

**This document has been electronically entered in the records of the United States Bankruptcy Court for the Southern District of Ohio.**

**IT IS SO ORDERED.**

**Dated: June 18, 2025**





Mina Nami Khorrami  
United States Bankruptcy Judge

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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF OHIO  
EASTERN DIVISION**

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In re:	)	Case No. 2:24-BK-51185
	)	
SCS LOGISTICS, INC., <i>et al.</i> , <sup>1</sup>	)	Chapter 7
	)	
Debtors.	)	Judge Nami Khorrami
	)	
	)	(Jointly Administered)

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**MEMORANDUM OPINION AND ORDER DENYING MOTIONS FOR PERMISSIVE ABSTENTION (DOCS. #27, #42, #61, AND #106) AND MOTIONS FOR RELIEF FROM THE AUTOMATIC STAY (DOCS. #28, #43, #63, AND #107)**

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Before the Court are the following documents:

**Case No. 2:24-bk-51184, *In re SCS Logistics, LLC*:**

1. *Motion Of Creditor Roy Fernandez For Permissive Abstention* (Doc. #27) and the *Redline Motion Of Creditor Roy Fernandez For Permissive Abstention* [Doc. #27] (Doc. #42);

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<sup>1</sup> The Debtors and the last four digits of their federal tax identification numbers are as follows: SCS Logistics, LLC (4101) and SCS Logistics, Inc. (7342).

2. *Motion Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From The Automatic Stay* (Doc. #28) and the *Redline Motion Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From The Automatic Stay* [Doc. #28] (Doc. #43);
3. *Objection Of Debtors SCS Logistics, Inc. And SCS Logistics, LLC And Creditors Home Appliance Solutions, LLC, Brian Peters, And Jordan Peters To (A) Motions Of Creditor Roy Fernandez For Permissive Abstention And (B) Motions Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From The Automatic Stay* (Doc. #35);
4. *Fernandez Parties' Reply To Objection To Motions For Relief From Stay And Permissive Abstention* [Doc. 35] (Doc. #36) and the *Redline Fernandez Parties' Reply To Objection To Motions For Relief From Stay And Permissive Abstention* [Doc. 36] (Doc. #44).

**Case No. 2:24-bk-51185, *In re SCS Logistics Inc.***

1. *Motion Of Creditor Roy Fernandez For Permissive Abstention* (Doc. #61) and the *Redline Motion Of Creditor Roy Fernandez For Permissive Abstention* [Doc. 61] (Doc. #106);
2. *Motion Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From The Automatic Stay* (Doc. #63) and the *Redline Motion Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From The Automatic Stay* [Doc. #63] (Doc. #107);
3. *Trustee's Limited Objection To Motion Of Creditor Roy Fernandez For Permissive Abstention* (Rel Doc 61) (Doc. #70);
4. *Trustee's Limited Objection To Motion Of Creditor Roy Fernandez And Professional Logistic Services For Relief From Automatic Stay* (Rel Doc 63) (Doc. #71);
5. *Objection Of Debtors SCS Logistics, Inc. And SCS Logistics, LLC And Creditors Home Appliance Solutions, LLC, Brian Peters, And Jordan Peters To (A) Motions Of Creditor Roy Fernandez For Permissive Abstention And (B) Motions Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From The Automatic Stay* [Re: Case No. 24-51185 Docket Nos. 61 and 63 and Case No. 24-51184 Docket Nos. 21 and 22] (Doc. #73) and the *Redlined Objection Of Debtors SCS Logistics, Inc. And SCS Logistics, LLC And Creditors Home Appliance Solutions, LLC, Brian Peters, And Jordan Peters To (A) Motions Of Creditor Roy Fernandez For Permissive Abstention And (B) Motions Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From The Automatic Stay* [Re: Case No. 24-51185 Docket Nos. 61, 63, 73, and 100 and Case No. 24-51184 Docket Nos. 21, 22, and 35] (Doc. #110);
6. *Supplemental Objection Of Creditors Home Appliance Solutions, Jordan Peters And Brian Peters To The Motion Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From Automatic Stay* (Doc. 63) (Doc. #74);
7. *Creditors Roy Fernandez And Professional Logistic Services, Inc.'s Reply To Trustee's Limited Objection To Motion For Relief From The Automatic Stay* [Doc. 71] (Doc. #75);
8. *Fernandez Parties' Replies To (1) Objection To Motions For Relief From Stay And Permissive Abstention* [Doc. 73], And (2) *The Supplemental Objection* [Doc. 74] (Doc. #76) and the *Redline Fernandez Parties' Replies To (1) Objection To Motions For Relief From Stay And Permissive Abstention* [Doc. 73], And (2) *The Supplemental Objection* [Doc. #76] (Doc. #108);

9. *Creditors Roy Fernandez And Professional Logistic Services, Inc.'s Reply To Trustee's Limited Objection To Motion For Permissive Abstention [Doc. 70]* (Doc. #77);
10. *Stipulation Of Facts Regarding Motions For Relief From Stay And Permissive Abstention [Doc. 78]* (Doc. #86);
11. *Statement Of Debtors SCS Logistics, Inc. And SCS Logistics, LLC And Creditors Home Appliance Solutions, Inc., Brian Peters, And Jordan Peters In Connection With Pretrial Scheduling Order Following Pretrial Conference And Regarding March 24, 2025 Hearing [Re: Case No. 24-51185 Docket Nos. 61, 63, 78, and Case No. 24-51184 Docket Nos. 21 and 22]* (Doc. #88);
12. *Fernandez Parties' Supplemental Brief [Doc. 78]* (Doc. #89); and the *Redline Fernandez Parties' Supplemental Brief [Doc. 91]* (Doc. #109);
13. *Surreply Of Debtors SCS Logistics, Inc. And SCS Logistics, LLC And Creditors Home Appliance Solutions, Inc., Brian Peters, And Jordan Peters For To Fernandez Parties' Supplemental Brief [Re: Docket Nos. 78, 86, 91, and 100]* (Doc. #104); and
14. *Updated Stipulation Of Facts Regarding Motions For Relief From Stay And Permissive Abstention [Doc. 100]* (Doc. #105).

Four motions are under consideration by this Court. Two motions are requesting that this Court abstain from exercising its jurisdiction pursuant to 28 U.S.C. § 1334(c)(1) and two motions are requesting relief from the automatic stay pursuant to 11 U.S.C. § 362(d)(1) so that pre-petition litigation may proceed in the state court in which it was initiated; one of each type of motion was filed in Case No. 2:24-bk-51184, *In re SCS Logistics, LLC* (“SCS-Ohio”) and in Case No. 2:24-bk-51185, *In re SCS Logistics Inc.* (“SCS-California”) before the Court entered an order procedurally consolidating the cases.<sup>2</sup> Each type of motion in each case raises the same factual and legal issues.

For the reasons discussed more fully below, the Court concludes that abstention is not warranted under the circumstances in these cases. Specifically, the proof of claim filed by Roy Fernandez, the objection to that claim by the chapter 7 trustee, and the relief requested in the adversary proceeding filed by Mr. Peters claiming ownership in SCS California all involve common facts and raise the same state law issues, the resolution of which will impact the

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<sup>2</sup> The Court will collectively refer to the related bankruptcy cases as the “Bankruptcy Cases.”

administration of the bankruptcy estates. And these matters are core proceedings to be determined by this Court.

## **I. Jurisdiction**

This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334 and the Amended General Order 05-02 entered by the United States District Court for the Southern District of Ohio, referring all bankruptcy matters to this Court. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (G). *See Bavelis v. Doukas (In re Bavelis)*, 453 B.R. 832, 844-45 (Bankr. S.D. Ohio 2011) (determining that a motion requesting abstention is a core proceeding); *see also Consulting Actuarial Partners, Ltd. P'ship v. Descap Plan., Inc. (In re Consulting Actuarial Partners, Ltd. P'ship)*, 72 B.R. 821, 829 (Bankr. S.D.N.Y. 1987) (“[A]bstention involves a matter concerning the administration of the estate and is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(A).” (citations omitted)). Venue properly lies in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

## **II. Findings of Facts and Procedural Background<sup>3</sup>**

### **A. Relevant Facts**

The facts in this case involve several parties and span over several years. Prior to the Bankruptcy Cases being filed, Brian Peters (“Mr. Peters”) and Jordan Peters (“Mrs. Peters”) resided in Placer County, California until the fall of 2020 when they relocated to Ohio and became Ohio residents. Stip. ¶ 2, ECF No. 105.<sup>4</sup> Roy Fernandez (“Mr. Fernandez”) is a resident of Placer County, California. Stip. ¶ 1.

