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Attorneys for Plaintiff
MICHAEL GOLDBERG AS TRUSTEE OF
THE LFM PLAN RECOVERY TRUST

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SONOMA

MICHAEL GOLDBERG AS TRUSTEE OF THE LFM PLAN RECOVERY TRUST,

Plaintiff,

v.

SCOTT C. SMITH, an individual; HANSON BRIDGETT LLP, a limited liability law partnership; MORGAN, LEWIS & BOCKIUS, a limited liability partnership; and DOES 1-100, inclusive,

Defendants.

CASE NO. 26CV05502

COMPLAINT FOR:

1. **AIDING AND ABETTING SECURITIES FRAUD;**
2. **AIDING AND ABETTING FRAUD;**
3. **AIDING AND ABETTING BREACH OF FIDUCIARY DUTY;**
4. **PROFESSIONAL NEGLIGENCE;**
5. **AIDING AND ABETTING CONVERSION;**
6. **BREACH OF FIDUCIARY DUTY**

[DEMAND FOR JURY TRIAL]

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Plaintiff Michael Goldberg, as Trustee of the LFM Plan Recovery Trust (the "Liquidation Trust"), brings this Complaint against Defendants Scott C. Smith ("Smith"), Hanson Bridgett LLP ("Hanson Bridgett"), Morgan, Lewis & Bockius LLP ("Morgan Lewis"), and DOES 1 through 100, inclusive (collectively, "Defendants"), and alleges as follows:

SUMMARY OF THE ACTION

1. This action arises from the role played by attorney Scott C. Smith and his law firms—first Bingham McCutchen LLP (and its successor Morgan Lewis), then Hanson Bridgett—in enabling, facilitating, and concealing one of the largest real estate Ponzi schemes in California history (the "Scheme"). Kenneth W. Mattson ("Mattson") orchestrated the Scheme through a web of entities (the "LFM Enterprise") he controlled through LeFever Mattson, a California Corporation ("LFM") and KS Mattson Partners, LP ("KSMP").

2. The LFM Enterprise's fraud was staggering in scope: more than 700 investors were defrauded out of hundreds of millions of dollars over more than twenty years, from at least 2002 to 2024. Mattson solicited investments by, among other things, selling investors interests in limited partnerships ("LP Interests") and limited liability companies ("LLC Interests") that owned certain real estate. But, rather than properly having and recording investor interests in the books of the LFM Enterprise's management company, LeFever Mattson Property Management, Inc. ("LMPM"), Mattson sold hundreds—if not thousands—of fraudulent "off-book" or non-existent interests ("Phantom Interests").

3. The Phantom Interests took four principal forms: (i) interests in entities never recorded in official books; (ii) interests in entities where the seller had insufficient ownership to sell; (iii) interests in entities that never legally existed; and (iv) interests in entities that did not own the properties Mattson claimed they owned. Beyond the fraudulent Phantom Interests, LFM's sales of LP Interests were also in violation of law—they were unregistered, non-exempt securities.

4. For over twenty years, through early 2024, Smith served as the principal counsel, effectively general counsel, to the LFM Enterprise. In that capacity, Smith facilitated the Ponzi Scheme by (i) forming entities used in the Scheme; (ii) preparing the foundational entity

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documents for entities used in the Scheme; (iii) preparing materials used to solicit purchases of unregistered, non-exempt securities; (iv) preparing and failing to remedy provisions in property management agreements that allowed LFM to commingle investor funds across properties; and (v) addressing and concealing investor issues that arose over irregularities in investor payouts and the fraudulent sales of Phantom Interests.

5. Smith and his law firms provided the critical infrastructure that made the fraud possible and allowed it to continue for over twenty years. In or about 2002, Smith—then at Bingham McCutchen—prepared the Operating Agreement of LeFever Mattson I, LLC and the Agreement of Limited Partnership of Divi Divi Tree, L.P. These documents established the entities through which Mattson would channel hundreds of millions of dollars in investor funds over the next two decades. Divi Divi Tree, L.P. subsequently became one of the primary vehicles through which Mattson sold Phantom Interests.

6. As set forth herein, Smith was aware that LFM was engaged in illegal sales of unregistered, non-exempt securities. Indeed, he authored a Securities Opinion in June 2006 (the "2006 Securities Opinion"), advising Mattson on certain exemptions from the registration requirements of the Securities Act of 1933 and California securities laws. The opinion warned that "if you offer securities to even one person who does not meet the necessary conditions, the entire offering may be in violation of the Securities Act" and "[s]tiff civil and even criminal penalties may apply." For the years that preceded that opinion, and the years that followed, Smith knew LFM never registered its securities with the SEC, nor provided investors the necessary disclosures to qualify for an exemption.

7. At no time during his twenty-plus-year engagement did Smith or his firms advise Mattson to implement independent oversight mechanisms, retain independent auditors, make proper securities filings, or cease the sale of unregistered securities. Instead, Smith and his law firms continued to provide legal services that expanded and maintained the fraud's architecture. Even as the Scheme unraveled in 2024, Smith did not distance himself. Rather, in February 2024, Smith transitioned from Hanson Bridgett into an in-house role at LFM, as General Counsel and a

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Member of LFM's Board of Directors.

8. The investors Mattson targeted were vulnerable. A majority of the defrauded investors were over age 65; many were retired seniors Mattson recruited through his church community. Some invested their life savings. Mattson sold at least $55 million of fake interests to more than 180 investors in one limited partnership, Divi Divi Tree, L.P., directing them to roll over retirement funds into IRAs, which Mattson caused to transfer the funds into his control. In the last five years alone, Mattson raised more than $46 million from approximately 200 investors.

9. The investors Mattson targeted were denied even the most basic protections that securities registration provides. Mattson personally solicited investments, often during informal meetings in investors' homes or at his Sonoma restaurant, presenting Smith-drafted LP Agreements that both parties signed on the spot. No private placement memoranda, risk disclosures, or audited financial statements were provided. The documents Smith drafted—the limited partnership agreements, operating agreements, and transfer forms—were the materials upon which investors relied.

10. Smith had detailed knowledge of the fraud—distribution irregularities, fictitious entities and the commingling of investor funds—yet took no action to remediate, report or withdraw from the representation. In 2010, Smith acted as counsel in dealing with an investor regarding incomplete paper trails and distribution irregularities. In 2013, Smith received a letter from another LFM investor, documenting systematic fraud across eight separate entities, including (i) Phantom Interests sold to the investor; (ii) fabricated transfer documents; (iii) unsigned agreements; and (iv) representations of a tax opinion that never existed. Smith's response conceded "there is no such written tax opinion," telling Timothy LeFever, Mattson's co-owner in LFM, "[o]bviously, there is quite a bit here we need to discuss." Smith also reviewed copies of LFM property management agreements that contained provisions authorizing the property manager (controlled by Mattson) to loan funds between properties—a mechanism through which Mattson moved commingled investor funds across the LFM Enterprise. Despite these red flags, including in documents he prepared, Smith continued on as LFM counsel.

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11. The Ponzi scheme collapsed in 2024. LFM could no longer raise enough new money to pay old investors and began to default on its obligations to secured creditors. In April 2024, Mattson resigned as CEO and CFO. In May 2024, the FBI executed a search warrant at Mattson's Sonoma residence and seized his laptop, which showed Mattson had deleted hundreds of files—including commercial bookkeeping records—after receiving a subpoena from the SEC.

12. A cascade of litigation and federal civil and criminal enforcement actions ensued. In July 2024, a class action on behalf of hundreds of defrauded investors was filed.[1] Between August and November 2024, more than 60 entities in the LFM Enterprise filed for bankruptcy.[2] On May 13, 2025, a federal grand jury returned a nine-count indictment against Mattson, charging seven counts of wire fraud, one count of money laundering, and one count of obstruction of justice.[3] On May 22, 2025, the SEC filed a civil enforcement action alleging fraud and violations of the securities laws for the sale of unregistered, non-exempt securities.[4] Mattson sued LeFever.[5] LeFever sued Mattson.[6]

13. The Joint Investigation conducted in the LFM bankruptcy cases (Lead Case No. 24-10545 (CN), U.S. Bankruptcy Court, Northern District of California, Santa Rosa Division) produced more than 1.2 million documents totaling over 5 million pages and shed light on the scope of the fraud. The investigation established that the Scheme was systematic, spanned decades, consumed hundreds of millions of dollars in investor funds, and operated by and through the legal infrastructure that Defendants created and maintained.

14. By this action, Plaintiff seeks to recover damages caused by Defendants' knowing or reckless participation in, and substantial assistance of, LFM's wrongdoing.

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[1] *Claridge v. LeFever et al.*, Case No. 4:24-cv-04093-JST (N.D. Cal.).

[2] *In re LeFever Mattson*, Case No. 24-10545 (Bankr. N.D. Cal.).

[3] *United States v. Mattson*, Case No. CR25-00126 CRB (N.D. Cal.).

[4] *SEC v. Mattson et al.*, Case No. 3:25-cv-04387 (N.D. Cal.).

