

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 11
)	
MET-COIL SYSTEMS CORPORATION,)	Case No. 03-12676 (MFW)
)	
Debtor.)	Objection Deadline: August 16, 2004 at 4:00 p.m.
)	(requested)
)	Hearing Date: August 23, 2004 at 3:00 p.m.
)	(requested)

**DEBTOR'S MOTION TO APPROVE SETTLEMENT AGREEMENT AND RELEASE
PURSUANT TO BANKRUPTCY CODE § 105 AND
BANKRUPTCY RULE 9019**

Met-Coil Systems Corporation, as debtor and debtor in possession (the "Debtor"), hereby moves this Court (the "Motion to Approve") for entry of an order approving that certain Settlement Agreement and Release (the "Settlement Agreement") by and among the Debtor, its divisions Iowa Precision Industries ("Iowa Precision") and The Lockformer Company ("Lockformer"), and Bank One, N.A. ("Bank One"), as successor to American National Bank and Trust Company of Chicago ("ANB") (collectively, the "Parties") pursuant to Section 105 of the United States Bankruptcy Code (the "Bankruptcy Code") and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). In support of the Motion to Approve, the Debtor respectfully states as follows:

JURISDICTION

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. Consideration of this Motion to Approve is a core proceeding pursuant to 28 U.S.C. § 157(b).

2. The predicates for the relief requested herein are § 105 of the Bankruptcy Code and Bankruptcy Rule 9019.

3. On August 26, 2003 (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code (the "Bankruptcy Case").

4. The Debtor is operating its business as a debtor in possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code. An official committee of unsecured creditors (the "Committee") has been appointed.

INTRODUCTION

5. The Debtor, Iowa Precision and Lockformer initiated a cause of action (the "Action") against ANB in the Circuit Court of Cook County, Illinois, County Department, Law Division, claiming damages for breach of contract and unjust enrichment resulting from the termination of a certain Loan and Security Agreement dated July 15, 1999 and certain other related documents. ANB denied all of the material allegations of the complaint.

6. The Parties desire to amicably resolve the Action in order to avoid the litigation expenses. As a result, the Parties have agreed to settle the issues among themselves as set forth in the Settlement Agreement attached hereto as Exhibit A.

7. Pursuant to the Settlement Agreement, the Debtor will receive \$62,500.00 from Bank One in consideration for the release, remise and discharge of the Action. In addition, in conjunction with the Settlement Agreement, the Debtor will execute and file a Stipulation of Dismissal with Prejudice of Bank One in the Action.

RELIEF REQUESTED

8. By this Motion, the Debtor seeks entry of an order pursuant to § 105 of the Bankruptcy Code and Bankruptcy Rule 9019 authorizing it to enter into the Settlement Agreement.

9. Section 105(a) of the Bankruptcy Code provides that "[t]he court may issue any order ... that is necessary or appropriate to carry out the provisions of this title." 11

U.S.C. § 105. Providing the Debtor with the authority to enter into the Settlement Agreement is clearly beneficial to the Debtor's estate and its creditors, as it eliminates attorneys' fees and expenses that the Debtor would incur in litigating the underlying claims and allows the Debtor to settle an outstanding lawsuit in exchange for \$62,500.00.

10. Bankruptcy Rule 9019 provides, in pertinent part, that, "on motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement." Fed. R. Bankr. P. 9019. Under this authority, the Third Circuit has emphasized that "to minimize litigation and expedite the administration of a bankruptcy estate, '[c]ompromises are favored in bankruptcy.'" Myers v. Martin (In re Martin), 91 F.3d 389, 393 (3d Cir. 1996) (quoting 9 Collier on Bankruptcy ¶ 9019.03[1] (15th ed. 1993)).

11. Generally, a bankruptcy court should defer to the debtor's judgment so long as there is a legitimate business justification for entering into the settlement. Martin, 91 F.3d at 395; see also Protective Committee for Independent Stockholders of TMT Trailer Ferry, Inc., 390 U.S. 414, 424-25 (1968) (basic to the process of evaluating proposed settlements is "the need to compare the terms of the compromise with the likely rewards of litigation"). Under TMT Trailer Ferry, the Court is not required to hold a full evidentiary hearing before a compromise can be approved; rather, the Court's obligation is "to canvass the issues and see whether the settlement 'falls below the lowest point in a range of reasonableness.'" 10 Collier on Bankruptcy ¶ 9019.02, 9019-4 to 9019-5 (15th ed.) (quoting In re Drexel Burnham Lambert Group, Inc., 134 B.R. 493 (Bankr. S.D.N.Y. 1991); (quoting Cosoff v. Rodman (In re W.T. Grant Co.), 699 F.2d 599, 608 (2d Cir.), cert. denied, 464 U.S. 822 (1983))).

12. In this instance, it is self-evident that the proposed \$62,500.00 settlement satisfies the standard set forth in Martin and TMT Trailer Ferry, and this Court should approve the Settlement Agreement. First, as with all litigation, the outcome of the Action is not certain

and success is not guaranteed. Second, the Action involves several complex issues that could take many years and hundreds of thousands of dollars to resolve. Third, the Debtor has determined in its sound and reasonable business judgment that its creditors will benefit from the Settlement Agreement because the settlement will bring finality to this litigation matter and eliminate the expenses that the Debtor would be required to incur to continue to litigate the matters at issue. Fourth, the Settlement Agreement represents a fair and equitable result to all parties in interest of the disputes at issue.

13. The Settlement Agreement is the result of good faith negotiations among the Parties, and the resultant settlement is in the best interests of the Debtor's creditors and estate. Accordingly, the Settlement Agreement should be approved.

NOTICE

14. Notice of this Motion to Approve has been given to (a) the Office of the United States Trustee for the District of Delaware; (b) counsel for the Debtor's secured lender; (c) counsel for the Committee; (d) counsel to Bank One; (e) counsel for the future claimants' representative; and (f) all parties that have requested notice of pleadings pursuant to Bankruptcy Rule 2002.

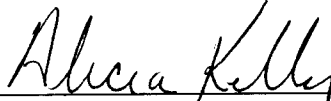
NO PRIOR REQUEST

15. No previous request for the relief sought in this Motion to Approve has been made to this Court or any other court.

WHEREFORE, the Debtor respectfully requests that the Court enter an order: (a) approving the Settlement Agreement pursuant to Bankruptcy Code § 105 and Bankruptcy Rule 9019; and (b) granting such other and further relief as is just and proper.

Dated: August 5, 2004

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