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<sup>3</sup> The parties decided to forgo an evidentiary hearing on the motions and instead filed joint stipulation of facts and joint exhibits. This Court’s findings of facts are based on the joint stipulation of facts, exhibits, court records, claims register, claims, and the pleadings filed by the parties in these cases.

<sup>4</sup> Unless otherwise indicated, any reference or citation to a specific document number will be related to the docket of the lead case, SCS-California.

Sometime in 2010, Mr. Peters began working as a consultant for a business owned by Mr. Fernandez. Mot. to Abstain 3, ECF No. 106; Case No. 24-ap-02072, Compl. ¶ 10, ECF No. 1. Thereafter, the business failed and ceased operations. Mot. to Abstain 3; Compl. ¶ 12. Shortly after that, SCS-California was incorporated in California. Stip. ¶ 3. Specifically, the articles of incorporation for SCS-California were filed with the California Secretary of State on March 11, 2016. Stip. ¶ 3; Mot. to Abstain 4; Compl. ¶ 15. SCS-California operated in Illinois, Ohio, Indiana, and Georgia and was managed in Placer County, California. Stip. ¶ 3.

Mr. Fernandez and Mr. Peters each played a role in the operation of SCS-California; the extent of their roles, however, is disputed. Mot. to Abstain 3-5; Obj. 2-3, ECF No. 110. In brief, Mr. Fernandez asserts that he and Mr. Peters had an oral agreement to form SCS-California with each of them owning half of the company along with an equal split of the net profits. Mot. to Abstain 3-4. In contrast, Mr. Peters contends that he was the sole shareholder of SCS-California and that Mr. Fernandez provided consulting services to SCS-California. Compl. ¶¶ 13-19. According to Mr. Peters, Mr. Fernandez was paid a consulting fee for his services in an amount that equaled half of the net profits SCS-California realized from a client referral made by Mr. Fernandez. Compl. ¶¶ 13-19. The distributions made by SCS-California to Mr. Fernandez were paid to Professional Logistic Services, Inc. (“PLS”), a company that was owned and operated by Mr. Fernandez. Mot. to Abstain 5; Compl. ¶ 19.

Subsequently, on October 30, 2018, another business entity, Home Appliance Solutions, Inc. (“HAS”), was incorporated in Ohio when its Initial Articles of Incorporation were filed with the Ohio Secretary of State. Stip. ¶ 5. Mr. Fernandez and Mr. Peters disagree about the formation and ownership of HAS. Mot. to Abstain 5-7; Compl. ¶ 27. According to Mr. Fernandez, he and Mr. Peters orally agreed to form HAS with each of them owning half of the company and splitting

the net profits equally between the two of them. Mot. to Abstain 5-6. Mr. Peters, however, asserts that he is the sole owner of HAS. Compl. ¶ 27.

Thereafter, Mr. Peters filed a Certificate of Election to Wind Up and Dissolve SCS-California with the California Secretary of State on August 20, 2021. Stip. ¶ 6. Shortly after, Mr. Peters filed a Certificate of Dissolution for SCS-California on September 9, 2021. Stip. ¶ 7. Approximately two months after the dissolution document was filed, SCS-Ohio was formed as an Ohio Domestic Limited Liability Company when its Articles of Organization were filed with the Ohio Secretary of State on November 10, 2021. Stip. ¶ 8. Approximately a month later on December 9, 2021, Mr. Fernandez and PLS (collectively, the “Fernandez Parties”) filed a complaint (the “California Litigation”) in the Superior Court of the State of California in Placer County California (the “State Court”) against Mr. Peters, SCS-California, HAS, and SCS-Ohio (collectively, the “California Defendants”).<sup>5</sup> Stip. ¶ 9.

The complaint filed in the California Litigation indicates that the Fernandez Parties requested declaratory relief and asserted causes of action for breaches of oral contracts, breaches of implied-in-fact contracts, breaches of implied covenant of good faith and fair dealing, imposition of constructive trust, conversion, accounting, and breaches of fiduciary duties. Stip. J. Ex. 7, at 26-42. The California Defendants raised jurisdictional arguments in the California Litigation which ultimately resulted in the Fernandez Parties filing a complaint (the “District Court Litigation”)<sup>6</sup> in the United States District Court for the Southern District of Ohio (the “District Court”) against Mr. Peters, HAS, and SCS-Ohio (collectively the “District Court Defendants”),<sup>7</sup> on September 30, 2022. Stip. ¶ 14. The District Court Defendants filed a motion with the District

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<sup>5</sup> The complaint also referenced DOES 1 through 10 as additional defendants. The California Litigation is identified with the following case number: S-CV-0047718. Stip. ¶ 9.

<sup>6</sup> The District Court Litigation is identified with the following case number: 2:22-cv-3530.

<sup>7</sup> The District Court Litigation also referenced DOES 1 through 10 as additional defendants.

Court requesting that the District Court Litigation be stayed pending resolution of the California Litigation. Stip. ¶ 15. The District Court entered an order on February 28, 2023, granting the request by the District Court Defendants to stay the District Court Litigation. Stip. ¶ 17.

The California Litigation proceeded, and on April 26, 2023, Mr. Peters was deposed. Stip. ¶ 18. The deposition of Mr. Peters is the only deposition that has taken place in the California Litigation; however, some written discovery and production of documents has also occurred. Stip. ¶ 19. Mr. Peters and SCS-California filed a motion for summary judgment in the California Litigation which was denied by the State Court on September 13, 2023. Stip. ¶ 20. On that same day, the State Court dismissed the claims asserted by PLS in the California Litigation pursuant to a motion for judgment on the pleadings that was filed by Mr. Peters and SCS-California. Stip. ¶ 20. Thereafter, the remaining parties involved in the California Litigation agreed on October 4, 2023, to continue the trial in the State Court until July 15, 2024. Stip. ¶ 21. Approximately four months before the scheduled trial in the State Court, SCS-California and SCS-Ohio (collectively the “Debtors”) voluntarily filed for bankruptcy protection. Stip. ¶¶ 22-23.

## **B. Procedural Background**

On March 29, 2024, SCS-Ohio and SCS-California, each filed a voluntary petition for relief under chapter 7 of the Bankruptcy Code. Stip. ¶¶ 22-23. Amy L. Bostic was appointed as the chapter 7 trustee (the “Trustee”) in the Bankruptcy Cases. On January 27, 2025, the Court entered an *Agreed Order Directing Joint Administration of Chapter 7 Cases* that provided for the Bankruptcy Cases to be consolidated for procedural purposes and jointly administered with the lead case being the SCS-California case. Order, ECF No. 82; Stip. ¶ 28.

The Trustee has collected \$109,644.61 (the “Estate Funds”) for the benefit of the estate in the SCS-California case. Tr.’s Ltd. Obj. 2, ECF No. 70. In contrast, the Trustee filed a report of

no distribution in the SCS-Ohio case on October 2, 2024. Stip. ¶ 29. A total of six proofs of claims have been filed in the SCS-California case by the following persons: Mr. Fernandez; Mr. Peters, Mrs. Peters, and HAS (collectively the “Peters Parties); and a proof of claim filed by a bank. Stip. ¶ 26.<sup>8</sup> In the SCS-Ohio case only two persons filed proofs of claims: Mr. Fernandez and Mr. Peters. Stip. ¶ 25. With the exception of the one proof of claim filed by a bank, the proofs of claims that have been filed in the Bankruptcy Cases are held by persons (the “Claimants”) that executed the Stipulation. Stip. ¶ 27.

The Peters Parties filed proofs of claims (i.e., Claim Nos. 3-3, 4-2, and 6-2) in the SCS-California case based on indemnification claims related to the California Litigation. Suppl. Obj. 2, ECF No. 74; Stay Relief Mot. 12, ECF No. 107. Mr. Fernandez filed a proof of claim in each of the Bankruptcy Cases,<sup>9</sup> both of which include an attachment asserting 50 percent ownership interest in SCS-California and indicating that his ownership interest is subject to the California Litigation. *See* Claims Register 5-1, at 4; Case No. 24-51184 Claims Register 2-1 at 4. Copies of the complaints filed in the California Litigation and the District Court Litigation are also attached to the Fernandez Claims as support for the claims. *See* Claims Register 5-1, at 9-25; Case No. 24-51184 Claims Register 2-1 at 9-25.