[5] *Mattson v. LeFever*, Case No. 24-cv-011305 (Sacramento Sup. Ct.).

[6] *LeFever v. Mattson*, Case No. 24-cv-03485 (Sonoma Sup. Ct.).

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PARTIES

15. Plaintiff Michael Goldberg is the duly appointed Trustee of the LFM Plan Recovery Trust (the "Liquidation Trust") formed pursuant to the Third Amended Chapter 11 Plan of Liquidation, as Modified (the "Chapter 11 Plan"). *See In re LeFever Mattson, a California corporation*, Case No. 24-10545 (Bankr. N.D. Cal.), Dkt. Nos. 3176, 4151, and 4163. The Bankruptcy Court entered the order confirming the Chapter 11 Plan on April 23, 2026 (the "Confirmation Order"), and the Effective Date of the Chapter 11 Plan occurred on May 14, 2026. See *id.*, Dkt. Nos. 4225, 4335. Pursuant to Section 5.3.18 of the Chapter 11 Plan and Section 1123(b)(3) of the Bankruptcy Code, the Plan Recovery Trust is the successor in interest to, and the appointed representative of, the Consolidated Debtor, the Consolidated Estate, the LFM Debtors and their bankruptcy estates, the KSMP Investment Entities, and—solely with respect to the Contributed Claims—the Contributing Claimants, and holds the exclusive right to institute, commence, and prosecute any and all such claims, including all causes of action against professionals who provided services to the LFM Enterprise and KSMP. The "Contributing Claimants" are those holders of Investor Claims who voted to accept the Chapter 11 Plan and did not opt out of the Contributed Claim Election, and their "Contributed Claims"—which were irrevocably contributed to the Plan Recovery Trust on the Effective Date—expressly include all legally assignable causes of action arising out of or related to the marketing, sale, and issuance of investments related to the Debtors, the concealment or obfuscation of the wrongful conduct described herein, and the aiding and abetting of torts committed by the Debtors or their agents.

16. Defendant Scott C. Smith ("Smith") is an individual and an attorney licensed in the State of California. Smith has practiced in real estate, corporate transactions and securities offerings. Smith was a Bingham McCutchen partner when he drafted foundational LFM entity documents in 2002. In or about 2005, Smith transitioned to Hanson Bridgett. From at least 2002 through 2024, Smith served as principal outside attorney, effectively general counsel to Mattson and the LFM Enterprise. Smith also became a director of LeFever Mattson in 2024.

17. Following the collapse of the LFM Enterprise and the commencement of various enforcement actions, Smith did not acknowledge his role in the Scheme. Instead, in January 2026,

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Smith joined Lubin Olson & Niewiadomski LLP as of counsel in the firm's Real Estate, Business, Finance & Workouts, and Construction service groups. The announcement of Smith's hire highlighted his "decades of experience in corporate, real estate, and tax matters," his experience "working as general counsel for clients," and his having "structured and closed hundreds of equity, debt, M&A, venture capital, private equity, and real estate transactions ranging from millions to billions of dollars in size." The announcement further emphasized Smith's "deep experience in structuring and counseling real estate partnerships and joint ventures in all aspects of their operations, from formation to sale and liquidation"—the very expertise he deployed in constructing the LFM Enterprise's fraudulent architecture.

18. Smith's law firm bio touts his experience and expertise in the areas of corporate governance and real estate transactions:

> Scott C. Smith is a highly experienced corporate, real estate, and tax lawyer with over three decades of experience. Scott's experience includes private practice, including working as general counsel for clients, as well as substantial in-house experience. He has structured and closed hundreds of equity, debt, M&A, venture capital, private equity, and real estate transactions ranging from millions to billions of dollars in size. Scott has deep experience in structuring and counseling real estate partnerships and joint ventures in all aspects of their operations, from formation to sale and liquidation.

19. Defendant Hanson Bridgett LLP ("Hanson Bridgett") is a limited liability law partnership organized and existing under the laws of the State of California, with its principal offices at 425 Market Street, 26th Floor, San Francisco, California 94105. From at least 2005 through 2024, Hanson Bridgett, through Smith and other attorneys, provided legal services to Mattson and the LFM Enterprise across multiple client matters, including the 2006 Securities Opinion, dealing with investors, preparing operating agreements and other documents for dozens of entities, and ongoing corporate counsel services.

20. Hanson Bridgett's website publicly touts the firm's experience and expertise in real estate transactions, securities laws, and advising on corporate governance:

> As a multiservice firm, we handle every aspect of a property transaction, from financing and development to environmental and construction issues,

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> property management, and dispositions. Our vast experience representing local and state entities enables us to navigate laws and regulations in a manner that best serves our clients.
>
> * * *
>
> In today's business environment, corporate governance spans a wide range of legal issues, from securities, ethics, and labor to benefits, criminal law, and more. This is why experience in corporate governance is as important as the law itself. Further, when issues are raised, they must be dealt with rapidly. Otherwise, the risk is high that the organization can be tainted and suffer a substantial cost with respect to numerous aspects of its business, including stock price, the ability to borrow, and the ability to attract and retain board members.
>
> Our seasoned attorneys are fully prepared to address issues faced by publicly held, privately held, and non-profit organizations with the keen judgment that can only come from having worked extensively with these issues.
>
> * * *
>
> Our diverse and experienced corporate attorneys partner with business leaders on a wide variety of strategic and legal issues. By providing sophisticated, astute, and practical legal advice, we guide our clients on the benefits and risks of their transactions and provide creative solutions to meet their objectives efficiently and effectively.

21. Defendant Morgan, Lewis & Bockius LLP ("Morgan Lewis") is a limited liability partnership organized and existing under the laws of the Commonwealth of Pennsylvania, with offices throughout the United States and internationally, including in San Francisco, California. Morgan Lewis is named as a defendant in this action as the successor in interest to Bingham McCutchen LLP ("Bingham"), the law firm at which Defendant Smith was a partner when he drafted foundational LFM entity documents from 2002 to 2005.

22. In or about November 2014, Morgan Lewis absorbed substantially all of Bingham's operations through a transaction that, while nominally structured as a "mass lateral hire," functioned as a *de facto* merger. Morgan Lewis admitted more than 200 of Bingham's partners into its own partnership, along with 500+ additional lawyers, legal professionals, and staff. Morgan Lewis acquired Bingham's clients, active matters, practice groups, revenue streams, consulting operations, and multiple Bingham office locations. Morgan Lewis assumed Bingham's operating liabilities, including office-lease obligations and other debts, conditioned upon a critical

mass of Bingham partners and their books of business joining the firm. Bingham thereafter ceased operating as an independent law firm and entered wind-down, with its website redirecting to Morgan Lewis's and its clients being told they would continue receiving services through the enlarged Morgan Lewis platform.

23. Morgan Lewis is thus the successor in interest to Bingham and is liable for the acts and omissions of Bingham, including without limitation any professional services Bingham rendered to or on behalf of the LFM Enterprise or its principals during the period Defendant Smith practiced at Bingham.

24. Plaintiff is ignorant of the true names and capacities of the defendants sued herein as DOES 1 through 100, inclusive, and therefore sues these defendants by such fictitious names. Plaintiff will amend this Complaint to allege their true names and capacities when ascertained. Plaintiff is informed and believes, and thereon alleges, that each of the fictitiously named defendants is responsible in some manner for the occurrences herein alleged, and that Plaintiff's damages were proximately caused by their conduct.

JURISDICTION AND VENUE

25. This Court has jurisdiction over the subject matter of this action pursuant to the California Constitution, Article VI, Section 10, which vests the Superior Court with original jurisdiction in all cases except those given by statute to other trial courts.

26. Venue is proper in the County of Sonoma pursuant to California Code of Civil Procedure sections 395(a) and 395.5. The LFM Enterprise primarily conducted its operations in Sonoma County, held dozens of properties in Sonoma County, solicited investors in Sonoma County, and numerous witnesses and records at issue are located in Sonoma County.

27. The amount in controversy exceeds the jurisdictional minimum of this Court. Plaintiff seeks damages in excess of $200 million based on the amount of investor funds misappropriated through the Ponzi scheme.

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FACTUAL ALLEGATIONS

A. The LFM Enterprise

28. LeFever Mattson is a California corporation that has, since at least 1989, been engaged in the business of real estate investment, property management, and related financial services. At all relevant times, Kenneth W. Mattson ("Mattson") served as CEO and Chief Financial Officer of LFM, while Timothy A. LeFever ("LeFever") served as President. Together, Mattson and LeFever controlled the day-to-day operations of a network of affiliated entities that included LeFever Mattson Property Management, Inc. ("LMPM"), KS Mattson Partners, LP ("KSMP"), and multiple limited partnerships and limited liability companies formed to hold interests in commercial and residential real estate properties located primarily in Northern California.

