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Attorney for Live Oak Investments LP
 and its general partner William Andrew

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, SANTA ROSA DIVISION

In re:

LEFEVER MATTSON, a California
 corporation, *et al.*,¹

Debtors.

Case No. 24-10545 (CN) (Lead Case)

Chapter 11

(Jointly Administered)

NOTICE OF APPEAL

Judge: Hon. Charles Novack
 Court: 1300 Clay Street
 Courtroom 215
 Oakland, California
 94612

Date filed: September 12, 2024

¹ The last four digits of LeFever Mattson's tax identification number are 7537. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' claims and noticing agent at <https://veritaglobal.net/LM>. The address for service on the Debtors is 6359 Auburn Blvd., Suite B, Citrus Heights, CA 95621.

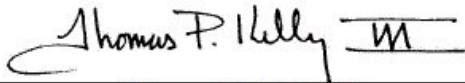


1 **I. INTRODUCTION**

2 William Andrew as the general partner of the Debtor-in-possession Live Oak Investments
3 LP (hereinafter "Debtor") hereby appeals and gives notice of that appeal under 28 U.S.C. §158 to
4 the Bankruptcy Appellate Panel for the Ninth Circuit pursuant to 28 U.S.C. §158(b) from the order
5 of this Court granting the motion to declare void certain action in violation of the automatic stay
6 entered on November 20, 2025 bearing docket entry number 49 in the record of this case.

7 Pursuant to FRBP §8003(a)(3)(B), a copy of the order appealed from is filed concurrently
8 with this notice and marked as Exhibit 1. The parties to the order appealed from and the names,
9 addresses, and telephone numbers of their respective attorneys are set forth below.

10 Dated: November 30, 2025

11 
12 Thomas P. Kelly III
Attorney at Law

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EXHIBIT 1

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The following constitutes the order of the Court.
Signed: November 20, 2025

A handwritten signature in cursive script, reading "Charles Novack", is positioned above a horizontal line.

Charles Novack
U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In re:

LEFEVER MATTSON, a California
Corporation, et al.,

Debtors.

In re

KS MATTSON PARTNERS, LP,

Debtor.

Case No. 24-10545 CN
(Jointly Administered)

Chapter 11

**ORDER GRANTING MOTION TO
DECLARE VOID ACTIONS IN
VIOLATION OF THE AUTOMATIC
STAY RELATED TO LIVE OAK
INVESTMENTS, LP**

On November 13, 2025, the court conducted a continued hearing on the Official Unsecured Creditors Committee's ("UCC") motion to declare the removal of debtor LeFever Mattson, Inc. ("LM") as the general partner of Chapter 11 debtor Live Oak Investments, LP ("Live Oak") void for violating the Bankruptcy Code's automatic stay. The pertinent facts are not in dispute. LM and Live Oak filed Chapter 11 bankruptcies on September 12, 2024.¹ Live Oak is a limited partnership organized under California law, and LM was its general partner when LM and Live Oak filed their Chapter

¹ In September 2024, LM was the managing entity of more than 60 limited partnership and limited liability corporations, most of which owned real property as their primary assets. LM filed Chapter 11 bankruptcies for virtually all of these entities to address an alleged Ponzi scheme which involved LM and its managed entities.

1 11 bankruptcies. LM holds an approximate 21% partnership interest in Live Oak. When
2 Live Oak filed its Chapter 11, its primary assets included cash totaling \$3,141,039 and
3 litigation claims (valued at approximately \$3.2 million) against several of its sister, LM
4 entities. LM's general partnership duties are defined in Live Oak's limited partnership
5 agreement ("the "Agreement").² Article 5.1 of the Agreement states in pertinent part that
6 "The business of the Partnership shall be managed by the General Partner. Any entity or
7 individual appointed to the position of General Partner shall serve as General Partner until
8 the earlier of its resignation or its removal for cause by a Majority of the Partners at a
9 meeting called expressly for that purpose. . . . The General Partner alone shall have all
10 decision making authority with respect to the Partnership, including but not limited to any
11 action or decision in connection with any financing or refinancing of the Property."³
12 Having filed a Chapter 11, the duties of Live Oak's general partner would presumably
13 include, among other things, the management of Live Oak's cash assets, retention of
14 bankruptcy counsel, and determining how its Chapter 11 case should proceed –
15 responsibilities which the parties before the court have wrestled over for quite some time.