The Trustee filed an *Omnibus Objection To Claim Numbers 3,4,5, And 6 And Request For Claimants To Seek To Estimate Claims* (Doc. #50) (the “Objection to Claims”) in the SCS-

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<sup>8</sup> The stipulation of facts (the “Stipulation”) appears to inadvertently include PLS as one of the six claimants in the SCS-California case. Stip. ¶ 26. The definition of Fernandez Parties includes PLS, Stip. 1, however, according to the claims register maintained by the clerk of the bankruptcy court, First Citizens Bank & Trust filed claim 1-1, Mrs. Peters filed claim 2-1 and amended claim 4-2, Mr. Peters filed amended claim 3-3, Mr. Fernandez filed claim 5-1, and HAS filed amended claim 6-2. Claims Register.

<sup>9</sup> Mr. Fernandez’s proof of claim in the SCS-California case shall be referred to as the “Fernandez Claim”, and the Fernandez Claim together with his proof of claim filed in the SCS-Ohio case shall collectively be referred to as the “Fernandez Claims.”

California case on October 24, 2024, objecting to four out of the five claims (the “Claims”) that were filed by the Claimants. The Trustee objects to the Claims for the following reasons:

The Claims all relate to and arise out of the pre-petition litigation between Claimants pending both in California and in Federal District Court in Ohio . . . . Because the Claims are filed either in unknown or unliquidated amounts, Trustee cannot complete administration of this case and she cannot pay any claims until the Claims are estimated or otherwise resolved. Trustee does not have sufficient information to allow her to prosecute the estimation of the Claims. Claimants should be compelled to do so if they believe that they have a good faith basis to be paid in this case.

Obj. to Claims 1, ECF No. 50. In addition, Mr. Peters filed a complaint initiating an adversary proceeding (the “Adversary Proceeding”) on November 8, 2024, against Mr. Fernandez by filing a complaint seeking a declaratory judgment regarding the ownership of SCS-California and control of any funds that may be remitted to it in the event there is a surplus after the Trustee makes distributions. Case No. 24-ap-02072, Compl., ECF No. 1. The complaint in the Adversary Proceeding also objects to the Fernandez Claim and requests that it be allowed in a reduced amount. Case No. 24-ap-02072, Compl., ECF No. 1.

### **III. Positions of the Parties**

#### **A. The Fernandez Parties**

In brief, Mr. Fernandez, pursuant to 28 U.S.C. § 1334(c)(1), requests that this Court permissively abstain from making a determination regarding his claims against the Debtors’ bankruptcy estates<sup>10</sup> and allow the California Litigation to proceed in the State Court. Mot. to Abstain, ECF No. 106. Mr. Fernandez contends that state law claims predominate in the dispute

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<sup>10</sup> Mr. Fernandez seems to request that discretionary abstention should apply to the Adversary Proceeding. Any relief that is being requested with respect to the Adversary Proceeding must first be filed in the Adversary Proceeding with proper notice and service on any affected parties. The Court notes that on December 9, 2024, Mr. Fernandez filed a motion to dismiss the Adversary Proceeding or in the alternative a request to stay the Adversary Proceeding which this Court will address in a separate opinion. *See* Mot. to Abstain 1; Case No. 24-ap-02072, Mot. to Dismiss, ECF No. 4. Accordingly, this opinion is limited to the requests for abstention and relief from stay as requested in the Bankruptcy Cases.

between the remaining parties in the California Litigation, and that it was already scheduled for trial. *Id.* 1. Further, allowing the California Litigation to proceed will promote judicial economy because determining the issue of ownership interests of SCS-California in the State Court will also resolve the Adversary Proceeding as well as clarify any claims Mr. Fernandez has against the Debtors. *Id.* 11-13. Moreover, a final judgment in the California Litigation will likely resolve the claims against SCS-California that have been asserted by the Peters Parties. *Id.* In addition, Mr. Fernandez contends that SCS-California engaged in forum shopping when it filed its case before this Court. *Id.*

With respect to their motions for relief from stay, the Fernandez Parties assert that cause exists in the Bankruptcy Cases to grant relief so that they may proceed with the California Litigation. And they further submit that the following factors weigh in favor of granting relief from the automatic stay: (1) judicial economy; (2) the trial readiness of the parties in the California Litigation; (3) the existence of third parties (i.e., Mr. Peters, Mrs. Peters, and HAS) over whom this Court has no jurisdiction and who would not be burdened by the relief from stay; and (4) the expertise of the State Court to decide the unique issues related to the business relationship between the parties, the winding up and dissolution of SCS-California, and the balance of harms. Mot. to Lift Stay 10-14, ECF No. 107.

#### **B. The Debtors, Mr. and Mrs. Peters, and HAS**

The Debtors, Mr. Peters, Mrs. Peters, and HAS (the “Respondents”) all contend that permissive abstention should only be granted in extraordinary circumstances which are not present in these Bankruptcy Cases and that the factors considered by courts in evaluating whether permissive abstention is appropriate weigh against it. Obj. 14-16, ECF No. 110.

With respect to the request for relief from the automatic stay, the Respondents assert that termination of the automatic stay is not appropriate in these Bankruptcy Cases for a number of reasons. *Id.* 8-14. First, the California Litigation will not necessarily resolve all claims against SCS-Ohio, so terminating the automatic stay to allow the California Litigation to proceed does not promote judicial economy. *Id.* 9. Second, Respondents dispute that the California Litigation is ready for trial because the parties still need to complete discovery and obtain a new trial date from the State Court that could be scheduled for a date that is a year or more away. *Id.* 10. Third, preliminary bankruptcy issues must be resolved, namely the Adversary Proceeding that involves similar if not the same conduct and facts as alleged in the California Litigation. *Id.* And finally, the Respondents assert that neither Mr. Fernandez nor PLS can succeed on the merits of their claims. *Id.* 11. PLS cannot succeed because its claims in the California Litigation were dismissed with prejudice. *Id.* And Mr. Fernandez is unlikely to succeed on the merits because he admitted under oath in an unrelated legal proceeding that he had no ownership interest in SCS-California which is in direct contradiction of his position in these Bankruptcy Cases. *Id.* The Respondents further contend that the Fernandez Claim is barred by statute of limitations. *Id.*

The Peters Parties suggest that because they filed proofs of claims (i.e., Claim Nos. 3-3, 4-2, and 6-2) in the SCS-California case for indemnification claims related to the California Litigation and the Fernandez Claim is based on the outcome of the California Litigation, this Court can decide the claims more quickly and efficiently than the State Court. Suppl. Obj. 1-2, ECF No. 74. Further, the Peters Parties contend that a determination regarding the ownership interests of a debtor is a core proceeding that should be decided by a bankruptcy court. Suppl. Obj. 3. And because the Fernandez Claim is dependent on a determination being made regarding whether he is a 50 percent owner of SCS-California, this Court should make that determination not the State

Court. Suppl. Obj. 2-3. For these reasons, the Peters Parties argue that relief from the automatic stay is not appropriate.

### **C. The Chapter 7 Trustee**

The Trustee asserts that the Estate Funds being held by the Trustee for the benefit of creditors in the SCS-California case will be paid in some manner to one or more of the Claimants. Tr.'s Ltd. Obj. to Mot. to Abstain 2, ECF No. 70; Tr.'s Ltd. Obj. to Mot. to Lift Stay, ECF No. 71. And while the Trustee does not specifically object to the request by the Fernandez Parties that the automatic stay be modified to allow them to proceed with the California Litigation, she does object to being compelled to keep the estate for SCS-California open for several years until the California Litigation concludes. *Id.*

## **IV. Legal Analysis**

### **A. Abstention**

Abstention is the doctrine under which a bankruptcy court relinquishes its jurisdiction to a different court or forum to adjudicate a legal matter that could have otherwise been adjudicated in the bankruptcy court. *See* 28 U.S.C. § 1334(c). 28 U.S.C. § 1334(c) governs abstention which has two parts — permissive abstention under § 1334(c)(1) and mandatory abstention under § 1334(c)(2). “Depending upon the legal and factual circumstances, a bankruptcy court either must abstain from hearing a state-law claim (mandatory abstention), 28 U.S.C. § 1334(c)(2), or may abstain (permissive abstention), 28 U.S.C. § 1334(c)(1).” *Lowenbraun v. Canary (In re Lowenbraun)*, 453 F.3d 314, 320 (6th Cir. 2006). “The permissive abstention provisions apply to a proceeding arising under title 11 or arising in or related to a case under title 11 . . . while mandatory abstention applies in a proceeding based upon a State law claim or State law cause of action, related to a case under title 11 but not arising under title 11 or arising in a case under title

11 . . . ." *Giese v. Lexington Coal Co. (In re HNRC Dissolution Co.)*, 761 Fed. App'x 553, 561 n.5 (6th Cir. 2019) (citations and internal quotation marks omitted).