29. The LFM Enterprise operated by soliciting investments from members of the public in the form of purported limited partnership interests and limited liability company membership interests in entities that purported to own income-producing real estate. Mattson was the primary point of contact for investor solicitation. He recruited investors through personal relationships, community connections—particularly through his church community—and word-of-mouth referrals from existing investors. Mattson conducted solicitations during informal meetings, often in investors' homes or at his Sonoma restaurant, presenting limited partnership agreements and transfer documents that were signed on the spot. Private placement memoranda, risk disclosures, or audited financial statements were not provided to investors.

30. The LFM Enterprise maintained commingled accounts through which substantial portions of investor funds raised through sales of Phantom Interests were deposited and from which investor distributions and transfers were made. For example, Account No. 1059 at Bank of the West (later BMO) (the "1059 Account") received more than $104 million in investor deposits between May 2017 and the Petition Date, from which Mattson made more than $70 million in payments to earlier investors.

31. A majority of the defrauded investors are over age 65. Many are retired seniors who invested retirement savings based on Mattson's personal assurances. In the last five years

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alone, Mattson raised more than $46 million from approximately 200 investors. Mattson also sold at least $55 million in fraudulent Divi Divi Tree, L.P. interests to more than 180 investors by directing them to roll over retirement funds into self-directed IRAs held by third-party custodians—including Madison Trust, Provident, and Pacific Premier—and then directing that those funds be remitted to bank accounts he controlled.

32. Although KSMP was nominally part of the LFM Enterprise, it was in practice Mattson's personal vehicle, separate from LFM's corporate structure and outside the oversight of LeFever or LFM's management. KSMP was not a limited partnership formed to hold a specific property for investors in the manner of the dozens of LFM partnerships. Rather, KSMP was controlled exclusively by Mattson through KS Mattson Company, LLC ("KSM Co."), its general partner, and was used by Mattson to acquire properties in his own name, to hold assets outside the reach of LFM's books, and to engage in self-dealing transactions that benefited Mattson personally at the expense of LFM investors.

33. Mattson used KSMP as a conduit for self-dealing. For example, Mattson used KSMP as the nominal purchaser of properties that were ultimately intended for LFM—in one instance directing that a purchase and sale agreement naming KS Mattson as buyer be "opened as LM" because Mattson was the "initial buyer to accommodate an exchange" and the property would "ultimately be a LM property." In another transaction, in or around September 2022, KSMP purchased property and then flipped it to an LFM-affiliated entity at a markup of approximately $1 million, pocketing the spread.

34. Mattson also used KSMP to take out hidden third-party loans, the proceeds of which were not disclosed to LFM investors or recorded on LFM's books. Investor funds deposited into the LFM commingled accounts were used, in part, to service debt obligations of KSMP not pertaining to properties in which investors held interests.

35. Mattson further used KSMP to transfer properties between himself and LFM entities without arm's-length consideration, disguising certain of these transfers as mere "changes in name" of the same party, despite the fact that KSMP and LeFever Mattson were legally distinct

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entities. In November 2024, KSMP was placed into involuntary Chapter 11 bankruptcy, separately from the LFM Enterprise bankruptcy filings, and the Bankruptcy Court ultimately approved the substantive consolidation of the LFM Debtors, KSMP, and the KSMP Investment Entities into a single consolidated estate for purposes of distributions to the defrauded investors.

36. At all relevant times, each sale of a limited partnership interest by the LFM Enterprise constituted the sale of a security within the meaning of Section 2(a)(1) of the Securities Act of 1933, 15 U.S.C. section 77b(a)(1), and Section 25019 of the California Corporations Code. None of these securities were registered with the Securities and Exchange Commission or with the California Department of Financial Protection and Innovation. None qualified for any applicable exemption from registration. All violated state and federal law.

B. Defendants' Engagement with the LFM Enterprise

37. Defendant Smith is an attorney licensed to practice law in the State of California. From 2002 through 2024, Smith served as the principal counsel, effectively general counsel, to the LFM Enterprise. Smith provided legal services to LFM and its affiliated entities through two successive law firms: Bingham McCutchen LLP (from approximately 2002 to approximately 2005) and Hanson Bridgett LLP (from approximately 2005 through 2024).

38. Defendant Hanson Bridgett is a limited liability partnership organized under the laws of the State of California, with its principal offices in San Francisco. Hanson Bridgett served as counsel of record for LFM-related entities from approximately 2005 through 2024. During this period, Hanson Bridgett handled at least 79 separate client matters for LFM-related entities, as reflected in the firm's billing records. Those matters encompassed entity formation, real estate transactions, partnership disputes, investor inquiries, and general corporate advice.

39. Smith's role within the LFM Enterprise extended beyond that of a conventional outside counsel providing episodic legal advice. Smith was the attorney who performed substantive work on LFM matters over the entire duration of the engagement. He exercised judgment and discretion in structuring transactions, drafting foundational documents, addressing investor issues, and advising on a myriad of matters. He was the point of legal contact for

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Mattson on significant matters relating to the LFM Enterprise's operations, investor relations, and governance.

40. Smith and Hanson Bridgett's conflicts of interest extended beyond their representation of the LFM Enterprise. Throughout the relevant period, Defendants simultaneously represented both LFM and KSMP—Mattson's personal entity that operated outside the LFM umbrella. Despite this obvious and blatant conflict, Smith performed legal work on matters for both clients concurrently, including real estate transactions, investor disputes, entity formation, and other matters.

41. Smith and his firms worked both sides of transactions involving LFM and KSMP. In one instance, Smith was aware that a purchase and sale agreement named KS Mattson as buyer for a property that was ultimately to become an LFM property, yet Smith served as counsel for both entities. In reference to multiple investor matters, Smith represented both LFM and KSMP. Smith was thus counsel to both the entity whose investors were being defrauded (LFM) and the entity through which Mattson was conducting much of the self-dealing (KSMP).

42. The September 2022 NCP Commercial transaction illustrates the depth of Smith's conflict. In or around August 2022, Smith served as purchaser's counsel for KSMP in its acquisition of properties in Sonoma from NCP Commercial, LLC for $12,750,000. Smith and Hanson Bridgett were listed as counsel for KSMP on the purchase and sale agreement. Shortly thereafter, KSMP transferred the acquired properties to Windscape Apartments, LLC, an LFM-affiliated entity that Smith had formed, at a markup of approximately $1 million. Mattson signed on behalf of both the buyer (Windscape Apartments, LLC) and the seller (LeFever Mattson) in connection with the resale, without an independent escrow.

43. Smith thus provided the legal services that enabled KSMP to acquire the properties, and then Mattson flipped those same properties to an LFM entity at a profit, pocketing the spread at the expense of LFM and its investors. Smith's law firm, Hanson Bridgett, later cited this very transaction in the complaint it filed on behalf of LeFever Mattson against Mattson in Sonoma County Superior Court, alleging that the September 2022 KSMP-to-Windscape transfer was an act

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of self-dealing by Mattson. In other words, Hanson Bridgett helped KSMP execute the buy side of the very deal that Hanson Bridgett later characterized as fraudulent self-dealing when it sued Mattson on behalf of LFM. Smith's role as deal counsel on the acquisition – while simultaneously serving counsel to LFM, the entity whose investors were harmed by the flip – epitomizes the irreconcilable conflict inherent in his dual representation.

44. In the course of this engagement, Defendants billed the LFM Enterprise over a million dollars. The fees were paid from the pool of commingled investor funds.

45. On or about February 2024, Smith transitioned from Hanson Bridgett into an in-house role at LFM, assuming the positions of General Counsel and Member of LFM's Board of Directors. Smith assumed this role at a time when, as set forth below, he had received extensive knowledge of fraud within the enterprise. On information and belief, Smith accepted this position in exchange for equity interests, salary, or other compensation from the LFM Enterprise, the terms of which have not been publicly disclosed.

46. At all relevant times, Hanson Bridgett and Morgan Lewis were and are vicariously liable for the acts and omissions of Smith performed during and within the scope of his employment with the firms who received, retained, and benefited from legal fees paid by the LFM Enterprise from funds that included investor funds obtained through the fraudulent Scheme.

47. At no point during the more than two-decade engagement did Defendants advise the LFM Enterprise to register its securities offerings, retain independent auditors, implement internal controls over investor funds, or establish any mechanism for independent oversight of Mattson's handling of investor capital. Nor did Defendants advise Mattson to cease the sale of unregistered securities at any time after Smith authored the 2006 Securities Opinion identifying the applicable registration requirements and the civil and criminal penalties for noncompliance.

C. Smith Builds the Foundation for the Ponzi Scheme

48. Beginning in or about 2002, Smith created the legal infrastructure through which the LFM Enterprise conducted its operations and solicited investor funds. In or about 2002, while at Bingham McCutchen, Smith submitted to Mattson and LeFever the Operating Agreement of

LeFever Mattson I, LLC and the Agreement of Limited Partnership of Divi Divi Tree, L.P. These foundational documents established the entities through which Mattson would subsequently channel hundreds of millions of dollars of fraudulently-obtained investor funds over the following two decades.

