

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF NORTH CAROLINA
STATESVILLE DIVISION**

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| In re: Systematic Audio, LLC, ¹ Debtor. | Chapter 11 Case No. 26-50236 (LTB) |
| Systematic Audio, LLC, Plaintiff, v. Blue Building, LLC, Krubim 26 International, Inc. d/b/a WoofersEtc, David Soleymani, Joshua Soleymani, and Daniel Soleymani Defendants. | Adv. Proc. No. 26-_____ (LTB) |

COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF

¹ The Debtor in this chapter 11 case, along with the last four digits of its federal tax identification number is: Systematic Audio, LLC (6927). The Debtor's headquarters and the mailing address for the Debtor is 2847 John Deere Drive, Suite 102, Knoxville, TN 37917.

The Debtor in the above-captioned chapter 11 case, and as the Plaintiff in the above-captioned adversary proceeding, hereby alleges for its Complaint, upon knowledge of its own acts and upon information and belief as to all other matters, as follows.

NATURE OF THE ACTION

1. This is an adversary proceeding relating to the Debtor's voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtor seeks declaratory relief or, in the alternative, injunctive relief to stay or enjoin the continued prosecution of a state court action brought in The General Court of Justice, Superior Court Division, for Catawba County, North Carolina against the Debtor Systematic Audio, LLC (the "**Debtor**" or "**Systematic**") and the Debtor's Chief Executive Officer, Scottie Johnson ("**Johnson**"), among others, for alleged breach of contract and tort claims (No. 23CVS001091-170) (the "**State Court Action**").

2. By virtue of the chapter 11 filing, the State Court Action is subject to the automatic stay under section 362(a) of the Bankruptcy Code. Extending the automatic stay to Johnson is critical because the continued prosecution of the State Court Action would harm the Debtor's estate and interfere with the Debtor's ability to successfully navigate the proposed reorganization process and these bankruptcy proceedings.

3. *First*, allowing the State Court Action to proceed against Johnson would expose the Debtor to liability for any judgment entered against Johnson. The State Court Action plaintiffs assert that any award against Johnson, including a \$16 million punitive damages award, also operates as an award against the Debtor pursuant to an oral stipulation in the State Court Action (the "**State Court Stipulation**"). The majority of the Debtor's liability in the State Court Action is, in part, directly dependent on Johnson's liability.

4. **Second**, allowing the State Court Action to proceed against Johnson would expose the Debtor to liabilities under its indemnification obligations. The Debtor is required to advance Johnson's defense costs for the State Court Action. The Debtor, subject to certain carveouts that cannot be determined until final disposition of the State Court Action, must also pay any settlement or judgment that Johnson incurs. The Debtor's indemnity obligations thus not only render a judgment against Johnson a judgment against the Debtor, but also mean that continued prosecution of the State Court Action and related incurrence of attorneys' fees by Johnson will deplete the assets available for potential creditor distributions. The potential claims for indemnity are significant. For example, the Debtor has already incurred significant fees relating to the defense of the State Court Action. And if the State Court Action is not stayed as to Johnson, he will incur significant attorneys' fees in the coming months which the Debtor must advance.

5. **Third**, if the State Court Action continues against Johnson, it will distract Johnson from his responsibilities as the Debtor's CEO. Johnson is an integral part of the Debtor's leadership. Johnson oversees approximately 30 employees and is responsible for the Debtor's key commercial relationships and all significant day-to-day operating decisions. Johnson will play a vital role in the Debtor's reorganization efforts. Defending against the State Court Action will require significant time and effort from Johnson, including coordination with his counsel and considering tactical and strategic steps for his defense. That distraction at a time when Johnson should be focusing on the Debtor's reorganization efforts threatens to hamstring and derail the Debtor's efforts in the bankruptcy process.

