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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, SANTA ROSA DIVISION

In re:	Lead Case No. 24-10545-HLB
KS MATTSON PARTNERS, LP	(Substantively Consolidated)
Debtor.	Chapter 11
	SOCOTRA CAPITAL INC'S MOTION FOR ORDER TO RELEASE FUNDS AND PAY LEGAL FEES AND EXPENSES UNDER COURT-APPROVED SETTLEMENT AGREEMENT
	[Notice of Motion and Sbeih Declaration filed concurrently]
	Date: August 20, 2026 Time: 10:00 a.m. Place: United States Bankruptcy Court 450 Golden Gate Ave, Courtroom 19 San Francisco, CA 94102 Or, ZoomGov
	Objection Deadline: August 6, 2026

TO THE COURT, CONSOLIDATED DEBTOR, AND PARTIES IN INTEREST:

Secured creditor Socotra Capital, Inc., on behalf of itself and any of its affiliates as lender and/or servicer (collectively, "Socotra"), a secured creditor of post-confirmation Consolidated Debtor LeFever Mattson ("Consolidated Debtor"), moves the Court (the "Motion") for an order in the form attached hereto as Exhibit A directing the Consolidated Debtor to release $157,798.78 in cash collateral to Socotra and reimburse Socotra for its legal fees and expenses incurred in

preparing and bringing this Motion, pursuant to that certain October 14, 2025 Settlement Agreement (the "Settlement Agreement") between Socotra and the Consolidated Debtor (as successor to the Estate Parties[1]), approved by Judge Novak, and attached to, the Court's Order entered November 14, 2025 (the "Approval Order") [Dkt. No. 2852]. Socotra bases this Motion on the within memorandum of points and authorities supporting the Motion, the concurrently filed supporting declaration of Adham Sbeih (the "Sbeih Dec."), the other papers of record in this Bankruptcy Case and upon such further oral and documentary evidence as may be presented before, or at the time of, the hearing on the Motion. In support of this Motion, Socotra respectfully states as follows:

I.

PRELIMINARY STATEMENT

Pre-petition, Socotra made multiple loans (the "Socotra Loans") secured by multiple properties (the "Socotra Encumbered Properties") - - many of which are income generating - - to several of the pre-petition debtors (all pre-petition debtors, the "Debtors") who, in connection with the Consolidated Debtor's confirmed plan, have been consolidated into the Consolidated Debtor. Post-petition and pre-confirmation, the Committee conducted a thorough investigation of the Socotra Loans and the interactions among Socotra, Kenneth Mattson and the Debtors. The Committee identified certain alleged potential claims against Socotra, and Socotra denied all allegations and contentions of the Committee. Socotra, the Committee and the Debtors successfully mediated the issues, which resulted in the Settlement Agreement. The Settlement Agreement was incorporated into the Consolidated Debtor's confirmed plan.

Under the Settlement Agreement, the Socotra Encumbered Properties were divided into two categories - - "Stay Relief Properties" (as to which Socotra received relief from stay and the Debtors would receive no proceeds from the monetization of the Stay Relief Properties), and "Retained Properties" (which the Debtors would sell, and the net proceeds would be distributed to

[1] Undefined terms herein have the same definitions set forth in the Settlement Agreement.

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Socotra and the Debtors pursuant to a waterfall set forth in Section 5 of the Settlement Agreement (the "Distribution Waterfall")). For Retained Properties, depending on sales prices and costs of sale, Socotra could end up receiving under the Distribution Waterfall less or more than 100% of the outstanding principal on the underlying Socotra Loans at the time of each sale. For the sale of any Retained Property where the Distribution Waterfall applied, in any sale where there were sufficient sales proceeds for Socotra to receive 100% of its principal (and Debtors would receive their initial share under the Distribution Waterfall), any excess proceeds would be split 50-50.

Because the "Pinyon Properties", a subset of the Retained Properties, consisted of 38 separate parcels in the same development, only 12 of which were encumbered by Socotra liens and the remainder were unencumbered,[2] to avoid the issue of how to allocate the purchase price of the Pinyon Properties between parcels encumbered by Socotra liens and unencumbered parcels in a "bulk sale" of the Pinyon Properties, the parties agreed to treat sales proceeds of the Pinyon Properties differently than sales of all the other Retained Properties if the 38 parcels were sold in a bulk sale. Namely, even though the Pinyon Properties were Retained Properties, the Distribution Waterfall for a bulk sale of Retained Properties would not apply and Socotra would receive exactly 100% of the outstanding principal on the underlying Socotra Loan, with the Debtors retaining all excess proceeds. The Distribution Waterfall for Retained Properties sales proceeds generally is set forth in Section 5 of the Settlement Agreement. The treatment of sales proceeds of the Pinyon Properties is set forth in Section 6 of the Settlement Agreement.

