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

In re
 LEFEVER MATTSON,
 a California corporation, *et al.*,
 Debtors.

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

**REPLY IN SUPPORT OF JOINT
 MOTION FOR THE ENTRY OF AN
 ORDER APPROVING SETTLEMENT
 PROCEDURES WITH RESPECT TO
 INVESTOR CLAIMS**

In re
 KS MATTSON PARTNERS, LP,
 Debtor.

Hearing Date:

Date: December 3, 2025
 Time: 11:00 a.m. (Pacific Time)
 Place: United States Bankruptcy Court
 1300 Clay Street, Courtroom 215
 Oakland, CA 94612
 Judge: Honorable Charles Novack

1 The Official Committee of Unsecured Creditors (the “Committee”) of the above-captioned
2 debtors and debtors in possession (collectively, the “Debtors” and together with the Committee, the
3 “Plan Proponents”) and the Debtors hereby submit this joint reply (a) in support of the *Joint Motion*
4 *for the Entry of an Order Approving Settlement Procedures With Respect to Investor Claims* [Docket
5 No. 2365] (the “Motion”)¹ and (b) in response to the *Opposition to Joint Motion for the Entry of an*
6 *Order Approving Settlement* [Docket No. 2816] (the “Objection”) filed by the Tillman Opposing
7 Investors (as defined therein) (the “Tillman Group”).

8 **REPLY**

9 The Motion presents a practical, expedient, and efficient framework for consensually
10 resolving Investor Claims – a framework that the *members of the Committee carefully crafted to*
11 *run parallel to the confirmation process to avoid any unnecessary delay of distributions to*
12 *Investors*.

13 The Tillman Group – led by Ruth Tillman, a former employee of the LFM Debtors – filed
14 the only objection to the Motion. The Objection boils down to a single argument: it would be a waste
15 of estate resources to resolve Investor Claims prior to the Court making a Ponzi finding in
16 connection with confirmation of the Plan. In other words, *the Tillman Group would prefer to delay*
17 *distributions to Investors by months* rather than have the estates incur the minimal incremental cost
18 of meeting and conferring with Investors to consensually resolve any discrepancies concerning the
19 Investor Claim calculation.

20 The Plan Proponents have already completed a comprehensive reconciliation of Investor
21 Claims and calculated the proposed Tranche 1 Claim and Tranche 2 Claim amounts for each
22 Investor. As a result, upon approval of the Motion, the Plan Proponents are ready to transmit the
23 Settlement Offer Letters to Investors simultaneously with their ballots, thereby giving Investors a
24 transparent and holistic view of their potential recoveries under the Plan. Moreover, in light of this
25 preparatory work being completed, the only incremental costs under the Investor Settlement
26 Procedures are (1) transmitting the Settlement Offer Letters (which will be minimized if such letters
27

28 ¹ A capitalized term used but not defined herein shall have the meaning ascribed to it in the Motion.

1 are included in the same envelope as ballots) and (2) meeting and conferring with that small subset
2 of Investors that might dispute the calculation of their Tranche 1 Claim and Tranche 2 Claim.

3 Investors overwhelmingly want the aggregate amount of their claims resolved, sooner rather
4 than later, so that they may have some measure of certainty with respect to their ultimate recoveries.
5 The Court should not deny Investors that certainty – and derail the tremendous progress that has
6 been made reconciling Investor Claims – at the request of a small subset of individuals intent on
7 delaying distributions to Investors, especially if that delay is part of an effort to obtain preferential
8 treatment over other Investors.

9 Equally important is the need to provide full transparency to Investors as they vote on the
10 Plan. Since the voting amount differs from the amount that is proposed to be allowed under the Plan,
11 the Plan Proponents believe it is critical that Investors understand what the Plan is proposing when
12 they cast their votes.

13 The Investor Settlement Procedures should be approved because they represent a
14 transparent, flexible, and cost-effective approach to resolving Investor Claims and facilitating
15 prompt distributions upon confirmation of a plan, consistent with the objectives of the Bankruptcy
16 Code and the best interests of all stakeholders.

