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CENTRAL DISTRICT OF CALIFORNIA
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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

TRAVIS EDWARD MARTIN, an individual;

Plaintiff,

v.

UNITED STATES SMALL BUSINESS ADMINISTRATION, a federal agency; JAMES WALD, an individual; NATALIE WALD, an individual; ELITE SOUND COMPANY LLC, a California limited liability company; JAYSON COHEN, an individual,

Defendants.

Case No.: 2:26-cv-03714-WLH(DFMx)

COMPLAINT FOR:

(1) DECLARATORY RELIEF
(2) BREACH OF IMPLIED COVENANT
(3) BREACH OF FIDUCIARY DUTY
(4) VOIDABLE TRANSACTION
(5) RESTITUTION
(6) CIVIL CONSPIRACY
(7) INDEMNITY

DEMAND FOR JURY TRIAL

INTRODUCTION

1. Plaintiff Travis Edward Martin ("Plaintiff" or "Martin") brings this action against Defendants United States Small Business Administration ("SBA"), James Wald ("James"), Natalie Wald ("Natalie"), Jayson Cohen ("Cohen"), and Elite Sound Company LLC ("Elite") (collectively, "Defendants"). This action arises from two independent but related wrongs: (a) the deliberate scheme by James Wald, aided by Natalie, Cohen, and Elite, to strip all business assets from Entertainment Technology LLC ("ET"), the borrowing entity on a $270,600.00 SBA Economic Injury Disaster Loan ("EIDL"), and transfer those assets to a new company, Elite Sound Company LLC, while leaving Plaintiff exposed as personal guarantor on the full loan balance; and (b) the SBA's willful failure to protect its own perfected security interest in those assets after receiving actual written notice on June 28, 2023 that the collateral had been wrongfully diverted, that the borrowing entity was no longer operating, and that the primary owner had been sentenced to life in prison, all of which constituted independent events of default under the Loan Agreement.

2. The SBA's inaction, spanning nearly three years from written notice to the present, has directly and proximately prejudiced Plaintiff's position as personal guarantor on the Loan. The SBA knew its Collateral was in the hands of unauthorized third parties. The SBA knew the Loan was in contractual default on multiple independent grounds. The SBA had the identity and address of the entity holding the Collateral. The SBA did nothing. Plaintiff is physically restrained by a government agency, rendering him completely unable to sell, repossess, transport, market, or otherwise dispose of the Collateral to satisfy either the ET Loan or the Airlink Internet Loan. Plaintiff has no power or control over the Collateral. Plaintiff cannot access, manage, liquidate, or preserve any asset. Plaintiff's incarceration is not pleaded as a free-standing excuse; it is the extenuating circumstance that made the SBA the only party with both the legal authority and the practical ability to pursue the Collateral and thereby lighten Plaintiff's surety burden. The SBA nevertheless refuses to act while simultaneously holding Plaintiff liable as guarantor

on both loans. In practical terms, the SBA's position is this: it knows Plaintiff's business partners stole the secured property, knows Plaintiff is serving a life sentence and cannot personally recover it, knows exactly where the Collateral is located, and still refuses to do anything while preserving the right to pursue Plaintiff as guarantor. This action seeks judicial declaration that the SBA's neglect exonerates Plaintiff from guarantor liability, and simultaneously seeks to hold James, Natalie, Cohen, and Elite liable for the wrongful diversion of collateral assets, breach of fiduciary duties, and the deliberate scheme to saddle Plaintiff with personal liability on a $270,600.00 federal loan while Defendants operate a business using the very assets that secured it.

JURISDICTION AND VENUE

3. This Court has subject matter jurisdiction over Plaintiff's claims against the SBA pursuant to 15 U.S.C. § 634(b)(1), which authorizes the SBA to "sue and be sued in any court of record of a State having general jurisdiction, or in any United States district court," and confers jurisdiction upon such district court "to determine such controversies without regard to the amount in controversy."

4. Declaratory relief is authorized by 28 U.S.C. §§ 2201 and 2202 in connection with the controversy over which this Court otherwise has subject matter jurisdiction.

5. This Court has supplemental jurisdiction over Plaintiff's state law claims against Defendants James Wald, Natalie Wald, Jayson Cohen, and Elite Sound Company LLC pursuant to 28 U.S.C. § 1367(a), as those claims arise from the same case or controversy as Plaintiff's federal claims against the SBA, sharing a common nucleus of operative fact: the SBA EIDL Loan, the personal guarantee, the wrongful diversion of collateral assets, and the resulting default.

6. Venue is proper in the Central District of California pursuant to 28 U.S.C. § 1391(b)(2) and (e)(1), as a substantial part of the events or omissions giving rise to the claims occurred in Ventura County, California, which is within this judicial district. The borrowing entity, Entertainment Technology LLC, maintained its principal place of business in Ventura, California. The collateral assets remain located in Ventura,

California. Defendant Elite Sound Company LLC operates at 5808 Telephone Road, Suite 200, Ventura, California 93003.

7. This Court has personal jurisdiction over Defendants James Wald, Natalie Wald, Jayson Cohen, and Elite Sound Company LLC because they reside in, are located in, or transact business in California and because the acts alleged herein were committed in Ventura County, California. Elite maintains its principal place of business in this District, and the individual defendants purposefully directed the challenged conduct at this District.

PARTIES

8. Plaintiff Travis Martin is an individual and citizen of the State of California. Plaintiff is a personal guarantor on SBA EIDL Loan No. 5632277910. Plaintiff was the original borrower signatory on the initial Loan Authorization and Agreement dated June 15, 2020, for the original loan amount of $106,600.00, and was a signatory on the First Modification dated July 23, 2021, which increased the principal to $270,600.00. Plaintiff executed an Unconditional Guarantee (SBA Form 2128) on or about July 23, 2021. Plaintiff was at all relevant times a member of Entertainment Technology LLC. Plaintiff is currently serving a life sentence in state prison, which constitutes an independent event of default under the Note, Paragraph 7(K) (adverse change in financial condition or business operation that materially affects Borrower's ability to pay) and Paragraph 7(N) (Borrower becomes the subject of a criminal action that materially affects Borrower's ability to pay). Plaintiff is also the sole owner and borrower on a separate SBA EIDL Loan to Airlink Internet Inc. (SBA Loan No. 5642257908) in the original principal amount of $1,200,000.00, which loan has been in default for nearly three years and has been referred to collections with an outstanding balance of approximately $1,700,000.00 including accrued interest, constituting an additional independent event of default under Note Paragraph 7(B) (defaults on any other SBA loan).

9. Defendant U.S. Small Business Administration is a federal agency of the United States government, with its principal office in Washington, D.C. The SBA is the direct lender and creditor on EIDL Loan No. 5632277910. The SBA holds a perfected security

interest in all business assets of Entertainment Technology LLC pursuant to a Security Agreement and Uniform Commercial Code ("UCC") financing statement. The SBA is amenable to suit under its statutory "sue and be sued" authority, 15 U.S.C. § 634(b)(1).