While pre-sale cash collateral (i.e., rent) generated from all Retained Properties was also to flow through the Distribution Waterfall and be distributed/released to Socotra and the Debtors after the sale of the applicable Retained Property, pre-sale cash collateral/rent was addressed separately under Sections 8 and 12(c) of the Settlement Agreement from sales proceeds under Sections 5 and 6 of the Settlement Agreement. Critically, unlike sales proceeds of the Retained

[2] Prior to the sale of the Pinyon Properties, (i) all of the parcels encumbered by Socotra liens were fully developed and improved, and generated rent, and (ii) none of the unencumbered parcels were fully developed and improved, or generating rent.

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Properties - - where, as noted in the prior paragraph, sales proceeds of Retained Properties generally were treated differently than sales proceeds of the Pinyon Properties - - the disposition of cash collateral from *all* Retained Properties (*not excluding* the Pinyon Properties) was treated the same. Section 6 of the Settlement Agreement addressed only sales proceeds (not pre-sale cash collateral) of the Pinyon Properties. Thus, under the express terms of the Settlement Agreement, in addition to receiving 100% of its outstanding principal upon a bulk sale of the Pinyon Properties, Socotra was entitled to receive its Distribution Waterfall share - - 50% - - of the pre-sale cash collateral that had been generated from the Pinyon Properties.

After the parties entered into the Settlement Agreement, the Debtors sold the Pinyon Properties in a bulk sale. Socotra received payment of 100% of outstanding principal out of net sales proceeds, and all excess sales proceeds were paid to the Debtors. Separately, the parcels of the Pinyon Properties encumbered by Socotra liens had generated $315,597.55 in pre-sale cash collateral/rent that Socotra understands has been escrowed. When Socotra requested that the Consolidated Debtor distribute to Socotra its 50% share of the cash collateral - - $157,798.78 - - the Consolidated Debtor refused to do so, asserting erroneously that under the Settlement Agreement, Socotra agreed that accepting 100% of its principal applied not only to sales proceeds, but also to pre-sale cash collateral. Socotra and the Consolidated Debtor attempted to resolve the dispute without this Motion, but were unable to do so.

In accordance with Section 28 of the Settlement Agreement, this Court retained jurisdiction under paragraph 12 of the Approval Order to hear this Motion. Socotra requests that the Court grant this Motion, and order the Consolidated Debtor to pay to Socotra (i) $157,798.78 (50%) of the Pinyon Properties pre-sale cash collateral, and (ii) under Section 19 of the Settlement Agreement, Socotra's legal fees and expenses incurred in bringing this Motion.

II.

JURISDICTION

This Court has jurisdiction over the subject matter of this Motion under 28 U.S.C. Sections 157 and 1334. This matter is a core proceeding under 28. U.S.C. § 157(b)(2). Venue is proper

under 28 U.S.C. §§ 1408 and 1409 because this is a proceeding arising under, arising in, or related to a case under title 11 of the United States Code. This Court has specific jurisdiction to hear this Motion under Section 28 of the Settlement Agreement and paragraph 12 of the Approval Order.

III.

UNDER THE UNAMBIGUOUS LANGUAGE OF THE SETTLEMENT AGREEMENT, SOCOTRA IS ENTITLED TO HALF OF THE PINYON PROPERTIES CASH COLLATERAL

Section 4 of the Settlement Agreement defines "Retained Properties" as:

> "the Socotra Encumbered Properties identified on Schedules 5 and 6."

Section 4 of the Settlement Agreement also provides that:

> "The Pinyon Properties (. . . described on Schedule 6) are a subset of the Retained Properties."

Thus, the Pinyon Properties are Retained Properties.

Section 5 of the Settlement Agreement, labeled "Distribution of Sales Proceeds", sets forth the Distribution Waterfall for distribution to Socotra and the Consolidated Debtor of sales proceeds of all Retained Properties except the Pinyon Properties. Under the Distribution Waterfall, for a sale of any given Retained Property, Socotra could end up receiving net sales proceeds equal to less or more than 100% of the outstanding principal balance on the loan secured by the particular Retained Property (Sbeih Dec., ¶7).

