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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

NORTHERN DIVISION

In re 595S7TH, LLC, Debtor.	Case No. 9:24-bk-11077-RC Chapter 7 CHAPTER 7 TRUSTEE'S MOTION FOR ORDER: (1) AUTHORIZING SALE OF ESTATE'S RIGHT, TITLE AND INTEREST IN REAL PROPERTY FREE AND CLEAR OF LIENS, CLAIMS AND INTERESTS; (2) APPROVING OVERBID PROCEDURE; (3) APPROVING PAYMENT OF COMMISSIONS; (4) FINDING PURCHASER IS GOOD FAITH PURCHASER; (5) WAIVING STAY UNDER RULE 6004(h); AND (6) APPROVING STIPULATION TO VACATE AND REIMBURSEMENT OF BROKER; MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATIONS IN SUPPORT THEREOF [557 S. 10th Street, Grover Beach, California 93433] <u>Hearing Date</u> Date: August 25, 2026 Time: 10:00 a.m. Place: Courtroom 201 1415 State Street Santa Barbara, California 93101

TO THE HONORABLE RONALD A. CLIFFORD III, UNITED STATES BANKRUPTCY JUDGE, AND ALL OTHER INTERESTED PARTIES:

Sandra K. McBeth, the Chapter 7 Trustee (the "Trustee") for the estate of 595s7th LLC (the "Debtor"), respectfully moves this Court, pursuant to 11 U.S.C. §§ 105(a), 363(b), (f), and (m), and Rules 6004(a) and 6007 of the Federal Rules of Bankruptcy Procedure, for an order (1) authorizing the Trustee to sell the estate's right, title, and interest in that certain real property more commonly known as 557 S. 10th Street, Grover Beach, California 93433 (the "Property") free and clear of the lien, claim and/or interest of Makat Investments LLC ("Makat"); (2) approving the overbid procedure set forth in this motion; (3) approving the payment of the real estate brokers' commissions as detailed herein; (4) finding that the proposed Purchaser is a good faith Purchaser pursuant to 11 U.S.C. § 363(m); (5) waiving the stay under Rule 6004(h) of the Federal Rules of Bankruptcy Procedure; and (6) approving the Trustee's stipulation with the occupants of the Property to vacate and reimbursement of her broker for expenses advanced in connection with such stipulation (the "Motion").

The Trustee received an offer to purchase the Property from Claude W Saiz (the "Purchaser") for $590,000 (the "Purchase Price"). This Motion is brought to authorize the sale of the Property to the Purchaser. Furthermore, the Trustee moves the Court for an order authorizing the following overbid procedures: (1) any person interested in submitting an overbid on the Property must attend the hearing on the Motion, or be represented by an individual with authority to participate in the overbid process; (2) an overbid will be defined as an initial overbid of $595,000, with each additional bid in $5,000 increments; (3) overbidders (except for the Purchaser) must deliver a deposit to the Trustee's counsel by way of cashier's check made payable to "Sandra K. McBeth, Chapter 7 Trustee," in the amount of $59,500 (the "Deposit") and proof of ability to close escrow unconditionally in a form acceptable to the Trustee at least seven calendar days prior to the hearing on the Motion; (4) overbidders must purchase the Property **on the same terms and conditions as the Purchaser** (*i.e.*, no contingencies of any kind); (5) the Deposit of the successful overbidder shall be forfeited if such party is thereafter unable to complete the purchase of the Property within 15 calendar days of entry of an order

confirming the sale; and (6) in the event the successful overbidder cannot timely complete the purchase of the Property, the Trustee shall be authorized to proceed with the sale to the next highest overbidder.

In support of this Motion, the Trustee will rely on the Memorandum of Points and Authorities and Declarations of Sandra K. McBeth, Richard Keenan, and Claude W Saiz attached hereto, the other pleadings and orders already on file in this case, and on such other argument and evidence as may be presented by counsel at the time of the hearing.