10. Defendant James Wald is an individual and citizen of the State of California. James became a signatory on the Loan documents as part of the First Modification dated July 23, 2021. James executed an Unconditional Guarantee (SBA Form 2128) for the Loan on or about the same date. James was at all relevant times a member of Entertainment Technology LLC and served as its operational manager. James is also a member and/or principal of Elite Sound Company LLC. James resides in Ventura County, California.

11. Defendant Natalie Wald is an individual and citizen of the State of California. Natalie is the spouse of Defendant James Wald and a member of his household. Natalie is not a formal member or manager of Elite Sound Company LLC; however, she is an active participant in Elite's business operations. Natalie manages Elite's day-to-day operations, assists with event production, performs bookkeeping, handles accounts receivable and accounts payable, and signs checks on behalf of Elite, including checks payable to her husband James Wald. These are the same or substantially similar operational functions Natalie performed for Entertainment Technology LLC before James diverted ET's assets to Elite. Natalie carried her insider knowledge of ET's operations, customer relationships, and business processes to Elite, enabling Elite to continue servicing ET's former customer base using ET's former equipment. As the spouse and household member of James Wald, Natalie receives significant and direct financial benefit from Elite's operations, which are conducted entirely using the Collateral assets wrongfully diverted from ET. Natalie has further demonstrated her personal economic stake in Elite's business by filing suit as a named plaintiff in Ventura County Superior Court Case No. 2023CUPP012195, claiming personal damages for the disruption of Elite's business relationships, thereby judicially acknowledging the revenue-generating value of the stolen Collateral and her personal economic interest in Elite's continued operation using those assets. Natalie resides with her husband James in Ventura County, California.

12. Defendant Jayson Cohen is an individual who, resides in California and conducts business in Ventura County, California. Cohen is a business partner of James Wald and a co-founder, member, and principal of Elite Sound Company LLC. Cohen and James Wald jointly formed Elite and together operate Elite Sound Company LLC using the business assets wrongfully diverted from Entertainment Technology LLC, which assets remain subject to the SBA's perfected UCC lien. Cohen has actual knowledge that the equipment and business assets used by Elite were formerly owned by ET and are subject to the SBA's perfected security interest securing EIDL Loan No. 5632277910, for which Plaintiff bears personal guarantor liability.

13. Defendant Elite Sound Company LLC is a California limited liability company with its principal place of business at 5808 Telephone Road, Suite 200, Ventura, California 93003. Elite was formed by James Wald and Jayson Cohen and operates using the equipment, customers, and business assets formerly owned by Entertainment Technology LLC and securing SBA EIDL Loan No. 5632277910. Elite is the recipient of the fraudulently transferred collateral assets and operates the same or substantially similar business as ET from the same or substantially similar location.

GENERAL FACTUAL ALLEGATIONS

A. The SBA EIDL Loan and Modification

14. On or about June 15, 2020, the SBA issued COVID-19 Economic Injury Disaster Loan No. 5632277910 (the "Loan") to Entertainment Technology LLC ("ET") in the original principal amount of $106,600.00. (The SBA's loan documents misspell the company name as "Entrainment Technology LLC." The correct legal name is Entertainment Technology LLC.) Plaintiff Travis Martin executed the original Loan Authorization and Agreement, Promissory Note, and Security Agreement as the sole signatory for ET. The Loan was a direct SBA loan, not a guaranteed loan through a third-party lender.

15. On or about July 23, 2021, the SBA and ET executed a First Modification of the Loan, increasing the principal amount to $270,600.00. As part of the First Modification,

James Wald was added as a signatory on the Amended Loan Authorization and Agreement, First Modification of Promissory Note, and Amended Security Agreement.

16. As a condition of the modified Loan, the SBA required personal guarantees from the members of ET. Both Plaintiff Travis Martin and Defendant James Wald executed Unconditional Guarantees (SBA Form 2128) of the Loan (the "Guarantees").

17. The Security Agreement and Amended Security Agreement granted the SBA a security interest in all of ET's business assets, including all tangible and intangible personal property, equipment, inventory, accounts receivable, and other business assets, wherever located and whether then owned or thereafter acquired (the "Collateral"). The SBA perfected this security interest by filing a UCC financing statement.

18. The Loan Authorization and Agreement and related loan documents (collectively, the "Loan Documents") contain standard SBA provisions prohibiting the sale, transfer, lease, or disposal of Collateral without the prior written consent of the SBA, and providing that any such unauthorized transfer constitutes an event of default. The monthly payment on the Loan is $1,368.00.

B. The Unconditional Guarantee and Its Waiver Provisions

19. The Unconditional Guarantee (SBA Form 2128) executed by Plaintiff contains broad waiver provisions in Section 6.K, purporting to waive certain suretyship defenses, including defenses based on the SBA's failure to perfect or maintain its security interest (6.K(2)), changes in collateral value or neglect of collateral (6.K(4)), impairment of collateral (6.K(5)), failure to seek payment from the borrower, guarantors, or collateral first (6.K(12)), impairment of guarantor's suretyship rights (6.K(13)), and the SBA's exercise of any right allowed under the Loan Documents (6.K(16)).

20. Notwithstanding these waiver provisions, Plaintiff alleges that the SBA's conduct at issue in this action exceeds the scope of any valid waiver for the following independent reasons:

a. Federal common law impairment of collateral defense. The Loan Documents specify that federal law governs when the SBA is the holder (Note, ¶7; Guarantee, ¶5;

Security Agreement, ¶10). Under federal common law, a creditor's willful failure to protect or preserve collateral upon actual notice of its dissipation may discharge a guarantor's obligation to the extent of resulting prejudice. This defense is grounded in equitable principles independent of state suretyship statutes and cannot be waived by a form adhesion contract imposed by a government agency on disaster loan recipients.

b. The SBA's rights and control as secured creditor. The Note (Paragraph 8) and Security Agreement (Paragraph 9) expressly grant the SBA the right, upon default, to take possession of any Collateral, sell or dispose of any Collateral, and take action to protect the Collateral or collect amounts owing. UCC § 9-609 likewise recognizes a secured party's post-default right to take possession of collateral. Plaintiff's theory is not that the SBA was compelled to exercise any single remedy immediately, but that once default occurred and the SBA received actual written notice and written demand identifying the transferred Collateral, the transferees, and the known location, the SBA alone held the remedies in its power that could preserve the security and lighten Plaintiff's burden. A secured creditor that alone can conveniently act to preserve identified collateral cannot in good faith preserve the guarantor's exposure while doing nothing for nearly three years as the collateral deteriorates, disappears, or continues generating revenue for wrongful transferees. Under the Restatement (Third) of Suretyship and Guaranty, Section 37, impairment of collateral discharges the guarantor to the extent of resulting prejudice.

c. Exclusive control over collateral remedies. Plaintiff does not allege that every default required the SBA to elect a particular remedy. Plaintiff alleges that, once default occurred and the SBA received actual written notice specifically requesting prompt action to secure the Collateral, the SBA alone controlled whether to exercise the remedies conferred by the Note and Security Agreement. Plaintiff, because he is serving a life sentence in state prison, could not repossess the Collateral, enforce the SBA's UCC lien, hire agents to do so, conduct a sale, or otherwise pursue the remedies in the creditor's power that would lighten his burden as surety. That exclusive control makes the SBA's prolonged inaction relevant to Plaintiff's exoneration and implied-covenant claims.

