IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
	)	Case No. 03-12676
MET-COIL SYSTEMS CORPORATION,	)	
	)	**Obj. Deadline: June 15, 2004 at 4:00pm (EDT)**
Debtor.	)	**Hearing Date: June 22, 2004 at 10:30am (EDT)**
	)	

DEBTOR'S THIRD MOTION FOR ENTRY OF ORDER (I) EXTENDING (A) THE TERMINATION DATE FOR USE OF CASH COLLATERAL AND (B) THE MATURITY DATE FOR DEBTOR-IN-POSSESSION FINANCING AND (II) AUTHORIZING DEBTOR TO ENTER INTO AMENDMENT NO. 4

Met-Coil Systems Corporation, debtor and debtor-in-possession (the "**Debtor**") in the above-captioned chapter 11 case (the "**Case**"), hereby presents this third motion (the "**Financing Extension Motion**")[1] for entry of an Order (i) extending (a) the Termination Date for use of cash collateral and (b) the Maturity Date for debtor-in-possession financing and (ii) authorizing the Debtor to enter into Amendment No. 4 (as defined below). In support of this Financing Extension Motion, the Debtor respectfully states as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this Financing Extension Motion pursuant to 28 U.S.C. §§ 157 and 1334. Consideration of the Financing Extension Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(M).

2. Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory predicates for the relief requested herein are sections 363 and 364 of title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the "**Bankruptcy Code**") and Rules

[1] Capitalized terms used herein without definition shall have the meanings provided thereof in the Final Order (as defined below) or the DIP Loan Agreement.

2002, 4001(b) and 4001(c) of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**").

BACKGROUND

4. On August 26, 2003 (the "**Petition Date**"), the Debtor filed a voluntary petition for reorganization relief under chapter 11 of the Bankruptcy Code. The Debtor is operating its business as a debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

5. On September 11, 2003, the Office of the United States Trustee appointed an Official Committee of Unsecured Creditors.

6. On September 23, 2003, this Court entered a Final Order Authorizing Debtor To (A) Use Cash Collateral and Grant Replacement Liens and (B) Obtain Post-Petition Financing Pursuant to 11 U.S.C. § 363 of the Bankruptcy Code (D.I. 121), and on December 9, 2003, this Court entered the Order (I) Extending (A) The Termination Date for Use of Cash Collateral and (B) the Maturity Date for Debtor-in-Possession Financing and (II) Authorizing Debtor to Enter into Amendment No. 1 (D.I. 346) (collectively, the "**Final Order**").

7. Pursuant to paragraph 24(xiv) of the Final Order, the Debtor's right to use Pre-Petition Collateral terminated on January 31, 2004 subject to the terms of the Final Order.

8. On March 22, 2004, this Court entered an Order extending the Debtor's right to use Pre-Petition Collateral to and including June 30, 2004, subject to the other terms of the Final Order (D.I. 682).

9. On June 4, 2004, the Pre-Petition Lender consented in writing to the further use of Pre-Petition Collateral through September 3, 2004 (the **"Extension Period"**), subject to the terms of the Final Order. Such consent is attached to this Financing Extension Motion as Exhibit A and incorporated herein by reference (the "**Pre-Petition Lender Consent**").

10. Under the existing DIP Loan Agreement, the Maturity Date (as defined therein) is June 30, 2004. Subject to entry of an Order by this Court, the Debtor and the DIP Lender have agreed to extend the Maturity Date to September 3, 2004, pursuant to the terms of Amendment No. 4 to the DIP Loan Agreement, a copy of which is attached hereto as Exhibit B and incorporated herein by reference ("**Amendment No. 4**").

11. The Debtor has prepared a budget for the months of July and August, 2004, a copy of which is attached hereto as Exhibit C and incorporated herein by reference (the "**Budget**"). The Prepetition Lender and the DIP Lender have consented to the Budget.

RELIEF REQUESTED

12. The Debtor hereby requests that the Court grant this Financing Extension Motion and enter an Order (i) extending (a) the Termination Date for use of cash collateral and (b) the Maturity Date for the DIP Loan Agreement; (ii) approving Amendment No. 4; (iii) approving the Budget; and (iv) authorizing the Debtor to enter into Amendment No. 4.

