

STATE OF NORTH CAROLINA
WAKE COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
24CV025515-910

MERIDIAN RENEWABLE ENERGY
LLC,

Plaintiff and Counterclaim
Defendant,

v.

BIRCH CREEK DEVELOPMENT,
LLC,

Defendant, and
Counterclaim Plaintiff,

and

BIRCH CREEK DEVELOPMENT,
LLC,

Third-Party Plaintiff,

v.

PINE GATE AND THE PINE GATE
RENEWABLES, LLC AND BIRCH
CREEK DEVELOPMENT, LLC
JOINT VENTURE,

Third-Party Defendants.

**ORDER AND MEMORANDUM OF
DECISION AS TO BANKRUPTCY
FILING OF THIRD-PARTY
DEFENDANT PINE GATE
RENEWABLES, LLC**

1. This matter is before the Court *sua sponte* following the filing by defendant and third-party plaintiff Birch Creek Development, LLC of a Notice of Bankruptcy Filing with Respect to Third-Party Defendant Pine Gate Renewables, LLC on 11 November 2025. (ECF No. 40).

2. Plaintiff Meridian Renewable Energy, LLC has asserted causes of action against Birch Creek for (1) breach of contract, (2) breach of the duty of good faith and fair dealing, (3) declaratory judgment, and (4) quantum meruit. (ECF No. 5 at 8–12).

3. In turn, Birch Creek has asserted counterclaim causes of action against Meridian for (i) declaratory judgment; (ii) gross negligence, fraud or willful misconduct; and (iii) breach of contract, as well as third-party causes of action against Pine Gate Renewables, LLC¹ for (i) declaratory relief; and (ii) breach of fiduciary duty. (ECF No. 12 at 9–14, 18–20).

4. The case and the parties' causes of action center around allegations concerning a consulting agreement between Meridian and Pine Gate and a series of Scopes of Work ("SOWs") signed by Meridian, Pine Gate, and Birch Creek providing that payments were due "by Pine Gate and Birch Creek, jointly and severally" to Meridian under certain circumstances outlined in the documents. (ECF No. 5, Exs. 1–9).

5. With their declaratory judgment causes of action, both Meridian and Birch Creek seek effectively the same relief that they seek with their breach of contract causes of action—determinations and declarations of the parties' "rights and obligations" under the consulting agreement and the SOWs, including the rights and obligations of Pine Gate. (ECF No. 5 at 10–11; ECF No. 12 at 9–11). With its counterclaim and third-party complaint, Birch Creek goes so far as to affirmatively

¹ The caption of Birch Creek's third-party complaint references as third-party defendants "Pine Gate" (not "Pine Gate Renewables, LLC") and "The Pine Gate Renewables, LLC and Birch Creek Development, LLC, Joint Venture." (ECF No. 12). Based on the references in the third-party complaint and the parties' briefing, for purposes of this Order, the Court construes the reference to "Pine Gate" as being to "Pine Gate Renewables, LLC." Further, the Court notes that, while the Joint Venture is referenced as a third-party defendant, Birch Creek's third-party causes of action are asserted only against Pine Gate. (ECF No. 12 at 18 ("Claim against Pine Gate for declaratory relief") and 19 ("Claim against Pine Gate for breach of fiduciary duty")). Birch Creek does, however, request declaratory relief as to the parties' rights and obligations with respect to the purported "joint venture."

allege that “Pine Gate has an interest that may be affected by the declaratory relief sought by” Birch Creek. (ECF No. 12 at 11).

6. After this lawsuit was filed, Pine Gate filed a bankruptcy petition under Chapter 11 of the United States Bankruptcy Code on 6 November 2025 in the United States Bankruptcy Court for the Southern District of Texas, (*see* ECF No. 40.1), and Birch Creek subsequently filed its notice of filing with the Court on 11 November 2025, (ECF No. 40).

7. The parties agree that Pine Gate’s bankruptcy filing stays proceedings in this case as against Pine Gate pursuant to 11 U.S.C. § 362, including all of Birch Creek’s third-party causes of action. Birch Creek argues, however, that the automatic stay should be extended (or construed to extend) to *all* proceedings in the case, including Meridian’s claims against only Birch Creek, which form the basis of the original causes of action in the case. Birch Creek alternatively requests that the Court stay all proceedings in the case in its discretion. (ECF No. 46 at 1).