d. Unconscionability and public policy. The Unconditional Guarantee is a form adhesion contract drafted by the SBA and presented to disaster loan applicants on a take-it-or-leave-it basis. Enforcing the waiver provisions to immunize the SBA's nearly three years of deliberate inaction after actual written notice of collateral theft would be unconscionable and contrary to public policy, particularly where the guarantor was incarcerated for life, physically barred by the government from taking any self-help or liquidation action, and entirely dependent on the SBA to protect the security that reduced his exposure.

e. Bad faith and gross negligence. Even where waiver provisions are otherwise enforceable, a creditor's bad faith or grossly negligent conduct toward collateral exceeds the scope of any contractual waiver. The SBA's conduct here—receiving actual written notice identifying the wrongdoer, the stolen collateral, the precise location of both, Plaintiff's incarceration for life, and the fact that Plaintiff therefore could not personally pursue the Collateral, and then doing absolutely nothing for nearly three years—constitutes, at minimum, gross negligence and, more accurately, willful disregard.

f. Guarantee Section 7 does not disclaim the SBA's duties regarding the borrower's collateral. Section 7 of the Unconditional Guarantee states that "Guarantor(s) will preserve the Collateral, if any, pledged by Guarantor(s) to secure this Guarantee. SBA has no duty to preserve or dispose of any Collateral." On its face, Section 7 addresses only collateral pledged by the guarantors to secure the Guarantee, not collateral pledged by the borrower under the Security Agreement. In this case, the guarantors (Martin and Wald) did not pledge separate collateral to secure their Guarantees. The Collateral at issue was pledged by the borrower, Entertainment Technology LLC, under the Security Agreement and Amended Security Agreement. The SBA's duties regarding the borrower's Collateral are governed by the Security Agreement, the Note, and the principles of secured-party conduct under federal common law and the UCC, not by Guarantee Section 7. Section 7 therefore does not provide the SBA a defense to Plaintiff's claims regarding the SBA's failure to pursue the borrower's Collateral.

C. Multiple Independent Events of Default

21. The Note (Paragraph 7) and Loan Authorization and Agreement define multiple independent events of default. At least five such events have occurred:

a. Incarceration of principal owner (Note ¶7(K) and (N)). Plaintiff Travis Martin, the primary owner and original signatory of ET, was convicted and sentenced to life in prison. This constitutes an adverse change in financial condition and business operation that materially affects Borrower's ability to pay under Note Paragraph 7(K), and Plaintiff's criminal conviction and life sentence constitute a criminal action that materially affects Borrower's ability to pay under Note Paragraph 7(N). A borrower serving a life sentence will never re-enter society, will never operate the business, and will never generate revenue to service the debt. These are independent events of default irrespective of whether monthly payments continued.

b. Unauthorized transfer of collateral (Note ¶7(C)). James Wald's removal and transfer of all of ET's business assets to Elite Sound Company LLC, without the prior written consent of the SBA, constitutes an independent event of default under Note Paragraph 7(C) (Borrower sells or otherwise transfers, or does not preserve or account to SBA's satisfaction for, any of the Collateral or its proceeds). This default provision contains no discretionary qualifier and is triggered by the unauthorized transfer alone.

c. Default on other SBA loan (Note ¶7(B)). Plaintiff is the sole owner and borrower on a separate SBA EIDL Loan to Airlink Internet Inc. (SBA Loan No. 5642257908) in the original principal amount of approximately $1,200,000.00. That loan has been in default for approximately three years and has been referred to collections with an outstanding balance of approximately $1,700,000.00 including accrued interest. Under Note Paragraph 7(B), a default on any other SBA loan constitutes an independent event of default. This provision contains no discretionary qualifier. The language is mandatory: when a borrower or guarantor defaults on any other SBA loan, the ET Loan is in default as a matter of contract, not as a matter of SBA discretion. The Airlink Internet Loan entered default in 2023. From that point forward, the SBA was contractually obligated to treat the ET Loan

as in default. The SBA's failure to do so, and its continued acceptance of payments as though the ET Loan were current, does not alter the contractual reality that the ET Loan has been in mandatory default since at least 2023. The SBA cannot simultaneously hold Plaintiff liable as guarantor on both the Airlink Internet Loan and the ET Loan while refusing to exercise its rights and obligations as secured creditor on either.

d. Cessation of business operations (Note ¶7(K)). Entertainment Technology LLC ceased all business operations following Plaintiff's arrest and James Wald's diversion of all business assets to Elite Sound Company LLC. The complete cessation of the Borrower's business constitutes an adverse change in business operation under Note Paragraph 7(K).

e. Violation of LA&A terms (Note ¶7(A)). James Wald's transfer of collateral without the prior written consent of the SBA violated the Requirements Relative to Collateral provision of the Loan Authorization and Agreement, which expressly provides: "Borrower will not sell or transfer any collateral (except normal inventory turnover in the ordinary course of business) described in the 'Collateral' paragraph hereof without the prior written consent of SBA." This violation of the LA&A constitutes a default under Note Paragraph 7(A) (fails to comply with any provision of the Note, the LA&A, or other Loan Documents).

22. These are non-payment defaults. The fact that monthly payments on the Loan continued through 2025 does not cure these defaults and is irrelevant to their existence. The continued payments, made by or through James Wald, actually suppressed the SBA's automated delinquency triggers and masked the underlying contractual defaults from the SBA's routine monitoring systems, even though the SBA had been placed on actual written notice of those defaults since June 28, 2023.

23. At least two of the identified defaults, Note Paragraph 7(B) and Note Paragraph 7(C), are alleged to be self-executing under the contract: when the triggering event occurs, the Loan is in default whether or not the SBA's internal systems reflect that status. Upon default, the Note and Security Agreement made acceleration, repossession, and liquidation

available remedies to the SBA. Plaintiff does not allege that the contract compelled the SBA to choose any single remedy immediately. Plaintiff alleges that, once the SBA received actual written notice and written demand identifying the default, the transferees, and the precise location of the Collateral, the SBA alone possessed the practical and legal ability to pursue remedies that Plaintiff, as an incarcerated guarantor serving a life sentence, could not pursue. The SBA's complete failure to take any action to protect the Collateral or its value after that notice and demand unfairly and inequitably increased Plaintiff's guarantor exposure.

24. Plaintiff is physically unable to take any action to recover the Collateral or to satisfy the Loan. Plaintiff is currently serving a life sentence in state prison, a facility operated by the State of California, a government agency. Plaintiff cannot leave the prison. Plaintiff cannot hire agents, contractors, movers, auctioneers, or repossession professionals. Plaintiff cannot physically access, transport, inventory, market, sell, or otherwise dispose of any Collateral. Plaintiff cannot negotiate with buyers or conduct a commercially reasonable sale. Plaintiff cannot enforce the SBA's lien rights against Elite or the Wald Defendants. Plaintiff is, in the most literal and complete sense, physically barred by the government from engaging in any collateral recovery or liquidation activity. The SBA is the only entity with both the legal authority (as the holder of a perfected UCC security interest) and the practical ability to repossess and liquidate the Collateral. For the SBA to demand that Plaintiff, an incarcerated individual serving a life sentence and shut out from the commercial marketplace, satisfy a $270,600.00 guarantor obligation while simultaneously refusing to exercise its own rights to seize readily identifiable and recoverable Collateral from a known location is outrageous, is the definition of bad faith, and is fundamentally inequitable.