17 **A. Investor Settlement Procedures Facilitate Immediate Distributions to Investors**

18 The Investor Settlement Procedures are specifically designed to expedite the allowance of
19 Investor Claims and distributions to Investors, thereby removing Investor doubt and concern, and
20 minimizing any further financial harm to Investors. Contrary to the Tillman Group’s assertion that
21 these procedures are premature or inefficient, the framework established by the Motion provides a
22 clear, equitable, and practical path for Investors to resolve their claims and receive distributions as
23 soon as possible after the effective date of the Plan.

24 The procedures set forth in the Motion enable the Committee to send individualized
25 Settlement Offer Letters to each Investor, detailing the calculation of their Tranche 1 Claim and
26 Tranche 2 Claim. Investors will be given the opportunity to accept the proposed amounts or engage
27 in a meet-and-confer process to resolve any discrepancies. This approach – which recently worked
28

1 well in a similar case before Judge Blumenstiel – avoids the need for protracted litigation or
2 piecemeal objections, which would otherwise delay distributions and increase administrative costs.

3 By allowing the consensual resolution of Investor Claims to proceed in parallel with Plan
4 solicitation and confirmation, the Investor Settlement Procedures ensure that the claims process does
5 not become a bottleneck holding back distributions. Every day that the resolution of Investor Claims
6 is delayed is another day Investors will not receive a distribution. Absent a parallel process, the Plan
7 Proponents estimate that distributions will be delayed by more than three months after the effective
8 date of the Plan.

9 It is unclear why the Tillman Group – which acknowledges it has been “impacted
10 significantly” and that “these bankruptcy proceedings . . . are likely to be the only path for recovery”
11 – would want to delay distributions to Investors who face similar dire financial circumstances, other
12 than as an attempt to hold up the process and negotiate preferential treatment for themselves.

13 **B. The Investor Settlement Procedures Create Minimal Incremental Cost**

14 The Tillman Group suggests that the Investor Settlement Procedures will impose undue costs
15 on the estates. This assertion is not supported by the facts. In reality, the incremental cost of
16 implementing these procedures is small, particularly in light of the substantial preparatory work that
17 has already been completed by the Committee.

18 The Committee’s financial advisor, PwC US Business Advisory LLP (“PwC”), has already
19 undertaken and completed the comprehensive reconciliation of Investor Claims. PwC has calculated
20 each Investor’s proposed Tranche 1 Claim and Tranche 2 Claim, as will be reflected in the
21 individualized Settlement Offer Letters prepared for distribution. As a result, the only incremental
22 cost associated with the Investor Settlement Procedures is the cost of meeting and conferring with
23 individual Investors who may dispute the calculation of their claims. This process – which would
24 necessarily occur sooner or later – is narrowly tailored: it involves direct communication to resolve
25 specific discrepancies. In the event of a discrepancy, the proposed procedures authorize the
26 Committee to issue modified Settlement Offer Letters where appropriate, thereby minimizing
27 administrative burden. Any unresolved disputes will be addressed post-confirmation by the Plan
28 Recovery Trust.

1 **C. The Investor Settlement Procedures Do Not Authorize the Allowance of Claims**

2 The Tillman Group contends that the Ponzi Start Date (7 years prior to the Petition Date) is
3 inappropriate and arbitrary and designed to favor legacy Investors. However, this argument goes to
4 the merits of the Global Settlement embodied in the Plan and will be ripe for adjudication in the
5 context of confirmation of the Plan – not today. The Investor Settlement Procedures proposed by
6 the Plan Proponents are just that – procedures. Although the Investor Settlement Procedures
7 establish a framework to enable the Committee and Investors to consensually resolve any
8 discrepancies regarding the calculation of Investor Claims, the allowance of Investor Claims under
9 the Investor Settlement Procedures is expressly conditioned on confirmation of the Plan. This
10 approach ensures that no Investor is bound by any settlement until the Plan and its underlying
11 structure have been approved by the Court.

