Proponents.

1 46. **“Disputed”** means, as to a Claim or an Equity Interest, any Claim or Equity Interest
2 (or portion thereof): (a) that is not Allowed; (b) that is not disallowed by the Plan, the Bankruptcy
3 Code, or a Final Order, as applicable; and (c) with respect to which a party in interest has Filed a
Proof of Claim or Proof of Interest or otherwise made a written request to a Debtor for payment,
without any further notice to or action, order, or approval of the Bankruptcy Court.

4 47. **“Distribution”** means any issuance, payment, or transfer of consideration made
5 under the Plan or the Plan Recovery Trust Agreement.

6 48. **“Distribution Agent”** means (i) the Plan Recovery Trustee solely in its capacity as
7 distribution agent under the Plan with respect to Distributions to Holders of Allowed
8 Administrative Expense Claims (including Professional Fee Claims), Involuntary Gap Claims,
Priority Tax Claims, and Claims in Classes 1, 2, 3, 4 and 5 on account of such Allowed Claims, or
(ii) any party designated by the Plan Recovery Trustee to serve in such capacity.

9 49. **“Distribution Date”** means any date on which a Distribution is made.

10 50. **“Distribution Record Date”** means the record date for determining entitlement of
Holders of Claims to receive Distributions under the Plan, which date shall be the Effective Date.

11 51. **“Distribution Reserve”** means one or more reserves established by the Plan
12 Recovery Trustee on account of Contingent Claims, Disputed Claims, or Unliquidated Claims.

13 52. **“DOJ”** means the U.S. Department of Justice.

14 53. **“Effective Date”** means the date that is the first Business Day on which each
condition set forth in Article IX of the Plan has been satisfied or waived as set forth therein.

15 54. **“Entity”** means any “entity,” as defined in section 101(15) of the Bankruptcy Code.

16 55. **“Equitably Subordinated Claim”** means any claim of any kind or nature
17 whatsoever held by any Entity against any of the Debtors and the KSMP Investment Entities that
the Bankruptcy Court has determined to be equitably subordinated pursuant to section 510(c) of
the Bankruptcy Code.

18 56. **“Equitably Subordinated Interest”** means any interest of any kind or nature
19 whatsoever held by any Entity in any of the Debtors and the KSMP Investment Entities that the
20 Bankruptcy Court has determined to be equitably subordinated pursuant to section 510(c) of the
Bankruptcy Code.

21 57. **“Equity Interests”** means all previously issued and outstanding stock,
22 membership, partnership, or other ownership interests in any of the Debtors or the KSMP
Investment Entities outstanding immediately prior to the Effective Date, including agreements of
23 any character to convert, exchange, exercise for, or otherwise receive any such stock, membership,
partnership, or other ownership interests.

24 58. **“Estate Assets”** means, collectively, (a) any and all right, title, and interest of the
25 Debtors, the Estates, and the KSMP Investment Entities in and to property of whatever type or
nature, including books and records, the Real Properties, and all Avoidance Actions and Causes
26 of Action as of the Effective Date; and (b) any assets contributed to or recovered by the Plan
Recovery Trust on or after the Effective Date.

27 59. **“Estates”** means the chapter 11 estates of the Debtors created by section 541(a) of
28 the Bankruptcy Code.

1 60. **“Excluded Parties”** means, collectively, the Persons and Entities identified on the
2 Schedule of Excluded Parties.

3 61. **“Exculpated Parties”** means, collectively, and in each case in its capacity as such:
4 (a) the Debtors; (b) the Committee, including its current and former members; (c) Professionals
5 for (a) and (b); (d) the Responsible Individual; (e) all officers and directors of any of the Debtors
6 serving in such capacity on or after the Petition Date and before the Effective Date; and (f) persons
7 who acted as agents for (a) and (b) and, in doing so, assumed fiduciary obligations of the principal.
8 The definition of Exculpated Parties excludes all Excluded Parties.

9 62. **“File,” “Filed,” or “Filing”** means duly and properly filed with the Bankruptcy
10 Court and reflected on the docket of the Chapter 11 Cases, except with respect to proofs of claim
11 that may be filed with the Claims Agent, in which case “File” or “Filed” means duly and properly
12 filed with the Claims Agent or the Bankruptcy Court and reflected on the official claims register
13 maintained by the Claims Agent.