WHEREFORE, the Trustee respectfully requests that this Court enter an order:

1. Approving the above sale of the Property to the Purchaser or the successful overbidder free and clear of the lien, claim and/or interest of Makat;

2. Finding that the Purchaser or the successful overbidder purchased the Property in "good faith," as defined in 11 U.S.C. § 363(m);

3. Providing that the Trustee is authorized and empowered to execute and deliver on behalf of the estate any and all documents as reasonably may be necessary to implement the terms of the proposed sale;

4. Providing that the notice given by the Trustee in connection with the sale and the hearing thereon is adequate, sufficient, proper and complies with all applicable provisions of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure;

5. Approving the overbid procedure described herein;

6. Authorizing the payment of unpaid and undisputed property taxes, capital gains taxes, the real estate broker's commissions, and related sale closing costs directly from escrow;

7. Waiving the 14-day stay prescribed by Rule 6004(h) of the Federal Rules of Bankruptcy Procedure;

8. Approving the Trustee's agreement with the occupants of the Property to vacate the Property, and reimbursement of Nexthome for the $5,000 it advanced in connection with the agreement; and

9. Granting such other and further relief as is just and appropriate.

DATED: August , 2026 LEVENE, NEALE, BENDER, YOO & GOLUBCHIK L.L.P.

By:_____
TIMOTY J. YOO
MICHAEL G. D'ALBA
Attorneys for Sandra K. McBeth, Ch. 7 Trustee
for estate of Live Oak Rentals, LLC

MEMORANDUM OF POINTS AND AUTHORITIES

I.

STATEMENT OF FACTS AND OVERBID PROCEDURES

A. Background on Case

This case was commenced when 595s7th, LLC (the "Debtor") filed a Voluntary Petition under Chapter 7 of the Bankruptcy Code on September 23, 2024 (the "Petition Date") [Docket No. 1]. Thereafter, Sandra K. McBeth was appointed Chapter 7 trustee of Debtor's bankruptcy estate, a capacity in which she continues to serve.

The Debtor scheduled an equitable interest in real property located at 557 S. 10th Street, Grover Beach, California 93433 (the "Property"). The Debtor noted it had obtained fee simple ownership of the Property on March 16, 2017. However, the Debtor further noted that a "fraudulent deed was recorded in favor of Makat Investments, LLC on 7/18/2022 which transferred bare legal title to Makat Investments subject to a resulting trust in favor of Debtor" [DE 1, p. 11].

The Property was the subject of a San Luis Obispo County Superior Court action for "Cancellation of Instrument; Quiet Title; Constructive Trust; Conversion and Declaratory Judgment" against Makat and Alfred Nevis (the "State Court Action") [DE 1, p. 20, ¶ 7.1].

Makat had commenced its own bankruptcy case, no. 9:24-bk-10319-RC ("Makat Case"), on March 26, 2024. Makat scheduled the Property as property of the estate in the Makat Case [DE 16 in Makat Case, p. 5, ¶ 55.7]. The Makat Case was filed under Chapter 12 of the Bankruptcy Code.

The Trustee commenced adversary proceeding no. 9:24-ap-01040-RC against Makat challenging the transfer ("Adversary Proceeding"). By a Final Judgment entered in the Adversary Proceeding on May 7, 2026, the Grant Deed by which Makat had acquired title to the Property was cancelled [DE 83 in Adversary Proceeding] (the "Judgment").

The Property is a residential property which is currently vacant.

B. Employment of Brokers

On May 19, 2026, the Trustee filed her application to employ Nexthome Central Coast (the "Broker") to market and sell the Property [Docket No. 29]. The application was approved by Court order entered on June 18, 2026 [DE 35].

C. The Proposed Sale

After extensive marketing by the Broker as detailed in the attached declaration, the Broker presented an offer to the Trustee of $590,000. The Trustee's counter offer, which did not alter the price, was accepted. Subject to Court approval, the Trustee proposes to sell the Property pursuant to the terms of the written agreement attached hereto as **Exhibit 1**.

The essential terms of the proposed sale are as follows:

- Purchaser: Claude W Saiz ("Purchaser");
- Purchase Price: $590,000 ("Purchase Price");
- Condition of Property: Property purchased "as-is," "where is," "with all faults," and with no warranty by or recourse to the Trustee or the Broker whatsoever; and
- Broker's Commissions: The Trustee will pay three percent (3.0%) to her broker, and two percent (2.0%) to the Purchaser's broker.