12 Moreover, participation in the Investor Settlement Procedures is entirely voluntary. Investors
13 are not compelled to engage with the Committee, nor are they required to accept any proposed claim
14 amounts. If an Investor chooses not to participate – whether because they disagree with the
15 underlying Plan, oppose the Ponzi scheme finding, or simply prefer to wait for confirmation – they
16 are free to do so without penalty or prejudice. The Tillman Group, for example, is under no
17 obligation to expend any resources engaging in this process if its focus remains on opposing Plan
18 confirmation and the Ponzi finding.

19 **D. Modifications to Requested Ponzi Findings Will Not Negate the Claim Reconciliation**

20 A central objective of the Investor Settlement Procedures is to complete a thorough
21 reconciliation of the cash invested by, and distributed to, each Investor over the past seven (7) years.
22 This process is critically important regardless of the ultimate determination of the Ponzi Start Date
23 or the specific findings the Court may make in connection with the Plan. Assuming for the sake of
24 argument that the Court ultimately does not make a Ponzi finding – thereby eliminating the netting
25 of Investor claims – the Investor Settlement Procedures are still relevant because determining the
26 total amount invested in the Debtors for each Investor will still be needed to determine an Investor's
27 claim for distribution purposes.

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1 Similarly, if the Court makes a Ponzi finding but modifies the Ponzi Start Date, at a
2 minimum the Committee and Investors will have reconciled the cash in amount and the past seven
3 (7) years of distributions, thereby establishing a strong foundation to efficiently reconcile payments
4 for any extended lookback period.

5 **E. Revised Investor Settlement Offer Letter and Proposed Order**

6 Finally, the Committee received informal comments from Timothy J. LeFever regarding the
7 form of the Settlement Offer Letter. Specifically, Mr. LeFever requested that the letter be revised to
8 clarify that the Plan has not been confirmed and that there is no guarantee that the Court will confirm
9 the Plan. The Plan Proponents agreed to make the revisions to the Settlement Offer Letter reflected
10 on Exhibit A attached hereto, which the Plan Proponents have confirmed resolves Mr. LeFever's
11 informal comments.²

12 **CONCLUSION**

13 For the reasons stated herein and in the Motion, the Court should overrule the Objection and
14 grant the Motion and such further relief as is appropriate.

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² The changes to Schedule 1 of the Settlement Offer Letter were made by the Plan Proponents – not Mr. LeFever –
to provide additional clarity to Investors.

1 Dated: November 25, 2025

KELLER BENVENUTTI KIM LLP

2 By: /s/ David A. Taylor

3 Tobias S. Keller
4 David A. Taylor
5 Thomas B. Rupp

6 *Counsel to the LFM Debtors*

PACHULSKI STANG ZIEHL & JONES LLP

7 By: /s/ Jason H. Rosell

8 Debra Grassgreen
9 John D. Fiero
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11 Steven W. Golden

12 *Counsel to the Official*
13 *Committee of Unsecured Creditors*

HOGAN LOVELLS US LLP

14 By: /s/ Erin N. Brady

15 Richard L. Wynne
16 Erin N. Brady
17 Edward J. McNeilly
18 Todd M. Schwartz

19 *Counsel to KSMP Debtor*

Exhibit A

Revised Form of Settlement Offer Letter

**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.	INVESTOR CLAIM SETTLEMENT OFFER LETTER

This Settlement Offer Letter (the “Letter Agreement”), dated as of ~~November~~December __, 2025, is made by and among the above-captioned debtors (the “Debtors”), the Official Committee of Unsecured Creditors (the “Committee” and together with the Debtors, the “Plan Proponents”), and _____ (“Investor”).

This Agreement is being sent to you in accordance with the Bankruptcy Court’s *Order Approving Settlement Procedures with Respect to Investor Claims* [Docket No. ____] (the “Settlement Procedures Order”), a copy of which is enclosed herewith. The Settlement Procedures Order established a framework (the “Investor Claim Settlement Procedures”) for the consensual resolution of investor Tranche 1 Claims and Tranche 2 Claims (each defined below).