"Congress intended to grant comprehensive jurisdiction to the bankruptcy courts so that they might deal efficiently and expeditiously with all matters connected with the bankruptcy estate[.]" *Celotex Corp. v. Edwards*, 514 U.S. 300, 308. 115 S. Ct. 1493, 131 L. Ed. 2d 403 (1995) (citation and internal quotation marks omitted) (quoting *Pacor, Inc. v. Higgins*, 743 F.2d 984, 994 (3rd Cir. 1984)); *see also* 28 U.S.C. § 1334(b). Federal courts have an obligation to exercise the jurisdiction that has properly been provided to them, and as such, a presumption exists that a federal court will exercise that jurisdiction. *Murray v. Dinsmore & Shohl, LLP (In re Murray Energy Holdings Co.)*, 662 B.R. 604, 633 (Bankr. S.D. Ohio 2024) (citation omitted). "Abstention from the exercise of federal jurisdiction is the exception, not the rule." *Colo. River Water Conservation Dist. v. United States*, 424 U.S. 800, 813, 96 S. Ct. 1236, 47 L. Ed. 2d 483 (1976). Accordingly, the party requesting abstention must show that it is warranted. *See Murray*, 662 B.R. at 633. Mr. Fernandez argues that permissive abstention and not mandatory abstention applies here.

Permissive abstention is provided for in 28 U.S.C. § 1334(c)(1):

Except with respect to a case under chapter 15 of title 11, nothing in this section prevents a district court in the interest of justice, or in the interest of comity with State courts or respect for State law, from abstaining from hearing a particular proceeding arising under title 11 or arising in or related to a case under title 11.

28 U.S.C. § 1334(c)(1). "Permissive abstention is available in a core as well as a non-core proceeding." *Underwood v. United Student Aid Funds, Inc. (In re Underwood)*, 299 B.R. 471, 476 (Bankr. S.D. Ohio 2003) (citation omitted). "The doctrine [of permissive abstention] has two fundamental goals: (1) promoting efficient and fair adjudication of bankruptcy cases . . . and (2) ensuring comity with State courts and respect for State law." *Spradlin v. Pikeville Energy Grp.*,

*LLC*, 2012 U.S. Dist. LEXIS 181696, \*26 (E.D. Ky. Dec. 26, 2012) (citations and internal quotation marks omitted). A determination to abstain rests within the sound discretion of the bankruptcy court. *Underwood*, 299 B.R. at 476. A court's "decision to abstain or not is aided by an analysis of all relevant factors, including a non-exclusive list of thirteen (13) decisional criteria . . . ." *Palltronics, Inc. v. PALIoT Sols., Inc. (In re Lightning Techs., Inc.)*, 647 B.R. 76, 101 (Bankr. E.D. Mich. 2022) (citation omitted). Those thirteen factors consist of the following:

- 1) the effect or lack of effect on the efficient administration of the estate if a court abstains;
- 2) the extent to which state law issues predominate over bankruptcy issues;
- 3) the difficulty or unsettled nature of the applicable state law;
- 4) the presence of a related proceeding commenced in state court or other nonbankruptcy court;
- 5) the jurisdictional basis, if any, other than 28 U.S.C. § 1334;
- 6) the degree of relatedness or remoteness of the proceeding to the main bankruptcy case;
- 7) the substance rather than form of an asserted "core" proceeding;
- 8) the feasibility of severing state law claims from core bankruptcy matters to allow judgments to be entered in state court with enforcement left to the bankruptcy court;
- 9) the burden of this court's docket;
- 10) the likelihood that the commencement of the proceeding in bankruptcy court involves forum shopping by one of the parties;
- 11) the existence of a right to a jury trial;
- 12) the presence in the proceeding of nondebtor parties; and,
- 13) any unusual or other significant factors.

*Nationwide Roofing & Sheet Metal, Inc. v. Cincinnati Ins. Co. (In re Nationwide Roofing & Sheet Metal, Inc.)*, 130 B.R. 768, 780 (Bankr. S.D. Ohio 1991) (citations omitted); *Washtenaw Cnty., Mich. v. Walkley (In re Ottoman)*, 664 B.R. 720, 733 (Bankr. E.D. Mich. 2024); *McDaniel v. ABN AMRO Mortg. Grp.*, 364 B.R. 644, 650 (S.D. Ohio 2007); *Murray v. Dinsmore & Shohl, LLP (In re Murray Energy Holdings Co.)*, 662 B.R. 604, 633 (Bankr. S.D. Ohio 2024). "This non-exclusive list does not require a mechanical application of each factor but provides a starting point for a permissive abstention analysis." *Brothers v. Tremaine (In re Tremaine)*, 188 B.R. 380, 385 (Bankr. S.D. Ohio 1995). In addition, "[c]ourts should apply these factors flexibly, for their relevance and

importance will vary with the particular circumstances of each case, and no one factor is necessarily determinative.” *In re Chicago, Milwaukee, St. Paul & Pac. R.R. Co.*, 6 F.3d 1184, 1189 (7th Cir. 1993). “The standard for abstention is heightened where the proceeding involves the allowance or disallowance of a claim.” *Lebenthal Holdings, LLC v. South St. Sec. Holdings Inc. (In re Lebenthal Holdings, LLC)*, 2018 Bankr. LEXIS 2217, \*12 (Bankr. S.D.N.Y. July 27, 2018).

After considering the relevant factors, this Court finds that the balance of them weigh in favor of this Court retaining jurisdiction and concludes that permissive abstention is not warranted under the circumstances presented. The Court will in turn deal with neutral factors first, factors in favor of abstention second, and factors against abstention lastly.

### **1. Neutral Factors**

The tenth factor regarding forum shopping weighs neutral in the Court’s consideration. Mr. Fernandez argues that SCS-California engaged in forum shopping when it filed bankruptcy in this Court in an attempt to avoid the jury trial in the California Litigation. Mot. to Abstain 12-13; Supp. Br. 2-5. In support of this contention, the Fernandez Parties cite to several filings that have occurred in the California Litigation, the District Court Litigation, and with the California Secretary of State. Suppl. Br. 2-5. In contrast, the Debtors contend that they had legitimate reasons for filing bankruptcy (i.e., “crushing defense costs”). Obj. 16; 24-51184, Obj. 16. In addition, the Debtors argue that in order for the Adversary Proceeding to be filed, they had to file bankruptcy. *Id.* And finally, the Debtors counter with an allegation that it is Mr. Fernandez who is forum shopping by requesting permissive abstention after participating in the Bankruptcy Cases for months prior to filing the request. *Id.* “For forum shopping to become a significant factor in the abstention calculus, it must rise to a level demonstrating an attempt to abuse or manipulate the

judicial process.” *Off. Comm. of Unsecured Creditors of Schlotzsky's, Inc. v. Grant Thornton, L.L.P. (In re Schlotzsky's, Inc.)*, 351 B.R. 430, 436 (Bankr. W.D. 2006). Although Mr. Fernandez waited approximately eight months before filing his request for abstention in the Bankruptcy Cases, that by itself is not evidence of forum shopping. In addition, the Stipulation does not provide sufficient evidence to aid the Court in determining the motive of the Debtors when they chose to file bankruptcy in this Court. Thus, this Court is unable to ascertain whether the Debtors were attempting to abuse or manipulate the judicial process by filing in this Court based on the evidence before it. Therefore, this factor is neutral.