6. **Fourth**, allowing the State Court Action to advance against Johnson without the Debtor's participation risks prejudicing the Debtor's opportunity and ability to defend itself against the claims that have been asserted against it in the State Court Action. The Debtor would miss the

chance to participate in and contest items relating to the appeal or other aspects of the litigation and may be prejudiced irreparably, by *stare decisis* or otherwise. That prejudice will inure to the detriment of the Debtor's estate and all of its stakeholders.

7. The Debtor thus files this Complaint and respectfully moves the Court to extend the automatic stay to cover Johnson in the State Court Action until the completion of the Debtor's reorganization process. In the alternative, the Debtor moves this Court to enjoin the State Court Action plaintiffs from pursuing the State Court Action against Johnson for the same period.

JURISDICTION AND VENUE

8. This Court has jurisdiction over the parties and the subject matter of this proceeding pursuant to 28 U.S.C. §§ 157 and 1334.

9. This adversary proceeding is a core proceeding within the meaning of 28 U.S.C. § 157(b).

10. Venue of this adversary proceeding is proper pursuant to 28 U.S.C. § 1409.

NATURE OF THE RELIEF REQUESTED

11. The Debtor seeks a declaration that the prosecution of the State Court Action against Johnson until completion of the Debtor's reorganization process pursuant to sections 362(a)(1) and (a)(3) of the Bankruptcy Code and Bankruptcy Rule 7001(i). In the alternative, the Debtor seeks to enjoin prosecution of the State Court Action against Johnson until completion of the Debtor's reorganization process pursuant to section 105 of the Bankruptcy Code and Bankruptcy Rule 7001(g).

THE PARTIES

12. Debtor Systematic Audio, LLC is a Tennessee LLC with its primary place of business in Newton, North Carolina.

13. Defendants Blue Building, LLC, Krubim 26 International, Inc. d/b/a WoofersEtc, David Soleymani, Joshua Soleymani, and Daniel Soleymani are the plaintiffs in the State Court Action (the “**State Court Action Plaintiffs**”).

14. Defendant Blue Building, LLC is a California limited liability company with its principal place of business in Los Angeles, California.

15. Defendant Krubim 26 International, Inc. d/b/a WoofersEtc is a California corporation with its principal place of business in Los Angeles, California. Defendants David Soleymani, Daniel Soleymani, and Joshua Soleymani are related to one another as brothers, and each own one-third of the issued and outstanding shares of stock of WoofersEtc. WoofersEtc is a direct competitor of the Debtor.

16. Defendant David Soleymani is a resident of Los Angeles County, California and owns 33.33% membership interest in Blue Building.

17. Defendant Joshua Soleymani is a resident of Los Angeles County, California and owns 33.34% membership interest in Blue Building. He is also the managing member of Blue Building.

18. Defendant Daniel Soleymani is a resident of Los Angeles County, California and owns 33.33% membership interest in Blue Building.

FACTUAL BACKGROUND

19. The Debtor imports, designs, and manufactures high-performance car audio equipment, including speakers, subwoofers, amplifiers, and accessories.

20. On June 9, 2026 (the “**Petition Date**”), the Debtor commenced this chapter 11 case by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its affairs as a debtor in possession.

A. The State Court Action

21. The State Court Action is pending in The General Court of Justice, Superior Court Division, for Catawba County, North Carolina.

22. On May 15, 2026, the jury in the State Court Action issued a verdict against the Debtor, Johnson, and others for various breach of contract and tort claims. The jury awarded the State Court Action Plaintiffs \$5,369,297.50 against all defendants, including the Debtor and Johnson. On May 18, 2026, the jury awarded \$16,107,892.50 in punitive damages against Johnson.

23. A judgment has not been entered in the State Court Action against any defendant.

24. The State Court Action Plaintiffs seek to extend any judgment against Johnson to the Debtor based on an oral stipulation entered on the record during a hearing on final jury instructions in the State Court Action. Mot. for Relief from Stay ¶ 4, Dkt. 10 (the “Lift-Stay Motion”).