On ~~September 5~~December __, 2025, the Bankruptcy Court entered an order [Docket No. ____] authorizing the Plan Proponents ~~filed~~to solicit votes to accept or reject the Second Amended Joint Chapter 11 Plan of Liquidation [Docket No. 2226 ____] (the “Plan”). The Bankruptcy Court will hold a hearing to consider confirmation of the Plan on [____] at 9:00 a.m. (Pacific Time). However, there is no guarantee that the Bankruptcy Court will confirm the Plan.

The Plan contemplates that, in accordance applicable Ponzi scheme case law, Investor claims will be “netted” to make sure Investors are treated as fairly as possible under the circumstances. Specifically, each Investor will receive (a) a claim for money (or value of property) it invested in the Debtors over time *less* any returns of principal *less* monthly distributions the Investor received over the seven (7) years prior to September 12, 2024 (the “Tranche 1 Claim”) and (b) a claim for the monthly distributions deducted in calculating the Tranche 1 Claim (the “Tranche 2 Claim”).

The Plan provides that Investors will first receive their *pro rata* distribution of the Plan Recovery Trust’s available assets on account of their Tranche 1 Claim. After each Investor’s Tranche 1 Claim is paid in full, Investors will then receive their *pro rata* distribution of available assets on account of their Tranche 2 Claim.

The purpose of this Letter Agreement is to consensually resolve your Tranche 1 Claim and Tranche 2 Claim. This will facilitate an initial distribution to you as soon as reasonably possible after confirmation of the Plan. **Please note that any resolution of your Tranche 1 Claim and Tranche 2 Claim pursuant to the Investor Claim Settlement Procedures is conditioned on confirmation of the Plan.**

The table below was prepared by the Committee's financial advisors (PwC) and sets forth the Committee's calculation of your proposed Tranche 1 Claim and Tranche 2 Claim. Attached hereto as Schedule 1 is a detailed calculation of the amounts set forth in the table below.

Proposed Investor Claim	
Proposed <u>Tranche 1</u> Claim:	\$(X)
Proposed <u>Tranche 2</u> Claim:	\$(X)

If you ACCEPT the above calculated Investor Claim for purposes of distribution under the Plan, then you must sign this Letter Agreement below and return it via email to LMCommittee@pszjlaw.com or by mail, so it is received by [DATE] to:

Pachulski Stang Ziehl & Jones LLP
Attention: Brooke Wilson
One Sansome Street, Suite 3430
San Francisco, CA ~~94141~~[94104](#)

If you DO NOT ACCEPT the above calculated Investor Claim, you do not have to do anything. However, if you would like to attempt to meet and confer with the Committee and attempt to consensually resolve the amount of your Investor Claim, please email LMCommittee@pszjlaw.com and we will schedule a time to meet with you via Zoom as soon as reasonably possible.

Sincerely,

Brooke Wilson

PACHULSKI STANG ZIEHL & JONES LLP
One Sansome Street, Suite 3430
San Francisco, CA ~~94141~~[94104](#)

Counsel to the Official

—Committee of Unsecured Creditors

I, [NAME], ACCEPT THE PROPOSED INVESTOR CLAIM AMOUNT SET FORTH IN THIS LETTER.

By signing below, I declare under penalty of perjury, to the best of my knowledge, that the information contained in Schedule 1 is true and correct and discloses all Extraordinary Withdrawals.