The twelfth factor regarding the presence of nondebtor parties weighs neutral in the analysis of whether this Court should abstain. The import of the presence of nondebtor parties in the proceeding is lessened by the fact that it is unusual for an action to only involve debtors; this suggests that this factor should weigh neutral in the abstention analysis. *See In re Hiefiled*, 2025 Bankr. LEXIS 1240, \*17 (Bankr. D. Or. May 20, 2025) (finding this factor to be neutral and explaining that “[w]ith the rare exception of actions by and between only debtors in the same case, every bankruptcy proceeding necessarily involves one or more nondebtor parties”). After the State Court dismissed certain parties, Mr. Fernandez, SCS-California, and Mr. Peters are the remaining parties involved in the California Litigation, which forms the basis for the Fernandez Claim. Stip. ¶¶ 9, 12-13. The parties involved in the District Court Litigation are SCS-Ohio, Mr. Peters, HAS, Mr. Fernandez, and PLS. *See* Stip. ¶ 14. All but one of the non-debtor parties that are involved in the litigation before the State Court and the District Court have also submitted to the jurisdiction before this Court; that one non-debtor party is PLS. PLS, however, is no longer a party to the California Litigation, nor is it involved in the Objection to Claims or the Adversary Proceeding.

The other non-debtor parties involved have subjected themselves to the dominion of this Court by filing a proof of claim in at least one if not both of the Bankruptcy Cases.

The thirteenth factor regarding any unusual or other significant factors weighs neutral as well. Mr. Fernandez contends that the California Litigation is close to being ready for trial. Mot. to Abstain 1; Case No. 24-51184 Mot. to Abstain 1. In contrast the Respondents argue that the California Litigation was not ready for trial at the time the Bankruptcy Cases were filed and a substantial amount of work remains to be completed before the California Litigation is ready for trial. Obj. 4. According to the Stipulation, the only deposition that was taken with respect to the California Litigation was that of Mr. Peters. Stip. ¶¶ 18-19. In addition, “some written discovery and document productions” have also occurred in the California Litigation. Stip. ¶ 19. The parties’ use of the term “some” to describe the amount of written discovery is too vague for this Court to be able to make a finding about how much discovery has actually taken place in the State Court. Further, the positions of the parties could not be farther apart — one is claiming the California Litigation is trial-ready and the other is claiming that there is substantial work yet to be done to be trial-ready. Considering the contrary positions of the parties on this issue and there being no strong evidence to support either one, the Court views the factor of trial-readiness as neutral in its consideration.

## **2. Factors Favoring Discretionary Abstention**

The fourth factor regarding the presence of a related proceeding commenced in state court or other nonbankruptcy court weighs in favor of abstention. The California Litigation is a related proceeding in the State Court and primarily seeks a determination of what, if any, ownership interest Mr. Fernandez has in SCS-California based on an oral agreement between him and Mr. Peters along with any damages that may have resulted from a breach of that agreement. Claims

Register 5-1, at 4-6; Mot. to Abstain 3-9. The existence of related proceedings in state court favors abstention. *See In re Fruit of the Loom, Inc. v. Magnetek, Inc. (In re Fruit of the Loom, Inc.)*, 407 B.R. 593, 600-601 (Bankr. D. Del. 2009). The existence of related state court proceedings, however, is not weighted heavily by courts. *New Jersey Dep't of Env't. Prot. v. Occidental Chem. Corp. (In re Maxus Energy Corp.)*, 560 B.R. 111, 126 (Bankr. D. Del. 2016) (citation omitted).

The fifth factor as to whether any jurisdictional basis other than 28 U.S.C. § 1334 exists favors abstention. The only jurisdictional basis for this Court to render a decision regarding the claims set forth in the complaint filed in the California Litigation through the claims' objection process and/or the Adversary Proceeding is 28 U.S.C. § 1334. Abstention is appropriate when the "jurisdictional basis rests solely upon 28 U.S.C. § 1334." *Fruit of the Loom*, 407 B.R. at 601 (determining that abstention is favored when "[t]here is no federal question jurisdiction pursuant to 28 U.S.C. § 1331, and there is no diversity jurisdiction under 28 U.S.C. § 1332").

### **3. Factors Weighing Against Discretionary Abstention**

The first factor regarding efficient administration of the estate favors this Court retaining jurisdiction and resolving the issues related to the ownership interests of SCS-California in this Court. When considering how abstention will affect the efficient administration, the court must "focus on the essential purpose of [the] bankruptcy proceeding . . ." *Diocese of Buffalo, N.Y. v. Cont'l Ins. Co. (In re Diocese of Buffalo, N.Y.)*, 616 B.R. 10, 12 (Bankr. W.D.N.Y. 2020). "The purpose of a Chapter 7 bankruptcy is to allow a trustee to investigate the assets and liabilities of the debtor, collect any assets which have value over and above the amount of any debts secured by the assets, and liquidate those assets and make distributions to creditors." *HRN Grp., LLC v. Wells Fargo Bank (In re HRN Grp., LLC)*, 2019 Bankr. LEXIS 3505, \*5 (Bankr. N.D. Ga. Nov. 13, 2019). Further, because a corporate chapter 7 debtor does not receive a discharge, the fresh-

start considerations that are usually afforded other debtors are inapplicable; thus, the only real purpose of a corporate chapter 7 case is “the fair and orderly liquidation of corporate assets to creditors . . . .” *In re Am. Telecom Corp.*, 304 B.R. 867, 870 (Bankr. N.D. Ill. 2004). Only six proofs of claims were filed in the SCS-California case, and five of those claims were filed by the Claimants who are either supporting or opposing the relief requested by the Fernandez Parties (i.e., permissive abstention and relief from automatic stay). Stip. ¶ 26.

The Trustee in the SCS-California case is in possession of the Estate Funds, but she cannot make any distributions to the creditors who have filed proofs of claims until a decision is made regarding the Objection to Claims and the Adversary Proceeding, which are directly related to a resolution of the California Litigation. Abstention will impact the efficient administration of the estate because doing so necessarily means this Court relinquishes its ability to ensure that the Objection to Claims and the Adversary Proceeding are progressing in a timely manner toward a final judgment or resolution. In addition, if this Court were to abstain, the administration of the estate would come to a standstill while waiting for an outcome from the State Court. *See Harker v. Eastport Holdings, LLC (In re GYPC, Inc.)*, 2020 Bankr. LEXIS 757, \*9 (Bankr. S.D. Ohio Feb. 19, 2020) (holding that abstention “would only inefficiently lengthen the time that assets will be able to be distributed to creditors”).

The resolution of the issues presented in the California Litigation is inextricably intertwined with the administration of the bankruptcy estate considering the Fernandez Claim; one cannot be resolved without the other. And forcing the Trustee to wait for the California Litigation to conclude would impede her ability to efficiently administer the estate. Moreover, abstention would prevent this Court from being able to oversee and “ensure the expeditious resolution of the rights of all parties in interest” so that the Trustee may conclude her administration in a timely

manner. *Diocese of Buffalo*, 616 B.R. at 12. Allowance or disallowance of the Fernandez Claim and resolution of the Adversary Proceeding are critical to the administration of the bankruptcy estate for SCS-California, and this Court is the most efficient forum for making those determinations. Accordingly, this factor weighs against abstention.

The second and third factors relating to the dominance of state law issues and whether the state law issues are complex favor this Court retaining jurisdiction. The Fernandez Claims include an attachment asserting Mr. Fernandez's 50 percent ownership interest in SCS-California and that his ownership interest is subject to the California Litigation. *See* Claims Register 5-1, at 4; Case No. 24-51184 Claims Register 2-1 at 4. A copy of the complaint filed in the California Litigation is also attached to the Fernandez Claims as support for the claims. *See* Claims Register 5-1, at 9-25; Case No. 24-51184 Claims Register 2-1 at 9-25. The Fernandez Parties in the California Litigation seek declaratory relief and assert causes of action for breaches of oral contracts, breaches of implied-in-fact contracts, breaches of implied covenant of good faith and fair dealing, imposition of constructive trust, conversion, accounting, and breaches of fiduciary duties, all of which are state law issues. Stip. J. Ex. 7, at 26-42; Mot. to Abstain 12. The fact that the Fernandez Claims are based on state law, however, is not by itself determinative of whether this Court should abstain. *See Lebenthal Holdings, LLC v. South St. Sec. Holdings Inc. (In re Lebenthal Holdings, LLC)*, 2018 Bankr. LEXIS 2217, \*13 (Bankr. S.D.N.Y. July 27, 2018) (“While state law issues predominate, the contract law issues are not difficult or unsettled, and are the type of issues that this Court regularly adjudicates.” (citation omitted)). Discretionary abstention is disfavored when “there is no suggestion that the state law issues . . . are unique, unsettled, or difficult.” *Lindsey v. Dow Chem. Co. (In re Dow Corning Corp.)*, 113 F.3d 565, 571 (6th Cir. 1997) (citation omitted); *see Williams v. Assocs. Fin., Inc. (In re Williams)*, 88 B.R. 187, 190 (Bankr. N.D. Ill. 1988)

(“[C]ourts have continued to find that abstention is best where there are novel or unsettled questions of state law to be decided.” (citation omitted)).