49. Divi Divi Tree, L.P. became a primary vehicle through which Mattson sold Phantom Interests. Mattson directed investors to roll over retirement account funds into self-directed IRAs, then used those IRAs to purchase interests in Divi Divi Tree. The funds were then deposited into commingled accounts regardless of which entity the investor believed held their investment. Smith drafted the limited partnership agreements and transfer documents used in these transactions, thereby facilitating the fraudulent Scheme herein.

50. Smith was aware of the property management agreements pursuant to which LMPM managed properties on behalf of the limited partnerships. These agreements contained provisions authorizing the property manager to "loan" funds between properties—a provision that, as described below, provided one of the mechanisms through which Mattson commingled investor funds across the enterprise without detection. On information and belief, Smith understood at the time of drafting that these provisions granted the property manager broad discretion to transfer funds between separate entities.

51. Smith drafted the limited partnership agreements, operating agreements, subscription documents, and transfer forms that constituted the offering materials provided to investors. No private placement memoranda were prepared. No risk disclosures were drafted. No audited financial statements were provided. The documents Smith prepared contained no disclosure of the material risks of investment, no description of how investor funds would be used, and no identification of conflicts of interest—all disclosures that Smith's own 2006 Securities Opinion identified as necessary.

52. Over the course of the engagement, Smith formed or prepared foundational documents for dozens of limited partnerships and limited liability companies within the LFM network. These included entities that were formed for the purpose of selling interests to investors

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who never actually received the properties they were told they would own. Smith's formation of these entities provided the appearance of a legitimate real estate investment operation and allowed Mattson to falsely represent to investors that their funds were being placed in specific, property-owning partnerships.

53. The documents Smith drafted were designed to be executed without meaningful negotiation or due diligence. The limited partnership agreements followed a template that Smith created, with blanks for the property name, investor name, and investment amount. This format facilitated the rapid execution of transactions—often completed in a single meeting—while eliminating the opportunity for investors to seek independent legal advice or conduct independent investigation of the entity in which they were investing.

54. Smith's drafting work extended to correspondence and communications used in connection with investor solicitation. Smith drafted or reviewed letters and communications that Mattson then sent to prospective investors describing investment opportunities. Smith also prepared or reviewed the annual K-1 tax documents distributed to limited partners—documents which represented to investors that their partnership interests were valid and that the partnerships were generating income or losses from real property operations.

55. The legal infrastructure Smith created was not incidental to the fraud—it was essential to its operation. Without the entity formation documents, there would have been no partnerships in which to sell (or purport to sell) interests. Without the transfer forms and subscription documents, there would have been no mechanism to formalize investor contributions. Without the property management agreements authorizing inter-entity transfers, there would have been no contractual basis for the commingling of funds.

56. Each component of the documentary architecture that Smith built served a specific function in enabling the Scheme to operate and to appear legitimate to investors and third parties—the very essence of aiding and abetting Mattson's fraud.

D. Smith's Knowledge About Selling Unregistered Securities

57. Smith was aware of the securities law implications of the LFM Enterprise's

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offerings and provided cover in evading those laws. Starting in or about 2002, Smith drafted Operating Agreements and LP Agreements that included representations about the securities at issue.

58. The LP Agreements and Operating Agreements Smith drafted included the same template language across decades, misleadingly representing to investors that the LP Interests and LLC Interests they were purchasing were exempt securities that did not need to be registered with the SEC:

> The initial sale of Membership Interests in the Company to the initial Members has not been qualified or registered under the securities laws of any state, or registered under the Securities Act of 1933, as amended, in reliance upon exemptions from the registration provisions of those laws. No attempt has been made to qualify the offering and sale of Membership Interests to Members under the California Corporate Securities Law of 1968, as amended, also in reliance upon an exemption from the requirement that a permit for issuance of securities be procured.

59. In or about 2004, while at Bingham McCutchen, Smith sent an email to Timothy LeFever stating: "I believe when we last spoke you mentioned some interest in looking at your offering practices and any securities law implications. Don't know to what extent this is still a concern but just let me know if so." This communication establishes that, no later than 2004, LeFever had expressed concern about the securities law implications of LFM's offerings. Despite this early awareness, Smith did not advise LFM to cease selling unregistered securities, to engage independent securities counsel, or to register its offerings. Instead, Smith continued to draft LP Agreements and Operating Agreements that included multiple material misrepresentations.

60. In or about June 2006, Smith authored a memorandum to Mattson addressing the application of federal and state securities laws to the LFM Enterprise's sales of limited partnership interests (the "2006 Securities Opinion"). The 2006 Securities Opinion confirmed that the limited partnership interests sold by the LFM Enterprise constituted securities within the meaning of the Securities Act of 1933 and the California Corporate Securities Law of 1968. Smith specifically advised Mattson that the sale of these interests was subject to registration requirements unless an applicable exemption could be established.

61. The 2006 Securities Opinion identified the conditions that must be satisfied to

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qualify for exemptions under Section 4(a)(2) of the Securities Act, Regulation D (Rules 504, 505, and 506), and Section 25102(f) of the California Corporations Code. Smith advised that qualifying for any of these exemptions required, among other things, that the issuer provide investors with material information about the investment, including financial statements, a description of the business and properties, and disclosure of material risks. Smith further advised that the issuer must have a reasonable basis to believe that each investor met applicable suitability requirements.

62. The 2006 Securities Opinion contained the following warning: "if you offer securities to even one person who does not meet the necessary conditions, the entire offering may be in violation of the Securities Act." Smith further warned that "[s]tiff civil and even criminal penalties may apply" to violations of securities registration requirements. These warnings demonstrated Smith's knowledge, as of June 2006, that noncompliance with securities laws carried severe legal consequences for the LFM Enterprise and its principals.

63. Despite identifying the specific requirements for lawful securities transactions, Smith took no steps to ensure that the LFM Enterprise complied with the conditions he identified. For eighteen years following the 2006 Securities Opinion, Smith knew that LFM never registered its securities offerings with the SEC or with state regulators. Smith also knew that LFM never provided investors with the disclosures necessary to qualify for any exemption—because Smith himself drafted the documents investors received, and those documents contained none of the required disclosures.

64. Smith continued to form entities, draft offering documents, and facilitate investor transactions for the LFM Enterprise throughout the eighteen years following the 2006 Securities Opinion. At no point did Smith advise the LFM Enterprise to register its offerings, prepare a private placement memorandum, retain securities counsel to structure compliant offerings, or cease selling unregistered securities. At no point did Smith advise investors that the securities they were purchasing were unregistered and did not qualify for any exemption from registration.

65. The 2006 Securities Opinion establishes that Smith possessed actual knowledge, no

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later than June 2006, that the LFM Enterprise's securities transactions were unlawful unless specific conditions were met—conditions that Smith knew were never satisfied.

E. Smith's Knowledge of the Fraudulent Scheme

66. Over the course of the engagement, Smith had detailed notice of the fraudulent nature of the LFM Enterprise's operations. The information Smith received was not limited to generalized suspicion or isolated irregularities. Rather, Smith was confronted with specific, documented evidence of each of the principal components of the fraud: the sale of nonexistent interests, the fabrication of documents, the commingling of funds across entities, the use of new investor capital to pay returns to earlier investors, and the illegal sale of securities.

67. In or around 2012, Smith became directly involved in a matter with an investor identified as Balsdon. The Balsdon matter involved title, transfer, settlement, and payment-timing issues relating to Balsdon's limited partnership investments. In the course of this matter, Smith dealt with concerns regarding incomplete paper trails for investor transfers, questions about the source of settlement funding, and irregularities in the documentation of ownership interests.

68. The Balsdon matter revealed that investor records maintained by the LFM Enterprise were incomplete or inaccurate, that transfer documentation did not consistently reflect the actual ownership of partnership interests, and that settlement payments to departing investors were not funded from the assets of the specific partnership in which the investor held an interest. These facts, individually and collectively, constituted red flags that the LFM Enterprise was not operating legitimate, segregated investment vehicles.

69. On January 29, 2013, Samuel J. Arsht—counsel for the Chase 1992 Family Trust—sent Smith a nine-page letter documenting systematic irregularities across eight separate Chase Trust investments with the LFM Enterprise (the "Arsht Letter"). The Arsht Letter identified, among other things: limited partnership interests that had been sold to the Chase Trust in entities that did not exist; transfer documents that bore forged or unauthorized signatures; partnership agreements that were unsigned or undated; entities that had been dissolved or had never been formed; and investments for which no records existed in the LFM Enterprise's official books.

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70. The Arsht Letter did not present ambiguous or minor discrepancies. It documented a pattern of conduct—the sale of interests in nonexistent entities, the fabrication of transfer documents, and the absence of official records—that is characteristic of a Ponzi scheme. The letter expressly put Smith on notice that the Chase Trust had been sold interests in entities that did not exist and that documents used in those transactions had been fabricated. On information and belief, Smith reviewed the Arsht Letter in its entirety upon receipt.