D. The Proposed Overbid Procedures

While the Trustee is prepared to consummate the sale with the Purchaser, she is also interested in obtaining the maximum price for the Property. Therefore, the Trustee seeks approval of the following overbid procedures: (1) any person interested in submitting an overbid on the Property must attend the hearing on the Motion, or be represented by an individual with authority to participate in the overbid process; (2) an overbid will be defined as an initial overbid of $595,000, with each additional bid in $5,000 increments; (3) overbidders (except for the Purchaser) must deliver a deposit to the Trustee's counsel by way of cashier's check made payable to "Sandra K. McBeth, Chapter 7 Trustee," in the amount of $59,500 (the "Deposit") and proof of ability to close escrow unconditionally in a form acceptable to the Trustee at least seven calendar days prior to the hearing on the Motion; (4) overbidders must

purchase the Property on the same terms and conditions as the Purchaser (i.e., no contingencies of any kind); (5) the Deposit of the successful overbidder shall be forfeited if such party is thereafter unable to complete the purchase of the Property within 15 calendar days of entry of an order confirming the sale; and (6) in the event the successful overbidder cannot timely complete the purchase of the Property, the Trustee shall be authorized to proceed with the sale to the next highest overbidder.

The Trustee believes that the proposed overbid procedure, notice of which has been given to all creditors and interested parties, will maximize the price ultimately obtained for the Property as well as protect the estate from parties who may wish to participate in the overbid procedure, but who are ultimately unable to consummate the sale transaction. Accordingly, the Trustee requests that the Court authorize the overbid procedure discussed above.

E. Liens and Interests

A preliminary title report on the Property (the "Title Report"), a true and correct copy of which is attached hereto as **Exhibit 2** and incorporated herein by reference, has been obtained from Fidelity. The Title Report indicates that the following liens have been recorded against the Property:

Item No. on Title Report	Lienholder	Nature and Amount of Lien
7	Makat	Grant Deed recorded on 7/18/2022. The Grant Deed was cancelled by the Judgment
8	State Court Action	A notice of pending action as to the State Court Action was recorded on 8/18/2022. The subject of the State Court Action is the dispute between the Debtor and Makat over ownership of the Property. The Debtor's rights in the State Court Action are property of the bankruptcy estate. The Judgment resolved issues that the State Court Action presented as to ownership of the Property. Also, the Debtor's principal has signed a withdrawal of the lis pendens in the State Court Action, which will be recorded in connection with the proposed sale, if approved.

9	Adversary Proceeding	A notice of pending action as to the Adversary Proceeding was recorded on 12/5/2024. The Adversary Proceeding has been resolved by the Judgment. If required, the Trustee will sign a withdrawal of the lis pendens in the Adversary Proceeding to be recorded in connection with the proposed sale, if approved.
10	Judgment	The Judgment in the Adversary Proceeding was recorded on 5/8/2026. The Judgment cancelled the Grant Deed to Makat, brought the Property into the bankruptcy estate of the Debtor, and is the judicial determination by which the Trustee is able to propose a sale of what once had been the Debtor's property but due to bankruptcy is now the property of the Debtor's estate. The Trustee is choosing to sell the Property free of the Judgment because otherwise there would be no sale to be had.

E. Distribution To The Estate

The Trustee estimates that the proposed sale will generate net proceeds as follows:

Proposed Sales Price	$590,000.00
Real estate taxes	<$32,269.43>
Closing Costs (estimated at 8% including 5% broker commission)	<$47,200.00>
Net Proceeds	$510,530.47

G. Tax Consequences

The accountants to the bankruptcy estate are Hahn Fife & Co., LLP ("Hahn Fife"). The Trustee has reviewed the proposed sale with Hahn Fife, and most likely there will not be capital gain taxes to pay as a result of the sale.

H. Notice To Creditors

Notice of this Motion has been transmitted to the Debtor, all creditors, all parties requesting special notice in accordance with Fed. R. Bankr. P. 2002(a)(2), 6004(a), and is being filed concurrently herewith. The Trustee will also file the Notice and Form 6004-2 with the Clerk of the Bankruptcy Court, as required by Local Bankruptcy Rule 6004-1(f), in order for the Clerk of the Bankruptcy Court to publish information regarding the proposed sale. Thus, the Trustee submits that this notice should be deemed adequate, accurate and reasonable by the Court.

II.

ARGUMENT

A. The Proposed Sale Is In The Best Interest Of The Estate

Section 363(b)(1) of the Bankruptcy Code provides that:

> The trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.

11 U.S.C. § 363(b)(1). The standard of review used in determining approval of a proposed sale of property is whether sound business reasons support the sale outside the ordinary course of business. In re Walter, 83 B.R. 14, 19 (9th Cir. BAP 1988); In re Lionel Corp., 722 F.2d 1063, 1066 (2d Cir. 1983). In order for a sale to be approved under section 363 of the Bankruptcy Code, the purchase price must be fair and reasonable. In re Coastal Indus., Inc., 63 B.R. 361 (Bankr. N.D. Ohio 1986).

