4UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
NEW BERN DIVISION

IN RE:

JSMITH CIVIL, LLC,

DEBTOR.

CASE NO. 23-02734-5-JNC
CHAPTER 11

JSMITH CIVIL, LLC, ***Plaintiff*,** **vs.** **SYNERGI PARTNERS, INC.,** ***Defendant*.**	**ADV NO. 25-00160-5-JNC**

MOTION FOR APPROVAL OF SETTLEMENT AND COMPROMISE WITH SYNERGI PARTNERS, INC.

NOW COMES the Debtor JSMITH CIVIL, LLC ("JSmith" or "Debtor") by and through undersigned counsel of record and pursuant to § 105(a) of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 9019, and hereby respectfully move this Court for entry of an Order allowing and approving the settlement and compromise reached with Defendant SYNERGI PARTNERS, INC. ("Synergi") (the Debtor and Synergi are collectively referred to herein as, the "Parties" and individually as, "Party"). In support hereof, the Debtor shows unto the Court as follows:

JURISDICTION AND AUTHORITY

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334, 151, and 157, as it (a) arises in, and concerns, matters affecting the administration of bankruptcy estate in the above-captioned case that was commenced by the Debtor, see id. §157(b)(2)(A), (b) concerns the allowance or disallowance of claims against the bankruptcy estate, see id. § 157(b)(2)(B), (c) seeks an Order approving the sale, conveyance, or transfer of property of the estate, see id. § 157(b)(2)(N), and (d) concerns rights duly established under the Bankruptcy Code. Accordingly, the relief sought herein constitutes a "core proceeding," pursuant to 28 U.S.C. § 157(b)(2).

2. The Court, likewise, has the authority to hear this matter under the Standing Order of Reference entered by the United States District Court for the Eastern District of North Carolina on August 3, 1984.

FACTUAL BACKGROUND

3. The Debtor, a limited liability company organized and existing under the laws of the State of North Carolina, filed a voluntary petition seeking relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of North Carolina (the "Bankruptcy Court") on September 19, 2023, BK Case No. 23-02734-5-JNC (the "Bankruptcy Case").

4. Synergi and the Debtor entered into a Client Services Agreement dated May 20, 2022 (the "Agreement"), pursuant to which Synergi provided services related to identification and determination of eligibility for Employee Retention Tax

Credits (the "Tax Credits") allowed by the Coronavirus Aid Relief and Economic Stimulus Act.

5. Pursuant to the terms of the Agreement, Synergi invoiced JSmith for fees due totaling $404,352.58 ("JSmith Fees"), via Invoices number 1918765, 1918766, 1919276, and 1919277 (collectively the "Invoices").

6. Synergi also provided its services under the Agreement for an affiliate of the Debtor, JSE Enterprises, LLC ("JSE"), and invoiced JSE for fees due totaling $155,307.26 (the "JSE Fees") via the Invoices.

7. On or about August 9, 2022, the Debtor submitted a check to Synergi totaling $279,964.92 (the "Transfer"), of which $202,176.29 was for JSmith Fees and $77,788.63 was for JSE Fees, leaving $279,964.92 as the balance (the "Remaining Balance") owed on the Invoices.

8. Following the filing of the Bankruptcy Case, Synergi filed a proof of claim number 52 (the "Proof of Claim") for the Remaining Balance.

9. The Debtor commenced an adversary proceeding against Synergi, Adv. No. 25-00160-5-JNC (the "Adversary Proceeding"), alleging that the Transfer was avoidable under the Bankruptcy Code.

10. On November 3, 2025, the Debtor also filed an Objection to the Proof of Claim, submitted by Synergi (the "Claim Objection"), alleging that Synergi's Proof of Claim for the Remaining Balance should be disallowed.

11. Both the Adversary and the Claim Objection are based, in part, on a determination by an Order on Motion for Summary Judgment entered on August 8,

2025, and its accompanying Memorandum Opinion on Order Granting Summary Judgment entered on August 22, 2025 (collectively the "Order"), filed in a separate adversary proceeding, *JSmith Civil, LLC vs. United States of America*, Adversary Proceeding 24-00004-5 (the "IRS Adversary Proceeding"), in which this Court determined that the Debtor was not entitled to the Tax Credits.