D. James Wald's Wrongful Diversion of Collateral Assets

25. At all relevant times, James Wald was a minority member of ET and served as the operational manager of ET's business. Plaintiff Martin was incarcerated and had no ability to exercise control over ET's assets, operations, or management.

26. While Plaintiff was incarcerated and unable to oversee ET's operations, James Wald, without authorization and without the prior written consent of the SBA, removed, transferred, and/or converted all of the business assets of ET, including the equipment and other personal property constituting the SBA's Collateral, to a newly formed entity: Elite Sound Company LLC. The assets wrongfully diverted by James Wald and the other Defendants included not only all of ET's business assets securing SBA EIDL Loan No. 5632277910, but also the majority of the business assets of Airlink Internet, Inc. (SBA EIDL Loan No. 5642257908), which assets were stored at and operated from the same location as ET's assets. The Airlink Internet collateral wrongfully taken by Defendants had a value of approximately $1,000,000.00 and was subject to the SBA's perfected security interest securing the $1,200,000.00 Airlink Internet loan. Defendants' theft of the Airlink Internet collateral thus exposed Plaintiff to additional personal guarantor liability of approximately $1,700,000.00 (including accrued interest and collection costs), for a combined guarantor exposure across both SBA loans of approximately $1,970,600.00.

27. James formed Elite Sound Company LLC with Defendant Jayson Cohen for the express purpose of continuing the same business operations formerly conducted by ET, using the same equipment, the same assets, and operating from a substantially similar location (5808 Telephone Road, Suite 200, Ventura, California 93003), while abandoning ET’s obligations, including the SBA Loan. Defendant Natalie Wald, who had performed bookkeeping, accounts receivable, accounts payable, check-signing, and operational support functions for ET, transitioned those same functions to Elite, bringing with her the insider knowledge of ET’s customer relationships, pricing, and operational processes necessary to seamlessly continue ET’s business under the Elite name.

28. The transfer of Collateral from ET to Elite was made without adequate consideration, or for grossly inadequate consideration, rendering ET unable to satisfy its obligations under the Loan.

29. James Wald's transfer of Collateral assets from ET to Elite constituted: (a) a violation of the Loan Documents' prohibition on unauthorized transfers of Collateral; (b)

an independent event of default under the Loan; (c) a breach of James's fiduciary duties to Plaintiff as a co-member and co-guarantor; and (d) a voidable transaction under the Uniform Voidable Transactions Act.

E. Written Notice to the SBA and the SBA's Deliberate Inaction

30. On June 28, 2023, written notice was sent to the SBA via email to covideidlservicing@sba.gov, expressly notifying the SBA that SBA Loan No. 5632277910 to Entertainment Technology LLC for $270,600.00 was in default because: (a) the primary owner, Travis Martin, had been sentenced to life in prison and the company was no longer operating; and (b) James Wald, a personal guarantor on the Loan, had taken all of the business assets from ET and transferred them to his new company, Elite Sound Company LLC, located at 5808 Telephone Road, Suite 200, Ventura, California 93003. The June 28, 2023 notice expressly requested that the SBA take immediate action to secure and pursue the identified Collateral because Plaintiff, who was serving a life sentence, could not do so himself.

31. The June 28, 2023 email specifically identified Jayson Cohen as James Wald's new business partner, identified Elite Sound Company LLC by name and address, stated that James Wald and Jayson Cohen were operating Elite using all the equipment assets securing the Loan, stated that James Wald had no cash or other assets except the equipment securing the Loan, and recommended that the SBA take swift action to secure the equipment collateral before it disappeared. To the extent California suretyship principles apply, that communication constituted a written demand that the creditor pursue the specific remedy in its power that Plaintiff could not pursue himself.

32. The June 28, 2023 email further offered to provide the SBA with an inventory sheet showing most of the equipment securing the Loan.

33. On June 28, 2023, the SBA's Covid EIDL Servicing Center acknowledged receipt of the email, assigned it CSH Email ID: 0008002363897, and stated that the request had been "received and forwarded...to the appropriate department for review."

34. Despite receiving actual written notice on June 28, 2023 that: (a) the Loan was in default on multiple independent grounds; (b) the Collateral had been wrongfully transferred to a third-party entity not on the Loan Documents; (c) the specific identity and location of the entity holding the Collateral (Elite Sound Company LLC at 5808 Telephone Road, Suite 200, Ventura, California 93003); (d) the Collateral was at risk of dissipation or disappearance; and (e) Plaintiff was serving a life sentence and therefore could not personally repossess, market, or liquidate the Collateral, the SBA took no action whatsoever to protect, recover, or liquidate its Collateral.

35. The SBA did not contact Plaintiff or any other party regarding the reported defaults and collateral diversion. The SBA did not pursue James Wald. The SBA did not pursue Elite Sound Company LLC. The SBA did not exercise its rights under the UCC financing statement. The SBA did not accelerate the Loan. The SBA did not seek to repossess the Collateral. The SBA did not refer the matter for liquidation or litigation. The SBA did nothing.

36. From June 28, 2023 through the date of this Complaint, a period of approximately two years and nine months, the SBA sat on actual written notice and written demand that its Collateral had been wrongfully diverted, that the Loan was in default, that Plaintiff was incarcerated and incapable of pursuing the Collateral himself, and that the Collateral was identifiable and recoverable, and took no action to protect its security interest or the interests of the guarantors who were being exposed to personal liability as a direct result.

F. The SBA's Belated Delinquency Notice

37. On or about March 16, 2026, nearly three years after receiving written notice of the collateral diversion and multiple events of default, the SBA issued a Notice of Delinquency to Entertainment Technology LLC (using the SBA's misspelling, "Entrainment Technology LLC") for SBA Loan No. 5632277910, stating that the Loan was past due for two (2) payments in the total amount of $2,736.00, with a payment deadline of March 30, 2026.

38. The SBA's March 16, 2026 Notice of Delinquency was directed to Entertainment Technology LLC at 5808 Telephone Road, Suite 200, Ventura, California 93003. This is the same address as Elite Sound Company LLC's operating location. The SBA thus mailed a delinquency notice to the very location where the diverted Collateral was being operated by the very parties the SBA had been told about three years earlier.

39. The SBA's Notice of Delinquency addressed only the two missed payments. The Notice made no reference to the collateral diversion, the unauthorized transfer, the borrower's non-operation, or any of the multiple non-payment defaults of which the SBA had been notified in June 2023. This confirms that the SBA took no internal action whatsoever in response to the June 2023 notice.

40. As of April 1, 2026, the SBA's own MySBA Loan Portal classified SBA Loan No. 5632277910 as "Disbursed Current" despite at least five independent events of default, several of which have existed since 2023 and all of which were reported to the SBA in writing on June 28, 2023. The Payment Activity tab of the MySBA Loan Portal reveals that payments of $1,368.00 were made on January 20, February 17, and March 17, 2026, but that the February and March payments were returned as "Borrower's Check Returned" on February 23 and March 23, 2026, respectively.