71. Smith's own contemporaneous communications confirm that he was aware of the documentary irregularities identified by Arsht. In an email dated January 24, 2013—five days before the Arsht Letter was sent—Smith acknowledged to LeFever that 'there is no such written tax opinion,' referring to a document that investors had been told existed. This admission demonstrated that Smith was aware, prior to even receiving the Arsht Letter, that representations had been made to investors about documents that did not exist.

72. Despite receiving the Arsht Letter and despite his admission regarding the non-existent tax opinion, Smith did not withdraw from the representation. Smith did not advise the LFM Enterprise to retain independent counsel to investigate the allegations. Smith did not report the apparent fraud to regulatory authorities. Smith did not advise existing investors that their interests might be affected. Instead, Smith participated in the Chase Trust matter through, among other things, preparing confidentiality provisions designed to prevent the Chase Trust's allegations from becoming known to other investors or to regulators.

73. Between 2013 and 2024, there were additional red flags. For example, in August 2018, Smith was involved in communications regarding amendments to property management agreements that specifically addressed inter-entity lending. In an email exchange regarding lender-requested changes to a property management agreement, Smith discussed provisions "going specifically to loaning funds between properties." This communication demonstrated Smith's awareness that the LFM Enterprise was transferring funds between nominally separate entities—the precise mechanism through which Mattson was able to use new investor contributions to pay returns to existing investors and to conceal the enterprise's insolvency, and

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thereby carry out the Ponzi scheme.

74. Smith was also aware that investor distributions were frequently delayed or missed entirely, that investor inquiries regarding account balances went unanswered or were met with evasive responses, and that the number of investor complaints increased substantially in the years leading up to the Scheme's collapse. Each of these facts constituted additional notice that the LFM Enterprise was not operating as a legitimate real estate investment business.

75. The cumulative weight of the information Smith received between 2002 and 2024 placed Smith on actual notice that the LFM Enterprise was engaged in fraud. At a minimum, this information would have caused any reasonable attorney exercising due diligence to investigate further, to withdraw from the engagement, or to report the suspected fraud to appropriate authorities. Smith did none of these things.

76. Instead, Smith continued to provide legal services to the LFM Enterprise for an additional eleven years after receiving the Arsht Letter, forming additional entities, drafting additional offering documents, and facilitating additional investor transactions. Each legal service Smith provided was performed with actual knowledge or, at minimum, with reckless disregard for the substantial probability that the LFM Enterprise was using Smith's legal work product as cover to perpetuate a fraud upon investors.

F. The Commingling and Its Facilitation by Defendants

77. Central to the LFM Enterprise's fraud was the commingling of investor funds. Rather than maintaining segregated accounts for each limited partnership—as investors were led to believe—the LFM Enterprise maintained commingled accounts that were used interchangeably to pay distributions to investors in unrelated partnerships, to fund operating expenses across the enterprise, and to make payments to Mattson himself.

78. The property management agreements Smith drafted or transmitted on behalf of the LFM Enterprise contained provisions authorizing the property manager to "loan funds between properties." These provisions provided the basis for the commingling of investor funds. On information and belief, these provisions were not standard in the industry, were not necessary for

the legitimate management of the properties, and were included at the direction of Mattson for the purpose of facilitating transfers between entities.

79. The practical effect of these provisions was to eliminate the separation between what should have been independent limited partnerships. An investor who contributed $100,000 to purchase an interest in a specific property-owning partnership had no assurance that those funds would be used for the benefit of that partnership. Instead, the funds were deposited into commingled accounts and could be—and routinely were—used to pay distributions to investors in entirely different partnerships, to fund operating shortfalls in unrelated properties, or to make payments to Mattson.

80. Between May 2017 and the Petition Date alone, investors deposited more than $104 million into the 1059 Account, and more than $70 million was paid back out of that account to earlier investors. The LFM Enterprise's properties did not generate operating income sufficient to fund the distributions promised to investors; instead, those distributions were funded from new investor money, refinancing proceeds, and inter-entity transfers, reflecting the structural insolvency of the enterprise. At no time during this period did the LFM Enterprise maintain accounting records for the commingled accounts that tracked the allocation of funds to specific partnerships or that reconciled investor contributions against partnership-level revenues and expenses.

81. Specifically, Smith was well aware of the commingling mechanism. His August 2018 communications regarding property management agreement amendments discussed provisions "going specifically to loaning funds between properties." This communication was not the first time Smith had encountered the inter-entity lending provisions—he had drafted or reviewed the original property management agreements containing those provisions years earlier. Smith understood throughout the engagement that the LFM Enterprise operated through a single commingled account and that the inter-entity lending provisions he drafted provided the purported basis for this arrangement.

82. The fees Defendants received over the course of the engagement were paid from

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the same pool of commingled funds that included investor contributions. On information and belief, a substantial portion of the fees Defendants received was derived from investor capital rather than from legitimate business revenues of the LFM Enterprise. Defendants received these payments with knowledge of, or reckless disregard for, the commingled nature of the accounts from which they were paid.

G. The Phantom Interests

83. The LFM Enterprise's fraud centered on the sale of what are referred to herein as Phantom Interests—limited partnership or limited liability company interests that were fraudulent in one or more respects: First, Mattson sold interests in entities that were never recorded in the official books maintained by LMPM. Second, Mattson sold interests in entities where the seller had insufficient ownership to sell the interests purportedly conveyed. Third, Mattson sold interests in entities that never legally existed under the law. Fourth, Mattson sold interests in entities that did not own the properties Mattson represented to investors that they owned.

84. The scale of the Phantom Interest fraud was massive. For example, Mattson sold at least $55 million in fraudulent Divi Divi Tree, L.P. interests to more than 180 investors. The Department of Justice's indictment of Mattson alleges that the Scheme defrauded more than 700 investors in total. The SEC's civil complaint identifies over $46 million raised from approximately 200 investors in the last five years of the Scheme's operation. On information and belief, the total amount of Phantom Interests sold over the life of the Scheme exceeds $200 million.

85. Smith's legal work facilitated the sale of Phantom Interests. The entity formation documents, limited partnership agreements, and transfer forms Smith drafted were the instruments through which Phantom Interests were sold. When Mattson sold an interest in a nonexistent entity, he used entity formation and transfer documents that followed the template Smith had created. When Mattson sold interests in excess of available ownership, he used the partnership agreements Smith had drafted that contained no cap on total interests or mechanism for tracking aggregate sales. The documentary infrastructure Smith built contained no safeguards against

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overselling, no requirement for recording transfers in centralized books, and no mechanism for verifying that an entity actually existed or owned the represented property.

86. On information and belief, Smith was aware by no later than January 2013—when the Arsht Letter documented the sale of interests in nonexistent entities—that the LFM Enterprise was selling Phantom Interests. Despite this knowledge, Smith continued to draft and provide entity formation documents, partnership agreements, and transfer forms that Mattson used to sell additional Phantom Interests for the next eleven years. Smith took no steps to implement safeguards against the sale of fraudulent interests, to require centralized recording of transfers, or to verify the existence or property holdings of entities for which he was preparing offering documents.

87. The absence of basic controls in the documents Smith drafted was not an oversight. A competent, honest attorney drafting limited partnership agreements for a real estate investment enterprise would include provisions requiring that transfers be recorded in the partnership's official books, that the general partner certify available interests before a sale, and that investors receive written confirmation of their ownership. Smith's documents contained none of these protections. On information and belief, Smith omitted these standard provisions because their inclusion would have impeded Mattson's ability to sell interests without detection of his fraud and would have created a paper trail inconsistent with the fraudulent nature of the Phantom Interests.

H. The February 2024 Indemnity Agreement

88. In or about February 2024, after LeFever Mattson claimed it discovered Mattson's misconduct and initiated an internal investigation, Smith participated in a meeting with Mattson and LeFever at which Mattson was presented with an indemnity agreement. Smith had recently transitioned from Hanson Bridgett to serve as General Counsel and a Board Member of LFM. On information and belief, Smith drafted or participated in drafting the indemnity agreement.

89. Mattson subsequently alleged in state court litigation (*Mattson v. LeFever*, Sacramento Superior Court, Case No. 24CV011305) that he signed the February 2024 indemnity agreement "under duress, relying on the representations made by LeFever and Scott Smith

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(LeFever Mattson's in-house counsel) during the meeting." Mattson's allegation identifies Smith by name as a participant in the meeting and as a person whose representations Mattson relied upon in executing the agreement.

90. Smith's participation in the February 2024 meeting and his role in the indemnity agreement were motivated by a desire to protect himself from the consequences of the fraud, rather than to serve the legitimate interests of investors. The indemnity agreement sought to formalize Mattson's assumption of liability in order to shield Smith from claims by defrauded investors. Smith's willingness to participate in this transaction—after decades of facilitating the fraud—demonstrates his continued prioritization of self-interest over the interests of the hundreds of investors he knew had been defrauded.

91. Smith's transition to an in-house role at LFM in February 2024 occurred at the precise moment when the Scheme was unraveling. On information and belief, Smith accepted the General Counsel and Board Member positions because he believed that an in-house role would provide him with greater control over the LFM Enterprise's response to the emerging crisis, would allow him to invoke attorney-client privilege over a broader range of communications, and would position him to influence the narrative regarding his own culpability.