14 63. **“Final Decree”** means an order entered pursuant to section 350 of the Bankruptcy
15 Code, Bankruptcy Rule 3022, and Local Rule 3022-1 closing the Chapter 11 Cases.

16 64. **“Final Order”** means an order or judgment of the Bankruptcy Court entered on the
17 docket of the Chapter 11 Cases:

18 (a) that has not been reversed, rescinded, stayed, modified, vacated, or amended;

19 (b) that is in full force and effect; and

20 (c) with respect to which (i) the time to appeal or to seek review, rehearing, remand, or
21 a writ of certiorari has expired and as to which no timely filed appeal or petition for
22 review, rehearing, remand, or writ of certiorari is pending; or (ii) any such appeal
23 or petition has been dismissed or resolved by the highest court to which the order
24 or judgment was appealed or from which review, rehearing, remand, or a writ of
25 certiorari was sought.

26 No order shall fail to be a Final Order solely because of the possibility that a motion pursuant to
27 section 502(j) of the Bankruptcy Code, Rule 59 or Rule 60 of the Federal Rules of Civil Procedure,
28 or Bankruptcy Rules 9023 or 9024 may be or has been filed with respect to such order.

29 65. **“Forfeiture Property”** means any property and proceeds recovered or to be
30 recovered, and claimed by, the DOJ, the SEC, or any other Governmental Unit, to be subject to
31 forfeiture in connection with any civil forfeiture proceedings or criminal actions against (i)
32 Kenneth W. Mattson (including *United States v. Kenneth W. Mattson*, Case No. 25-cr-00126-CRB
33 (N.D. Cal.), and *SEC v. Kenneth Mattson and Relief Defendant KS Mattson Partners LP*, No. 3:25-
34 cv-04387 (N.D. Cal.)) or (ii) any other Excluded Parties to the extent relating to the Debtors,
35 Investor Claims, and the KSMP Investment Entities, or any Investments.

36 66. **“Governmental Claims Bar Date”** means, with respect to each applicable Debtor,
37 the date that is 180 days after the applicable Order for Relief Date, as calculated pursuant to
38 Bankruptcy Rule 9006.

39 67. **“Governmental Unit”** means any “governmental unit,” as defined in section
40 101(27) of the Bankruptcy Code.

41 68. **“Holder”** means the Person that is the owner of record of a Claim, Equity Interest,
42 or Plan Recovery Trust Unit, as applicable.

69. **"Impaired"** means any Class of Claims or Equity Interests that is impaired within the meaning of section 1124 of the Bankruptcy Code.

70. **"Insider"** means any "insider," as defined in section 101(31) of the Bankruptcy Code, and with respect to a limited liability company or limited partnership, any director, officer, person in control or relative of any of the foregoing.

71. **"Intercompany Claim"** means any Claim of one Debtor against another Debtor.

72. **"Intercompany Lien"** means any Lien securing an Intercompany Claim.

73. **"Investment"** means any investment or investment product offered by any Debtor (whether directly or through an agent), including, without limitation, any investments, interests, or other rights with respect to any Debtor that were styled, marketed, or sold as, among others, partnership interests in limited partnerships, TIC Interests, or other interests in any real property (including the purchase or sale of a real property).

74. **"Investor"** means a Person or Entity that holds an Investor Claim.

75. **"Investor Claim"** means 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.

76. **"Investor Ballot"** means the ballot form distributed to each Holder of an Investor Claim entitled to vote to accept or reject the Plan.

78. **"Investor Forfeiture Fund"** means a fund to be held in a separate account and administered by the Plan Recovery Trustee for the sole benefit of Investors, comprised of any and all Forfeiture Property and any proceeds thereof, which shall be free and clear of any and all claims and liens. The Investor Forfeiture Fund shall not constitute property of the Debtors, the KSMP Investment Entities, or the Plan Recovery Trust. All Cash in the Investor Forfeiture Fund shall be distributed solely to Investors on a Pro Rata basis on account of their Allowed Investor Tranche 1 Claims and Investor Tranche 2 Claims, in accordance with the Plan.

79. **"Investor Lookback Period"** means the prepetition period commencing on the Ponzi Start Date.

80. **"Investor-Specific Claims"** is as defined in Section 3.2 of the Plan.