Name: _____

Signature: _____

Date: _____

Schedule 1 to Settlement Offer Letter

Detailed Calculation of Your Investor Claim

KEY TERMS	
Term	Definition
<u>Investor Name</u>	<u>The name of the Person or Entity that asserts an Investor Claim (as defined in the Plan) against a Debtor.</u>
<u>Claim No.</u>	<u>Refers to the unique number assigned by the Debtors to your filed Proof of Claim, Proof of Interest, or scheduled ownership interest set forth on the <i>Omnibus List of Equity Security Holders</i> [Docket No. 353].</u>
<u>Debtor</u>	<u>Identifies the specific Debtor or KSMP Investment Entity your Investor Claim is asserted against.</u>
Petition Date	September 12, 2024.
Ponzi Start Date	September 12, 2017.
Amount Invested	<p>Actual<u>The actual</u> amount <u>invested of money contributed</u> by or on behalf of an Investor as of the Petition Date. This amount includes, including the value of <u>any</u> initial <u>investments in the Debtors via section 1031 exchanges but excludes</u> contributions made through a 1031 exchange intermediary, retirement rollover contributions from another financial institution, or direct cash contributions (via check, wire, ACH).</p> <p><u>This amount does not include (a) appreciated values shown on IRA statements, (b) investment roll-overs gains reported by self-directed IRA custodians, or (c) appreciated amounts reflected in rollover agreements or investment summaries.</u></p>
Extraordinary Withdrawals Prior to Ponzi Start Date	<p>Transfers to an Investor as a return on invested capital prior to before the Ponzi Start Date. For example, this includes amounts distributed to an Investor as part of a that constitute a return of principal (e.g., proceeds from cash-out refinancing <u>refinancings</u> or property sales <u>sales</u> prior to the Ponzi Start Date). <u>These transfers reduce the Total Amount Invested for purposes of calculating your Investor Claim.</u></p>
Total Amount Invested	Amount Invested less Extraordinary Withdrawals Prior to Ponzi Start Date. This is the starting point for calculating any <u>your</u> Investor Claim.
Prepetition Ponzi Distributions	<p>Distributions and other regular payments transferred <u>Payments made</u> to an Investor between the Ponzi Start Date and the Petition Date, <u>which represent distributions and/or other regular payments, including: (e.g., a) monthly distributions received, (b) periodic distributions posted to an IRA account, and (c) any regularly scheduled payments between the Ponzi Start Date and the Petition Date.</u></p>
Extraordinary Withdrawal After Ponzi Start Date	<p>Transfers <u>Large or irregular transfers</u> to an Investor as a return on invested capital between the Ponzi Start Date and the Petition Date. For example, this includes amounts distributed to an Investor as part of a cash-out refinancing or property sale between the Ponzi Start Date and the Petition Date that represent a return of principal, including, <u>(a) proceeds from cash-out from refinancings, (b) proceeds from property sales, and (c) other substantial one-time payments.</u></p>

	<u>These transfers are included in your Total Prepetition Ponzi Payments.</u>
Total Prepetition Ponzi Payments	Sum <u>The sum</u> of all : (a) Prepetition Ponzi Distributions and (b) Extraordinary Withdrawals After Ponzi Start Date. <u>This total is netted against Total Amount Invested to determine your Proposed Tranche 1 Claim.</u>
Proposed Tranche 1 Claim	Total Amount Invested minus Total Prepetition Ponzi Payments (or \$0 if negative). <u>This amount will not be less than \$0.</u>
Proposed Tranche 2 Claim	<u>Equal to the amount of</u> Prepetition Ponzi Distributions. <u>Investors will only receive a recovery on account of their Tranche 2 Claims after all Tranche 1 Claims are paid in full.</u>

			A	B	C = A + B	D	E	F = D + E
Investor <u>Name</u>	Claim <u>No.</u>	Debtor	Amount Invested	Extraordinary Withdrawals Prior to Ponzi State Date	Total Amount Invested	Prepetition Ponzi Distributions	Extraordinary Withdrawals After Ponzi Start Date	Total Prepetition Ponzi Payments
TOTAL								
Proposed Tranche 1 Claim (Tranche 1 Claim = C – D – E)								
Proposed Tranche 2 Claim (Tranche 2 Claim = D)								

Document comparison by Workshare Compare on Tuesday, November 25, 2025 3:56:44 PM

Input:	
Document 1 ID	netdocuments://4900-7312-2169/1
Description	LeFever - Investor Claims Settlement Offer Letter
Document 2 ID	netdocuments://4900-7312-2169/4
Description	LeFever - Investor Claims Settlement Offer Letter
Rendering set	Standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count

Insertions	48
Deletions	32
Moved from	0
Moved to	0
Style changes	0
Format changes	0
Total changes	80