41. The returned payments are independently significant. The February and March 2026 payment returns for insufficient funds demonstrate that Elite Sound Company LLC, James Wald, and Jayson Cohen are unable to sustain even the minimum monthly payment of $1,368.00 on the Loan, notwithstanding that they are operating a revenue-generating business using the very Collateral that secures it. The inability to make a $1,368.00 monthly payment while in possession of hundreds of thousands of dollars in commercial sound production equipment is strong evidence that Elite, James Wald, and Jayson Cohen are insolvent or are actively dissipating assets, or both. This insolvency and demonstrated inability to service the debt underscore the prejudice to Plaintiff if the SBA continues its pattern of deliberate inaction. If the SBA persists in doing nothing while the assets on which it holds a perfected lien are dissipated by parties who cannot even make a $1,368.00

monthly payment, Plaintiff seeks discharge or reduction of his guarantor liability to the extent of the resulting prejudice.

42. The discrepancy between the March 16, 2026 delinquency notice and the "Disbursed Current" status displayed on the MySBA Loan Portal as of April 1, 2026 further demonstrates the SBA's internal dysfunction in administering this Loan. The SBA's own systems cannot reconcile the Loan's status, yet the SBA continues to hold Plaintiff personally liable as guarantor on the full outstanding balance.

G. Plaintiff's Resulting Exposure and Prejudice

43. As a personal guarantor on the Loan, Plaintiff faces personal liability for the full $270,600.00 principal balance, plus accrued interest, late fees, penalties, and collection costs.

44. If the Loan is referred to the U.S. Department of the Treasury for collection, Plaintiff faces administrative wage garnishment of up to 15% of disposable income, seizure of federal and state tax refunds through the Treasury Offset Program, offset of Social Security benefits, and additional collection penalties of up to 30% of the outstanding balance, all without the need for a court judgment.

45. The SBA's failure to act on the June 28, 2023 notice has directly and proximately prejudiced Plaintiff. Had the SBA exercised its rights as a secured creditor at any time after June 28, 2023, it could have recovered the Collateral from Elite, liquidated the Collateral, and applied the proceeds to the Loan, thereby reducing or eliminating Plaintiff's guarantor liability. Plaintiff could not perform those acts himself because he was incarcerated for life and shut out from the commercial marketplace. The SBA's nearly three-year delay has permitted the Collateral to depreciate, dissipate, and become commingled with Elite's other assets, substantially impairing the value of the security that was available to satisfy the Loan.

46. Plaintiff, being incarcerated, could not himself pursue the Collateral, enforce the UCC lien, compel James Wald to continue Loan payments, hire repossession professionals, or conduct any sale or liquidation. Only the SBA, as the lienholder and

secured creditor, had the legal authority and practical ability to pursue these remedies. This is precisely why the SBA's inaction is prejudicial: the remedy that could have lightened Plaintiff's burden was in the creditor's power and not in Plaintiff's.

H. The Superior Court Action Confirms the Revenue-Generating Value of the Stolen Collateral

47. On August 2, 2023, Defendants James Wald and Natalie Wald, together with Elite Sound Company LLC, filed a civil complaint in the Superior Court of the State of California, County of Ventura, Case No. 2023CUPP012195, against Plaintiff and others. Among the causes of action in that complaint are claims for intentional interference with prospective economic relations and intentional interference with contractual relations, brought by Elite, James, and Natalie as plaintiffs, seeking damages for the alleged disruption of Elite's business relationships with third parties, including Vincenzo Giammanco of CBF Productions and Elite's client base for music festival sound production services.

48. The Superior Court complaint is significant to this action for three independent reasons. First, it constitutes a judicial admission by James, Natalie, and Elite that the diverted Collateral assets are actively generating substantial revenue through Elite's business operations. The very damages they seek in the Superior Court action, lost income from disrupted business relationships, are revenues generated by the equipment and business assets wrongfully diverted from ET and subject to the SBA's perfected security interest securing the Loan for which Plaintiff bears personal guarantor liability. In other words, Defendants are suing Plaintiff for interfering with income streams derived from Plaintiff's own stolen collateral.

49. Second, the Superior Court complaint confirms Natalie Wald's personal economic stake in Elite's operations. Natalie filed as a named plaintiff in her individual capacity, claiming personal damages from the disruption of Elite's business relationships. Her own pleading establishes that she personally participates in and profits from Elite's business, which is operated using the wrongfully diverted Collateral.

50. Third, the Superior Court complaint quantifies the scope of Defendants' unjust enrichment. Every dollar of lost revenue Elite claims in that action represents revenue that was generated by Collateral securing a federal loan for which Plaintiff is personally liable. The profits Defendants earned before the alleged interference, and seek to recover as damages after the alleged interference, are profits derived entirely from stolen assets, and those profits should have been applied to satisfy the Loan or should inure to Plaintiff's benefit as the guarantor whose exposure the Collateral was intended to reduce.

I. The Airlink Internet Collateral and Cross-Loan Exposure

51. Plaintiff is the 100% owner of Airlink Internet, Inc. and the sole borrower and guarantor on SBA EIDL Loan No. 5642257908 in the original principal amount of $1,200,000.00. A substantial portion of the Airlink Internet EIDL proceeds were loaned or invested by Airlink Internet into Entertainment Technology LLC to purchase additional sound production equipment, thereby building ET's asset base. The equipment purchased with Airlink Internet EIDL funds became part of ET's operating assets and was stored and operated from the same location as ET's other assets. When James Wald diverted ET's business assets to Elite, he took not only the assets securing the ET Loan but also the equipment financed by the Airlink Internet Loan. Defendants' theft of the Airlink Internet-financed equipment thus exposed Plaintiff to additional guarantor liability on the Airlink Internet Loan, which has an outstanding balance of approximately $1,700,000.00 including accrued interest and collection costs, for a combined guarantor exposure across both SBA loans of approximately $1,970,600.00.

52. The Airlink Internet Loan has been in default since 2023. Plaintiff is the common link between the two SBA loans: he is the guarantor on both. Per Note Paragraph 7(B) of the ET Loan, a default on any other SBA loan triggered a contractual default on the ET Loan. Plaintiff's theory is not that the SBA was compelled to seize collateral immediately upon that default, but that the SBA cannot preserve Plaintiff's guarantor liability while ignoring the identified collateral for years after notice, especially where

Plaintiff is incarcerated for life and the remedies that could reduce his burden were exclusively in the SBA's hands.

J. The ET Loan Was in Contractual Default and the SBA Did Not Exercise Available Remedies

53. The ET Loan was in default as a matter of contract once the triggering events occurred. At least two of the events of default identified in Paragraph 21 -- the cross-default under Note Paragraph 7(B) and the unauthorized transfer of Collateral under Note Paragraph 7(C) -- are alleged to be self-executing under the contract. From that point forward, the ET Loan was contractually in default irrespective of whether the SBA acknowledged it, whether monthly payments continued, or whether the SBA's internal systems flagged it.