16
17 Several of Live Oak's limited partners contend that LM has violated its fiduciary
18 duties to them. From the limited partners' perspective, the dispute is as follows:
19 Immediately before it filed its Chapter 11, Live Oak sold its real property holdings, which
20 generated substantial net proceeds for the limited partnership. From these proceeds, LM
21 paid itself a commission pursuant to the Agreement and disbursed to itself an additional
22 21.4% of the net sales proceeds, which represented, in theory, its proportionate share of
23 these funds. What LM did not do, however, is disburse any of the net sales proceeds to the
24 limited partners, an act (along with the LM distribution) which several of the Live Oak
25

26
27 ² See, Exhibit C to the Declaration of William Andrew, at dkt #2800-1.

28 ³ Section 5.1 provides that certain actions – including the filing of a bankruptcy –
require the consent or approval of Majority of the Partners.

1 limited partners assert violated the Agreement and breached LM's fiduciary duties as
2 general partner.

3 On October 7, 2025, certain Live Oak limited partners filed a Notice of Partnership
4 Meeting, the sole purpose of which meeting was to remove LM as the general partner and
5 to appoint William Andrew as the new general partner. The meeting was held, a vote was
6 conducted, and Andrew was chosen to replace LM as Live Oak's general partner.⁴

7 The UCC (which is joined by LM) argues that LM's removal as general partner
8 violated the automatic stay created by the LM Chapter 11 bankruptcy filing. It argues that
9 LM's managerial responsibilities constituted property of its bankruptcy estate, and by
10 stripping it of these duties, the limited partners who voted to oust LM violated Bankruptcy
11 Code § 362(a)(3), which prohibits "any [post-petition] act to obtain possession of property
12 of the estate or of property from the estate or to exercise control over property of the estate."
13 11 U.S.C. § 362(a)(3). In the Ninth Circuit, acts which violate the automatic stay are void
14 as a matter of law. *Schwartz v. United States (In re Schwartz)*, 954 F.2d 569, 571 (9th Cir.
15 1992). Andrew argues otherwise. He asserts that under California Corporations Code §
16 16601, a partner is dissociated from a partnership when, among other events, the partner
17 "[becomes] a debtor in bankruptcy." Cal. Corp. Code § 16601(6)(A). A dissociated partner
18 may not participate in the management or conduct of the partnership. *See* California
19 Corporations Code § 15906.05(a)(1). Once LM filed its Chapter 11, Andrew argues that
20 it was automatically disqualified to act as Live Oak's general partner. Hence, as a matter
21 of law, the partnership meeting was not an act that altered LM's property rights.
22

23 Andrew's analysis ignores certain fundamental principles of bankruptcy law.
24 Bankruptcy Code § 541(a) broadly defines "property of the estate." *United States v.*
25

26
27 ⁴ After the meeting, Live Oak: 1) "terminated" the services of its Chapter 11
28 counsel; 2) filed an application to employ Thomas P. Kelly III as new bankruptcy counsel;
and 3) withdrew its endorsement of the collective Chapter 11 disclosure statement and plan
of reorganization filed by LM on behalf of itself and its managed entities.

1 *Whiting Pools, Inc.*, 462 U.S. 198, 204-05, 103 S.Ct. 2309, 76 L.Ed. 515 (1983). Under §
2 541, such property includes, with certain exceptions not relevant here, "all legal or
3 equitable interests of the debtor in property as of the commencement of the case." 11
4 U.S.C. § 541(a)(1). "All" is a broad term, and means "every one (of), or the complete
5 amount or number (of), or the whole (of)." "All," CAMBRIDGE DICTIONARY,
6 <https://dictionary.cambridge.org/dictionary/english/all?q=All> (last visited Nov. 19, 2025).
7 LM's pre-petition property rights thus included its general partnership duties under the
8 Agreement. *See, e.g., Cardinal Indus., Inc. v. Buckeye Fed. Sav. & Loan Ass'n (In re*
9 *Cardinal Indus., Inc.)*, 105 B.R. 834 (Bankr. S.D. Ohio 1989); *Quarles House Apartments*
10 *v. Plunkett (In re Plunkett)*, 23 B.R. 392 (Bankr. E.D. Wisc. 1982). While the value of
11 these rights may not be easily quantifiable, their worth, at least in this Chapter 11 case, is
12 self-evident.