As distinct from sales of Retained Properties generally, any bulk sale of the Pinyon Properties was treated differently and the Distribution Waterfall would not apply to such sale because the Pinyon Properties consisted of 38 parcels in the same development, only 12 of which were encumbered by Socotra liens, while the remaining 26 parcels were unencumbered (Sbeih Dec., ¶8). In particular, in a bulk sale of the Pinyon Properties, it would be too difficult to allocate the purchase price between the Socotra-encumbered parcels and the unencumbered parcels (Sbeih Dec., ¶8).

Therefore, under Section 6 of the Settlement Agreement, labeled "Sale of Pinyon Properties", if the entirety of the Pinyon Properties (i.e., all 38 parcels) were sold in bulk for an

overall purchase price, rather than trying to come up with a purchase price allocation between the 12 Socotra-encumbered parcels and the 21 unencumbered parcels, the parties agreed that Socotra would be paid exactly 100% of the outstanding balance of the loan secured by the 12 parcels of the Pinyon Properties:

> 6. **Sale of Pinyon Properties**. . . . "Upon the closing of a sale of all the Pinyon Properties as a "packaged" or "bulk" sale, the Debtors shall pay to Socotra 100% of the outstanding principal balance due and owing under the applicable Socotra Loans and retain all excess proceeds. . . ."

The Pinyon Properties were in fact sold in a bulk sale. Socotra received a distribution from the sales proceeds equal to 100% of the unpaid principal balance of the underlying loan and the balance of the net sales proceeds was paid to the Debtors (Sbeih Dec., ¶8).

By its terms, Section 6 of the Settlement Agreement addresses only proceeds of sale of the Pinyon Properties, and not cash collateral generated from rent of the Pinyon Properties. All 12 of the Socotra-encumbered parcels were fully developed and improved, while most of the 26 unencumbered parcels were undeveloped (several of the unencumbered parcels had partially constructed homes, but none of them were completed and rented). (Sbeih Dec., ¶9). The 12 parcels of the Pinyon Properties encumbered by Socotra's liens generated cash collateral rents (Sbeih Dec., ¶9), which are the subject of this Motion. None of the 26 unencumbered parcels generated rents (Sbeih Dec., ¶9). Under Sections 8 and 12(c) of the Settlement Agreement, cash collateral from collections of rent on Retained Properties is treated entirely separate from sales proceeds of the Retained Properties, including the Pinyon Properties:

> "8. **Turnover of Prepetition Collections**. . . . Prepetition Collections on Retained Properties shall be distributed as part of the Distribution Waterfall."

> "12c. **Cash Collateral**. . . . Upon the sale of a Retained Property . . ., all Cash Collateral held by the Debtors (or escrowed) on account of the applicable Socotra Loan shall be distributed through the Distribution Waterfall."

While distributing net sales proceeds through the Distribution Waterfall for a bulk sale of the Pinyon Properties would not work because 12 of the parcels were encumbered by Socotra liens

and the other 26 parcels were encumbered, distributing cash collateral from the Pinyon Properties through the Distribution Waterfall would work because only the Socotra-encumbered parcels generated cash collateral. Therefore, no allocation of cash collateral would be required.

Under the Distribution Waterfall, Prepetition Collections and Cash Collateral from the Pinyon Properties are to be distributed 50-50 between Socotra and the Consolidated Debtor because Socotra had received 100% of its principal (Sbeih Dec., ¶10). The Consolidated Debtor has informed Socotra that it is holding, without distinguishing between Prepetition and Postpetition Collections/Cash Collateral, $315,597.55 in Cash Collateral from the Pinyon Properties encumbered by Socotra liens (Sbeih Dec., ¶10). Socotra is entitled to fifty percent (50%), or $157,798.78.

IV.

SOCOTRA IS ENTITLED TO REIMBURSEMENT OF ITS LEGAL FEES AND EXPENSES INCURRED BRINGING THIS MOTION

When Socotra requested that the Consolidated Debtor distribute to Socotra its 50% share of the cash collateral from the Pinyon Properties, the Consolidated Debtor refused to do so, asserting erroneously that under the Settlement Agreement, Socotra agreed that accepting 100% of its principal applied not only to sales proceeds, but also to pre-sale cash collateral. Socotra attempted to resolve the dispute with the Consolidated Debtor without bringing this Motion, but the parties were unable to do so (Sbeih Dec., ¶10).