The Fernandez Parties have not identified any unsettled state law issues that are present in the California Litigation, nor have they indicated that the state law issues are challenging or why this Court cannot resolve the issues presented. In fact, the Fernandez Parties concede that this Court is competent to determine the state law issues in this case. *See* Suppl. Br. 5 (“The central issue before this Court is not whether it is competent to adjudicate the California state-law claim but, rather, whether the Court has the jurisdiction to do so (in full or in part) and whether it makes sense—considering the equities and the totality of the circumstances—for this Court to do so.”). A bankruptcy court “can, and regularly does, decide state law questions . . .” *Noll v. Noll (In re Noll)*, 2022 Bankr. LEXIS 1165, \*13 (Bankr. W.D. Tex. April 28, 2022); *In re Residential Capital, LLC*, 2015 Bankr. LEXIS 2581, \*45 (Bankr. S.D.N.Y. Aug. 4, 2015) (“This Court regularly adjudicates state law issues in resolving claims objections and [movant] has not identified any compelling reason why this Court is not able to do so in resolving the Objection to its Claims”). Therefore, the fact that state law predominates in the Fernandez Claims and the Adversary Proceeding, without more, does not weigh in favor of abstention in these cases. *See Williams v. Assocs. Fin., Inc. (In re Williams)*, 88 B.R. 187, 190 (Bankr. N.D. Ill. 1988) (“[T]he mere presence of state law issues does not alone mandate bankruptcy court abstention.” (citation omitted)).

The sixth factor regarding the relatedness or remoteness of the proceeding to the main bankruptcy case weighs against abstention. The California Litigation and whether Mr. Fernandez has an ownership interest in SCS-California is part of the basis for the Fernandez Claims in the Bankruptcy Cases. *See* Claims Register 5-1, at 4; Case No. 24-51184 Claims Register 2-1 at 4. The Trustee cannot make a distribution in the SCS-California case until there is a resolution to the

Objection to Claims and/or the Adversary Proceeding. *See* Tr.'s Ltd. Obj. to Mot. to Abstain 2, ECF No. 70; Tr.'s Ltd. Obj. to Mot. to Lift Stay, ECF No. 71. The issues and claims asserted in the California Litigation are inextricably intertwined with the Objection to Claims and the Adversary Proceeding because the resolution of one essentially resolves, at least in part, the others. Consequently, the outcome of the claims asserted in the California Litigation and the Fernandez Claims is central to these Bankruptcy Cases and has the potential to have a significant impact on the administration of the cases. Thus, the relatedness of the California Litigation to the main bankruptcy cases does not favor abstention. *See In re Fruit of the Loom, Inc. v. Magnetek, Inc. (In re Fruit of the Loom, Inc.)*, 407 B.R. 593, 601 (Bankr. D. Del. 2009) (finding that abstention is favored when the proceeding “does not inextricably intertwine it with the main bankruptcy case” (citation omitted)).

The seventh factor regarding the substance over form of an asserted core proceeding favors this Court retaining jurisdiction. As stated previously, the Fernandez Claim is based on the same claims raised against SCS-California in the California Litigation. *See* Claims Register 5-1 at 4-25. And, although the California Litigation is based entirely on state law causes of action, it was transformed into a core proceeding when the Fernandez Claim was filed in the SCS-California case.

Allowance or disallowance of claims against the estate is an enumerated core proceeding upon which bankruptcy courts may hear and determine on a final basis, and courts have consistently found that the filing of a proof of claim which asserts the same claims raised against a debtor in a prepetition state court action transforms the state court action into a core proceeding.

*La. Dep't of Env't Quality v. Tidewater Landfill, LLC (In re Tidewater Landfill, LLC)*, 2024 Bankr. LEXIS 2143, \*15-16 (Bankr. E.D. La. September 13, 2024) (quotation marks omitted) (listing cases). “A state law action and proof of claim are similar when the bankruptcy case and state law

action are so intertwined that the resolution of the state law claim affects the allowance or disallowance of claims.” *Kurz v. EMAK Worldwide, Inc.*, 464 B.R. 635, 643 (D. Del. 2011) (citation omitted). The Fernandez Claim attached a copy of the complaint that was filed in the California Litigation as the basis for the debt owed. This exhibits that the issues presented in the California Litigation and the Fernandez Claim are similar, if not identical. Further, the resolution of the claims asserted in the California Litigation must be decided before the Trustee can proceed with the Objection to Claims and administration of the Bankruptcy Cases. Consequently, the Fernandez Claim and the Bankruptcy Cases are so intertwined that the resolution of the California Litigation clearly affects the allowance or disallowance of claims. *See Kurz*, 464 B.R. at 643. Therefore, this factor weighs strongly against abstention.

The eighth factor regarding the feasibility of severing state law claims from core bankruptcy matters does not weigh in favor of abstention. The Fernandez Claim and the Objection to Claims coupled with the relief requested in the Adversary Proceeding filed by Mr. Peters all raise similar if not the same state law issues that arise from common facts. And as previously discussed, when Mr. Fernandez filed the Fernandez Claim, his state law claims transformed into a core proceeding in this Court. Consequently, severing the state law claims from the core bankruptcy matters would not be feasible because the state law claims are one and the same as the core bankruptcy proceeding; once the proof of claim was filed, severance was no longer possible. Abstention is not favored if severing state law claims from core bankruptcy matters is not feasible. *See Bavelis v. Doukas (In re Bavelis)*, 453 B.R. 832, 882 (Bankr. S.D. Ohio 2011). This factor favors this Court retaining jurisdiction.

The ninth factor regarding the burden on this Court’s docket does not favor abstention. As with most courts, this Court has an active and busy docket. Nonetheless, this Court could hear the

matter timely once the parties are ready to proceed. Mr. Fernandez has not presented any evidence to suggest that a trial on the matters would present extraordinary circumstances such that it would differ greatly from what this Court hears in the normal course of its proceedings in other bankruptcy cases before it. As such, conducting a trial in this matter would not be an undue burden, especially in light of this Court’s “obligation to exercise the jurisdiction that has properly been provided to [it] . . . .” *Murray v. Dinsmore & Shohl, LLP (In re Murray Energy Holdings Co.)*, 662 B.R. 604, 633 (Bankr. S.D. Ohio 2024) (citation omitted); *see also Harker v. Eastport Holdings, LLC (In re GYPC, Inc.)*, 2020 Bankr. LEXIS 757, \*14 (Bankr. S.D. Ohio Feb. 19, 2020) (“While this court has a substantial docket, it will not abstain from a proceeding within its jurisdiction to decrease any potential burden because it is the responsibility of this court to adjudicate issues that are properly before it and not to abstain.” (quotation marks and citation omitted)).

The eleventh factor regarding the right to a jury trial does not support abstention under the facts of these Bankruptcy Cases because Mr. Fernandez filed a proof of claim in the SCS-California and SCS-Ohio cases. Once a creditor files a proof of claim in a bankruptcy case, it forfeits its right to a trial by jury. *See Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 57-58, 109 S. Ct. 2782, 106 L. Ed. 2d 26 (1989) (clarifying that the right to a jury trial turns “on the bankruptcy court’s having actual or constructive possession of the bankruptcy estate and its power and obligation to consider objections by the trustee in deciding whether to allow claims against the estate” (citation and internal quotation marks omitted)).

To determine whether a party has submitted itself to the equitable jurisdiction of the bankruptcy court, the relevant inquiry is whether the party has submitted a claim against the bankruptcy estate, thereby subjecting itself to the bankruptcy court’s equitable power to allow or disallow claims. *See Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 59 n.14, 109 S. Ct. 2782, 106 L. Ed. 2d 26 (1989). Once a party has triggered this process of allowance and disallowance of claims, that party has

subjected itself to the bankruptcy court's equitable jurisdiction and thus can no longer demand a right to a trial by jury.