In the present case, the Trustee believes that the sale of the Property under the terms and conditions set forth above is supported by sound business reasons and is in the best interest of the estate. Based upon the current real estate market and the other sale transactions in the area, the Trustee believes that the sale price represents the fair market value of the Property.

Thus, the proposed sale of the Property represents a sound exercise of the Trustee's business judgment. Accordingly, the Trustee should be authorized to sell the Property.

B. The Court Should Approve The Sale Free And Clear

The Bankruptcy Court has the power to authorize the sale of property free and clear of liens or interests. See 11 U.S.C. § 363(f); In re Gerwer, 898 F.2d 730, 733 (9th Cir. 1990). Section 363(f) of the Bankruptcy Code permits a sale of property "free and clear of any interest in such property of an entity other than the estate" if any one of the following five conditions is met:

> (1) applicable nonbankruptcy law permits sale of such property free and clear of such interest;
>
> (2) such entity consents;
>
> (3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
>
> (4) such interest is in bona fide dispute; or
>
> (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f). Section 363(f) is written in the disjunctive; thus, satisfaction of any one of the five conditions is sufficient to sell property free and clear of liens. See e.g., Citicorp Homeowners Services, Inc. v. Elliot (In re Elliot), 94 B.R. 343, 345 (Bankr. E.D. Pa. 1988); Mutual Life Ins. Co. of New York v. Red Oak Farms, Inc. (In re Red Oak Farms, Inc.), 36 B.R. 856, 858 (Bankr. W.D. Mo. 1984).

In the instant case, the aggregate value of all liens on the Property is approximately $32,269.43, which is for real property taxes owed on the Property, and the Property is being sold for $590,000.00. Thus, the price at which the Property is to be sold is greater than the aggregate value of all liens on the Property, which satisfies section 363(f)(3). Any other liens have been resolved by the Judgment or are otherwise being withdrawn in connection with the sale.

Accordingly, it is appropriate in the instant case to allow the Trustee to sell the Property free and clear as set forth herein.

C. The Court Should Find That The Purchaser Is A Purchaser In "Good Faith" In Accordance With Bankruptcy Code Section 363(m)

As noted above, the Trustee requests as part of the approval of the proposed sale transaction that the Court find that the Purchaser is a "good faith" Purchaser within the meaning of section 363(m) of the Bankruptcy Code. As set forth in the Declaration of Claude W Saiz attached hereto, there is no affiliation between the Purchaser and the Trustee, the Debtor, or the estate.

Section 363(m) provides that "[t]he reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith . . . ." 11 U.S.C. § 363(m). Under section 363(m) of the Bankruptcy Code, "an appeal of a bankruptcy court's ruling on a foreclosure action [or sale] generally cannot affect the rights of a good faith Purchaser of the foreclosed property, unless the Debtor [or other complaining party] stays the foreclosure [or other] sale pending an appeal." In re Mann, 907 F.2d 923, 926 (9th Cir. 1990). "[T]he primary goal of the mootness rule [embodied in section 363(m)] 'is to protect the interest of a good faith Purchaser . . . of the property,' thereby assuring finality of sales." In re Onouli-Kona Land Co., 846 F.2d 1170, 1173 (9th Cir. 1988) (quoting In re Suchy, 786 F.2d 900, 901-02 (9th Cir. 1985)); In re Ewell, 958 F.2d 276, 280 (9th Cir. 1992). That goal is important in this case because the Purchaser needs assurance that the purchase of the Property will not be subject to future attack by objecting creditors or a frivolous appeal.

D. The Court Should Approve Payment Of The Brokers' Commissions Through Escrow And Related Sales Costs

On May 19, 2026, the Trustee filed her Application to Employ Nexthome Central Coast (the "Broker") as Real Estate Broker and to Enter into Exclusive Listing Agreement to market and sell the Property [Docket No. 29]. The application, which stated that the Broker would only represent the Trustee and would not represent any buyer of the Property, was approved by Court order entered on June 18, 2026 [Docket No. 35]. Thereafter, the Broker marketed the Property

for sale. The exclusive authorization and right to sell agreement attached to the foregoing application provides for payment of a commission to the Broker of three percent (3%) of the sale price of the Property to the Broker, with buyer's broker compensation to be negotiated at the time of offer.[1] The Purchaser's broker is Auer Real Estate Incorporated ("Auer"). Under the sale proposed for approval, the Broker will receive a commission of three percent (3%) and Auer will receive a commission of two percent (2%).

