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CLERK U.S. BANKRUPTCY COURT
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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re: Paul Casteneda, Sr. Dominique M. Casteneda, Debtor(s).	Case No.: 2:23-bk-18615-BB CHAPTER 7 **ORDER DENYING DEBTOR'S MOTION FOR RECONSIDERATION OF ORDER DISALLOWING DEBTORS' CLAIM OF HOMESTEAD EXEMPTION IN REAL PROPERTY** (No hearing required)

The Court having reviewed and considered the "Notice of Motion and Motion for Reconsideration; Motion to Alter or Amend and/or for Relief from Order Concerning Debtor's Claim of Homestead Exemption" (Docket No. 81, filed September 10, 2026) (the "Motion for Reconsideration"), filed by Debtor Paul Casteneda, Sr. (the "Debtor"), pro se, pursuant to Federal Rules of Bankruptcy Procedure 9023 and 9024, and Federal Rules of Civil Procedure 59 and 60; having reviewed the record in this case and the related adversary proceeding (adversary proceeding no. 2:24-ap-01080-BB) (the

"Adversary Proceeding"); and good cause appearing, the Court hereby DENIES the Motion for Reconsideration for the reasons set forth below.

I

PROCEDURAL HISTORY

1. On March 27, 2024, Creditor Patrick Casteneda, individually and as representative of the beneficiaries of The Revocable Family Trust of Manuel Casteneda and Phyllis Casteneda ("Creditor"), filed a Motion for an Order Disallowing the Debtors' Claim of Homestead Exemption in Real Property (Docket No. 18) (the "HSE Objection"), asserting that Debtors' claimed homestead exemption in the property located at 1205 Cypress Street, Space 187, San Dimas, California 91773 (the "Estate Property") was subject to reduction pursuant to 11 U.S.C. § 522(o).

2. On May 29, 2024, the Parties—Debtors Paul Casteneda, Sr. and Dominique M. Casteneda on the one hand, and Creditor on the other—entered into a Stipulation to Stay Litigation in Adversary Case [sic] and to Stay Litigation in the Main Case (Docket No. 13 in the Adversary Proceeding) (the "Stipulation"). The Court entered an order approving the Stipulation in the Adversary Proceeding on May 30, 2024 (Docket No. 16).

3. In the Stipulation, the Parties expressly agreed to stay the HSE Objection litigation and the related nondischargeability adversary proceeding so that the Superior Court of California, County of San Bernardino (the "State Court"), could resolve the overlapping factual issues in probate case number TRUSB2200181 (the "Probate Case"). The Parties further agreed to be bound by the State Court's determination on any issue it decided, and to allow entry of a final judgment in the Adversary Proceeding and in the underlying bankruptcy case (the "Main Case") consistent with the State Court's findings.

4. On July 14, 2026, following entry of the State Court's judgment a year earlier on July 15, 2025 (the "State Court Judgment"), Creditor filed an Omnibus Motion for Summary Judgment or, in the Alternative, Summary Adjudication of

the Issues (the "Motion for Summary Judgment"), seeking resolution of both the nondischargeability claims in the Adversary Proceeding and the HSE Objection in the Main Case on the grounds that the State Court Judgment had resolved all material factual issues in both disputes.

5. The State Court Judgment was entered in Creditor's favor in all material respects, including findings of financial elder abuse by Debtor Paul Casteneda, Sr., determination that amendments to the Trust had been obtained through undue influence were null and void, and awards of compensatory damages.

6. On August 25, 2026, this Court held a hearing on the Motion for Summary Judgment in both the Adversary Proceeding and in the Main Case. On September 4, 2026, the Court entered its Order on Motion for an Order Disallowing the Debtors' Claim of Homestead Exemption in Real Property (Docket No. 77) (the "HSE Order"), sustaining the HSE Objection and disallowing the Debtors' homestead exemption in the Estate Property pursuant to 11 U.S.C. § 522(o).[1] (The Court also entered summary judgment in the Creditor's favor in the Adversary Proceeding.)