25. The Debtor intends to engage in post-trial motion practice and appeal any judgment based on the verdict in the State Court Action. On information and belief, Johnson also intends to pursue post-trial motion practice and appeal any judgment based on the verdict in the State Court Action. Under Rule 3(c) of the North Carolina Rules of Appellate Procedure, a notice of appeal must be filed within thirty days after entry of judgment. Because no judgment has been entered, the time to file a notice of appeal has not yet begun to run.

26. The Debtor commenced this chapter 11 case, in significant part, to leverage the “breathing space” afforded by a section 362 automatic stay in furtherance of a successful, value-maximizing reorganization that optimizes recoveries for all of the Debtor’s creditors, and to preserve its right to appeal. The Debtor could not have posted a supersedeas or appeal bond sufficient to stay enforcement of an approximately \$5.37 million compensatory judgment against

it and an approximately \$16.1 million punitive damages judgment against Johnson, which would also operate as an award against the Debtor under the stipulation, to stave off collection while the Debtor pursued its appeal. Absent the automatic stay, the State Court Action Plaintiffs could have immediately enforced and collected against the Debtor's assets, destroying the Debtor's going-concern value and forcing the Debtor to forfeit its appellate rights. The breathing room afforded by section 362 of the Bankruptcy Code is intended to protect debtors from precisely this harm.

B. The Debtor's Indemnity Obligations

27. In addition to the State Court Stipulation, the Debtor owes an indemnity obligation to Johnson. Section 9.1(B) of the Operating Agreement of Systematic Audio, LLC (the "**Operating Agreement**") states:

To the fullest extent permitted by applicable law, the Company shall indemnify and hold harmless each Covered Person, and may indemnify any other person, from and against any and all losses, claims, demands, liabilities, expenses, judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative ("Claims"), in which such Covered Person or other person may be involved, or threatened to be involved, as a party or otherwise, by reason of its management of the affairs of the Company or service to the Member or the Company or which relates to or arises out of the Company or its property, business or affairs. A Covered Person shall not be entitled to indemnification under this Section 9.1 with respect to (i) any Claim with respect to which such Covered Person has engaged in fraud or willful misconduct or (ii) any Claim initiated by such Covered Person unless such Claim (or part thereof) (A) was brought to enforce such Covered Person's rights to indemnification hereunder or (B) was authorized or consented to by the Member. Expenses incurred by a Covered Person in defending any Claim shall be paid by the Company in advance of the final disposition of such Claim upon receipt by the Company of an undertaking by or on behalf of such Covered Person to repay such amount if it shall be ultimately determined that such Covered Person is not entitled to be indemnified by the Company as authorized by this Section 9.1.

28. A "Covered Person" includes a "Member or any officers, directors, managers, stockholders, members, partners, employees, affiliates, representatives or agents of the Member."

Operating Agreement § 9.1(A).

29. Johnson is a Covered Person because he is the Chief Executive Officer of the Debtor.

30. Because “[e]xpenses incurred by a Covered Person in defending any Claim shall be paid by the Company in advance of the final disposition of such Claim,” the Debtor has paid, and must continue to advance Johnson’s attorneys’ fees and other expenses for litigating the State Court Action. To date, the Debtor has paid significant amounts for Johnson’s defense in the State Court Action.

31. As a Tennessee LLC, the Debtor is also required to indemnify Johnson if he is “wholly successful, on the merits or otherwise . . . against reasonable expenses incurred by the person in connection with the proceeding.” Tenn. Code Ann. § 48-249-115.

32. If the State Court Action continues against Johnson and is not stayed or enjoined, the Debtor’s estate will be harmed and efforts to move successfully and efficiently through these bankruptcy proceedings will be materially impacted.