As stated in the commission instructions contained in the proposed escrow instructions, the commission is to be paid as follows:

Nexthome (3%)	$17,700
Auer (2%)	$11,800
	$29,500 (5% of Purchase Price)

This Court having previously approved the employment of the Broker and the terms of its employment, including the Broker's ability to negotiate the commission of a buyer's broker, the Court should authorize payment of the five percent (5%) brokers' commissions.

E. Approval of Payment to Occupants to Vacate and Reimbursement is Proper

In giving notice of the Judgment the Trustee found out that the Property was occupied. The Occupants asserted that they were tenants under a written lease with Makat and had given a security deposit, but neither was documented. To make the Property vacant for delivery to a buyer, the Trustee entered into a written agreement with the Occupants for them to remain on the Property through June 15, 2026, and to vacate by June 16, 2026. The Occupants were to be given financial assistance to relocate in the amount of $5,000. The agreement is attached hereto as Exhibit 3.

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[1] The body of the application incorrectly refers to sharing of a commission of three percent. The written agreement that was presented for approval and that is attached to the application provides for the Broker to be paid three percent, and for the commission of the buyer's broker to be separately negotiated. **All creditors are receiving notice of the proposed commissions and of the application's inconsistency, should they wish to respond.**

Because the estate has no funds, Nexthome advanced $5,000 of its own to pay the Occupants. The Occupants have vacated the Property.

The agreement for the sale of the Property to the Purchaser requires that the Property be vacant. To ensure the requirement was met, the Trustee had Nexthome advance funds. The Trustee requests that the Court approve the written agreement between the Trustee and the Occupants and the reimbursement (directly from escrow) of Nexthome pursuant to Section 363(b)(1) of the Bankruptcy Code as appropriate uses of bankruptcy estate property outside the ordinary course of business. The need to make the Property vacant so it could be sold to the Purchaser and reduced to money is a sound business reason supporting the Trustee's requests that payment to the Occupants of $5,000 and reimbursement of Nexthome for $5,000 be approved. Copies of the cashier's checks that Nexthome gave to the Occupants are attached as **Exhibit 4.**

F. Waiver Of The Fourteen-Day Waiting Period Set Forth In Bankruptcy Rule 6004(h) Is Appropriate In This Case.

Rule 6004(h) of the Federal Rules of Bankruptcy Procedure provides, among other things, that an order authorizing the sale of property is stayed until the expiration of fourteen days after entry of the order, unless the Court orders otherwise. Here, all parties with a potential lien, claim or interest in the Property have been served with notice of the sale and an opportunity to object and the fourteen-day waiting period could only operate to delay the closing of escrow and receipt by the estate of the estimated net proceeds as detailed above. Under these circumstances, the Court should waive the fourteen-day stay of Bankruptcy Rule 6004(h) to permit the Purchaser to proceed with the close of escrow on the sale as soon as possible.

III.

CONCLUSION

In light of the foregoing, the Trustee respectfully requests that the Court enter an order as follows:

1. Approving the above sale of the Property to the Purchaser or the successful

overbidder free and clear of the lien of Makat;

2. Finding that the Purchaser or the successful overbidder purchased the Property in "good faith," as defined in 11 U.S.C. § 363(m);

3. Providing that the Trustee is authorized and empowered to execute and deliver on behalf of the estate any and all documents as reasonably may be necessary to implement the terms of the proposed sale;

4. Providing that the notice given by the Trustee in connection with the sale and the hearing thereon is adequate, sufficient, proper and complies with all applicable provisions of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure;

5. Approving the overbid procedure described herein;

6. Authorizing the payment of undisputed and unpaid property taxes, capital gains taxes, the real estate brokers' commissions, and related sale closing costs directly from escrow;

7. Approving the agreement with the Occupants to vacate the Property and the reimbursement of Nexthome for the $5,000 it advanced;

8. Waiving the 14-day stay prescribed by Rule 6004(h) of the Federal Rules of Bankruptcy Procedure; and

9. Granting such other and further relief as is just and appropriate.

DATED: August , 2026

LEVENE, NEALE, BENDER,
YOO & GOLUBCHIK L.L.P.

By:_____
MICHAEL G. D'ALBA
Attorneys for Sandra K. McBeth, Chapter 7 Trustee for the bankruptcy estate of 595s7th, LLC