*SNA Nut Co. v. Haagen-Dazs Co.*, 302 F.3d 725, 730 (7th Cir. 2002) (citation omitted). “A creditor who offers proof of his claim, and demands its allowance, subjects himself to the dominion of the court, and must abide the consequences.” *Wiswall v. Campbell*, 93 U.S. 347, 351, 23 L. Ed. 923 (1876). Mr. Fernandez made a conscious decision to participate in the distributional process of the Bankruptcy Cases when he filed the Fernandez Claims. As such, Mr. Fernandez has forfeited his right to a jury regarding the claims asserted in the California Litigation. Accordingly, having considered and balanced the various factors as set forth above, the Court concludes that abstention is not warranted here.

### **B. Relief from the Automatic Stay**

In the alternative or in conjunction with abstention, the Fernandez Parties request relief from the automatic stay to allow them to proceed with the California Litigation. Mot. to Lift Stay 1, ECF No. 107; Case No. 24-51184, Mot. to Lift Stay 1, ECF No. 43. The Fernandez Parties argue that cause exists to grant relief from the automatic stay on the bases that the Bankruptcy Cases were not filed in good faith and the State Court is the more appropriate forum for the California Litigation. *Id.* 11 U.S.C. § 362(d)(1) provides that “[o]n request of a party in interest and after notice and a hearing, the court shall grant relief from the stay . . . for cause[.]” The “party seeking relief from the automatic stay bears the initial burden of establishing a *prima facie* case for cause. Once the movant meets this burden, the burden shifts to the debtor to demonstrate that there is no cause for relief.” *Int'l Unions, Sec., Police & Fire Pros. of Am. v. Maritas (In re Maritas)*, 664 B.R. 670, 674 n.2 (Bankr. W.D. Penn. 2024) (citation omitted). “Cause may be shown if the equities of a particular case dictate that a lawsuit should proceed in another forum other than the bankruptcy court for the purpose of liquidating the claim on which the lawsuit is

premised.” *Looby v. Yuka Oh (In re Yuka Oh)*, 2020 Bankr. LEXIS 1207, \*13 (Bankr. S.D. Ohio March 31, 2020). A determination as to whether to grant relief from the automatic stay “resides within the sound discretion of the bankruptcy court.” *Garzoni v. K-Mart Corp. (In re Garzoni)*, 35 F. App’x 179, 181 (6th Cir. 2002) (citations omitted).

When considering whether cause exists to grant relief from the automatic stay to permit a creditor to continue to pursue its pending litigation in a forum other than the bankruptcy court, the court should consider the following factors: “1) judicial economy; 2) trial readiness; 3) the resolution of preliminary bankruptcy issues; 4) the creditor’s chance of success on the merits; and 5) the cost of defense or other potential burden to the bankruptcy estate and the impact of the litigation on other creditors.” *Garzoni*, 35 F. App’x at 181 (citation omitted). For many of the same reasons the Court determined that abstention was not warranted, it also determines that the request for relief from the automatic stay to permit the California Litigation to proceed in the State Court is not appropriate.

### **1. Judicial Economy and Trial Readiness**

The Fernandez Parties did not show how permitting the California Litigation to proceed in the State Court will promote judicial economy. “Principles of judicial economy require that, without good reason, judicial resources should not be spent by duplicitous litigation, and that a lawsuit should only be tried once, that is if one forum with jurisdiction over all parties is available to dispose of all issues relating to the lawsuit.” *In re Marvin Johnson’s Auto Serv.*, 192 B.R. 1008, 1015 (Bankr. N.D. Ala. 1996) (citations omitted). In these Bankruptcy Cases, litigation is currently pending in the State Court and the District Court. Stip. ¶¶ 9, 14. The State Court does not have jurisdiction over HAS and SCS-Ohio. Stip. ¶¶ 12-14. The State Court dismissed all of the claims asserted by PLS in the California Litigation, so PLS is no longer a party to that suit.

Stip. ¶ 20, J. Ex. 17. PLS, however, is a named plaintiff in the District Court Litigation, and according to the caption of the complaint filed in the District Court, the parties involved in the District Court Litigation are Mr. Fernandez, PLS, Mr. Peters, HAS, and SCS-Ohio. Stip. ¶ 14, J. Ex. 12 at 134. Accordingly, the District Court has jurisdiction over PLS, Mr. Fernandez, Mr. Peters, HAS, and SCS-Ohio. Stip. ¶¶ 14-17. This Court has jurisdiction over all of the remaining parties (i.e., Mr. Fernandez, Mr. Peters, and SCS-California) in the California Litigation because of them being either a debtor or a creditor who has filed a proof of claim in the Bankruptcy Cases. Stip. ¶¶ 9, 22, 23, 26. This Court, however, may not have jurisdiction over PLS as it has not filed a proof of claim. Stip. ¶¶ 25-26. Consequently, no forum exists which would have jurisdiction over all the parties that are involved in the California Litigation and the District Court Litigation such that the risk of duplicative litigation is eliminated. Depending on the outcome of the California Litigation if it was permitted to continue in the State Court, parties could find themselves still having to litigate related issues in the District Court and here in the bankruptcy Court — three different fora; such a result does not promote judicial economy. If, however, this Court declines to abstain, the parties, at most, would have to litigate in two fora. Given these two options, this factor weighs in favor of not lifting the automatic stay.

The Fernandez Parties further contend that “*Stern* issues . . . are going to arise relating to any litigation in this Court, requiring this dispute to go, at least in part, back to the District Court.” Suppl. Br. 5, ECF No. 109. The Fernandez Parties do not expand on this conclusory statement nor do they provide any specificity as to what the alleged *Stern* issues would be, or what the state law counterclaim would be and why it would not be resolved in the claims allowance process. *See Stern v. Marshall*, 564 U.S. 462, 503 (2011) (“The Bankruptcy Court below lacked the

constitutional authority to enter a final judgment on a state law counterclaim that is not resolved in the process of ruling on a creditor's proof of claim.") The Sixth Circuit further explained that

*Stern* thus provides a summary of the law in this area: When a debtor pleads an action under federal bankruptcy law and seeks disallowance of a creditor's proof of claim against the estate—as in *Katchen*—the bankruptcy court's authority is at its constitutional maximum. 131 S. Ct. at 2617-18. But when a debtor pleads an action arising only under state-law, as in *Northern Pipeline*; or when the debtor pleads an action that would augment the bankrupt estate, but not "necessarily be resolved in the claims allowance process[,"] 131 S. Ct. at 2618; then the bankruptcy court is constitutionally prohibited from entering final judgment. *Id.* at 2614.

*Waldman v. Stone*, 698 F.3d 910, 919 (6th Cir. 2012). Without more explanation as to how *Stern* issues would be implicated in these Bankruptcy Cases, the Court deems this argument waived.

*McPherson v. Kelsey*, 125 F.3d 989, 995-996 (6th Cir. 1997) ("Issues adverted to in a perfunctory manner, unaccompanied by some effort at developed argumentation, are deemed waived. It is not sufficient for a party to mention a possible argument in the most skeletal way, leaving the court to . . . put flesh on its bones.") (quoting *Citizens Awareness Network, Inc. v. United States Nuclear Regul. Comm'n*, 59 F.3d 284, 293-94 (1st Cir. 1995)). Assuming this is true, and the parties would have to go to District Court to litigate certain issues that this Court cannot finally determine under *Stern*, this still leaves the parties to litigate in only two fora as opposed to three if the California Litigation were permitted to continue in the State Court. The Fernandez Parties have not presented sufficient evidence to show that judicial economy is promoted by allowing the California Litigation to proceed in the State Court.

Furthermore, "[w]hen it comes to judicial economy and trial readiness, '[w]here the stayed non-bankruptcy litigation has reached an advanced stage, courts have shown a willingness to lift the stay to allow the litigation to proceed.'" *Est. of Lewis v. Anderson (In re Anderson)*, 2025 Bankr. LEXIS 1281, \*47 (Bankr. S.D. Ohio May 19, 2025) (quoting *IBM v. Fernstrom Storage & Van Co. (In re Fernstrom Storage & Van Co.)*, 938 F.2d 731, 737 (7th Cir. 1991)). As previously

noted, there is insufficient evidence to demonstrate the trial-readiness of the California Litigation and whether it has progressed to any substantial degree in the State Court. According to the Stipulation, some discovery has occurred, however, it fails to expressly indicate how much more discovery is contemplated or needed by the Fernandez Parties and the Peters Parties to be trial-ready. Stip. ¶¶ 18-19. Further, there is no evidence before the Court to support a finding that allowing the California Litigation to proceed in the State Court would be more efficient than this Court determining the Fernandez Claim. No evidence has been presented that the State Court's docket is more or less congested than this Court's docket. *See* Stip. ¶¶ 1-30. Additionally, continuation of the California Litigation in the State Court would likely take longer than if this Court tried the matter because of the demand for a jury trial in the State Court. *See Noll v. Noll (In re Noll)*, 2022 Bankr. LEXIS 1165, \*14 (Bankr. W.D. Tex. 2022) ("Non-jury trials by their nature proceed quicker than jury trials, which will allow this Court to proceed quicker than the State Court (where [plaintiff] has a pending jury-trial demand).").

