UNITED STATES BANKRUPTCY COURT FOR THE EASTERN DISTRICT OF NORTH CAROLINA, NEW BERN DIVISION

JSmith Civil, LLC v. Clancy & Theys Construction Co., Seaboard I, LLC, and Preston Ridge Holdings JV, LLC

JSmith Civil · No. 25-00163-5-JNC; underlying Chapter 11 case No. 23-02734-5-JNC · Decided March 5, 2026

SUMMARY

The United States Bankruptcy Court for the Eastern District of North Carolina partially granted and partially denied defendants' Rule 12(b)(6) motion to dismiss in an adversary proceeding involving construction-contract retainage, breach of contract, alternative quantum meruit and unjust enrichment claims, and disallowance of a bankruptcy claim. The court dismissed the § 542 turnover claim because the complaint did not plausibly allege a matured debt supported by an accounting, but allowed the breach-of-contract and alternative equitable claims to proceed. The court also held that the disallowance claim was timely under the deadline stated in the confirmation order and directed defendants to answer by April 1, 2026.

CASE DETAILS

COURT	United States Bankruptcy Court for the Eastern District of North Carolina, New Bern Division
JURISDICTION	United States Bankruptcy Court for the Eastern District of North Carolina, New Bern Division
DECIDED	March 5, 2026
DOCKET	25-00163-5-JNC; underlying Chapter 11 case No. 23-02734-5-JNC
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved under Federal Rule of Civil Procedure 12(b)(6), as applied through Federal Rule of Bankruptcy Procedure 7012, to dismiss a Chapter 11 debtor's adversary complaint asserting turnover, breach of contract, alternative quantum meruit and unjust enrichment, and disallowance of a proof of claim.
STANDARD OF REVIEW	The court accepted well-pleaded factual allegations as true, disregarded legal conclusions, and determined whether the complaint stated a facially plausible claim for relief under Federal Rule of Civil Procedure 12(b)(6).
PRECEDENTIAL VALUE	Unknown

PARTIES	Clancy & Theys Construction Co., Seaboard I, LLC, Preston Ridge Holdings JV, LLC v. JSmith Civil, LLC

TOPICS

motions to dismiss · chapter 11 · bankruptcy · construction law · breach of contract

PRACTICE AREAS

bankruptcy · construction law · contracts · civil procedure · commercial litigation

QUESTIONS PRESENTED

1. Whether the complaint plausibly stated a turnover claim under 11 U.S.C. § 542 for disputed construction-contract retainage without identifying a segregated fund or providing an accounting showing a matured debt.
2. Whether the complaint plausibly stated a North Carolina breach-of-contract claim by alleging valid written contracts and defendants' failure to pay for services rendered, despite the alleged noncompletion of the projects by plaintiff.
3. Whether alternative quantum meruit and unjust enrichment claims could proceed at the pleading stage despite the alleged existence of express contracts.
4. Whether the objection to Clancy & Theys Construction Co.'s proof of claim was timely under the Confirmation Order's two-year deadline measured from the petition date.

HOLDINGS

1. The turnover claim was dismissed because the complaint did not plausibly allege a matured debt. Although it alleged accounts receivable that could constitute property of the bankruptcy estate, it did not provide progress-payment records or another method of accounting for the amounts claimed.
2. The breach-of-contract claim survived the motion to dismiss. The complaint plausibly alleged valid written contracts and a material breach based on defendants' failure to pay for construction services already rendered.
3. The quantum meruit and unjust enrichment claims survived because they were pleaded in the alternative and plausibly alleged that defendants received measurable construction benefits that were not conferred gratuitously.
4. The disallowance claim appeared timely because the Confirmation Order controlled over conflicting plan provisions and established a deadline two years after the petition date, September 19, 2025. The complaint was filed on that date.

KEY QUOTATIONS

> *"A claim has facial plausibility when a plaintiff pleads facts sufficient to allow the court to draw the reasonable inference that the defendant is liable for the misconduct alleged."* (Section I)

> *“A cause of action is a turnover proceeding under § 542(b) of the Bankruptcy Code where it seeks the collection rather than creation or liquidation of a matured debt.”* (Section II)

> *“For the foregoing reasons, the Motion is GRANTED with respect to the Turnover Claim and the Turnover Claim is hereby dismissed from this action. The Motion is DENIED as to all other claims.”* (Conclusion)

FACTUAL BACKGROUND

JSmith Civil, LLC served as a subcontractor to Clancy & Theys Construction Co. on four North Carolina construction projects in 2021 and 2022. The contracts provided for installment payments and retention of 10 percent of each installment until project completion and confirmation of compliance. JSmith Civil left or was removed from the projects before completion and alleged that defendants failed to pay more than $2 million for construction services and materials. The complaint sought recovery of the retainage, but did not identify a segregated account or provide progress-payment records or another accounting method for the claimed amounts.