8. Meridian, on the other hand, argues that the claims between Meridian and Birch Creek should continue to be litigated in this Court. (ECF No. 47 at 5–6).

9. Under 11 U.S.C. § 362(a)(1), a bankruptcy proceeding automatically stays:

the commencement or continuation . . . of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title[.]

11 U.S.C. § 362(a)(1).

10. Absent extraordinary or unusual circumstances, the automatic stay under § 362(a)(1) generally applies only to the debtor and “not third party defendants or co-defendants.” *Pee Dee Elec. Mbrshp. Corp. v. King*, 2018 NCBC LEXIS 22, at *3 (N.C. Super. Ct. Mar. 15, 2018) (quoting *Kreisler v. Goldberg*, 478 F.3d 209, 213 (4th Cir. 2007)).

11. Such “unusual circumstances” generally must be “something more than the mere fact that one of the parties to the lawsuit has filed a Chapter 11 bankruptcy[.]” *A.H. Robins Co. v. Piccinin*, 788 F.2d 994, 999 (4th Cir. 1986) (quoting *Johns-Manville Sales Corp.*, 26 Bankr. 405, 410 (S.D.N.Y. 1983) (noting that such circumstances generally arise when “there is such identity between the debtor and the third-party defendant that the debtor may be said to be the real party defendant and that a judgment against the third-party defendant will in effect be a judgment or finding against the debtor”)).

12. In evaluating the scope of the automatic stay, “[a] non-bankruptcy court may determine ‘whether a matter pending before it is stayed by a party’s bankruptcy filing.’” *W. Inv. Foreign Shares, LLC v. Grove 1005, LLC*, 2020 U.S. Dist. LEXIS 169909, at *3–4 (W.D.N.C. Sept. 15, 2020) (quoting *In re Singleton*, 230 B.R. 533, 539 (B.A.P. 6th Cir. 1999)). This ensures that state courts and other non-bankruptcy courts are able to continue operating and that all proceedings are not stayed indefinitely and unnecessarily pending a bankruptcy court’s determination any time a party to an action files a bankruptcy petition.

13. Here, while the automatic stay imposed upon Pine Gate's Chapter 11 bankruptcy filing necessarily stays proceedings involving claims against Pine Gate, the Court determines that Pine Gate's filing does not compel a stay of proceedings in the case as between Meridian and Birch Creek with respect to their contract and tort causes of action.

14. Under Rule 19 of the North Carolina Rules of Civil Procedure, "in all cases of joint contracts, a claim may be asserted against all or any number of the persons making such contracts." N.C. R. Civ. P. 19(a).

15. Meridian has sued Birch Creek on contracts for which it asserts that Birch Creek and Pine Gate ultimately have joint and several liability. (*See generally* ECF No. 5). Though Meridian contends that Birch Creek and Pine Gate eventually—as between themselves—agreed that they would divide the contract and each be responsible for approximately half of the obligations to Meridian, (ECF No. 5, ¶ 52), any such issues and agreements between Birch Creek and Pine Gate appear to have no effect on the underlying causes of action by Meridian against Birch Creek.

16. Similarly, Birch Creek has countersued Meridian for alleged breaches of the consulting agreement and SOWs,² along with various tort claims arising in the context of those same agreements, (ECF No. 12 at 9–14, 18–20), all of which are

² Birch Creek contends that it is not a party to the SOWs or consulting agreement and that it was simply a partner in the "Joint Venture," yet it sues for purported harm to both "the Joint Venture and [Birch Creek] as its partner." (ECF No. 12 at 14).

asserted substantively as between Birch Creek and Meridian and can be resolved without Pine Gate's involvement in this action.³

17. Birch Creek has not identified unusual circumstances suggesting that the automatic stay under the Bankruptcy Code would extend to its and Meridian's causes of action against each other, nor has it made any showing that it would "work substantial injustice" for this action to be tried before this Court, as might warrant a stay under N.C. Gen. Stat. § 1-75.12(a). See *Muter v. Muter*, 203 N.C. App. 129, 134 (2010) (affirming denial of motion to stay under N.C. Gen. Stat. § 1-75.12(a)). Birch Creek has also identified no other circumstances warranting the invocation of the Court's inherent authority to stay proceedings against Birch Creek outright. *Couch v. Priv. Diagnostic Clinic*, 146 N.C. App. 658, 665 (2001) ("All courts are vested with inherent 'authority to do all things that are reasonably necessary for the proper administration of justice.'" (quoting *State v. Buckner*, 351 N.C. 401, 411 (2000) (internal quotation marks omitted))).

