

UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF NEBRASKA

IN THE MATTER OF	)	
	)	
J & E CATTLE COMPANY,	)	CASE NO. BK92-41128
	)	A94-4037
<u>DEBTOR(S)</u>	)	CH. 7
	)	Filing No. 36, 38, 41
JOSEPH H. BADAMI TRUSTEE,	)	
	)	
Plaintiff(s)	)	
vs.	)	
	)	<u>MEMORANDUM OPINION</u>
GRANT RANCH CO., a Florida	)	
Corporation,	)	
	)	
<u>Defendant(s)</u>	)	

Hearing was held on Motion to Add Third Party Defendants on August 21, 1995, at 10:30. Appearances: David Hecker for Trustee-Joseph Badami; Timothy Haight for Farm Credit Services of the Midlands, PCA; Michael Washburn for Eisenmenger Farms Inc.; and Harry Dixon Jr. and T. Randall Wright for Grant Ranch Co. This memorandum contains findings of fact and conclusions of law required by Fed. Bankr. R. 7052 and Fed. R. Civ. P. 52. This is a core proceeding as defined by 28 U.S.C. § 157(b)(2)(A).

IT IS ORDERED:

The Trustee of this Chapter 7 estate has filed a preference action pursuant to 11 U.S.C. Section 547 against Defendant Grant Ranch Co. (Grant). Grant has filed a motion requesting authority to add third party defendants and suggests that the causes of action which may be brought against such third party defendants will include conversion, fraud or fraudulent concealment, breach of contract, or liability as the alter ego of J & E Cattle Company, the Debtor. Grant asserts that "in allowing these issues to be tried in one suit, judicial resources will be conserved, and the legal expenses of the parties will be minimized."

The underlying cause of action, which is one to avoid a transfer of property of the estate as preferential, pursuant to 11 U.S.C. Section 547, is a core proceeding as enumerated in 28 U.S.C. Section 157(a)(2)(F).

The causes of action which Defendant suggests will be brought in the third party complaint arise under state law and have no basis in federal bankruptcy or nonbankruptcy law. Therefore, such actions are not core proceedings. Pursuant to 28 U.S.C. Section 158(c)(1), a bankruptcy judge may hear a proceeding that is not a core proceeding but that is otherwise related to a case under Title 11. Jurisdictionally, the bankruptcy courts, by reference from the district court, may have jurisdiction of all civil proceedings arising under Title 11 or arising in or related to cases under Title 11. See 11 U.S.C. § 1334(b). A matter is related to a case under Title 11 if, and only if, the outcome of the proceeding would have any effect on the bankruptcy estate. Dogpatch Properties, Inc. v. Dogpatch U.S.A., Inc. (In re Dogpatch U.S.A., Inc.), 810 F.2d 782, 786 (8th Cir. 1987); see also Specialty Mills, Inc. v. Citizens State Bank, 51 F.3d 770, 774 (8th Cir. 1995) ("[T]he test for determining whether a civil proceeding is related to bankruptcy is whether the outcome of that proceeding could conceivably have any effect on the estate being administered in the bankruptcy . . . An action is related to bankruptcy if the outcome could alter the Debtor's rights, liability, options, or freedom of action . . . and which in any way impacts upon the handling of the administration of the bankrupt estate.") (Citations omitted).

Applying this principle to the matters raised in the motion, it is clear that a lawsuit between this moving defendant and the third parties with regard to the right of this defendant to be reimbursed for any payments made to the trustee as a result of a judgment obtained by the trustee avoiding a preferential transfer, will have absolutely no effect on the estate. Even if it is true that by allowing these issues to be tried in one suit judicial resources will be conserved and the legal expenses of the parties will be minimized, as claimed in the motion, judicial economy alone does not supply federal jurisdiction. Abramowitz, D.D.S. v. Palmer, 999 F.2d 1274, 1279 n.3 (8th Cir. 1993).

In conclusion, the motion filed by the defendant to add third party defendants must be and is hereby denied because this Court does not have subject matter jurisdiction over the issues to be raised in the third party complaints.

DATED: August 25, 1995

BY THE COURT:

/s/ Timothy J. Mahoney  
Chief Judge

Copies faxed by the Court to:

Timothy Haight/Terrence Michael 344-0588

David Hecker and Victor Covalt (402) 474-5777

Michael Washburn 390-7137

\*Harry Dixon/T. Randall Wright 345-0965

Copies mailed by the Court to:

United States Trustee

Movant (\*) is responsible for giving notice of this journal entry to all other parties (that are not listed above) if required by rule or statute.

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JOSEPH H. BADAMI TRUSTEE, )  
)  
Plaintiff(s) )  
vs. )  
) JOURNAL ENTRY  
GRANT RANCH CO., a Florida )  
Corporation, )  
)  
\_\_\_\_\_) Defendant(s) )

Before a United States Bankruptcy Judge for the District of  
Nebraska regarding **Motion to Add Third Party.**

APPEARANCES

David Hecker for Trustee-Joseph Badami  
Timothy Haight for Farm Credit  
Michael Washburn for Eisenmenger Farms Inc.  
Harry Dixon Jr. and T. Randall Wright for Grant Ranch Co.

IT IS ORDERED:

**Motion to Add Third Party denied. See Memorandum this date.**

DATED: August 25, 1995

BY THE COURT:

/s/ Timothy J. Mahoney  
Chief Judge

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