54. Upon default, the Note provides that the SBA may accelerate the Loan and declare the balance immediately due and payable, and the Security Agreement provides that the SBA may take possession of and dispose of Collateral in accordance with applicable law. UCC § 9-609 likewise recognizes a secured party's post-default right to take possession of collateral. Plaintiff relies on these provisions not to compel any specific collection decision, but to show that after receiving actual written notice and written demand, the SBA had the exclusive power to protect, recover, or preserve the value of the Collateral through remedies that Plaintiff, because he was incarcerated for life, could not practically or legally pursue himself.

55. The SBA's position is inequitable. The SBA may choose among remedies, but Plaintiff alleges it cannot in good faith preserve its ability to pursue the guarantor while for years refusing to take any action to protect readily identifiable Collateral at a known location when it knows the guarantor is serving a life sentence and cannot do anything himself. The purpose of collateral is to provide a source of repayment that reduces the guarantor's exposure. According to Plaintiff, the SBA's prolonged inaction destroyed the practical value of that protection and converted what was intended to be secondary guarantor liability into effectively primary exposure.

FIRST CAUSE OF ACTION

DECLARATORY RELIEF: EXONERATION OF GUARANTOR

(Against Defendant SBA)

(28 U.S.C. § 2201; Federal Common Law; UCC §§ 9-609, 9-602, 9-625; Cal. Civ. Code §§ 2819, 2845, 2849 (to the extent state law applies))

56. Plaintiff incorporates by reference all preceding paragraphs as though fully set forth herein.

57. An actual controversy exists between Plaintiff and the SBA regarding the parties' rights and obligations under Plaintiff's Unconditional Guarantee of SBA EIDL Loan No. 5632277910. The SBA contends, or will contend, that Plaintiff remains liable as guarantor for the full outstanding balance of the Loan. Plaintiff contends that, after receiving actual written notice and written demand regarding the wrongful diversion of the Collateral and while knowing Plaintiff was incarcerated and unable to pursue the Collateral himself, the SBA failed to pursue the remedies uniquely in its power, impaired the Collateral, and thereby exonerated Plaintiff from liability under the Guarantee, in whole or in part.

58. Under federal common law governing SBA lending, a creditor who holds a perfected security interest in collateral, receives actual notice that such collateral has been wrongfully diverted to an identified third party at a known location, knows the guarantor lacks any practical ability to preserve or liquidate that collateral himself, and thereafter takes no action for nearly three years to protect, recover, or liquidate that collateral is subject to the defense of impairment of collateral, and the guarantor is discharged to the extent the guarantor proves resulting prejudice.

59. To the extent Article 9 principles are incorporated through federal common law or otherwise applicable under the Loan Documents, UCC § 9-609 recognizes a secured party's post-default right to take possession of collateral, UCC § 9-602 prevents disclaimer of certain obligations of good faith, diligence, reasonableness, and care, and UCC § 9-625 authorizes relief for noncompliance with Article 9.

60. In the alternative, and only to the extent the Court determines that state law rather than federal common law governs Plaintiff's suretyship defenses, Plaintiff is entitled to exoneration under California Civil Code Section 2845, which provides that a surety may require the creditor to proceed against the principal or to pursue any other remedy in the creditor's power which the surety cannot pursue and which would lighten the surety's burden, and if the creditor neglects to do so, the surety is exonerated to the extent thereby prejudiced. Here, Plaintiff specifically notified the SBA of the default, the transferees, and the Collateral's location, specifically demanded in writing that the SBA secure and pursue the identified Collateral, and Plaintiff's incarceration made the relevant remedy uniquely one in the creditor's power and not in the surety's.

61. Similarly, to the extent the Court determines that state law applies, Plaintiff is further entitled to exoneration under California Civil Code Section 2819, which provides that a surety is exonerated if, by any act of the creditor without the consent of the surety, the original obligation of the principal is altered in any respect, or the remedies or rights of the creditor against the principal in respect thereto are in any way impaired or suspended.

62. The waiver provisions in the Unconditional Guarantee (Section 6.K) do not bar this claim because: (a) Plaintiff alleges the impairment-of-collateral defense under federal common law and Article 9 principles is independent of the state suretyship statutes invoked in the alternative; (b) Plaintiff does not seek to impose a duty on the SBA to elect any particular remedy first, but alleges that the SBA's prolonged arbitrary inaction after actual notice and written demand destroyed the practical value of the collateral protecting the guaranty, particularly because Plaintiff's incarceration made him unable to pursue the remedy himself; (c) the waiver provisions are unconscionable as applied to the facts of this case, where a government agency imposed a form adhesion contract on a disaster loan applicant and then used that contract to shield nearly three years of deliberate inaction after notice of collateral theft while knowing the guarantor was serving a life sentence and wholly dependent on the SBA to protect the Collateral; (d) no waiver provision, however

broadly drafted, immunizes a creditor's bad faith or grossly negligent destruction of the surety's equitable position; and (e) Guarantee Section 7, which states that 'SBA has no duty to preserve or dispose of any Collateral,' by its express terms addresses only collateral pledged by the guarantors to secure the Guarantee, not collateral pledged by the borrower under the Security Agreement, and therefore does not disclaim the SBA's obligations regarding the borrower's Collateral at issue in this action or bar the requested declaration of Plaintiff's rights and obligations under the Guarantee.

63. Plaintiff is informed and believes, and thereon alleges, that the value of the Collateral at the time the SBA received notice on June 28, 2023 was sufficient to satisfy the Loan in whole or in substantial part. The SBA's failure to act has impaired and reduced the recoverable value of that Collateral.

64. Plaintiff seeks a judicial declaration that: (a) the ET Loan has been in contractual default since the occurrence of the events described in Paragraph 21, notwithstanding the SBA's later treatment of the account as current; (b) because the SBA received actual written notice and written demand identifying the transferred Collateral, the transferees, and the location of the Collateral, and because the relevant remedies were in the SBA's power and not Plaintiff's, Plaintiff is exonerated or discharged from liability under his Unconditional Guarantee, in whole or in part, to the extent of the resulting prejudice; (c) Plaintiff's obligations under the Unconditional Guarantee, if any, must be reduced to reflect any impairment in the value of the Collateral caused by the SBA's post-notice and post-demand inaction; and (d) the waiver provisions in Section 6.K and Section 7 of the Unconditional Guarantee do not bar the requested declaration of Plaintiff's rights and obligations under the Guarantee on the facts alleged herein.

SECOND CAUSE OF ACTION

BREACH OF IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING

(Against Defendant SBA)

65. Plaintiff incorporates by reference all preceding paragraphs as though fully set forth herein.

66. The Loan Documents, including the Unconditional Guarantee executed by Plaintiff, constitute a contract between Plaintiff and the SBA. This claim arises from and is governed by the contractual relationship created by the Guarantee and Loan Documents and falls within the SBA's statutory waiver of sovereign immunity under 15 U.S.C. § 634(b)(1); it is a contract claim, not a tort claim, and is not subject to the Federal Tort Claims Act. Every contract contains an implied covenant of good faith and fair dealing, which requires that neither party do anything to injure the right of the other to receive the benefits of the agreement.

