

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

In re:	)	Chapter 11
	)	
GULF PACKAGING, INC.,	)	Case No. 15-15249
	)	
Debtor.	)	Honorable Pamela S. Hollis
	)	
	)	<b>Hearing Date: January 14, 2016</b>
	)	<b>Hearing Time: 10:00 a.m.</b>
	)	<b>Court Room: 644</b>

**NOTICE OF MOTION**

PLEASE TAKE NOTICE that on **January 14, 2016 at 10:00 a.m.**, or as soon thereafter as counsel may be heard, we shall appear before the Honorable Pamela S. Hollis of the United States Bankruptcy Court for the Northern District of Illinois, 219 South Dearborn Street, Chicago, Illinois, Courtroom No. 644, or whomever may be sitting in her place and stead, and then and there present the **Motion to Approve Settlement Stipulation With Quality Technical Services and Strapack, Inc.**, a copy of which is attached hereto and hereby served upon you.

Dated: December 24, 2015

Respectfully submitted,

GULF PACKAGING, INC.

By:  /s/ Jeremy C. Kleinman  
One of its attorneys

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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

	)	
In re:	)	Chapter 11
	)	
GULF PACKAGING, INC.	)	Case No. 15-15249 (PSH)
	)	
Debtor.	)	
	)	

**MOTION TO APPROVE SETTLEMENT STIPULATION WITH QUALITY  
TECHNICAL SERVICES AND STRAPACK, INC.**

Gulf Packaging, Inc., the debtor in the above-captioned case, by its undersigned attorneys hereby files this *Motion to Approve Stipulation with Quality Technical Services and Strapack, Inc.* (this “Motion”), and respectfully states as follows.

**RELIEF REQUESTED**

1. Through this Motion, Gulf Packaging, Inc. (“Gulf Packaging” or the “Debtor”) requests that the Court enter an order approving the Debtor’s Stipulation (the “Stipulation”) with Quality Technical Services and Strapack Inc. (collectively, “Strapack”), a true and correct copy of which is attached hereto as Exhibit 1, resolving the adversary proceeding initiated by the Debtor against Strapack.

**JURISDICTION AND VENUE**

2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§157(b) and 1334 and 11 U.S.C. §362(d)(1). Venue is proper pursuant to 28 U.S.C. §§1408 and 1409. The statutory predicates for relief are 11 U.S.C. § 363 and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). This is a core proceeding under 28 U.S.C. §157(b)(2).

**BACKGROUND AND SUMMARY OF STIPULATION**

3. The Debtor is a national distributor of packaging equipment and supplies, which sells its product by and through several independent entities (“Affiliates”).<sup>1</sup> As of the Petition Date, there were over twenty (20) warehousing locations to better serve the Debtor’s customer base. Additional information about the Debtor, its business and corporate and capital structure is set forth in the *Declaration of Edward T. Gavin, CTP in Support of Chapter 11 Petition and First Day Pleadings* [Docket No. 14] (the “Gavin Declaration”), filed on the Petition Date.

4. As set forth in the Gavin Declaration, the Debtor is liquidating and winding down its business. To that end, the Debtor has engaged in discussions with various parties for the sale of its inventory and other assets. At the same time, the Debtor has negotiated and filed a chapter 11 plan of liquidation (the “Plan”) and related disclosure statement (the “Disclosure Statement”) providing for the orderly liquidation of the Debtor’s remaining assets.

5. On August 10, 2105, the Debtor commenced an Adversary Proceeding (the “Adversary”) against Strapack, seeking to recover unpaid prepetition receivables that the Debtor alleged were owed by Strapack, aggregating \$183,088.18 (the “Receivables”). In its answer to the complaint filed by the Debtor, Strapack asserted various affirmative defenses relating to the Receivables.

6. Subject to Court approval, the Debtor and Strapack have negotiated a consensual resolution of the Adversary and the claims set forth therein, pursuant to which Strapack will pay \$135,000 (the “Settlement Payment”).