- 1 81. **“Investor Tranche 1 Claim”** means:
- 2 (a) the actual amount of money contributed by or on behalf of an
- 3 Investor, including the value of any initial contributions made
- 4 through a 1031 exchange intermediary, retirement rollover
- 5 contributions from another financial institution, or direct cash
- 6 contributions (via check, wire, ACH);
- 7 (b) *less* all transfers to an Investor before September 12, 2024 that
- 8 represent a return of principal, including (i) proceeds from cash-out
- 9 refinancings, (ii) proceeds from property sales, and (iii) other
- 10 substantial one-time payments;
- 11 (c) *less* Prepetition Ponzi Distributions.
- 12 82. **“Investor Tranche 2 Claim”** means the amount of Prepetition Ponzi Distributions.
- 13 83. **“Involuntary Gap Claim”** means a Claim specified in section 502(f) of the
- 14 Bankruptcy Code and entitled to priority against Debtor KSMP and its Estate under section
- 15 507(a)(3) of the Bankruptcy Code.
- 16 84. **“KSMP”** means KS Mattson Partners, LP.
- 17 85. **“KSMP Bar Date”** means October 3, 2025.
- 18 86. **“KSMP Investment Entities”** means, individually and collectively, (i) Specialty
- 19 Properties Partners, LP; (ii) Treehouse Investments, LP; and (iii) Perris Freeway Plaza, LP.
- 20 87. **“LFM Bar Date Order”** means the order [Docket No. 459] of the Bankruptcy
- 21 Court setting and establishing, among other things, the LFM General Claims Bar Date.
- 22 88. **“LFM Debtor”** or **“LFM Debtors”** means, individually and collectively, each of
- 23 the entities listed on Exhibit C hereto, as the same may be amended from time to time.
- 24 89. **“LFM General Claims Bar Date”** means February 14, 2025.
- 25 90. **“Lien”** means any “lien,” as defined in section 101(37) of the Bankruptcy Code.
- 26 91. **“Local Rules”** means the Bankruptcy Local Rules for the Northern District of
- 27 California, as amended from time to time.
- 28 92. **“Net Prepetition Investor Recovery”** means, if applicable, with respect to a
- specific Investor, (a) the total Cash value remitted to the Investor during the Investor Lookback
- Period (whether the payment was considered a return on the investment, a referral fee, or a
- repayment of principal) minus (b) the total Cash value invested prepetition as principal by the
- Investor, provided that the value of (a) is greater than the value of (b).
93. **“Order for Relief Date”** means June 9, 2025, when used in reference to KSMP.
- For any other Debtor, the Order for Relief Date is the same date as the Petition Date for such
- Debtor.
94. **“Other Secured Claim”** means any Secured Claim of an Entity that is not a
- Secured Lender Claim.
95. **“Oversight Committee”** means a board for the Plan Recovery Trust, whose initial,

volunteer members shall be chosen by the Committee and identified in the Plan Supplement.

96. **“Person”** means any “person,” as defined in section 101(41) of the Bankruptcy Code.

97. **“Petition Date”** means (a) August 6, 2024, when used in reference to Windscape Apartments, LLC; (b) October 2, 2024, when used in reference to Pinewood Condominiums, LP and Ponderosa Pines, LP; (c) November 22, 2024, when used in reference to K S Mattson Partners, LP; and (d) September 12, 2024, when used in reference to all other Debtors.

98. **“Plan”** means this Plan and all exhibits thereto, including the Plan Supplement, as the same may be amended, modified, or supplemented in the Plan Proponents’ reasonable discretion.

99. **“Plan Proponents”** means the Debtors and the Committee, as proponents of the Plan.

100. **“Plan Recovery Trust”** means a trust established on the Effective Date for the benefit of the Plan Recovery Trust Beneficiaries in accordance with the terms of the Plan and the Plan Recovery Trust Agreement.

101. **“Plan Recovery Trust Actions”** means, collectively, all Avoidance Actions and Causes of Action held by the Debtors, the KSMP Investment Entities, or the Estates and any Causes of Action that are contributed to the Plan Recovery Trust as Contributed Claims, in each case as against any Entity that is not a Debtor.

102. **“Plan Recovery Trust Agreement”** means the agreement substantially in the form Filed with the Plan Supplement establishing and delineating the terms and conditions of the Plan Recovery Trust, including the rights and duties of the Plan Recovery Trustee and the Oversight Committee.