I. The Scheme Unravels

92. The LFM Enterprise's fraudulent Scheme collapsed in 2024. In or around late 2023, LeFever Mattson discovered evidence of Mattson's misconduct and initiated an internal investigation. The investigation revealed the existence of the Phantom Interests, the systematic commingling of investor funds, and the LFM Enterprise's liabilities to investors. In April 2024, Mattson resigned as CEO and CFO of LFM.

93. In May 2024, the Federal Bureau of Investigation executed a search warrant at Mattson's residence in Sonoma, California. While executing the warrant, FBI agents seized Mattson's laptop computer. Subsequent forensic analysis revealed that Mattson had deleted commercial bookkeeping software and over 10,000 files from the laptop—including files bearing the names of defrauded investors and Divi Divi Tree L.P. and other LFM-affiliated partnerships—

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after receiving an investigative subpoena from the Securities and Exchange Commission. The deletion of these records after receipt of the subpoena forms the basis of the obstruction of justice charge in the subsequent federal indictment.

94. Between on August 6, 2024 and continuing through October 2, 2024, LFM and 60 affiliated debtor entities—comprising limited partnerships and limited liability companies—filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of California, Santa Rosa Division (Lead Case No. 24-10545 (CN)). On November 22, 2024, an involuntary petition was filed against KSMP and, on June 9, 2025, the Bankruptcy Cout entered an order for relief against KSMP. The bankruptcy filings confirmed the LFM Enterprise's insolvency and triggered the appointment of professionals to investigate the scope of the fraud and identify assets available for distribution to creditors.

95. On May 13, 2025, a federal grand jury in the Northern District of California returned a nine-count indictment against Mattson (*United States v. Mattson*, Case No. CR25-00126 CRB, N.D. Cal.). The indictment charged seven counts of wire fraud in violation of 18 U.S.C. section 1343, one count of money laundering in violation of 18 U.S.C. section 1957, and one count of obstruction of justice in violation of 18 U.S.C. section 1519. The wire fraud counts allege Mattson devised and executed a scheme to defraud investors beginning no later than May 2009 and continuing through at least April 2024.

96. On May 22, 2025, the SEC filed a civil enforcement action alleging violations of the antifraud and registration provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 (*SEC v. Mattson et al.*, Case No. 3:25-cv-04387, N.D. Cal.).

J. The Joint Investigation and Its Findings

97. In connection with the LFM bankruptcy cases, the Bankruptcy Court authorized the appointment of professionals to conduct a Joint Investigation into the affairs of the LFM Enterprise. The Joint Investigation encompassed the review and analysis of more than 1.2 million documents totaling over 5 million pages, including financial records, correspondence, entity formation documents, investor files, bank statements, and internal communications of the LFM

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Enterprise.

98. The Joint Investigation Reported concluded that the LFM Enterprise operated as a Ponzi scheme from at least 2008 through 2024, and the Bankruptcy Court found in the Confirmation Order that the Debtors and the KSMP Investment Entities "were operated as a Ponzi scheme from at least September 12, 2017." The investigation established that new investor contributions were used to pay distributions to earlier investors, that the enterprise was structurally insolvent throughout this period, and that the LFM Enterprise commingled investor funds without respect to which partnership or entity was nominally associated with a given investment.

99. The Joint Investigation further established that the Phantom Interests sold by Mattson took the four principal forms identified above: interests in entities not recorded in official books, interests where the seller had insufficient ownership, interests in entities that never existed, and interests in entities that did not own the represented properties. The investigation documented that these fraudulent sales occurred systematically over a period of at least sixteen years and affected more than 700 investors.

100. The Joint Investigation also identified documents and communications demonstrating Defendants' involvement in the LFM Enterprise's operations, including entity formation documents bearing Smith's name, correspondence between Smith and Mattson regarding investor matters, and billing records reflecting the scope and nature of legal services provided. The Joint Investigation's findings are consistent with and corroborate the allegations set forth in this complaint regarding Defendants' knowledge of and participation in the fraudulent Scheme.

101. The Joint Investigation also documented the financial magnitude of the fraud. The investigation established that hundreds of millions of dollars in investor funds passed through the commingled accounts over the life of the Scheme, that the LFM Enterprise's total liabilities to investors substantially exceeded its assets at all relevant times, and that investor losses are estimated to exceed $200 million. These losses were suffered by more than 700 individual investors, many of whom lost retirement savings, home equity, and other funds that represented a

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substantial portion of their net worth.

102. The findings of the Joint Investigation establish that the fraud was not the product of mismanagement, poor business judgment, or isolated misconduct. Rather, the Scheme was systematic, deliberate, and sustained over a period of nearly two decades. It required, and depended upon, the legal infrastructure that Defendants created and maintained—the entity formation documents, partnership agreements, transfer forms, and property management agreements that gave the enterprise the appearance of legitimacy and enabled Mattson to execute thousands of fraudulent transactions without detection.

K. Damages to Plaintiff and the Investor Class

103. As a direct and proximate result of Defendants' conduct as alleged herein, Plaintiff investors have suffered damages including, but not limited to, the loss of invested capital, the loss of anticipated investment returns, consequential damages arising from the inability to access invested funds, and emotional distress resulting from the discovery that their retirement savings and life savings were stolen through the fraudulent Scheme Defendants enabled and concealed.

104. Funds were invested with the LFM Enterprise in reliance upon the legitimacy of the entity structure, the validity of the limited partnership agreements, and the apparent propriety of the investment opportunity—all of which were products of Defendants' legal work. Had Defendants complied with their professional obligations, advised the LFM Enterprise to register its securities or cease operations, or reported the fraud upon learning of it, the investments at issue would not have been made.

105. The investors consist of more than 700 people who purchased limited partnership interests or other securities from the LFM Enterprise during the period from approximately 2002 through 2024. On information and belief, substantially all members of the investor class will be unable to recover their full invested capital through the bankruptcy proceedings, as the LFM Enterprise's assets are insufficient to satisfy its liabilities to investors. The shortfall between investor claims and available assets exceeds $200 million.

106. In addition to compensatory damages, Plaintiff seeks disgorgement of all profits,

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fees, and other compensation Defendants received in connection with their representation of the LFM Enterprise. Defendants should not be permitted to retain the financial benefits of an engagement that they knew, or recklessly disregarded, was facilitating an ongoing fraud.

107. Defendants' conduct as alleged herein was willful and knowing. Smith possessed actual knowledge of the LFM Enterprise's illegal sale of unregistered securities. Smith also possessed knowledge of fraud within the enterprise. Despite this knowledge, Smith continued to provide legal services that enabled and concealed the fraud for years, resulting in catastrophic losses to investors who relied upon the legitimacy of the legal infrastructure Smith created. Plaintiff is therefore entitled to an award of punitive damages in an amount sufficient to punish Defendants and to deter similar conduct in the future.

108. Plaintiff further seeks an award of prejudgment interest on all damages from the date each investment was made.

109. The causal connection between Defendants' conduct and Plaintiff's damages is direct: Defendants created the legal instruments through which investors were defrauded, Defendants had knowledge of the fraud and failed to act, and Defendants continued to facilitate the fraud after receiving notice, resulting in investor losses that would not have occurred had Defendants fulfilled their professional and legal obligations.

FIRST CAUSE OF ACTION

Aiding and Abetting Securities Fraud

(Cal. Corp. Code Sections 25401, 25504, 25504.1)

(Against All Defendants)

110. Plaintiff realleges and incorporates by reference each and every allegation set forth in the preceding paragraphs as though fully set forth herein.

111. California Corporations Code section 25401 makes it unlawful for any person to offer or sell a security in this state by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not

misleading.

112. Mattson, through the LFM Enterprise, offered and sold securities—in the form of limited partnership interests, LLC membership interests, tenancy-in-common interests, and other investment interests in real property investment vehicles—to hundreds of investors in the State of California by means of written and oral communications that included untrue statements of material fact and omitted material facts necessary to make the statements not misleading.

113. Among other things, Mattson represented to investors that: (a) their funds would be invested in specific properties through specific entities, when in fact their funds were misappropriated and deposited into the commingled accounts; (b) they were receiving valid ownership interests in legitimate investment vehicles, when in fact they were receiving worthless Phantom Interests that were never recorded in the entities' books; (c) their monthly distributions represented returns on profitable real estate investments, when in fact the distributions were funded by new investor money recycled through the commingled accounts in a classic Ponzi structure; and (d) the entities in which they were investing were properly formed, legitimately operated, and managed in compliance with applicable laws, when in fact the entities were vehicles for fraud with no independent oversight or accountability.

114. California Corporations Code section 25504 provides that every person who directly or indirectly controls a person liable under section 25501 is jointly and severally liable with the controlled person. California Corporations Code section 25504.1 provides that any person who materially assists in a violation of section 25401, with intent to deceive or defraud, is jointly and severally liable with the primary violator.