18. Thus, as Meridian sued only Birch Creek and is permitted under North Carolina law to pursue its contract and quasi-contract causes of action, the Court determines that the automatic stay in Pine Gate's bankruptcy case does not prevent ongoing litigation as between Meridian and Birch Creek on the whole.

³ The Court does not reach the same conclusion with respect to Meridian's and Birch Creek's declaratory judgment causes of action. As addressed later in this Order, the Court determines that those causes of action are duplicative of the parties' breach claims and invoke the rights and obligations of Pine Gate such that litigation should not proceed with respect to those causes of action.

19. However, inasmuch as Meridian and Birch Creek seek broad and generic declaratory judgments concerning the parties' rights and obligations under the consulting agreement and SOWS, the Court determines in its discretion that the declaratory judgment causes of action should not proceed in light of Pine Gate's bankruptcy filing and should instead be denied and dismissed without prejudice pursuant to N.C. Gen. Stat. § 1-257.

20. In the operative complaint, Meridian requests "that the Court declare the parties' rights and obligations under SOWs 2, 3, 4, and 7 and the incorporated Consulting Agreement." (ECF No. 5, ¶ 52). While Meridian's counsel argued at the hearing that the complaint was unintentionally broad and that it truly seeks only a determination of Meridian's and Birch Creek's rights and obligations under the agreements, it is alleged that Pine Gate is a party to those agreements and that Pine Gate and Birch Creek would ultimately have the same obligations to Meridian, even if Birch Creek and Pine Gate separately agreed between themselves to divide those obligations up differently than the joint and several liability contemplated under the agreements. (*See, e.g.*, ECF No. 5, ¶ 3 (referring to "the Scopes of Work executed pursuant to [the consulting agreement] *by and among Meridian, Pine Gate, and Birch Creek*" (emphasis added))).

21. Similarly, as noted above, Birch Creek requests that the Court declare the parties' "rights and obligations" under the consulting agreement and the SOWs, including the rights and obligations of Pine Gate, and affirmatively contends that the relief it requests will affect Pine Gate's rights and interests. (ECF No. 12 at 9–11).

22. Courts have an ongoing power and obligation “to supervise their jurisdiction over the subject matter before them, including the power to dismiss *ex mero motu*.” *Tuwamo v. Tuwamo*, 248 N.C. App. 441, 445 (2016) (quoting *Narron v. Union Camp Corp.*, 81 N.C. App. 263, 267 (1986)); *Maola Ice Cream Co. of N.C., Inc. v. Maola Milk & Ice Cream Co.*, 238 N.C. 317, 324 (1953) (“If the cause of action, as stated by the plaintiff, is inherently bad, why permit him to proceed further in the case, for if he proves everything that he alleges he must eventually fail in the action.” (citations omitted)).

23. Courts also have the statutory discretion to “refuse to render or enter a declaratory judgment or decree where such judgment or decree, if rendered or entered, would not terminate the uncertainty or controversy giving rise to the proceeding[.]” N.C. Gen. Stat. § 1-257. This particularly applies when the request for declaratory relief is duplicative of a substantive cause of action that the court will already address or when the requested relief otherwise will not be useful in resolving the dispute. *See, e.g., Augur v. Augur*, 356 N.C. 582, 588–89 (2002) (“[S]ection 1-257 permits a trial court, in the exercise of its discretion, to decline a request for declaratory relief when (1) the requested declaration will serve no useful purpose in clarifying or settling the legal relations at issue”); *Oak Grove Techs., LLC v. Seventh Dimension, LLC*, 2025 NCBC LEXIS 111, *29–30 (N.C. Super. Ct. Aug. 22, 2025) (dismissing, in part, declaratory judgment request where it was duplicative of a breach of contract cause of action that was also dismissed); *Exencial Wealth Advisors, LLC v. Downing*, 2025 NCBC LEXIS 38, at *38 (N.C. Super. Ct. Apr. 1,