7. On September 10, 2026, Debtor filed the Motion for Reconsideration.

II

THE MOTION FOR RECONSIDERATION IS ENTIRELY WITHOUT MERIT

A. The Debtor's Central Premise Is Incorrect

The Motion for Reconsideration is premised on the assertion that this Court granted the Motion for Summary Judgment solely because the Debtors failed to file an opposition, and that such failure was attributable to the terminal illness and subsequent death of Co-Debtor Dominique M. Casteneda on August 13, 2026. That premise is incorrect. The HSE Order was not granted because Debtors failed to file an opposition to the Motion for Summary Judgment. The Court

[1] Bankruptcy Code section 522(o) provides, in pertinent part, that a homestead exemption shall be reduced to the extent that the value of that property in which the debtor claims an exemption came from property that the debtor disposed of with the intent to hinder, delay or defraud a creditor.

granted the Motion for Summary Judgment and sustained the HSE Objection because the Parties had expressly agreed over two years ago —in the Stipulation—to allow the State Court to resolve the underlying factual issues in both the HSE Objection and the Adversary Proceeding and that the State Court's findings and rulings would be binding on the Parties and determinative of those factual issues in this Court.

All material factual issues underlying the HSE Objection were resolved by the State Court Judgment, which is final. The Motion for Summary Judgment was granted because, under those agreed circumstances, there was no genuine dispute as to any material fact and Creditor was entitled to judgment as a matter of law. Thus, the terminal illness and death of Co-Debtor Dominique M. Casteneda (after the date the opposition was due) and any impact that that might have had on the Debtor's ability to submit an opposition to the Summary Judgment Motion had no bearing on the outcome of the HSE Objection.

Moreover, this result could not have been a surprise to the Debtor, nor was it an outcome obtained in an expedited manner while his wife was terminally ill. The State Court litigation ended over a year earlier, and the Creditor only brought the Motion for Summary Judgment because, notwithstanding the express terms of the Stipulation, repeated requests from the Creditor and months of stalling by the Debtors, Debtors failed and refused to enter into a stipulation for entry of judgment in the Adversary Proceeding and disallowance of their homestead exemption.

B. The Governing Standards Are Not Met

Relief under Federal Rule of Bankruptcy Procedure 9023 and Federal Rule of Civil Procedure 59 requires, in a non-jury proceeding, a showing that the Court committed a clear error of law or that newly discovered evidence warrants altering or amending the judgment. No such showing has been made here. The Court's analysis was correct at the time the HSE Order was entered and remains correct now.

Relief under Federal Rule of Bankruptcy Procedure 9024 and Federal Rule of Civil Procedure 60(b) requires a showing of, among other things, mistake, inadvertence, surprise, excusable neglect, newly discovered evidence, or fraud. The Debtor's contention that the debtors' failure to oppose the Motion for Summary Judgment constituted excusable neglect fails for the fundamental reason that the outcome did not depend on the absence of opposition. The Motion for Summary Judgment was adjudicated on the merits of the record, and the outcome of this adjudication was predetermined by the Stipulation and the State Court Judgment. Even if the Debtors had filed a timely opposition, the result would have been the same: the Parties' own agreement bound them to the State Court's findings, which findings resolved all material factual issues against the Debtors.

The remaining arguments in the Motion for Reconsideration—including the death of Co-Debtor Dominique M. Casteneda and the substitution of successor parties—do not alter the analysis under section 522(o) or otherwise provide a legal basis to vacate or amend the HSE Order. The Court's disallowance of the homestead exemption is grounded in the Debtors' prepetition conduct as determined by the State Court Judgment, which is unaffected by subsequent events.

IT IS THEREFORE ORDERED that the Debtor's Motion for Reconsideration of the Order on Motion for an Order Disallowing the Debtors' Claim of Homestead Exemption in Real Property (Docket No. 81) is **DENIED**.

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Date: September 14, 2026

Sheri Bluebond
United States Bankruptcy Judge