103. **“Plan Recovery Trust Assets”** means, collectively, (a) the Plan Recovery Trust Actions, (b) Available Cash as of the Effective Date and Available Cash that is possessed by or turned over to the Plan Recovery Trust after the Effective Date, (c) the Retained Real Properties (which shall be subject to the terms and provisions of the applicable Secured Lender Settlement Agreement in relation to the applicable Settled Secured Lender Claim), and (d) other assets that may be transferred or otherwise provided, directly or indirectly, to or for the benefit of the Plan Recovery Trust (on or after the Effective Date) by any Person. The Investor Forfeiture Fund is not a Plan Recovery Trust Asset.

104. **“Plan Recovery Trust Beneficiary”** means each Holder of a Plan Recovery Trust Unit.

105. **“Plan Recovery Trust Expenses”** means any and all reasonable fees, costs, and expenses incurred by the Plan Recovery Trustee in managing and operating the Plan Recovery Trust not inconsistent with the Plan or the Plan Recovery Trust Agreement, including the maintenance or disposition of the Plan Recovery Trust Assets (including the Plan Recovery Trustee’s fees, indemnity reserves, attorneys’ fees, the fees of professionals and other Persons retained by the Plan Recovery Trustee, personnel-related expenses, and any taxes imposed on the Plan Recovery Trust with respect to the Plan Recovery Trust Assets), and any other expenses incurred or otherwise payable in accordance with the Plan Recovery Trust Agreement.

106. **“Plan Recovery Trust Indemnified Parties”** means the Plan Recovery Trustee, the Oversight Committee members, and their respective Related Parties, each in their respective capacity as such.

1 107. **“Plan Recovery Trust Units”** means (a) any Class A Plan Recovery Trust Units
2 distributed to Holders of Allowed Trade Claims and Holders of Allowed Investor Tranche 1
3 Claims; (b) any Class B Plan Recovery Trust Units distributed to Holders of Allowed Investor
4 Tranche 2 Claims; and (c) any Class C Plan Recovery Trust Units distributed to Investors on
5 account of Contributed Claims, in each case in accordance with the Plan and the Plan Recovery
6 Trust Agreement.

7 109. **“Plan Recovery Trust Waterfall”** is as defined in Section 5.3.10 of the Plan.

8 110. **“Plan Recovery Trustee”** means the initial Plan Recovery Trustee, who was
9 chosen by the Committee, and any successor thereto appointed pursuant to the Plan Recovery Trust
10 Agreement, in each case acting in the capacity as trustee of the Plan Recovery Trust.

11 111. **“Plan Supplement”** means the ancillary documents regarding the implementation
12 and effectuation of the Plan, which will be Filed on or before the date that is fourteen (14) calendar
13 days prior to the Voting Deadline, as such documents may be amended and supplemented prior to
14 the Confirmation Hearing in the Plan Proponents’ reasonable discretion. The Plan Supplement
15 includes, without limitation, the form of the Plan Recovery Trust Agreement, the Schedule of
16 Assumed Agreements, and additional information relating to tax matters.

17 112. **“Ponzi Start Date”** means September 12, 2017.

18 113. **“Prepetition Ponzi Distributions”** means payments made to an Investor between
19 the Ponzi Start Date and September 12, 2024, which represent distributions and/or other regular
20 payments, including: (a) monthly distributions received, (b) periodic distributions posted to an
21 IRA account, and (c) any regularly scheduled payments between the Ponzi Start Date and
22 September 12, 2024.

23 114. **“Priority Claim”** means a Claim that is entitled to priority under section 507(a) of
24 the Bankruptcy Code, other than Administrative Expense Claims, Professional Fee Claims,
25 Involuntary Gap Claims, and Priority Tax Claims.

26 115. **“Priority Tax Claim”** means a Claim that is entitled to priority under section
27 507(a)(8) of the Bankruptcy Code.

28 116. **“Pro Rata”** means proportionately, so that the ratio of (a) the amount of
consideration distributed on account of a particular Allowed Claim or Plan Recovery Trust Unit
to (b) the amount or number of that Allowed Claim or Plan Recovery Trust Unit, is the same as
the ratio of (x) the amount of consideration available for Distribution on account of, as applicable,
all Allowed Claims in the Class in which the particular Allowed Claim is included or all applicable
Plan Recovery Trust Units to (y), as applicable, the amount of all Allowed Claims of that Class or
the number of applicable Plan Recovery Trust Units, as adjusted to take into account any applicable
Distribution Reserves.

 117. **“Professional”** means any professional employed in the Chapter 11 Cases pursuant
to sections 327, 328, 363, 1103, or 1104 of the Bankruptcy Code.