The factors of judicial economy and trial readiness do not support lifting the automatic stay. The risk of duplicative litigation appears to be greater if this Court were to abstain because none of the fora would have jurisdiction over all the parties that are involved in the litigation. Further, there is insufficient evidence for the Court to resolve the trial-readiness of the California Litigation.

## **2. Resolution Of Preliminary Bankruptcy Issues**

The Fernandez Parties contend that there are no preliminary bankruptcy issues that need to be resolved prior to relief from the automatic stay being granted. Reply to Obj. 8, ECF No. 108; Case No. 24-51184, Reply to Obj. 8, ECF No. 44. The Respondents counter that the Adversary Proceeding needs to be resolved before it would be appropriate to grant relief from the automatic

stay. Obj. 10. The Adversary Proceeding seeks a declaratory judgment regarding the ownership of SCS-California and control of any funds that may be remitted to it in the event there is a surplus after the Trustee makes distributions; the complaint in the Adversary Proceeding also objects to the Fernandez Claim and requests that it be allowed in a reduced amount. Case No. 24-ap-02072, Compl., ECF No. 1. Even if no preliminary bankruptcy issues need to be resolved, this factor does not favor lifting the automatic stay if a determination regarding the allowance or disallowance of a creditor's claim remains because that is "central to the final adjustment to the debtor-creditor relationship." *In re Teal Props.*, 2023 Bankr. LEXIS 2311, \*8 (Bankr. Tenn. Sept. 20, 2023) (citation omitted). The Objection to Claims and the Adversary Proceeding both involve the allowance or disallowance of claims. Accordingly, this factor weighs against lifting the automatic stay.

### **3. The Creditor's Chance Of Success On The Merits**

The Respondents contend that Mr. Fernandez is unlikely to succeed on most of the merits in the California Litigation because the doctrine of judicial estoppel and the applicability of a two year statute of limitations will prevent him from succeeding. Obj. 11. And they further argue that PLS cannot succeed on the merits because the State Court dismissed its claims in the California Litigation. Obj. 11. In comparison, the Fernandez Parties argue that they will be successful on the merits because PLS continues to have viable claims against SCS-Ohio and HAS based on the District Court Litigation and the statute of limitations is inapplicable. Reply to Obj. 8-9. "A bankruptcy court is not required to be clairvoyant regarding the movant's chance of success on the merits when determining whether to lift the automatic stay." *Hornback v. Polylok, Inc. (In re Hornback)*, 2021 Bankr. LEXIS 3167, \*13 (6th Cir. B.A.P. Nov. 16, 2021). This factor weighs neutral because, as noted previously, the Court has insufficient evidence for determining how trial-

ready the California Litigation is, and as a result, cannot possibly determine whether Mr. Fernandez is likely to be successful on the merits in the California Litigation. *See In re Motil*, 2022 Bankr. LEXIS 2432, \*7 (Bankr. N.D. Ohio Sept. 1, 2022) (“Given the stage of litigation in both this Court and the state court actions, this Court is in no position to assess whether the creditors are likely to prevail on their claims.” (citation omitted)).

#### **4. The Cost Of Defense Or Other Potential Burden To The Bankruptcy Estate And The Impact Of The Litigation On Other Creditors**

The Respondents argue that SCS-California incurred \$80,000 in costs defending the California Litigation prior to the Bankruptcy Cases being filed, and if the California Litigation is permitted to proceed in the State Court, the estate will incur substantial costs. Obj. 12. Conversely, the Fernandez Parties contend that denying relief from the automatic stay to proceed with the California Litigation will increase administrative expenses for the estate because the Trustee will be involved in the litigation if it remains in this Court. Reply to Obj. 9. The Court has already noted that the potential burden to the bankruptcy estate and impact on other creditors could be significant if the California Litigation continues in the State Court. The Trustee will have to wait until a final judgment is rendered by the State Court which will delay her ability to make distributions in the SCS-California case. Similarly, the creditors in the SCS-California case will have to wait to receive any payment on their claims until the State Court makes a ruling. After all of that time, the parties still have to come back to this Court to deal with the Objection to Claims and the conclusion of the Adversary Proceeding. This factor weighs against lifting the automatic stay.

And finally, the Fernandez Parties contend that the automatic stay should be lifted because the Bankruptcy Cases were filed in bad faith. As acknowledged by the Fernandez Parties, establishing the lack of good faith is a fact-intensive inquiry. Mot. to Lift Stay 11; *see also In re*

*Okoreeh-Baah*, 836 F.2d 1030 (6th Cir. 1988) (discussing good faith factors in chapter 13 context). Such an inquiry cannot be determined easily, if at all, based on arguments in pleadings without evidence to support same. The record before the Court is insufficient for it to make a finding regarding the lack of good faith in filing the Bankruptcy Cases. For all these reasons, the Court finds that the Fernandez Parties did not make an initial showing of cause for granting relief from the automatic stay and thus did not satisfy their burden of proof.

### **C. Equitable Estoppel**

There are disputes between the parties as to the issue of equitable estoppel. The Respondents contend that the Fernandez Parties are equitably estopped from requesting abstention and relief from the automatic stay on the basis that Mr. Fernandez's conduct in the Bankruptcy Cases has implied that this Court was the appropriate forum for resolving the issues between the parties. Obj. 6-7. They argue that because Mr. Fernandez filed proofs of claims in the Bankruptcy Cases and a motion requesting a Rule 2004 examination in the SCS-California case, such conduct was indicative of Mr. Fernandez and the Fernandez Parties' desire and need for the SCS-California case to proceed instead of being held in abeyance pending the outcome of the California Litigation. *Id.* In return, the Fernandez Parties assert that they have concerns about the Bankruptcy Case filings, and that their actions and statements in these Bankruptcy Cases have always been consistent. Reply to Obj. 4. The Fernandez Parties contend that they never represented to any other party that they believed the Adversary Proceeding was proper. *Id.* The factual dispute between the parties cannot be any farther from one another, and the Stipulation does not provide any evidence to aid this Court in making any findings regarding same. *See* Stip. ¶¶ 1-30. Accordingly, the Court cannot decide the equitable estoppel argument due to insufficient evidence in support of same.

Moreover, having concluded that neither abstention nor relief from the automatic stay is appropriate, this Court declines to reach the merits of the equitable estoppel argument because it is not necessary. “Under the principle of judicial restraint, the Court need not decide more issues than are necessary to dispose of the matter before the Court.” *In re Nwosu*, 667 B.R. 844, 861 (Bankr. S.D. Ohio 2025) (citing *United States v. Henderson*, 2 F.4th 593, 597 (6th Cir. 2021)).

#### **V. Conclusion**

For all these reasons, the Court finds that neither permissive abstention nor relief from the automatic stay is warranted in these Bankruptcy Cases.

Therefore, **IT IS ORDERED** that in Case No. 24-51184, *In re SCS Logistics LLC*, the *Motion Of Creditor Roy Fernandez For Permissive Abstention* (Doc. #27) and the *Redline Motion Of Creditor Roy Fernandez For Permissive Abstention [Doc. #27]* (Doc. # 42) and the *Motion Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From The Automatic Stay* (Doc. #28) and the *Redline Motion Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From The Automatic Stay [Doc. #28]* for (Doc. #43) are DENIED. It is further,

**ORDERED** that in Case No. 24-51185, *In re SCS Logistics Inc.*, the *Motion Of Creditor Roy Fernandez For Permissive Abstention* (Doc. #61) and the *Redline Motion Of Creditor Roy Fernandez For Permissive Abstention [Doc. 61]* (Doc. #106) and the *Motion Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From The Automatic Stay* (Doc. #63) and the *Redline Motion Of Creditors Roy Fernandez And Professional Logistic Services, Inc. For Relief From The Automatic Stay [Doc. #63]* (Doc. #107) are DENIED.

**IT IS SO ORDERED.**

Service List:

Default List

Matthew T. Schaeffer