67. While the Guarantee and Loan Documents grant the SBA broad discretion regarding its remedies, including the discretion to 'refrain from taking any action' on the Note, Collateral, or any guarantee (Guarantee, §4.B), the implied covenant prohibits the SBA from exercising that discretion in bad faith, arbitrarily, or in a manner that unfairly frustrates Plaintiff's contractual interest in having the Collateral remain a meaningful source of repayment reducing his guarantor exposure, particularly where Plaintiff's incarceration made the SBA the only party able to pursue the identified Collateral. Plaintiff does not allege that the SBA was required to elect any particular remedy immediately upon default.

68. The SBA breached the implied covenant of good faith and fair dealing, according to Plaintiff, by: (a) receiving actual written notice on June 28, 2023 that the Collateral securing the Loan had been wrongfully transferred to an identified third party at a known location and that Plaintiff, because he was serving a life sentence, could not personally pursue or liquidate that Collateral; (b) ignoring Plaintiff's written demand that the SBA take action to secure the Collateral; (c) failing for nearly three years to take any action reasonably directed at protecting, recovering, or preserving the Collateral or its value; (d) permitting the Collateral to depreciate and dissipate while Plaintiff's guarantor liability continued to accrue; and (e) issuing a delinquency notice and preserving collection rights against the guarantors while neglecting the readily identifiable Collateral that could have reduced the Loan balance.

69. Plaintiff does not contend that the Guarantee promised he would never be pursued unless and until the SBA liquidated collateral first. Plaintiff contends that, once the SBA had specific written notice identifying the wrongdoer, the transferred collateral, and the precise location of both, and knew that Plaintiff was incarcerated for life and therefore could not protect the Collateral himself, the SBA could not in good faith preserve Plaintiff's guarantor exposure while doing nothing for nearly three years as the practical value of the collateral protection eroded.

70. As a direct and proximate result of the SBA's breach, Plaintiff has suffered damages including, but not limited to, increased guarantor liability through accruing interest and penalties, damage to creditworthiness, exposure to Treasury Offset Program collection, and the loss of the Collateral's value that could have satisfied the Loan, all while Plaintiff remained powerless by reason of his incarceration to mitigate that loss himself.

THIRD CAUSE OF ACTION

BREACH OF FIDUCIARY DUTY

(Against Defendant James Wald)

71. Plaintiff incorporates by reference all preceding paragraphs as though fully set forth herein.

72. James Wald, as a member exercising managerial control over ET's operations and assets, owed fiduciary duties to Plaintiff as a fellow member, including duties of loyalty, care, and good faith in the management and disposition of ET's assets. Cal. Corp. Code § 17704.09.

73. Plaintiff brings this claim solely in his individual capacity based on injury to his direct personal interests as co-member and co-guarantor. Specifically, James's conduct directly increased Plaintiff's personal guarantor liability on a $270,600.00 federal loan and stripped Plaintiff of the collateral protection that limited Plaintiff's personal exposure. Plaintiff does not seek in this count to recover ET's general business losses or other entity damages.

74. James breached his fiduciary duties to Plaintiff by: (a) diverting ET's business assets to Elite without authorization and for his own benefit; (b) using those assets in a competing enterprise while leaving the secured debt in place; (c) concealing or failing to disclose the diversion while Plaintiff was incarcerated and unable to protect his interests; and (d) thereby exposing Plaintiff to personal guarantor liability on the Loan while appropriating the very collateral intended to reduce that exposure.

75. James's breach of fiduciary duty was willful, knowing, and in bad faith. James knew that the assets he transferred were subject to the SBA's UCC lien. James knew that both he and Plaintiff had signed personal guarantees. James knew that Plaintiff was incarcerated and unable to protect his interests. James exploited Plaintiff's incarceration to strip ET of all value.

76. As a direct and proximate result of James's breach, Plaintiff has suffered damages in an amount to be proven at trial, but not less than $270,600.00.

FOURTH CAUSE OF ACTION

VOIDABLE TRANSACTION (FRAUDULENT TRANSFER)

(Against All Defendants Except SBA)

(Cal. Civ. Code §§ 3439.04, 3439.05, 3439.07)

77. Plaintiff incorporates by reference all preceding paragraphs as though fully set forth herein.

78. Plaintiff is a 'creditor' within the meaning of the Uniform Voidable Transactions Act ('UVTA'), California Civil Code Section 3439 et seq., by virtue of his contingent and unmatured rights to indemnity, reimbursement, and exoneration from ET and James upon payment of any portion of the Loan as guarantor. Cal. Civ. Code §§ 2847, 2848, 2849; see also Cal. Civ. Code § 3439.01(b), (c).

79. The transfer of ET's business assets to Elite constitutes a "transfer" within the meaning of California Civil Code Section 3439.01(m).

80. The transfer was voidable as to Plaintiff under California Civil Code Section 3439.04(a)(1) because it was made with actual intent to hinder, delay, or defraud Plaintiff

and other creditors of ET. The following badges of fraud, among others, are present: (a) the transfer was made to an insider, James Wald's own newly formed entity; (b) the transfer was made for inadequate consideration; (c) James retained possession and control of the assets after the transfer; (d) the transfer rendered ET insolvent and unable to pay its debts, including the SBA Loan; (e) the transfer occurred while Plaintiff was incarcerated and unable to exercise oversight; and (f) the transfer was not disclosed to Plaintiff or to the SBA.

81. Alternatively, the transfer was voidable under California Civil Code Section 3439.04(a)(2) and/or Section 3439.05, because ET did not receive reasonably equivalent value in exchange for the transfer, and ET was insolvent at the time or became insolvent as a result of the transfer.

82. Plaintiff seeks: (a) avoidance of the transfer to the extent necessary to satisfy his claims (Cal. Civ. Code § 3439.07(a)(1)); (b) attachment or other provisional remedy against the transferred assets (Cal. Civ. Code § 3439.07(a)(2)); (c) a judgment against the first transferee, James Wald, and any subsequent transferees, including Cohen and Elite, for the value of the assets transferred (Cal. Civ. Code § 3439.08); and (d) any other relief the Court deems just.

FIFTH CAUSE OF ACTION

RESTITUTION BASED ON UNJUST ENRICHMENT

(Against Defendants James Wald, Natalie Wald, Jayson Cohen, and Elite Sound Company LLC)

83. Plaintiff incorporates by reference all preceding paragraphs as though fully set forth herein.

84. Plaintiff seeks restitution based on quasi-contract. James, Natalie, Cohen, and Elite have received and retained a benefit, namely the Collateral assets and revenues generated from their use, at Plaintiff's expense, in that Plaintiff bears personal liability for the $270,600.00 Loan that those assets were intended to secure. Natalie, as an active participant in Elite's operations and as the spouse and household member of James Wald,

has received and retained direct financial benefits from the use of the Collateral assets, including income derived from Elite's event production business.

85. James, Natalie, Cohen, and Elite have retained the benefits of the Collateral assets without paying the SBA Loan or compensating Plaintiff for his guarantor exposure. The retention of those benefits under the circumstances of this case, where Plaintiff was incarcerated and unable to protect himself while Defendants operated a profitable business using stolen collateral, is unjust and inequitable.