Under Section 28 of the Settlement Agreement, "The Parties consent to the exclusive jurisdiction of, and venue in, the United States Bankruptcy Court for the Northern District of California with respect to resolution of any dispute arising out of this Settlement Agreement." Pursuant to paragraph 12 of the Approval Order, "This Court shall retain jurisdiction and power to hear and determine all matters arising from or related to the implementation of this order."

Pursuant to Section 19 of the Settlement Agreement, Socotra is entitled to recover its attorneys' fees and expenses incurred in connection with this Motion:

> "19. **Attorneys' Fees**. . . . In the event . . . that legal action is filed to enforce the provisions of this Settlement Agreement, the prevailing party

> shall be entitled to an award of attorneys' fees and expenses reasonably incurred in the action. For this purpose, attorneys' "fees and expenses" includes, without limitation, the fees and expenses of attorneys, paralegal or legal assistants and experts and consultants for the prevailing party and all other fees and expenses that counsel for the prevailing party incurs in the course of representation of the prevailing party in anticipation of and/or during the course of the action, whether or not otherwise recoverable as "attorneys' fees" or as "costs" under applicable law."

Through July 21, 2026, Socotra has incurred $33,915.00 in attorneys' fees in connection with this Motion (Sbeih Dec., ¶11). Socotra will incur additional attorney's fees and expenses in connection with reviewing the Consolidated Debtor's opposition, preparing and filing a reply brief, incurring travel and hotel expenses for the hearing on the Motion, and appearing at the hearing on the Motion (Sbeih Dec., ¶11).

V.

CONCLUSION

For the reasons set forth above and in the Sbeih Declaration, Socotra respectfully requests that the Court grant the Motion and enter an order in the form of Exhibit A hereto directing the Consolidated Debtor to pay to Socotra (i) $157,798/78 of the Cash Collateral generated from the Pinyon Properties encumbered by Socotra's liens, plus (ii) Socotra's attorneys' fees and expenses incurred with respect to the Motion.

Dated: July 22, 2026

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By */s/ Theodore A. Cohen*
THEODORE A. COHEN

Attorneys for Socotra Capital, Inc.

EXHIBIT A

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
A Limited Liability Partnership
Including Professional Corporations
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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, SANTA ROSA DIVISION

In re: LEFEVER MATTSON, Consolidated Debtor.	Lead Case No.: 24-10545-HLB (Substantively Consolidated) Chapter 11 **ORDER GRANTING SOCOTRA CAPITAL INC'S MOTION FOR ORDER TO RELEASE FUNDS AND PAY LEGAL FEES AND EXPENSES UNDER COURT-APPROVED SETTLEMENT AGREEMENT** Date: August 20, 2026 Time: 10:00 am Place: United States Bankruptcy Court 450 Golden Gate Ave, Courtroom 19 San Francisco, CA 94102 - or - Via ZoomGov Objection Deadline: August 6, 2026

On August 20, 2026, at 10:00 a.m., the Court held a hearing, on regular notice, on *Socotra Capital Inc.'s Motion for Order To Release Funds and Pay Legal Fees and Expenses Under Court-Approved Settlement Agreement* (the "Motion") [Dkt. No. ____]. Undefined terms herein have the same definitions set forth in the Motion. Theodore A. Cohen, Esq. appeared on behalf of moving party Socotra Capital, Inc., on behalf of itself and any of its affiliates as lender and/or servicer (collectively, "Socotra"), a secured creditor of Consolidated Debtor LeFever Mattson ("Consolidated Debtor"). Other appearances are noted in the record of the hearing.

The Court having reviewed and considered the Motion, the memorandum of points and authorities contained in the Motion, the supporting declaration of Adham Sbeih [Dkt. No. ____], and all other papers of record in this Bankruptcy Case, and the argument and representations of counsel at the hearing on the Motion; and the Court finding that notice given of the Motion was appropriate under the circumstances; and the Court further finding good cause to grant the relief requested by the Motion for the reasons stated on the record and as set forth in this Order,

IT IS HEREBY ORDERED that:

1. The Motion is GRANTED;

2. Within five (5) days after entry of this Order, the Consolidated Debtor shall pay to Socotra a total of $_____, comprised of: (i) $157,798.78 of the Pinyon Properties pre-sale cash collateral, plus (ii) under Section 19 of the Settlement Agreement, Socotra's legal fees and expenses incurred in bringing this Motion in the amount of $_____.

*** END OF ORDER ***

Court Service List

Registered ECF Participants only.

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