 118. **“Professional Fee Claim”** means a Claim of a Professional for compensation or
reimbursement of costs and expenses (or of members of the Committees for reimbursement of
expenses) relating to services provided during the period from the applicable Petition Date through
and including the Effective Date.

 119. **“Professional Fee Reserve”** means the reserve established and funded from the
Plan Recovery Trust pursuant to Section 3.3.3 of the Plan to provide sufficient funds to satisfy in
full all unpaid Allowed Professional Fee Claims.

1 120. **“Real Properties”** means any and all real property in which a Debtor holds a direct
2 or indirect ownership interest.

3 121. **“Rejection Claim”** means any Claim for monetary damages as a result of the
4 rejection of any prepetition executory contract or unexpired lease, whether rejected pursuant to the
5 Confirmation Order or otherwise.

6 122. **“Rejection Claims Bar Date”** means, to the extent not previously established by
7 prior order of the Bankruptcy Court, the first Business Day that is at least thirty (30) calendar days
8 after the Effective Date.

9 123. **“Related Parties”** means, collectively, all of the respective accountants, agents,
10 assigns, attorneys, bankers, consultants, directors, employees, executors, financial advisors,
11 investment bankers, managers, members, officers, partners, predecessors, principals, professional
12 persons, representatives, and successors of the referenced Person; *provided, however*, that the
13 Debtors’ Related Parties will be limited to the following Persons: the independent directors,
14 officers, attorneys, accountants, consultants, and professionals who are employed by the Debtors
15 on the Effective Date pursuant to an order of the Bankruptcy Court.

16 124. **“Responsible Individual”** means Robbin L. Itkin, the appointed responsible
17 individual of KSMP pursuant to Local Rule 4002-1.

18 125. **“Retained Property Secured Lender”** means a lender to a Debtor or an affiliate
19 of a Debtor (including, without limitation, a retail or commercial bank) that is not an Investor and
20 that purportedly holds a Secured Claim on account of a deed of trust or Lien against one or more
21 of the Real Properties that are Estate Assets as of the Effective Date.

22 126. **“Retained Real Properties”** means the unsold Real Properties as of the Effective
23 Date that will be transferred to the Plan Recovery Trust upon the Effective Date.

24 127. **“Schedule of Assumed Agreements”** means the schedule of those certain
25 executory contracts and unexpired leases that the Plan Proponents have determined that the
26 Debtors may assume and assign to the Plan Recovery Trust on the Effective Date. The initial
27 Schedule of Assumed Agreements will be Filed as part of the Plan Supplement, but remains subject
28 to any modifications that may be made prior to the Effective Date pursuant to Section 6.1 of the
Plan.

 128. **“Schedule of Disclaimed Contributed Claims”** means the schedule of Causes of
Action that will be disclaimed as not Contributed Claims by the Plan Proponents prior to the
Effective Date, or the Plan Recovery Trustee after the Effective Date. All Causes of Action
identified on the Schedule of Disclaimed Contributed Claims will not be Contributed Claims for
purposes of the Plan.

 129. **“Schedule of Excluded Parties”** means the list of Excluded Parties identified on
Exhibit B to the Plan.

 130. **“Scheduled”** means set forth in the Schedules.

 131. **“Schedules”** means the respective Schedules of Assets and Liabilities and
Statements of Financial Affairs Filed by the Debtors, as such Schedules may be amended from
time to time in accordance with Bankruptcy Rule 1009.

 132. **“SEC”** means the U.S. Securities and Exchange Commission.

 133. **“Section 503(b)(9) Claim”** means a Claim arising under Bankruptcy Code section

503(b)(9) for the value of any goods that were received by the Debtors within twenty (20) calendar days before the applicable Petition Date and that were sold to the Debtors in the ordinary course of their business.

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

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

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

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

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

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

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

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

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

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

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

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

146. **“Solicitation Procedures Order”** means the order approving the Disclosure

Statement, authorizing the Plan Proponents to solicit acceptances of the Plan, and establishing certain related procedures and deadlines.

147. **“TIC Interest”** means respective tenant-in-common interests of non-debtor parties in Real Properties owned in part by the Debtors.