PROCEDURAL HISTORY

JSmith Civil, LLC filed a Chapter 11 petition on September 19, 2023. It objected to Clancy & Theys Construction Co.'s $5,610,753.91 proof of claim, confirmed a plan of reorganization, and filed this adversary proceeding on September 19, 2025. The claim objection was consolidated with the adversary proceeding. The court granted the motion to dismiss as to the turnover claim, denied it as to the remaining claims, and ordered defendants to answer by April 1, 2026.

DISPOSITION

other

CASES CITED

- Bell Atlantic Corp. v. Twombly, 127 S. Ct. 1955, 1974 (2007)
- Ashcroft v. Iqbal, 129 S. Ct. 1937, 1940, 1949, 1951 (2009)
- Guzman v. Acuarius Night Club LLC, No. 24-1555, 2026 WL 406093, at *3 (4th Cir. Feb. 13, 2026)
- E.I. du Pont de Nemours & Co. v. Kolon Indus., Inc., 637 F.3d 435, 440 (4th Cir. 2011)
- Tellabs, Inc. v. Makor Issues & Rights, Ltd., 551 U.S. 308, 322 (2007)
- In re PEC Sols., Inc. Sec. Litig., 418 F.3d 379, 388 n.7 (4th Cir. 2005)
- Shaia v. Taylor (In re Connelly), 476 B.R. 223, 230 (Bankr. E.D. Va. 2012)
- Wayne Servs. Legacy v. Donlen Tr. (In re Toys "R" Us, Inc.), 615 B.R. 96, 104 (Bankr. E.D. Va. 2020)
- Geron v. Peebler (In re Pali Holdings, Inc.), 488 B.R. 841, 851 n.39 (Bankr. S.D.N.Y. 2013)
- Barrett v. Up Ashburn, LLC (In re McCarthy Contracting, LLC), No. 25-30001-KLP, 2025 WL 3177168, at *2-*3 (Bankr. E.D. Va. Nov. 13, 2025)
- Smith v. McLeskey (In re Bay Vista of Va., Inc.), 394 B.R. 820, 838-39 (Bankr. E.D. Va. 2008)
- In re Biedermann Mfg. Indus., 453 B.R. 802, 807 (Bankr. E.D.N.C. 2011)
- In re Nat'l Enters., Inc., 128 B.R. 956, 959 (E.D. Va. 1991)

- United States v. Whiting Pools, Inc., 462 U.S. 198, 205, 103 S. Ct. 2309 (1983)
- Horton v. Humble Oil & Refining Co., 255 N.C. 675, 679 (1961)
- Schlieper v. Johnson, 195 N.C. App. 257, 265, 672 S.E.2d 548, 553 (2009)
- Poor v. Hill, 138 N.C. App. 19, 26, 530 S.E.2d 838, 843 (2000)
- Long v. Long, 160 N.C. App. 664, 668, 588 S.E.2d 1, 4 (2003)
- Booe v. Shadrick, 322 N.C. 567, 570 (1988)
- In re Forklift LP Corp., 363 B.R. 388, 396 (Bankr. D. Del. 2007)
- In re Reisher, 149 B.R. 372, 374 (Bankr. M.D. Pa. 1992)
- Guardian S & L Ass'n v. Arbors Assocs. Ltd. P'ship (In re Arbors Assocs. Ltd. P'ship), No. 97-2099, 1999 WL 17649, at *4, 1999 U.S. App. LEXIS 162, at *11 (6th Cir. Jan. 4, 1999)
- In re Sugarhouse Realty, Inc., 192 B.R. 355, 367 (E.D. Pa. 1996)
- In re Gen. Creations, Inc., 343 B.R. 548, 552 (Bankr. W.D. Va. 2006)
- United States v. Hurst, 322 F.3d 1256, 1260 (10th Cir. 2003)
- United States v. Marcello, 212 F.3d 1005, 1010 (7th Cir. 2000)