12. The Debtor timely filed an appeal of the Order to the United States District Court, Eastern District of North Carolina, No. 5:25-cv-00513-D (the "Appeal"), which remains pending.

13. Following, the commencement of the Adversary Proceeding, the Parties agreed to resolve all disputes between them, which culminated in a resolution of the issues and controversies forming the basis of the Adversary Proceeding and Claim Objection, and is memorialized in the *Settlement Agreement and Release of Claims* (the "Settlement Agreement"), a copy of which is attached hereto as **EXHIBIT 1** and incorporated herein by reference.[1]

SUMMARY OF SETTLEMENT AND RELIEF REQUESTED

14. The Parties, have resolved all issues in dispute, including any and all relief and remedies pursuant to the Settlement Agreement, in exchange for the following:

A. Settlement Payments: Within fifteen (15) calendar days of the entry of an Order approving the 9019 Motion and the terms and provisions of this Settlement Agreement (the "Settlement Order");

[1] The Debtor shall supplement this *Motion for Approval of Settlement and Compromise with Synergi Partners, Inc.* (the "Settlement Motion") with fully-executed copy of the Settlement Agreement and Release of Claims upon receipt.

(i) Synergi shall pay $77,788.63 (the "JSE Settlement Amount") to JSmith. The JSE Settlement Amount shall be made payable to "Buckmiller & Frost, PLLC IOLTA Trust Account," ("Payee"), and delivered to Buckmiller & Frost, PLLC, Attn: Joseph Z. Frost, Esq., 4700 Six Forks Road, Suite 150, Raleigh, NC 27609.

(ii) Synergi shall escrow a total of Eighty-Two Thousand One Hundred Forty-Seven and 49/100 Dollars ($82,147.49) (the "JSC Settlement Funds") with Haynsworth Sinkler Boyd, P.A. ("HSB") to be held in HSB's trust account in accordance with this Settlement Agreement. The JSC Settlement Funds shall be disbursed solely in accordance with Section 2.2.2 of the Settlement Agreement upon the entry of a Final Judgment (defined below) in the IRS Adversary Proceeding:

(1) *Final Judgment Defined.* "Final Judgment" shall mean the ultimate determination of the issue of entitlement to the Tax Credits. A Final Judgment is one as to which (a) all appeals in the IRS Adversary Proceeding have been exhausted or the time for taking any further appeal or seeking rehearing, reconsideration, or review has expired without being timely invoked, or (b) any further appeal or review of the IRS Adversary Proceeding has been waived, dismissed, or is otherwise procedurally barred, such that the determination is no longer subject to further judicial review.

(2) Disbursement of Settlement Funds. The JSC Settlement Funds shall be disbursed in accordance with Section 2.2.2 of the Agreement through one of the three (3) alternatives upon the entry of a Final Judgment in the IRS Adversary Proceeding:

ALTERNATIVE 1: Upon entry of a Final Judgment in the IRS Adversary Proceeding determining that the Debtor is entitled to the Tax Credits in full, HSB shall disburse the JSC Settlement Funds to Synergi. Further, the Proof of Claim shall be allowed in an amount of $202,176.29.

ALTERNATIVE 2: Upon entry of a Final Judgment in the IRS Adversary Proceeding determining that

the Debtor is not entitled to any Tax Credits, then HSB shall disburse all JSC Settlement Funds to Payee. Further, the entire Proof of Claim shall be disallowed.

ALTERNATIVE 3: Upon entry of a Final Judgment in the IRS Adversary Proceeding determining that that the Debtor is entitled to only a portion of the Tax Credits, the sum of JSC Settlement Funds shall be allocated between Synergi and the Debtor in proportion to the percentage of the Tax Credits allowed versus disallowed as determined by the Final Judgment (the "Allocated Amounts"), and HSB shall disburse such Allocated Amounts from the Settlement Funds to Synergi and to Payee for the Debtor. Further, the Proof of Claim shall be allowed in an amount equal to the fee due for the Allocated Amount of the allowed Tax Credits.

B. Claim Under 11 U.S.C. 502. Synergi shall be entitled to file a proof of claim under 11 U.S.C. § 502(h) of the Bankruptcy Code in the Bankruptcy Case, as a nonpriority unsecured claim, for the JSE Settlement Amount tendered under the Settlement Agreement.