148. **“Trade Claims”** means all non-priority unsecured Claims that are not Investor Claims, including, without limitation, (i) all such Claims owed to the Debtors’ and the KSMP Investment Entities’ vendors, suppliers and providers of goods and services received by the Debtors and the KSMP Investment Entities during the ordinary course of business prepetition on account of or relating to such goods and services, (ii) Rejection Claims, and (iii) any such unsecured claims of Secured Lenders, including those arising from or related to Avoidance Actions (or other litigation with the Plan Proponents, the Estates, the Plan Recovery Trust, or the Plan Recovery Trustee), to the extent such claims are not secured claims and whether or not such claims arise before or after the Effective Date, for: (a) attorney’s fees, costs, expenses, other charges, or similar amounts (**“Fee Claims”**), and (b) claims that may arise under § 502(h) (**“502(h) Claims”**) and together with Fee Claims, **“Secured Lender Unsecured Claims”**).

149. **“Trade Claims Settlement Fund”** means \$4,000,000 in Cash, free and clear of all claims and interests, funded from Available Cash of the Debtors on the Effective Date, which will fund a payment of Cash on a Pro Rata basis to Holders of Allowed Class 4 Claims in accordance with the Plan if Class 4 votes to accept the Plan; *provided that* if Class 4 votes to reject the Plan, there will be no Trade Claims Settlement Fund. The Trade Claims Settlement Fund will be administered by the Plan Recovery Trustee.

150. **“Treasury Rate”** means the yield to maturity of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the Effective Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Effective Date to the Maturity Date; *provided, that* if no published maturity exactly corresponds with such period, then the Treasury Rate shall be interpolated or extrapolated on a straight-line basis from the arithmetic mean of the yields for the next shortest and next longest published maturities.

151. **“Unimpaired”** means any Class of Claims that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

152. **“Unliquidated Claim”** means any Claim that is Scheduled as unliquidated or that was Filed in an unliquidated amount.

153. **“U.S. Trustee”** The United States Trustee for Region 17.

154. **“Voting Deadline”** means the date and time by which all Ballots to accept or reject the Plan must be received in order to be counted under the Solicitation Procedures Order.

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EXHIBIT B
Schedule of Excluded Parties
[To be filed with Plan Supplement]