33. *First*, the State Court Action has triggered the Debtor’s indemnification obligations. By virtue of the Operating Agreement, the Debtor is or likely will be required to indemnify Johnson for any judgment against him or any settlement he reaches with the State Court Action Plaintiffs. Under the Operating Agreement and Tennessee law, the Debtor is obligated to pay Johnson’s defense costs relating to the State Court Action.

34. Johnson will have claims against the Debtor’s estate for his losses, rendering any judgment against Johnson a judgment against the Debtor, and allowing Johnson’s ongoing litigation costs to deplete the estate’s resources available for other creditors. Only through the extension of the automatic stay would the Debtor be protected from the exposure, costs, and distractions associated with this prepetition litigation.

35. *Second*, if the State Court Action continues against Johnson, then the Debtor's Chief Executive Officer, whose full attention to these chapter 11 proceedings is critical, will be distracted by the ongoing proceedings in the State Court Action, including post-trial motions and appellate practice. Those proceedings will require significant attention and decision-making from Johnson as he consults with his counsel on tactical and strategic decisions to defend himself in the State Court Action. The Debtor needs Johnson's focus entirely on the issues facing the Debtor in its reorganization efforts in this bankruptcy.

36. *Third*, allowing the State Court Action to proceed against Johnson while the claims against the Debtor are stayed risks prejudicing the Debtor. Post-trial motion and appellate practice without the Debtor's participation risks creating an incomplete record for appeal that could result in an adverse decision that prejudices the Debtor's defense after the stay as to the Debtor is lifted. Indeed, an adverse appellate decision could serve as stare decisis and prevent the Debtor from being able to present its own appeal adequately and fairly. Forcing the Debtor to participate in the State Court Action to avoid such prejudice would defeat the Congressional intent of the automatic stay. Thus, the continuation of the State Court Action could adversely impact the Debtor, and that adverse impact would inure to the detriment of the Debtor's estate and its stakeholders.

FIRST CLAIM FOR RELIEF

(Section 362 Declaratory Judgment)

37. The Debtor repeats and realleges all the preceding paragraphs of this Complaint as if fully set forth herein.

38. The Debtor seeks an order staying the State Court Action against Johnson until completion of the Debtor's reorganization process, pursuant to sections 362(a)(1) and 362(a)(3) of the Bankruptcy Code.

39. The extension of the stay is warranted and necessary because the parties to the State Court Action stipulated that any judgment against Johnson would also be a judgment against the Debtor. Thus, continued prosecution of the State Court Action could result in a judgment against the Debtor.

40. The extension of the stay is similarly warranted and necessary because the Debtor is obligated under the Operating Agreement and Tennessee law to indemnify Johnson. The Debtor must pay for the expenses, including attorneys' fees, that Johnson incurs in connection with defending against the claims in the State Court Action. The indemnification obligations will deplete the resources available to the Debtor's estate that could otherwise be used for creditors' claims in order to effectuate the reorganization process.

41. The extension of the stay is further warranted and necessary because continued prosecution of the State Court Action against Johnson will distract him from his duties as an officer of the Debtor at a time when he should be entirely focused on these bankruptcy proceedings and shepherding the Debtor through the reorganization process.

42. The extension of the stay is also warranted and necessary because continuation of the State Court Action will prejudice the Debtor's ability to defend itself in the State Court Action. Substantive rulings or incomplete records may be made without the Debtor's involvement. Once the stay as to the Debtor is lifted, it may face unfavorable rulings that serve as *stare decisis* or issue preclusion. It could also be hamstrung by an incomplete record created by the other parties without the benefit of the Debtor's input and argument.

43. Thus, allowing the State Court Action to continue against Johnson may result in a judgment against Johnson that is effectively a judgment against the Debtor. It will drain estate resources. It will distract from the Debtor's efforts to move through these bankruptcy proceedings

expeditiously, thereby thwarting the statutory purpose of these chapter 11 proceedings and failing to provide the Debtor with a breathing spell from litigation pressures that section 362 of the Bankruptcy Code provides and will result in significant prejudice to the Debtor's ability to defend itself in the State Court Action after the stay is lifted.

