

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

In re:)	
)	
ADAM AIRCRAFT INDUSTRIES, INC.)	Case No. 08-11751 MER
EIN: 161643299,)	Chapter 7
)	
Debtor.)	
)	

**MOTION TO APPROVE SETTLEMENT AGREEMENT
(Teledyne Continental Motors, Inc.)**

Jeffrey Weinman, the Chapter 7 Trustee (the "Trustee"), in the above-captioned case, through his undersigned counsel, for his Motion to Approve Settlement Agreement (Teledyne Continental Motors, Inc.) (this "Motion"), states as follows:

1. On February 15, 2008, (the "Petition Date"), Adam Aircraft Industries, Inc. (the "Debtor") filed its voluntary petition for relief under Chapter 7 of title 11, U.S.C. (the "Bankruptcy Code"), commencing the above-captioned bankruptcy case (the "Bankruptcy Case") in the United States Bankruptcy Court for the District of Colorado (the "Court").

2. The Trustee is the duly appointed Chapter 7 Trustee in the Debtor's Bankruptcy Case.

3. On September 30, 2008, the Trustee commenced adversary proceeding number 08-1677 MER (the "Adversary Proceeding"), against Teledyne Continental Motors, Inc. ("Teledyne"), seeking, among other things, to avoid and recover certain transfers for the benefit of the bankruptcy estate. The Trustee believes that Teledyne received transfers before the Petition Date totaling \$47,058.23.

4. The Trustee and Teledyne have reached an agreement to settle fully and finally all of the matters related to the Adversary Proceeding and the Debtor's Bankruptcy Case. A true and correct copy of the Settlement Agreement between the Trustee and Teledyne is attached to this Motion as **Exhibit A**.

5. Under the settlement, Teledyne will pay \$37,646.58 to the estate to resolve the Adversary Proceeding. Teledyne may file a proof of claim for the amount returned to the estate under § 502(h) of the Bankruptcy Code. Through this Motion, the Trustee requests approval of the compromise and settlement agreement under Rule 9019 of the Federal Rules of Bankruptcy Procedure.

ARGUMENT AND AUTHORITY

6. "To minimize litigation and expedite the administration of a bankruptcy estate, 'compromises 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)). In assessing a request to approve a compromise under Rule 9019(a) of the Federal Rules of Bankruptcy Procedure, "a court's general charge is 'to determine whether the settlement is fair and equitable and in the best interests of the estate.'" *Official Committee of Unsecured Creditors v. Western Pacific Airlines, Inc. (In re Western Pacific Airlines, Inc.)*, 219 B.R. 575, 579 (D. Colo. 1998) (quoting *Kaiser Steel Corp. v. Frates (In re Kaiser Steel Corp.)*, 105 B.R. 971, 976 (D. Colo. 1989)).

7. Although the Court has discretion to approve a settlement under Rule 9019, *Kaiser Steel*, 105 B.R. at 978, its decision "must be an informed one based upon an objective evaluation of developed facts." *Reiss v. Hagmann*, 881 F.2d 890, 892 (10th Cir. 1989).

8. Courts have focused on four primary factors in considering approval of bankruptcy settlements: “the probable success of the litigation on the merits, any potential difficulty in collection of a judgment, the complexity and expense of the litigation and the interests of creditors in deference to their reasonable views.” *Kaiser Steel*, 105 B.R. at 977; see *Korngold v. Loyd (In re Southern Medical Arts Companies, Inc.)*, 343 B.R. 250, 256 (B.A.P. 10th Cir. 2006) (same); *Martin*, 91 F.3d at 393 (same). In addition to considering those factors, the Court “must carefully weigh the value of the settled claim against the value to the estate by the settlement.” *In re The Hermitage Inn, Inc.*, 66 B.R. 71, 72 (Bankr. D. Colo. 1986).

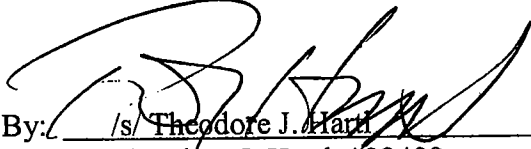
9. “[S]ome deference to the business judgment” of the trustee also is appropriate where a proposed settlement otherwise is fair and equitable to the estate. *In re OptInRealBig.com, LLC*, 345 B.R. 277, 291 (Bankr. D. Colo. 2006).

10. In this case, the Trustee believes that the settlement with Teledyne is in the best interests of the estate because it avoids the cost, delay, and risk of litigation. The settlement of \$35,173.87 avoids the cost of litigating the claims and potential defenses in the Adversary Proceeding. The settlement represents 80% of the transfers that the Trustee believes to be avoidable and Teledyne’s prompt payment to the estate eliminates further fees and costs for prosecuting the avoidance claims. Overall, the settlement with Teledyne, Inc. is fair, reasonable and in the best interest of the estate for purposes of approval under Fed. R. Bankr. P. 9019.

WHEREFORE, for all of the foregoing reasons, the Trustee respectfully requests entry of an order approving the settlement with Teledyne and for such other relief as deemed appropriate.

Dated this 14th day of January, 2009.

LINDQUIST & VENNUM P.L.L.P.