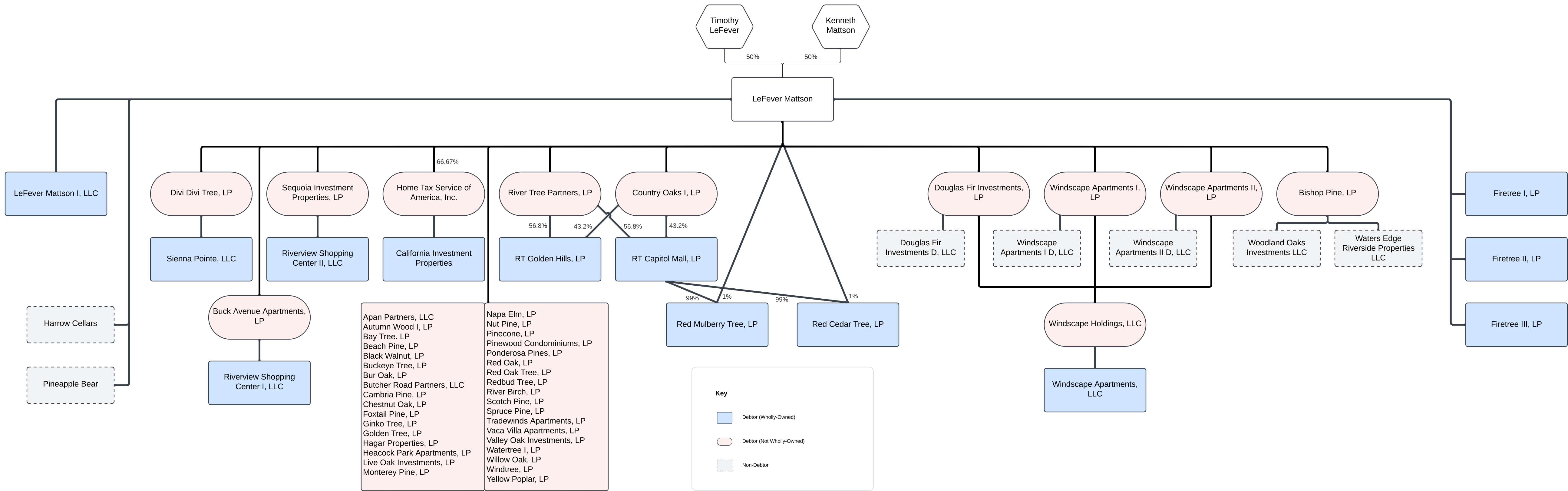
EXHIBIT C**LFM Debtors**

Debtor Name	Petition Date	Tax ID	Case No.
Apan Partners LLC	9/12/2024	N/A	24-10487
Autumn Wood I, LP	9/12/2024	20-0164208	24-10488
Bay Tree, LP	9/12/2024	82-1071378	24-10489
Beach Pine, LP	9/12/2024	83-2643272	24-10490
Bishop Pine, LP	9/12/2024	83-2643038	24-10491
Black Walnut, LP	9/12/2024	47-2451858	24-10492
Buck Avenue Apartments, LP	9/12/2024	54-2090323	24-10493
Buckeye Tree, LP	9/12/2024	88-2980108	24-10494
Bur Oak, LP	9/12/2024	87-4699497	24-10495
Butcher Road Partners, LLC	9/12/2024	45-5159521	24-10496
California Investment Properties, a California corporation	9/12/2024	30-0289474	24-10543
Cambria Pine, LP	9/12/2024	83-2644771	24-10497
Chestnut Oak, LP	9/12/2024	87-4702239	24-10498
Country Oaks I, LP	9/12/2024	26-0860694	24-10499
Divi Divi Tree, L.P.	9/12/2024	71-0926806	24-10500
Douglas Fir Investments, LP	9/12/2024	47-4674444	24-10501
Firetree I, LP	9/12/2024	82-3519393	24-10502
Firetree II, LP	9/12/2024	82-3519554	24-10503
Firetree III, LP	9/12/2024	82-3919655	24-10504
Foxtail Pine, LP	9/12/2024	83-2643197	24-10505
Ginko Tree, LP	9/12/2024	88-2960976	24-10506
Golden Tree, LP	9/12/2024	82-1060045	24-10507
Hagar Properties, LP	9/12/2024	04-3598044	24-10508
Heacock Park Apartments, LP	9/12/2024	46-3737509	24-10509
Home Tax Service of America, Inc.	9/12/2024	68-0262554	24-10544
LeFever Mattson I, LLC	9/12/2024	47-4960075	24-10510
LeFever Mattson, a California corporation	9/12/2024	68-0197537	24-10545
Live Oak Investments, LP	9/12/2024	47-3786181	24-10511
Monterey Pine, LP	9/12/2024	83-2644824	24-10512
Napa Elm, LP	9/12/2024	54-2090332	24-10513
Nut Pine, LP	9/12/2024	83-2661795	24-10514
Pinecone, LP	9/12/2024	84-2395880	24-10515
Pinewood Condominiums, LP	10/2/2024	54-2090329	24-10598
Ponderosa Pines, LP	10/2/2024	81-2078820	24-10599
Red Cedar Tree, LP	9/12/2024	88-3572519	24-10517
Red Mulberry Tree, LP	9/12/2024	88-3572594	24-10518

Debtor Name	Petition Date	Tax ID	Case No.
Red Oak Tree, LP	9/12/2024	92-1008382	24-10520
Red Oak, LP	9/12/2024	61-2022650	24-10519
Red Spruce Tree, LP	9/12/2024	92-0780568	24-10521
Redbud Tree, LP	9/12/2024	88-2961999	24-10516
River Birch, LP	9/12/2024	86-3020630	24-10522
River Tree Partners, LP	9/12/2024	81-3671554	24-10523
River View Shopping Center 1, LLC	9/12/2024	47-4186147	24-10524
River View Shopping Center 2, LLC	9/12/2024	47-4186476	24-10525
RT Capitol Mall, LP	9/12/2024	81-3775896	24-10526
RT Golden Hills, LP	9/12/2024	81-3708073	24-10527
Scotch Pine, LP	9/12/2024	86-3043628	24-10528
Sequoia Investment Properties, LP	9/12/2024	32-0136044	24-10529
Sienna Pointe, LLC	9/12/2024	47-4712579	24-10530
Spruce Pine, LP	9/12/2024	84-2396399	24-10532
Tradewinds Apartments, LP	9/12/2024	54-2090326	24-10533
Vaca Villa Apartments, LP	9/12/2024	54-2090327	24-10534
Valley Oak Investments, LP	9/12/2024	47-3383417	24-10535
Watertree I, LP	9/12/2024	82-3519819	24-10536
Willow Oak, LP	9/12/2024	87-4700495	24-10537
Windscape Apartments I, LP	9/12/2024	26-0860477	24-10538
Windscape Apartments II, LP	9/12/2024	26-0860509	24-10539
Windscape Apartments, LLC	8/6/2024	83-1597353	24-10417
Windscape Holdings, LLC	9/12/2024	83-1608759	24-10540
Windtree, LP	9/12/2024	82-4974654	24-10541
Yellow Poplar, LP	9/12/2024	86-3043392	24-10542