86. Plaintiff is entitled to restitution in an amount to be proven at trial, representing the value of the benefits conferred upon and retained by James, Natalie, Cohen, and Elite, including all revenues, profits, and appreciation derived from the use of the Collateral assets.

SIXTH CAUSE OF ACTION

CIVIL CONSPIRACY

(Against Defendants James Wald, Natalie Wald, Jayson Cohen, and Elite Sound Company LLC)

87. Plaintiff incorporates by reference all preceding paragraphs as though fully set forth herein.

88. Defendants James Wald, Natalie Wald, Jayson Cohen, and Elite formed a conspiracy and/or acted in concert with the common purpose and design of: (a) diverting ET's business assets to Elite for the benefit of James, Natalie, Cohen, and Elite; (b) continuing to operate and profit from those assets without paying the SBA Loan; and (c) leaving Plaintiff, who was incarcerated and unable to protect himself, exposed to the full $270,600.00 guarantor liability.

89. The conspiracy was formed and executed in furtherance of James Wald's breach of fiduciary duty to Plaintiff (Third Cause of Action). Civil conspiracy is not alleged as an independent tort but as a basis for holding each conspirator jointly and severally liable for knowingly participating in the wrongful transfer scheme and other tortious acts committed in furtherance of that breach.

90. In furtherance of the conspiracy, one or more of the Defendants committed the following overt acts: (a) James transferred the Collateral assets from ET to Elite; (b) Cohen joined with James to form and operate Elite using the transferred assets; (c) Natalie transitioned her bookkeeping, accounts receivable, accounts payable, check-signing, and operational support functions from ET to Elite, applying her insider knowledge of ET's customer relationships and business processes to enable Elite to seamlessly continue ET's business operations using the stolen Collateral; (d) James ceased making payments on the SBA Loan while continuing to profit from the Collateral; and (e) James, Natalie, and Elite filed suit against Plaintiff in Ventura Superior Court Case No. 2023CUPP012195 seeking to recover damages for the disruption of business income generated by the stolen Collateral, thereby demonstrating the ongoing and profitable nature of the conspiracy.

91. As a direct and proximate result of the conspiracy, Plaintiff has suffered damages in an amount to be proven at trial, but not less than $270,600.00.

SEVENTH CAUSE OF ACTION

INDEMNITY, REIMBURSEMENT, AND EXONERATION

(Against Defendant James Wald)

(Cal. Civ. Code §§ 2847, 2848, 2849; Federal Common Law)

92. Plaintiff incorporates by reference all preceding paragraphs as though fully set forth herein.

93. Plaintiff and James Wald are co-guarantors on the Loan. James Wald's wrongful conduct, including the unauthorized diversion of Collateral, the operation of a competing business using the Collateral, and the failure to make Loan payments, directly caused the default and Plaintiff's resulting guarantor exposure.

94. Under California Civil Code Section 2847, if a surety satisfies the principal obligation, or any part thereof, the principal is bound to reimburse what the surety has disbursed, including necessary costs and expenses. Under California Civil Code Section 2848, a surety, upon satisfying the obligation of the principal, is entitled to enforce every remedy which the creditor then has against the principal.

95. To the extent Plaintiff is required to make any payment on the Loan, whether voluntarily or through SBA or Treasury collection action (including Treasury Offset Program seizure of tax refunds or administrative wage garnishment), Plaintiff is entitled to full reimbursement from James Wald.

96. Additionally, under the equitable doctrine of exoneration, a co-surety whose wrongful conduct substantially caused the obligation to become due and materially increased the innocent co-surety's exposure may be compelled to exonerate the innocent co-surety before the obligation is paid. James Wald's wrongful conduct was a substantial and inequitable cause of Plaintiff's present guarantor exposure. Plaintiff is entitled to a judgment compelling James to exonerate Plaintiff from guarantor liability by paying the Loan in full or by returning the Collateral to satisfy the Loan.

97. Plaintiff is further entitled, upon any payment on the Loan, to be subrogated to the SBA's rights as secured creditor and to enforce the SBA's UCC lien against the Collateral assets now held by Elite.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Travis Martin respectfully prays for judgment against Defendants as follows:

A. First Cause of Action: A judicial declaration that the ET Loan has been in contractual default since the occurrence of the events described in Paragraph 21; that, because the SBA received actual written notice and written demand identifying the transferred Collateral, the transferees, and the location of the Collateral, and because the relevant remedies were in the SBA's power and not Plaintiff's, Plaintiff is exonerated or discharged from liability under his Unconditional Guarantee, in whole or in part, to the extent of the resulting prejudice; that Plaintiff's obligations under the Unconditional Guarantee, if any, must be reduced to reflect any impairment in the value of the Collateral caused by the SBA's post-notice and post-demand inaction; and that the waiver provisions of the Guarantee do not bar that declaration;

B. Second Cause of Action: Compensatory damages against the SBA in an amount to be proven at trial for breach of the implied covenant of good faith and fair dealing, arising from the SBA's arbitrary and bad-faith handling of the collateral and guaranty relationship;

C. Third Cause of Action: Compensatory and punitive damages against Defendant James Wald for breach of fiduciary duty in an amount to be proven at trial;

D. Fourth Cause of Action: Avoidance of the fraudulent transfer, attachment of the transferred assets, and a money judgment against Defendants James Wald, Natalie Wald, Jayson Cohen, and Elite Sound Company LLC for the value of the transferred assets;

E. Fifth Cause of Action: Restitution against Defendants James Wald, Natalie Wald, Jayson Cohen, and Elite Sound Company LLC in an amount to be proven at trial;

F. Sixth Cause of Action: Compensatory and punitive damages against Defendants James Wald, Natalie Wald, Jayson Cohen, and Elite Sound Company LLC for civil conspiracy;

G. Seventh Cause of Action: Full indemnity and reimbursement from Defendant James Wald for any amounts Plaintiff is required to pay on the Loan, plus costs and expenses, equitable subrogation to the SBA's rights as secured creditor, and an order compelling James Wald to exonerate Plaintiff from guarantor liability;

H. Constructive Trust: Imposition of a constructive trust on the Collateral assets currently held by James, Natalie, Cohen, and/or Elite, and on any proceeds, revenues, and profits derived from the use of those assets, for the benefit of Plaintiff to the extent of his guarantor liability under the Loan;

I. For prejudgment interest as allowed by law;

J. For reasonable costs of suit as allowed by law;

K. For punitive and exemplary damages against Defendants James Wald, Natalie Wald, Jayson Cohen, and Elite Sound Company LLC in an amount sufficient to punish and deter;

L. For such other and further relief as the Court deems just and proper.

Dated: April 4, 2026

Respectfully submitted,



TRAVIS EDWARD MARTIN, Pro Per

Plaintiff In Propria Persona

DEMAND FOR JURY TRIAL

Plaintiff demands a trial by jury on all claims and issues so triable as of right.

Dated: April 4, 2026

Respectfully submitted,



TRAVIS EDWARD MARTIN, Pro Per

Plaintiff In Propria Persona