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<sup>1</sup> As used herein, “Affiliate” means a company that has a relationship – formal or informal – to the Debtor, and sells packaging products under a variation of the Gulf name. Unless otherwise set forth, use of the term “Affiliate” is not intended to have the same meaning as the “affiliate” term of art defined in section 101(2) of the Bankruptcy Code. All rights with respect to this issue are reserved.

**BASIS FOR RELIEF**

7. The Debtor respectfully submits that the Stipulation and the settlement set forth therein are fair and reasonable and in the best interests of the estate and its creditors, and should be approved by the Court. Pursuant to Bankruptcy Rule 9019(a), after notice and a hearing, the court may approve a settlement or compromise. Compromises are tools for expediting the administration of the case and reducing administrative costs and are favored in bankruptcy. *See Fogel v. Zell*, 221 F.3d 955, 960 (7th Cir. 2000).

8. A bankruptcy judge has discretion whether to approve a settlement agreement. *In re Energy Co-op., Inc.*, 886 F.2d 921, 927-29 (7th Cir. 1989); *In re American Reserve Corp.*, 841 F.2d 159, 162 (7th Cir. 1987); *In re Quay Corp., Inc.*, 372 B.R. 378, 382 (Bankr. N.D. Ill. 2007).

9. The Court's discretion hinges upon whether the settlement is fair and equitable and in the best interests of the estate. *American Reserve Corp.*, 841 F.2d at 161. The linchpin of the "best interests of the estate" test is a comparison of the value of the settlement with the probable costs and benefits of litigation. *In re Doctors Hosp. of Hyde Park, Inc.*, 474 F.3d 421, 426 (7th Cir. 2007); *Energy Co-op.*, 886 F.2d at 929.

10. Thus, in making its determination, the Court must first compare the terms of the settlement with the probable costs and benefits of litigation, and examine the litigation's probability of success, complexity, and attendant expense, inconvenience and delay, "including the possibility that disapproving the settlement will cause wasting of assets." *Doctors Hosp.*, 474 F.3d at 426, quoting *American Reserve*, 841 F.2d at 161; see also *Quay Corp.*, 372 B.R. at 382; *In re Telesphere Communications, Inc.*, 179 B.R. 544, 553 (Bankr. N.D. Ill. 1994).

11. Furthermore, the value of the settlement must be reasonably equivalent to the value of the claims released. *Doctors Hosp.*, 474 F.3d at 426. This standard is met if the

settlement falls within the reasonable range of possible litigation outcomes. *Energy Co-op.*, 886 F.2d at 929. Moreover, because litigation outcomes cannot be predicted with mathematical precision, a settlement will fail the reasonable equivalence test only if it falls below the low end of possible litigation outcomes. *Doctors Hosp.*, 474 F.3d at 426; *Energy Co-op.*, 886 F.2d at 929; *Telesphere*, 179 B.R. at 553.

12. The Stipulation provides a significant recovery for creditors from the proposed Stipulation, permits the Debtor to avoid significant litigation costs and falls well within the range of litigation possibilities. Accordingly, the Stipulation is fair and equitable and in the best interests of the Debtor's creditors.

#### **NOTICE**

13. Notice of this Motion has been provided to: (i) the Office of the United States Trustee; (ii) counsel to the Committee; (iii) counsel to FCC, LLC, the Debtor's primary secured creditor; and (iv) those other parties who have requested service of papers in this case pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure.

WHEREFORE, Gulf Packaging, Inc. respectfully requests that the Court enter an order:  
(a) approving and authorizing the Debtor to enter into the Stipulation, and (b) granting such other and further relief as the Court deems just.

Dated: December 24, 2015

Respectfully submitted,

**GULF PACKAGING, INC.**

/s/ Jeremy C. Kleinman

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-and-

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**COUNSEL TO THE DEBTOR**