2025) (“However, a court may dismiss a claim for declaratory judgment as duplicative if all issues concern questions that the Court will have to resolve in addressing the parties’ claims for breach of contract.” (citation and internal punctuation omitted)); *see also Port City Logistics, Inc. v. Chasewater Logistics, LLC*, 2024 U.S. Dist. LEXIS 146366, at *14 (W.D.N.C. July 17, 2024) (“Many courts have previously recognized that a declaratory judgment does not serve a useful purpose where that purpose is only to resolve an already-existing breach of contract claim.”).

24. Here, Meridian’s and Birch Creek’s requests for declaratory relief are largely, if not entirely, duplicative of their breach of contract, quasi-contract, and tort claims.

25. Further, Meridian, Birch Creek, and Pine Gate are all parties to at least certain of the agreements at issue, and Meridian’s and Birch Creek’s requests for declaratory relief, as currently formulated, necessarily seek a determination of the rights and obligations of Pine Gate under those agreements. This is the case though all claims and proceedings against Pine Gate will be stayed, with Pine Gate not actively defending, prosecuting, or otherwise protecting its interests in the case in light of its bankruptcy proceedings.

26. Under such circumstances, the Court determines that the declaratory relief requested by Meridian and Birch Creek would not “terminate the uncertainty or controversy” at issue in this action or otherwise between the parties.

27. In resolving the contract, quasi-contract, and tort causes of action, the Court might⁴ reasonably determine whether Meridian and Pine Gate have breached their contractual or common law obligations vis-à-vis each other without implicating Pine Gate's contractual rights, obligations, and ability to prosecute or defend those rights in a subsequent action (or even later in this action if appropriate). However, this action is not the appropriate vehicle for the Court to address the broad declaratory relief requested in light of the multiparty nature of the agreements at issue.

28. Thus, in the exercise of judicial discretion, the Court determines that Meridian's and Birch Creek's declaratory judgment causes of action should be denied and dismissed without prejudice.

29. Accordingly, the Court **ORDERS** as follows:

a. All proceedings in this action by and against Pine Gate Renewables, LLC and the purported "Pine Gate Renewables, LLC and Birch Creek Development, LLC Joint Venture" are hereby **STAYED** pending further order of the Court;

b. The causes of action for declaratory judgments or declaratory relief asserted by plaintiff Meridian Renewable Energy, LLC and defendant Birch Creek Development, LLC are hereby **DENIED** and **DISMISSED WITHOUT PREJUDICE**;

⁴ The Court enters this Order without prejudice to a subsequent determination, based upon the claims, defenses, facts developed by the parties, and all other appropriate matters of record, as to whether Pine Gate is or is not a "necessary party" within the meaning of Rule 19 with respect to the remaining causes of action asserted in this case.

c. Other than the causes of action stayed as to (i) Pine Gate Renewables, LLC and the purported “Pine Gate Renewables, LLC and Birch Creek Development, LLC Joint Venture,” and (ii) denied and dismissed as to the parties’ requests for declaratory relief, all other causes of action and proceedings in this action shall **PROCEED** in accordance with the Case Management Order entered on 24 September 2025, (ECF No. 35), unless and until amended by the Court;

d. If Meridian and Birch Creek contend that the Case Management Order should be amended to account for Pine Gate’s bankruptcy filing, counsel for Meridian and Birch Creek are **DIRECTED** to confer and to submit to the Court within fourteen (14) days of entry of this Order as single, **joint** supplemental case management report setting forth any amended case management provisions the parties request in light of Pine Gate’s bankruptcy filing; and

e. This Order is entered **WITHOUT PREJUDICE** to any party’s ability to request that the United States Bankruptcy Court for the Southern District of Texas modify the scope of the applicable stay in Pine Gate’s bankruptcy proceedings.

SO ORDERED, this 29th day of December 2025.

/s/ Matthew T. Houston

Matthew T. Houston
Special Superior Court Judge
for Complex Business Cases