By: /s/ Theodore J. Hartl
Theodore J. Hartl, #32409

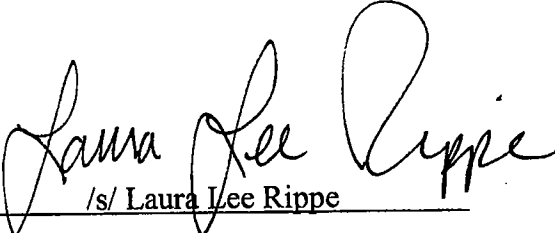
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CERTIFICATE OF SERVICE

It is hereby certified that on January 14, 2009, the foregoing **MOTION TO APPROVE SETTLEMENT AGREEMENT (Teledyne Continental Motors, Inc.)** was served by U.S. Mail, first class postage prepaid to the parties identified below and on the attached list:

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EXHIBIT A

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made this 13th day of January, 2009, between Jeffrey A. Weinman, the Chapter 7 Trustee for the Adam Aircraft Industries, Inc. bankruptcy estate, Case No. 08-11751 MER (the "Bankruptcy Case"), and Teledyne Continental Motors, Inc. ("Teledyne"). The Trustee and Teledyne are referred to collectively as the "Parties."

RECITALS

A. On February 15, 2008 (the "Petition Date"), Adam Aircraft Industries, Inc. (the "Debtor"), filed its voluntary petition for relief under Chapter 7 of title 11, U.S.C. (the "Bankruptcy Code"), in the United States Bankruptcy Court for the District of Colorado (the "Court").

B. Jeffrey A. Weinman (the "Trustee") is the duly appointed and acting Chapter 7 Trustee in the Debtor's Bankruptcy Case.

C. The Trustee believes that, prior to the Petition Date, the Debtor made certain payments to Teledyne totaling no less than \$47,058.23 (the "Transfers"). The Trustee believes that the Transfers are avoidable under §§ 547 and 550 of the Bankruptcy Code.

D. On September 30, 2008, the Trustee commenced adversary proceeding number 08-1677 MER (the "Adversary Proceeding"), against Teledyne, seeking to avoid and recover the Transfers. Teledyne believes that it has defenses to the Trustee's claims in the Adversary Proceeding.

E. The Parties have agreed to settle fully and finally all their differences pertaining to the Transfers. The purpose of this Agreement is to settle all claims and disputes between the Parties with respect to the Transfers, the Adversary Proceeding and the Bankruptcy Case, without any of the Parties admitting to any liability or any fact.

AGREEMENT

NOW, THEREFORE, IN CONSIDERATION OF THE PRECEDING RECITALS AND THE MUTUAL COVENANTS HEREINAFTER CONTAINED, AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY ALL PARTIES, THE PARTIES AGREE AS FOLLOWS:

1. Settlement Payment. Teledyne shall pay to the Trustee the amount of \$37,646.58 (the "Settlement Payment"), no later than ten (10) days after the Effective Date, as defined in this Agreement. The Settlement Payment shall be made payable to "Jeffrey A. Weinman, Trustee" and delivered to counsel for the Trustee.

2. Effective Date. The effective date of this Agreement shall be the first business day after which an order approving this Agreement has become final and non-appealable with no appeals having been made therefrom (the "Effective Date").

3. Mutual Release. Upon: (a) the occurrence of the Effective Date; and (b) the Trustee's receipt of the Settlement Payment, the parties hereby release and discharge each other and each other's officers, directors, shareholders, partners, agents, employees, attorneys and professionals, affiliates, subsidiaries (direct or indirect), predecessors, successors in interest, successors and assigns from any and all claims, causes of action, suits, debts, sums of money, controversies, claims to property, damages, judgments, demands whatsoever, in law or equity, known or unknown, asserted or unasserted, with respect to, related to, arising from, or in connection with the Adversary Proceeding and the Bankruptcy Case, whether or not asserted in the Adversary Proceeding or the Bankruptcy Case, regardless of the legal or equitable theory upon which the same may be based, *provided however*, that Teledyne may file a proof of claim in the Bankruptcy Case for the amount of the Settlement Payment pursuant to § 502(h) of the Bankruptcy Code and Rule 3002(c)(3) of the Federal Rules of Bankruptcy Procedure.

5. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado and, where applicable, the Bankruptcy Code.

6. Jurisdiction. The Bankruptcy Court shall have exclusive jurisdiction to resolve any dispute over the meaning, intent, or enforcement of this Agreement.

7. Bankruptcy Court Approval. This Agreement is subject to approval by the Bankruptcy Court and the Trustee shall seek prompt approval of this Agreement by the Bankruptcy Court. This Agreement shall be deemed null and void if it is not approved by an order entered by the Bankruptcy Court for any reason whatsoever.

8. Successors and Assigns. This Agreement is binding not only on the Parties hereto but also upon any successors or assigns, including any successors in title to any of the Parties' property.

9. Entire Agreement. This Agreement states the entire agreement between the Parties and may be supplemented, altered, amended, modified, or revoked by writing only, signed by all Parties or their successors in existence at the time of such action.

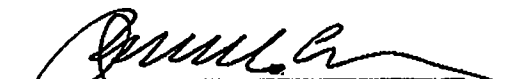
10. Authorization. Each entity or individual executing this Agreement on behalf of a Party represents and warrants that he or she is duly authorized to execute and deliver this Agreement on behalf of such Party and that this Agreement is binding on such Party in accordance with its terms.

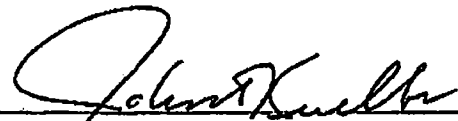
11. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

12. Counterparts/Facsimile Execution. This Agreement may be executed in counterparts and each such counterpart shall be an original Agreement, but all of which together shall constitute one and the same Agreement. Facsimile or copies of signatures of the Parties or their designated representatives shall be deemed original signatures. Original signature copies of this Agreement shall be exchanged upon request of either of the Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date indicated herein.

TELEDYNE CONTINENTAL MOTORS,
INC.


Jeffrey A. Weinman, as Chapter 7
Trustee for the Adam Aircraft Industries, Inc.
bankruptcy estate

By: 
Name: John T. Kuehl
Title: Executive Vice President,
General Counsel and Secretary