13. During the Extension Period, the Post-Petition Financing shall be subject to all of the terms of the DIP Loan Agreement, Amendment No. 4 and the Final Order. The Debtor only will use cash collateral and only will borrow monies in accordance with the Budget.

14. It is necessary for the Debtor to continue to use Pre-Petition Collateral and have access to the DIP Financing.

BASIS FOR RELIEF REQUESTED

Cash Collateral

15. Section 363 of the Bankruptcy Code provides in pertinent part:

> If the business of the debtor is authorized to be operated under section . . . 1108 . . . of this title and unless the court orders otherwise, the trustee [or debtor in possession] may enter into transactions, including the sale or lease of

> property of the estate, in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without a notice or a hearing....

11 U.S.C. 363(c)(1).

16. The Bankruptcy Code, however, establishes a special requirement regarding the debtor-in-possession's use of "cash collateral" which is defined as "cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents whatever acquired in which the estate and an entity other than the estate have an interest. . ." 11 U.S.C. § 363(a). In order to use Cash Collateral, any creditor with a lien against Cash Collateral must consent to the use of Cash Collateral or the Court may enter an order authorizing use of Cash Collateral over the secured creditor's objections. 11 U.S.C. § 363(b).

17. Here, the Pre-Petition Lender has consented to the use of the Pre-Petition Collateral for the Extension Period, including cash collateral, by the Debtor in the ordinary course of business subject to the terms of the Final Order and the Budget.

DIP Financing

18. As debtor-in-possession, the Debtor is authorized to operate its business under Bankruptcy Code section 1108.

19. Section 364 provides that the Court may authorize borrowings by the debtor-in-possession. See 11 U.S.C. § 364(c)(1) and (d) ("after notice and a hearing", the court "may authorize the obtaining of credit or the incurring of debt") (emphasis added). Generally, courts give broad deference to business decisions of a debtor-in-possession. See, e.g., Richmond Leasing v. Capital Bank, N.A., 762 F.2d 1303, 1311 (5th Cir. 1985). Moreover, a Bankruptcy Court generally will respect a debtor-in-possession's business judgment regarding the need for and the proposed use of funds. As the Court noted in In re Ames Dep't Stores, Inc.,

> [T]he court's discretion under section 364 is to be utilized on grounds that permit reasonable business judgment to be exercised so long as the financing agreement does not contain terms that leverage the bankruptcy process and powers or its purpose is not so much to benefit the estate as it is to benefit a party-in-interest.

In re Ames Dep't Stores, Inc., 115 B.R. 34, 40 (Bankr. S.D.N.Y. 1990).

20. In the present case, the Debtor's decision to extend the Post-Petition Financing for the Extension Period represents an exercise of sound business judgment in the continued operation of the Debtor's business and the process to consummate a reorganization plan. Extending the DIP Loan Agreement through the Extension Period should provide the Debtor with sufficient capital to operate the business in the ordinary course and permit it to pursue its reorganization goals.

NOTICE AND PRIOR HEARING

20. Notice of this Financing Extension Motion has been served upon (i) the Office of the United States Trustee, (ii) counsel for the Pre-Petition Lender and DIP Lender, (iii) counsel for the Creditors' Committee, and (iv) all entities which have filed and served requests for notices in this case. The Debtor submits that under the circumstances no other or further notice need be given.

21. The Debtor further submits that no prior request for the relief requested herein has been made.

CONCLUSION

WHEREFORE, the Debtor respectfully requests that this Court enter an Order (i) authorizing the Debtor to use the Prepetition Collateral through and including the Extension Period; (ii) authorizing the Debtor to borrow monies under the DIP Loan Agreement through and including the Extension Period; (iii) approving the Budget; (iv) approving Amendment No. 4; (v) authorizing the Debtor to enter into Amendment No. 4; and (vi) granting such other and further relief deemed appropriate under the circumstances.

Dated: June 4, 2004

MORRIS, NICHOLS, ARSHT & TUNNELL.

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