115. Defendants materially assisted Mattson's violations of section 25401 by providing substantial assistance that was a significant factor in causing the securities violations. Specifically, Defendants provided assistance, including, but not limited to:

a. Drafting the foundational entity documents—including the Operating Agreement of LeFever Mattson I, LLC and the Agreement of Limited Partnership of Divi Divi Tree, L.P.—that established the investment vehicles through which Mattson offered and sold securities to investors, including the very entity (Divi Divi Tree, L.P.) through which Mattson sold Phantom Interests.

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b. Structuring the entities with provisions that vested unfettered control in Mattson (through corporate intermediaries), eliminated investor protections and oversight mechanisms, and precluded independent verification of fund management—creating an environment specifically conducive to securities fraud without detection by investors or regulators.

c. Providing ongoing legal services to the LFM Enterprise that enabled Mattson to create additional entities with the same fraud-enabling structure and to expand the scope of the securities fraud to encompass ever-larger numbers of investors and ever-greater amounts of capital.

d. Failing to comply with securities registration requirements under Section 5 of the Securities Act of 1933 and California Corporations Code section 25110, or, in the alternative, to satisfy and document the conditions for the private placement exemption under Section 4(2) and Rule 506 of Regulation D—despite knowing that the LFM Enterprise was engaged in the offer and sale of securities.

e. Lending the prestige, credibility, and professional reputation of Bingham McCutchen LLP and Hanson Bridgett LLP to the LFM Enterprise's securities activities, thereby inducing investor reliance on the apparent legitimacy of the offerings and enabling Mattson to solicit investments from investors who would not have invested absent the involvement of established law firms in documenting the transactions.

f. Continuing to provide legal services to Mattson and the LFM Enterprise—including Hanson Bridgett's work from January 2013 through 2024—after Smith received the January 29, 2013 Arsht Letter from counsel for the Chase 1992 Family Trust, which documented in detail across eight separate investments that Mattson was using nonexistent entities, fabricated transfer documents, improperly formed entities, unsigned agreements, and misrepresentations—the very same pattern later confirmed by the Joint Investigation Report, yet taking no action to investigate, report, or halt the ongoing fraud.

116. Defendants provided such material assistance with the intent to deceive or defraud, or with knowledge of, or reckless disregard for, the fraudulent nature of the securities offerings. Smith was an experienced attorney specializing in real estate transactions and private securities offerings who drafted the entity documents, understood the investment structure, authored the June 2006 Securities Opinion, and knew or should have known that the LFM Enterprise was offering and selling securities to investors without registration or proper exemption from registration, and without the investor protections required by applicable law.

117. Hanson Bridgett's continuation of legal services across at least 79 matters over 20 years—without ever requiring securities law compliance, implementing monitoring procedures, or

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questioning the absence of Form D filings, Private Placement Memoranda, or investor qualification verification—demonstrates at minimum reckless disregard for investor protection.

118. As a direct and proximate result of Defendants' material assistance in the securities fraud, the defrauded investors suffered damages in an amount to be proven at trial, but believed to exceed $200 million, representing the investment losses suffered by investors who purchased securities through the LFM Enterprise.

SECOND CAUSE OF ACTION

Aiding and Abetting Fraud

(Against All Defendants)

119. Plaintiff realleges and incorporates by reference each and every allegation set forth in the preceding paragraphs as though fully set forth herein.

120. Mattson perpetrated a massive and sustained fraud upon the investors of the LFM Enterprise by: (a) making intentional misrepresentations of material fact regarding the nature, value, safety, and expected returns of the investments; (b) actively concealing the true Ponzi nature of the enterprise's operations; (c) making false promises to invest funds in specific properties and entities when he intended to misappropriate those funds; (d) omitting material facts regarding the use of investor funds, the existence of Phantom Interests, the commingling of funds, the use of new investor money to pay old investors, and the true financial condition of the LFM entities; and (e) creating and distributing fraudulent tax documents to maintain the appearance of legitimacy.

121. Defendants knew of Mattson's fraud, or were aware of facts from which the fraud was substantially certain to result. As the attorneys and law firms who drafted or maintained the foundational entity documents, understood the investment structure, authored and relied on the Securities Opinion acknowledging the LFM Enterprise's securities activities, handled investor and title matters, and continued providing legal services after repeated red flags, they knew that the LFM Enterprise was operating in a manner inconsistent with the representations made to investors and that the entity structures they created and maintained were being used to facilitate fraud.

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122. Defendants provided substantial assistance to Mattson's fraud, which was a significant factor in enabling the fraud to occur and to continue. Specifically:

a. Creating the legal infrastructure—entity documents, partnership agreements, operating agreements, and corporate governance structures—without which the fraud could not have been perpetrated.

b. Structuring entities in a manner that specifically eliminated transparency, prevented investor oversight, and precluded detection of the fraud—including by providing Mattson with unrestricted management authority, eliminating audit requirements, and creating no-third-party-beneficiary clauses that prevented investors from asserting claims under the entity agreements.

c. Providing legal services that enabled the creation of new entities and the systematic updating of existing entity documents through which additional fraudulent investments could be solicited and additional Phantom Interests could be sold, including entities whose names were slight variations on other entities' names, a pattern consistent with the Type III Phantom Interest scheme identified in the Joint Investigation.

d. Failing to investigate or report the proliferation of entities, the absence of independent financial oversight, the lack of securities compliance, and other indicators of fraud—despite their position as the Enterprise's de facto general counsel and their access to information about the Enterprise's operations.

e. Lending their professional credibility to the LFM Enterprise's operations, thereby enabling Mattson to continue soliciting investments from trusting investors who relied upon the involvement of established law firms as evidence of the enterprise's legitimacy.

f. Continuing to provide legal services to Mattson and the LFM Enterprise—including Hanson Bridgett's work from January 2013 through 2024—after Smith received the January 29, 2013 Arsht Letter from counsel for the Chase 1992 Family Trust, which documented in detail across eight separate investments that Mattson was systematically using nonexistent entities, fabricated documents, and misrepresentations.

123. Defendants' substantial assistance was a significant factor in causing the harm suffered by the defrauded investors. But for the legal infrastructure created, maintained, and updated by Defendants—including the entity formation documents, the partnership agreements, the operating agreements, and the overall corporate structure of the LFM Enterprise—Mattson could not have perpetrated the fraud at the scale, with the sophistication, or for the duration that he did.

124. As a direct and proximate result of Defendants' aiding and abetting of Mattson's

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fraud, Plaintiff has suffered damages in an amount to be proven at trial, but believed to exceed $200 million.

<u>THIRD CAUSE OF ACTION</u>

Aiding and Abetting Breach of Fiduciary Duty

(Against All Defendants)

125. Plaintiff realleges and incorporates by reference each and every allegation set forth in the preceding paragraphs as though fully set forth herein.

126. Mattson owed fiduciary duties of loyalty, care, candor, and good faith to the investors of the LFM Enterprise by virtue of his position as the managing partner, manager, general partner, or controlling person of the entities through which investors held ownership interests.

127. Mattson breached those fiduciary duties by, among other things: (a) misappropriating investor funds for personal use, including paying more than $750,000 in personal credit card charges from KSMP's 1380 Account between August 2017 and March 2022, including over $510,000 on a personal Macy's credit card; (b) operating the enterprise as a Ponzi scheme in which new investor funds were used to pay returns to earlier investors; (c) making material misrepresentations to investors about the nature and performance of their investments; (d) failing to invest funds as represented and instead depositing them into commingled accounts under his exclusive personal control; (e) engaging in pervasive self-dealing through Insider Property Transfers, inflated resales, and hidden debt; and (f) creating and distributing fraudulent financial documents including false K-1 tax forms.

128. Defendants knew of Mattson's fiduciary relationships with investors—relationships inherent in the general partner/limited partner and manager/member structures that Smith and his firms created or maintained in the entity documents. They knew or were aware of facts indicating that Mattson was breaching those duties throughout the relevant period. They provided substantial assistance to Mattson's breach of fiduciary duty by:

a. Drafting entity documents that gave Mattson unchecked authority

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over investor funds without any independent oversight mechanism, accountability structure, or fiduciary safeguard—including provisions granting the manager "full and complete authority, power, and discretion to manage and control the business, affairs, and properties" without any limitation, reporting requirement, or investor consent mechanism.

b. Structuring, updating, and creating entity documents that perpetuated the complete absence of independent oversight mechanisms, investor reporting requirements, audit obligations, restrictions on self-dealing, annual meetings, investor advisory committees, minimum distribution requirements, or periodic reporting to investors regarding the use of their capital—thereby maintaining the conditions necessary for Mattson's continued breach of his fiduciary duties.

c. Providing ongoing legal services that enabled the expansion of the enterprise and the breach of fiduciary duties to an ever-growing number of investors across an expanding network of entities.

d. Failing to advise that proper fiduciary safeguards be implemented or to condition their continued representation on the implementation of such safeguards, despite their knowledge as experienced real estate and securities attorneys that the absence of such safeguards in an investment vehicle managing other people's money creates an unacceptable risk of fiduciary breach.

e. Creating entity structures that specifically facilitated the commingling of funds, the concealment of self-dealing insider property transfers, and the payment of unauthorized distributions from sources other than legitimate investment returns.

f. Continuing to provide legal services to Mattson and the LFM Enterprise—including Hanson Bridgett's work from January 2013 through 2024—after Smith received the January 29, 2013 Arsht Letter from counsel for the Chase 1992 Family Trust, which documented in detail across eight separate investments that Mattson was systematically using nonexistent entities, fabricated transfer documents, improperly formed entities, unsigned agreements, and misrepresentations—the very same pattern later confirmed by the Joint Investigation Report, yet taking no action to investigate, report, or halt the ongoing fraud.