C. Mutual Releases and Dismissal. The Parties mutually release one another for all claims related to the Adversary Proceeding and the Claim Objection. The Adversary Proceeding will also be dismissed with prejudice.

15. By and through this *Motion for Approval of Settlement and Compromise with Synergi Partners, Inc.* (the "Settlement Motion") and in accordance with Federal Rule of Bankruptcy Procedure 9019(a), the Debtor respectfully requests that the Court enter an Order approving the settlement and compromise outlined in the attached Settlement Agreement, and further authorizing them to undertake and otherwise engage in any and all actions necessary to effectuate and consummate the terms of the attached Settlement Agreement.

BASIS FOR RELIEF REQUESTED

16. Section 105(a) of the Bankruptcy Code authorizes the court to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a); see Momentum Mfg. Corp. v. Employee Creditors Comm. (In re Momentum Mfg. Corp.), 25 F.3d 1132, 1136 (2d Cir. 1994) ("It is well settled that bankruptcy courts are courts of equity, empowered to invoke equitable principles to achieve fairness and justice in the reorganization process.").

17. Rule 9019(a) provides that "[o]n the motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement." Fed. R. Bankr. P. 9019(a); 11 U.S.C. § 105(a). In determining whether to approve a proposed compromise, the court must evaluate whether it is fair, equitable, and in the best interests of the estate and its creditors. See, e.g., Protective Comm. of Stockholders of TMT Trailer Ferry, Inc. v. Anderson, 390 U.S. 414 (1968); In re MQVP, Inc., No. 10-2225, 2012 WL 1233019, at *3 (6th Cir. Apr. 13, 2012) (unpublished) ("When determining whether to approve a proposed settlement . . . the bankruptcy court is charged with an affirmative obligation to apprise itself of the underlying facts and to make an independent judgment as to whether the compromise is fair and equitable." (citation and internal quotation marks omitted); accord In re Cajun Elec. Power Coop., Inc., 119 F.3d 349, 355 (5th Cir. 1997) ("Approval should only be given if the settlement is fair and equitable and in the best interest of the estate." (internal quotations omitted)). A compromise must be

approved if it is the result of "an adequate and intelligent consideration of the merits of the claims, the difficulties of pursuing them, the potential harm to the debtor's estate caused by delay, and the fairness of the terms of the settlement." Anderson, 390 U.S. at 434.

18. The terms and conditions of the settlement and compromise reached between the Parties, memorialized in the Settlement Agreement (including the mutual release of any claims between the Parties), should be approved by the Court pursuant to Fed. R. Bankr. P. 9019 because the compromise reached, and reflected and embodied in the Settlement Agreement, is fair, equitable, and in the best interests of JSmith, the bankruptcy estate, creditors and parties in interest. The terms and provisions of the Settlement Agreement are the result of arms-length negotiations between the Parties and, with respect to JSmith, represent a sound exercise of its business judgment and are otherwise consistent with the responsibilities and duties that were bestowed to it.

19. The Debtor was represented by experienced counsel and the terms of the Settlement Agreement are the product of their collective judgment, experience, and skill. Additionally, Synergi was represented by experienced counsel, who regularly represents entities and creditors in connection with bankruptcy-related matters, including the defense of actions for avoidance and recovery of preferential and fraudulent transfers, who—with this experience—was familiar with the issues involved in the Bankruptcy Case, as well as the potential exposure of, and possible defenses, that could be asserted in the Adversary Proceeding. As a result, the terms

and provisions of the Settlement Agreement represent a fair, informed, and equitable compromise and resolution for the Parties involved.

20. The substantial benefits to the Debtor, the bankruptcy estate, creditors, and parties in interest, clearly outweigh any potential costs resulting from the settlement and compromise.

21. Had the Parties not agreed to the terms and conditions set forth in the Settlement Agreement and not compromised the dispute between them, the Parties would be forced to conduct additional and extensive discovery and analysis of the Transfer that was being attacked by JSmith and participate in a trial in the Adversary Proceeding. Further, because the outcome of the Appeal directly affects the merits of the Claim Objection and the Adversary Proceeding, tying the terms of the Settlement Agreement to the outcome of the Appeal is efficient and completely resolves all issues between the Parties, which is clearly in the best interests of the Debtor, the bankruptcy estate, parties in interest, and all creditors.

