

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF
CALIFORNIA

Southstate Bank, N.A. v. Capital Air Tool Systems, Inc. and Curtis
Dahmen

Southstate Bank · No. 2:25-cv-1970 DAD AC · Decided December 16, 2025

SUMMARY

The document is a magistrate judge’s findings and recommendations on Southstate Bank’s motion for default judgment against Capital Air Tool Systems, Inc. and Curtis Dahmen in an action arising from a defaulted loan, guarantee, and security agreement. It recommends awarding \$594,415.73 after accounting for the estimated value of collateral and authorizing foreclosure and recovery of specified personal property. The recommendations were dated December 16, 2025, and were subject to objections under 28 U.S.C. § 636(b)(1).

CASE DETAILS

COURT	United States District Court for the Eastern District of California
WRITING FOR THE COURT	Allison Claire
JURISDICTION	United States District Court for the Eastern District of California
DECIDED	December 16, 2025
DOCKET	2:25-cv-1970 DAD AC
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff moved for default judgment after the Clerk entered default against both defendants. The magistrate judge issued findings and recommendations recommending that the motion be granted and judgment entered, subject to review by the assigned district judge.
STANDARD OF REVIEW	Default judgment under Federal Rule of Civil Procedure 55 is committed to the district court's discretion and is evaluated under the seven Eitel factors. Well-pleaded liability allegations are accepted as true after default, but damages must be established independently.
PRECEDENTIAL VALUE	nonprecedential
PARTIES	Southstate Bank, N.A.

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QUESTIONS PRESENTED

1. Whether default judgment should be entered under Federal Rule of Civil Procedure 55 after defendants failed to appear or defend.
2. Whether the complaint's well-pleaded allegations sufficiently established defendants' liability on the note, guarantee, and security agreement.
3. What damages and collateral-related relief should be included in the recommended judgment.

HOLDINGS

1. Default judgment should be granted because the Eitel factors favor entry of judgment against defendants who were properly served, failed to defend, and remain in default.
2. Defendants' default establishes the well-pleaded factual allegations concerning liability, but does not establish damages or legally insufficient claims.
3. The recommended judgment should award \$594,415.73 in damages after deducting the estimated \$30,000 value of the collateral, foreclose plaintiff's security interests, and authorize immediate possession of the collateral.

KEY QUOTATIONS

“A defendant’s default does not automatically entitle the plaintiff to a court-ordered judgment.” (at 3)

“Although well-pleaded allegations in the complaint are admitted by a defendant’s failure to respond, “necessary facts not contained in the pleadings, and claims which are legally insufficient, are not established by default.”” (at 4)

“A party’s default conclusively establishes that party’s liability, although it does not establish the amount of damages.” (at 4)

FACTUAL BACKGROUND

Capital Air Tool Systems, Inc. executed a \$515,100 note with Atlantic Capital Bank, N.A., secured by a loan and security agreement covering personal property, including a 2015 RAM vehicle. Curtis Dahmen guaranteed the loan. Southstate Bank became the successor-in-interest to the note and related security documents after a merger, and defendants allegedly defaulted beginning in December 2022 and failed to cure after receiving a demand letter. Defendants were served but did not appear or respond, and the Clerk entered default against them.

PROCEDURAL HISTORY

Southstate Bank filed a diversity action on July 15, 2025, arising from defendants' alleged default on a promissory note, guarantee, and security agreement. Defendants were served, failed to appear or defend, and were found in default by the Clerk on August 19, 2025. Plaintiff then moved for default judgment, and the magistrate judge recommended granting the motion and awarding reduced damages after accounting for the estimated value of collateral.

DISPOSITION

other

CASES CITED

- PepsiCo, Inc. v. Cal. Sec. Cans, 238 F. Supp. 2d 1172, 1174, 1175, 1177 (C.D. Cal. 2002)
- Draper v. Coombs, 792 F.2d 915, 924-25 (9th Cir. 1986)
- Aldabe v. Aldabe, 616 F.2d 1089, 1092 (9th Cir. 1980)
- Eitel v. McCool, 782 F.2d 1470, 1471-72 (9th Cir. 1986)
- TeleVideo Sys., Inc. v. Heidenthal, 826 F.2d 915, 917-18 (9th Cir. 1987) (per curiam)
- Geddes v. United Fin. Group, 559 F.2d 557, 560 (9th Cir. 1977) (per curiam)
- Fair Housing of Marin v. Combs, 285 F.3d 899, 906 (9th Cir. 2002)
- Cripps v. Life Ins. Co. of N. Am., 980 F.2d 1261, 1267 (9th Cir. 1992)
- Danning v. Lavine, 572 F.2d 1386, 1388 (9th Cir. 1978)
- DIRECTV, Inc. v. Huynh, 503 F.3d 847, 854 (9th Cir. 2007)
- Abney v. Alameida, 334 F. Supp. 2d 1221, 1235 (S.D. Cal. 2004)
- Adriana Int'l Corp. v. Thoeren, 913 F.2d 1406, 1414 (9th Cir. 1990)
- Elektra Entertainment Group Inc. v. Crawford, 226 F.R.D. 388, 393 (C.D. Cal. 2005)
- Philip Morris USA, Inc., 219 F.R.D. 500
- Craigslist, Inc. v. Naturemarket, Inc., 694 F. Supp. 2d 1039, 1061 (N.D. Cal. 2010)
- Turner v. Duncan, 158 F.3d 449, 455 (9th Cir. 1998)
- Martinez v. Ylst, 951 F.2d 1153, 1156-57 (9th Cir. 1991)

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