13
14 The court rejects Andrew's argument that LM's managerial rights terminated when
15 it filed its Chapter 11 bankruptcy. The pertinent language of California Corporations Code
16 §§ 15906.03 and 16603 are impermissible *ipso facto* clauses that are inconsistent with
17 Bankruptcy Code § 541(c)(1)(B) and thus violative of the Constitution's Supremacy
18 Clause. Section 541(c)(1) provides in relevant part that "an interest of the debtor in
19 property becomes property of the estate under subdivision (a)(1), (a)(2), or (a)(5) of this
20 section notwithstanding any provision in an agreement, transfer instrument, or applicable
21 nonbankruptcy law. . . . that is conditioned on the insolvency or financial condition of the
22 debtor, on the commencement of a case under this title . . . and that effects or gives an
23 option to effect a forfeiture, modification, or termination of the debtor's interest in
24 property." 11 U.S.C. § 541(c)(1)(B). As noted in *In re Envision Healthcare Corp.*, 655
25 B.R. 701 (S.D. Tex. 2023),
26

27 Section 541(c)(1)(B) of the Bankruptcy Code reinforces the Congressional mandate
28 that *all* legal and equitable interests in property become property of the estate. It
says that a debtor's interest in property becomes property of the estate despite any

1 provision in an agreement or applicable nonbankruptcy laws conditioned on the
2 commencement of a bankruptcy case that effects a forfeiture, modification, or
3 termination of the debtor's interest in property. 11 U.S.C. § 541(c)(1)(B). In other
4 words, parties cannot contract around what becomes estate property, and states
5 cannot legislate estate property away.

6 Simultaneous with the creation of a bankruptcy estate, the Bankruptcy Code
7 implements an automatic stay under § 362 of the Code. The automatic stay gives
8 the debtor a breathing spell to focus on its bankruptcy case. It also protects creditors
9 and other parties in interest by staying, among other things, any "act" to obtain
10 property of the estate or to exercise control over property of the estate. 11 U.S.C. §
11 362(a)(3)[.]

12

13 Federal bankruptcy law determines the scope of a debtor's bankruptcy estate. *See*
14 *Whiting Pools, Inc.*, 462 U.S. at 204-05, 103 S.Ct 2309. A debtor's pre-bankruptcy
15 rights in property are determined according to state law. *Butner v. United States*,
16 440 U.S. 48, 55, 99 S.Ct. 914, 59 L.Ed.2d 136 (1979). But where state and federal
17 law "directly conflict, state law must give way." *PLIVA, Inc. v. Mensing*, 564 U.S.
18 604, 607, 131 S.Ct. 2567, 180 L.Ed.2d 580 (2011). A judge "must simply ask
19 himself or herself whether the relevant federal and state laws 'irreconcilably
20 conflic[t].'" *Merck Sharp & Dohme Corp. v. Albrecht*, 587 U.S. ---, 139 S.Ct. 1668,
21 1679, 203 L.Ed.2d 822 (2019) (internal citation omitted).

22 Federal bankruptcy law says that the creation of an estate is automatic and
23 immediate upon a bankruptcy filing. There is no metaphysical moment in time for
24 state law to alter or modify any prepetition legal rights between the filing of the
25 petition and creation of the estate. And the automatic stay begins at the same time
26 the petition is filed to protect a debtor and its creditors. Congressional intent that
27 these events occur simultaneously and instantaneously is supported by §
28 541(c)(1)(B), which ensures that state law cannot be used to deprive a debtor of
property rights because of a bankruptcy filing.

Id. at 709-11 (emphasis in original).

The Bankruptcy Code does not distinguish between LM's remaining economic
rights in Live Oak, and its (presumably contractual) managerial duties. As the *Envision*
court held, "Nothing in the Bankruptcy Code renders the economic v. managerial
distinction meaningful in the context of the creation of the estate. Any such legal or
equitable interest at the time of filing comes into the estate." *Id.* at 711. Accordingly, Live

1 Oak's removal of LM as its general partner violated the automatic stay and is a void act.
2 For this reason, 1) Thomas P. Kelley III's employment is denied, and Live Oak's prior
3 Chapter 11 counsel is reinstated; and 2) Live Oak's request to withdraw from the disclosure
4 statement and plan filed by LM is denied.

5 Finally, it is important to note the limits of this order. First, this court is not opining
6 on whether cause exists to remove LM as Live Oak's general partner. Second, this court
7 is not determining whether LM's general partnership duties arise from an executory
8 contract that may not be assumable under Bankruptcy Code § 365.⁵

9 *****END OF ORDER*****
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25 ⁵ The court, however, refers the parties to Collier on Bankruptcy: "Although section
26 365(e) bars the termination of a contract based on the commencement of a bankruptcy case,
27 an exception in section 365(e)(2)(A) applies to contracts under which the other party is
28 excused from rendering performance to or accepting performance from the trustee or an
assignee of the contract. It appears that such contracts may be terminated upon
commencement of a case. . . . Although a party may be authorized to terminate such a
contract, the contract is still property of the estate until it is terminated, and any termination
is subject to the automatic stay of section 362." 3 Collier on Bankruptcy P 365.07[4][b]
(16th Ed. 2025)

Case No. 24-10545 CN

COURT SERVICE LIST

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