22. After consideration of the facts and circumstances of this matter, the Debtor believes that a compromise and settlement of this matter upon the terms proposed, is in the best interests of the Debtor, the bankruptcy estate, and creditors.

CONCLUSION

WHEREFORE, and based on the foregoing, the Debtor respectfully requests the entry of an Order providing the following relief:

1. Approving the compromise and settlement reached between the Parties, memorialized in the Settlement Agreement attached hereto;

2. Authorizing the Debtor to undertake any and all actions necessary to effectuate the settlement and resolution with Synergi, including consummation of the Settlement Agreement;

3. Affording such further relief as the Court deems just and proper.

Respectfully submitted this, 24th day of February, 2026.

BUCKMILLER & FROST, PLLC

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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
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IN RE:

JSMITH CIVIL, LLC,	**CASE NO. 23-02734-5-JNC**
	CHAPTER 11
DEBTOR.	

JSMITH CIVIL, LLC,	
***Plaintiff*,**	
vs.	**AP NO. 25-00160-5-JNC**
SYNERGI PARTNERS, INC.,	
***Defendant*.**	

NOTICE OF MOTION FOR APPROVAL OF SETTLEMENT AND COMPROMISE WITH SYNERGI PARTNERS, INC.

NOTICE IS HEREBY GIVEN of the **MOTION FOR APPROVAL OF SETTLEMENT AND COMPROMISE WITH SYNERGI PARTNERS, INC** (the "Settlement Motion") filed by **JSMITH CIVIL, LLC**. ("Debtor" or "JSmith") through their undersigned counsel, in the above-captioned case for the purpose of supplying all creditors and parties-in-interest with information reasonably calculated to allow an informed decision as to whether to support, object or abstain to the Settlement Motion, regarding approval of the settlement and compromise reached with SYNERGI PARTNERS, INC. ("Synergi") (the Debtor and Synergi are collectively referred to herein as, the "Parties").

THE UNITED STATES BANKRUPTCY COURT FOR THE EASTERN DISTRICT OF NORTH CAROLINA (THE "BANKRUPTCY COURT") HAS NOT REVIEWED THE INFORMATION PROVIDED IN THIS NOTICE OR THE SETTLEMENT MOTION AND HAS NOT OFFERED AN OPINION AS TO ITS ACCURACY, SUFFICIENCY OR COMPLETENESS. IT IS ANTICIPATED THAT THE BANKRUPTCY COURT MAY REVIEW THE DISCLOSURES MADE HEREIN AT THE HEARING IN CONSIDERATION OF THE MOTION. THE PURPOSE OF THIS NOTICE IS TO PROVIDE CREDITORS WITH INFORMATION

CONCERNING THE DEBTOR, THE PLAN TRUSTEE, AND THE PROPOSED SETTLEMENT IN ADVANCE THEREOF. THE DEBTOR AND THE PLAN TRUSTEE, THROUGH COUNSEL, WILL ATTEMPT TO RESPOND TO ALL REASONABLE INQUIRIES CONCERNING THE INFORMATION PROVIDED HEREIN. PARTIES IN INTEREST ARE ENCOURAGED TO SEEK THE ADVICE OF COUNSEL TO FULLY DETERMINE THEIR RIGHTS WITH RESPECT TO THE PROPOSED SETTLEMENT CONTEMPLATED HEREIN.

FURTHER NOTICE IS HEREBY GIVEN that any objection to the Settlement Motion may be filed with the Clerk, United States Bankruptcy Court for the Eastern District of North Carolina (the "Bankruptcy Court"), with a copy served on the counsel for the Debtor, on or before **MARCH 20, 2026** (the "Response/Objection Deadline")**,** and, if any such objections or responses are filed, a hearing will be conducted on this Notice, Settlement Motion, and any response thereto to be scheduled by the Bankruptcy Court. Any party objecting, responding, or requesting a hearing, shall appear at said hearing in support of such request or they may be assessed Court costs. If no request for a hearing is timely filed, the Court may rule on this Notice, the Settlement Motion and any response(s) or objection(s) thereto *ex parte* without further notice.

Respectfully submitted, this the 24th day of February 2026.

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