44. Based on the foregoing, the Debtor seeks a declaratory judgment extending the automatic stay to Johnson, the Debtor's Chief Executive Officer, pursuant to section 362(a)(1)-(5) of the Bankruptcy Code.

SECOND CLAIM FOR RELIEF

(Section 105 Injunctive Relief)

45. The Debtor repeats and realleges all the preceding paragraphs of this Complaint as if fully set forth herein.

46. If the Court declines to extend the automatic stay, the Debtor seeks an injunction pursuant to section 105 of the Bankruptcy Code barring the continued prosecution of the State Court Action against Johnson until completion of the Debtor's reorganization process.

47. Section 105(a) of the Bankruptcy Code authorizes the Court to issue "any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). Relief under section 105 is particularly appropriate where it would help a debtor confirm a plan of reorganization and/or preserve property of the debtor's estate.

48. Here, as discussed above, the continuation of the State Court Action will diminish and interfere with the property of the Debtor's estate and threaten its ability to proceed successfully and efficiently with these bankruptcy proceedings. Thus, this Court should apply 11 U.S.C. § 105(a) to enjoin the continuation of the State Court Action against Johnson.

49. If the State Court Action is not enjoined, there is a substantial likelihood of irreparable injuries to the Debtor, which include indemnification obligations to Johnson, the depletion of estate resources, the distraction of Johnson from his obligations in these chapter 11 proceedings, and an adverse impact on the Debtor's ability and opportunity to defend itself against the State Court Action.

50. The likelihood of irreparable harm to the Debtor from the continuation of the State Court Action against Johnson far outweighs any risk of harm to the State Court Action Plaintiffs should the Court enjoin the State Court Action against Johnson until the completion of the Debtor's reorganization process. The State Court Action Plaintiffs will suffer no material harm, as they would be free to pursue their claims against Johnson upon completion of the reorganization process.

51. The injunctive relief sought will serve the public interest by promoting the Debtor's speedy and successful conclusion of these bankruptcy proceedings—a benefit to all constituencies—and will advance the objective of the automatic stay.

52. If the relief sought is granted, there is a substantial likelihood that the Debtor will prevail on the merits. Consistent with Fourth Circuit precedent, the relevant merits in a chapter 11 bankruptcy are “the debtor's rehabilitation and reorganization.” *In re Bestwall LLC*, 71 F.4th 168, 184 (4th Cir. 2023). Here, the Debtor is actively pursuing a good faith reorganization, including efforts to refinance its existing credit facilities. If the Debtor and its officers are permitted to properly focus on the Debtor's bankruptcy proceeding without the distractions of the State Court Action, the Debtor is likely to emerge successfully from these chapter 11 proceedings. Conversely, the Debtor's ability to successfully reorganize could be severely undermined by the distraction

caused by diverting Johnson's and the Debtor's limited time and resources to defending further proceedings in the State Court Action.

53. Based on the foregoing, the Debtor seeks an injunction under section 105 of the Bankruptcy Code to enjoin the State Court Action against Johnson until completion of the Debtor's reorganization process.

WHEREFORE, the Debtor respectfully demands judgment against the Defendants and requests relief as follows:

- (a) entry of a declaratory judgment that the State Court Action against Johnson is stayed pursuant to section 362 of the Bankruptcy Code and Bankruptcy Rule 7001(i) until completion of the Debtor's reorganization;
- (b) in the alternative, entry of an injunction pursuant to section 105 of the Bankruptcy Code and Bankruptcy Rule 7001(g) enjoining and prohibiting continuation of the State Court Action against Johnson until completion of the Debtor's reorganization process; and
- (c) all such other relief as the Court may find just and proper.

Dated: June 14, 2026
Newton, North Carolina

Respectfully submitted,

/s/ Hillary B. Crabtree

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