129. As a direct and proximate result of Defendants' substantial assistance in Mattson's breach of fiduciary duty, Plaintiff has suffered damages in excess of $200 million or an amount to be proven at trial.

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FOURTH CAUSE OF ACTION

Professional Negligence (Legal Malpractice)

(Against All Defendants)

130. Plaintiff realleges and incorporates by reference each and every allegation set forth in the preceding paragraphs as though fully set forth herein.

131. Defendants undertook to provide legal services to Mattson and the LFM Enterprise, including entity formation, corporate governance, partnership structuring, securities advice, real estate transaction services, financing and refinancing work, and restructuring work. In doing so, they assumed a duty to exercise the degree of skill, knowledge, and care ordinarily possessed and exercised by members of the legal profession under similar circumstances—including the duty not to assist in illegal conduct and the duty to advise clients regarding legal requirements and risks. The resulting harm to investors was a foreseeable result of these failures to adhere to Defendants' duty of care in executing transactions intended to affect those investors.

132. Defendants breached their professional duty of care by: (a) drafting and maintaining entity documents that failed to include basic investor protections such as independent audit requirements, periodic financial reporting obligations, restrictions on related-party transactions, or mechanisms for investor oversight—protections that are standard in legitimate real estate investment vehicles and that any competent attorney would have included or recommended; (b) providing a Securities Opinion in 2006 that gave Mattson guidance on soliciting investments without thereafter monitoring compliance or requiring independent compliance review; (c) updating operating agreements across multiple entities without investigating whether the entities were operating as represented; (d) creating new entities without questioning the business purpose or ensuring adequate investor protections; (e) failing to investigate or report red flags of fraud encountered over the course of at least 79 matters spanning 20 years; (f) failing to withdraw from the representation when faced with information indicating that their services were being used to further a fraud or breach of fiduciary duty; and (g) continuing to provide legal services after learning facts that should have prompted withdrawal or reporting.

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133. At all times, it was entirely foreseeable and known to Defendants that their acts and omissions described herein would, and did, cause harm to investors. As a direct and proximate result of Defendants' negligence, the LFM Enterprise and investors suffered damages in excess of $200 million including the expansion and prolongation of the Ponzi scheme and increased losses to investors and creditors, in an amount to be proven at trial.

FIFTH CAUSE OF ACTION

Aiding and Abetting Conversion

(Against All Defendants)

134. Plaintiff realleges and incorporates by reference each and every allegation set forth in the preceding paragraphs as though fully set forth herein.

135. Mattson wrongfully converted investor funds by taking money entrusted to him for investment in specific real property vehicles and instead depositing those funds into the commingled accounts, where they were used for unauthorized purposes including: personal expenditures (over $750,000 in credit card payments from the KSMP 1380 Account, including $510,000 to Macy's); Ponzi payments to earlier investors (over $70 million from the 1059 Account between May 2017 and the Petition Date); undocumented intercompany transfers (5,872 transactions totaling nearly $636 million between January 1, 2017, and the Petition Date); payments on hidden third-party loans benefiting KSMP; and transfers to other non-debtor entities in which investors had no interest. This constituted a serious and intentional interference with the investors' right to possession, control, and use of their invested funds.

136. Defendants knew or were aware of facts that made it substantially certain that Mattson was converting investor funds—or, at minimum, created the conditions that enabled the conversion. They provided substantial assistance to the conversion by:

a. Creating and maintaining entity structures that gave Mattson sole control over investor funds with no independent oversight, reporting requirements, segregation requirements, or controls on fund management—including provisions that authorized unrestricted transfers, distributions, and borrowing without investor knowledge or consent throughout the relevant period.

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b. Drafting and updating provisions authorizing the manager to exercise "full and complete authority, power, and discretion" over entity assets, to "borrow or raise money without limitation," and to operate without adequate controls over fund management, distributions, and related-party transactions—enabling the commingling and misappropriation of funds.

c. Enabling the creation of additional entities, including Vaca Villa Apartments II, LLC and others, through which additional investor funds could be solicited and converted to Mattson's personal use.

d. Failing to require or recommend the implementation of basic fund management controls—such as segregated accounts, third-party custodians, or independent audit requirements—that would have prevented or at least detected the conversion of investor funds.

e. Maintaining the facade of legitimacy through continuous legal services that enabled Mattson to continue soliciting and converting ever-larger amounts of investor capital without detection.

f. Continuing to provide legal services to Mattson and the LFM Enterprise—including Hanson Bridgett's work from January 2013 through 2024—after Smith received the January 29, 2013 Arsht Letter from counsel for the Chase 1992 Family Trust, which documented in detail across eight separate investments that Mattson was systematically using nonexistent entities, fabricated documents, and misrepresentations—the very same pattern later confirmed by the Joint Investigation Report, yet taking no action to investigate, report, or halt the ongoing conversion of investor funds.

137. As a direct and proximate result of Defendants' aiding and abetting of Mattson's conversion of investor funds, Plaintiff has suffered damages in an amount to be proven at trial.

SIXTH CAUSE OF ACTION

Breach of Fiduciary Duty

(Against All Defendants)

138. Plaintiff realleges and incorporates by reference each and every allegation set forth in the preceding paragraphs as though fully set forth herein.

139. Defendants' clients were not limited to Mattson. Smith formed, and drafted the governing documents for, dozens of the LFM-affiliated limited partnerships and limited liability companies, and thereafter advised those entities on their governance, their property holdings, their financing, and their dealings with investors. Each of those entities, together with LFM and LMPM, was a client of Smith and of his firms. As successor in interest to those entities and their bankruptcy estates, Plaintiff holds the claims described in this cause of action.

140. As attorneys for those entities, Defendants owed each of them the fiduciary duties of undivided loyalty, candor, confidentiality, and care, including the duty to disclose all material facts known to them concerning the entities' affairs and the duty not to place their own interests, or the interests of another client, above those of the entity client.

141. Defendants breached those duties by, among other things: (a) simultaneously representing LFM and its affiliated entities on the one hand, and Mattson and KSMP—whose interests were directly adverse to those entities—on the other, without disclosing the conflict or obtaining informed written consent as required by the California Rules of Professional Conduct; (b) serving as counsel to KSMP in the acquisition of the NCP Commercial properties and then permitting those properties to be resold to an LFM-affiliated entity Smith had formed at a markup of approximately $1 million, without independent escrow and without disclosure to the entity or its investors; (c) failing to disclose to the entity clients the material facts Smith learned regarding the sale of interests in nonexistent entities, the fabrication of transfer documents, the nonexistent tax opinion, and the commingling of investor funds; (d) papering confidentiality provisions that concealed those facts from the entities' other investors and from regulators; and (e) accepting compensation, including a board seat, an in-house position, and an indemnity arrangement, for Smith's own benefit and at the expense of the entity clients.

142. Defendants' breaches were a substantial factor in causing harm to the entity clients, which were used as instruments of the fraud, were rendered insolvent, and incurred liabilities to investors far in excess of their assets. As a direct and proximate result, Plaintiff has suffered damages in an amount to be proven at trial, and is entitled to disgorgement of all fees and other compensation Defendants received during the period of the breaches, together with prejudgment interest and punitive damages.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment against Defendants and for relief as follows:

143. For damages in excess of $200 million, or according to proof at trial;

144. For punitive and exemplary damages pursuant to California Civil Code section

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3294 against all Defendants based on their knowing, willful, and/or reckless participation in and facilitation of fraud, in an amount sufficient to punish Defendants and deter similar conduct;

145. For prejudgment interest at the legal rate from the date of each investment;

146. For attorneys' fees and costs of suit incurred herein; and

147. For such other and further relief as the Court may deem just and proper.

DATED: August 5, 2026

MILLER BARONDESS, LLP

By: ______________________

LOUIS R. MILLER
Attorneys for Plaintiff
MICHAEL GOLDBERG AS TRUSTEE OF THE LFM PLAN RECOVERY TRUST

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DEMAND FOR JURY TRIAL

Plaintiff hereby demands a trial by jury on all issues so triable in this action.

DATED: August 5, 2026

MILLER BARONDESS, LLP

By: [signature]

LOUIS R. MILLER
Attorneys for Plaintiff Michael Goldberg as Trustee of the LeFever Mattson Liquidation Trust