EXHIBIT B

Corporate Organizational Charts



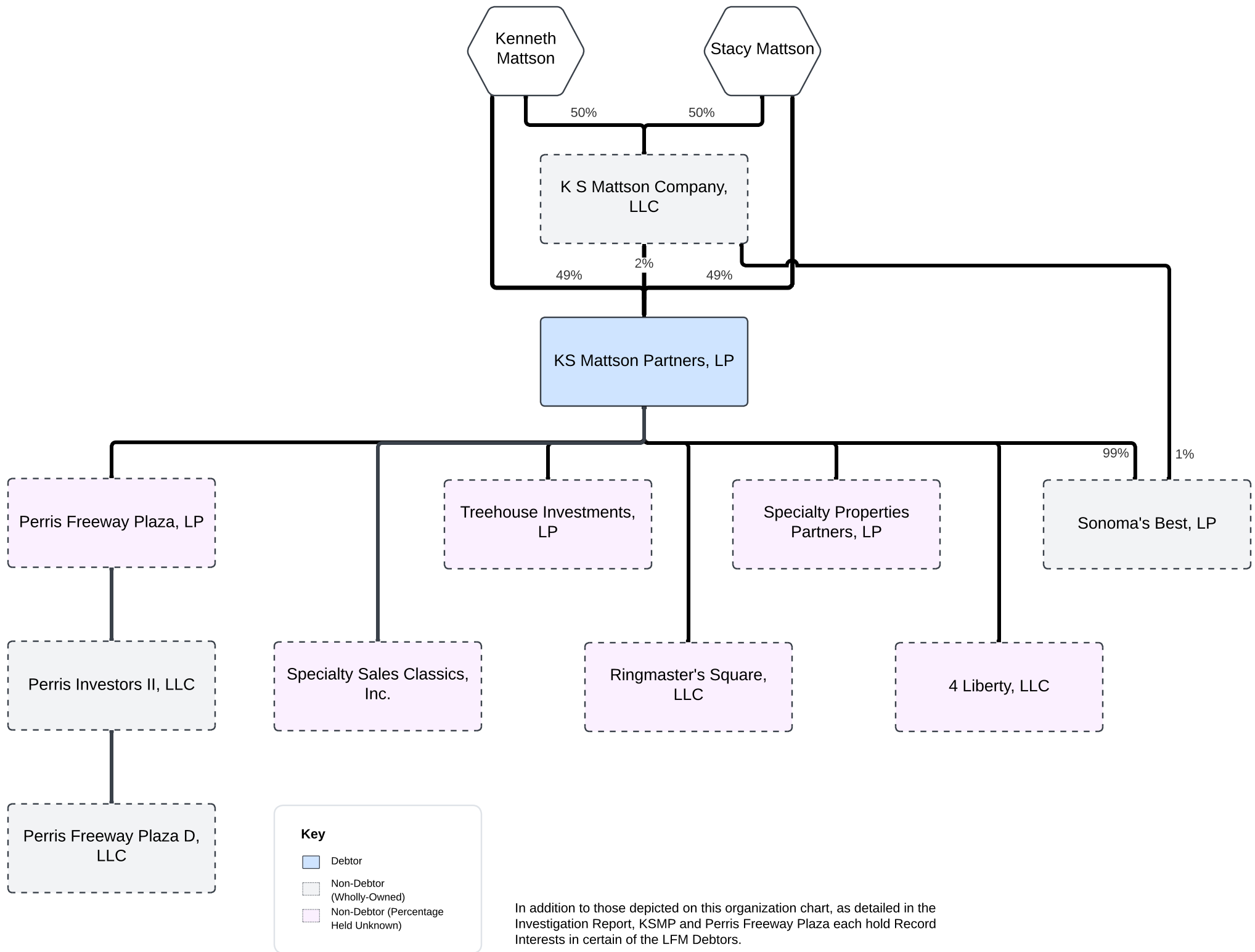


EXHIBIT C

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