

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

In re:

Dynamic Aerostructures LLC, *et al.*,
Debtors.¹

Chapter 11

Case No. 25-10292 (LSS)

(Jointly Administered)

Hearing Date: March 25, 2025 at 11:00 a.m. (ET)

Objection Deadline: March 18, 2025 at 4 :00 p.m. (ET)

**DEBTORS' MOTION FOR ENTRY OF ORDER APPROVING
SETTLEMENT WITH NORTHROP GRUMMAN SYSTEMS CORPORATION**

The above-captioned debtors and debtors-in-possession (the “**Debtors**”) move for entry of an order substantially in the form attached hereto as **Exhibit A** (the “**Proposed Order**”) approving a settlement with Northrup Grumman Systems Corporation, and in support, state as follows:

PRELIMINARY STATEMENT

1. Northrup Grumman Systems Corporation (“**NGSC**”) is one of the Debtors’ most important customers. Pursuant to the Debtors’ executory agreements and purchase orders with NGSC (collectively, the “**NGSC Agreements**”), the Debtors manufacture key components for some of the United States’ most important defense aircraft, including the B-2, F-35 and F/A 18.

2. In anticipation of the Debtors’ sale process and the potential assumption and assignment of the Debtors’ contracts, the Debtors and NGSC entered into arms’ length negotiations. The parties’ negotiations have been successful, resulting in a comprehensive agreement by which NGSC, subject to certain conditions described herein, will consent to the Debtors’ assumption and assignment of the NGSC Agreements to the Debtors’ proposed stalking

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number are: Dynamic Aerostructures LLC (3076); Dynamic Aerostructures Intermediate LLC (9800); and Forrest Machining LLC (3421). The Debtors’ service address is 27756 Avenue Mentry, Valencia, California 91355.



horse purchaser. In addition, the parties have agreed to favorable future pricing concessions and the resolution of certain specific amounts owed or asserted between the parties, as further summarized below and set forth in the Consent and Term Sheet. The proposed settlement with NGSC and its consent to the assignment of the NGSC Agreements is critical to the Debtors' ongoing operations and sale process, satisfies the standards for approval of settlements under Bankruptcy Rule 9019, is in the best interests of the Debtors' estates, their creditors, and other parties in interest, and should be approved.

JURISDICTION AND VENUE

3. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated February 29, 2012. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b). Pursuant to Rule 9013-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "**Local Rules**"), the Debtors consent to the entry by this Court of a final order in connection with this Motion.

4. The legal predicates for the relief sought herein are sections 105(a), 363, and 365 of title 11 of the United States Code (the "**Bankruptcy Code**") and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**").

BACKGROUND

I. THE BANKRUPTCY CASES.

5. On February 25 and 26, 2025 (the "**Petition Dates**"), the Debtors commenced with the Court voluntary cases (the "**Chapter 11 Cases**") under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

6. The Debtors' Chapter 11 Cases are jointly administered.

7. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases, and no official committee of unsecured creditors has been appointed in these chapter 11 cases.

8. Additional factual background regarding the Debtors' business operations, corporate and capital structures, restructuring efforts, and proposed sale process are described in greater detail in the *Declaration of Eric N. Ellis in Support of First Day Pleadings* [Docket No. 2] (the "**Ellis Declaration**") and the *Declaration of Rory Keenan in Support of the Motion Pursuant to Sections 105, 363 and 365 for Entry of Orders (A)(I) Approving Bidding Procedures for the Sale of Debtors' Assets, (II) Scheduling Hearings and Objection Deadlines with Respect to the Sale, (III) Scheduling Bid Deadlines and an Auction, (IV) Approving the Form and Manner of Notice Thereof, (V) Approving Assumption and Assignment Procedures for Executory Contracts and Unexpired Leases, (VI) Authorizing and Approving the Debtors' Entry Into the Stalking Horse Apa, (VII) Authorizing and Approving Bid Protections, and (VIII) Granting Related Relief and (B)(I) Approving the Sale of Substantially All of the Debtors' Assets Free and Clear of Liens, Claims, Interests, and Encumbrances, (II) Approving Assumption and Assignment of Executory Contracts and Unexpired Leases and (III) Granting Related Relief* [Docket No. 17] (the "**Keenan Declaration**") and, together with the Ellis Declaration, the "**First Day Declarations**"), both of which are incorporated herein by reference.

II. THE SALE PROCESS AND THE PROPOSED NGSC SETTLEMENT.

a. THE SALE PROCESS

9. As set forth in the First Day Declarations, the Debtors filed the Chapter 11 Cases to effectuate a sale (the “**Sale**”) of all or substantially all of their assets (collectively, the “**Assets**”) to maximize value for all stakeholders.

10. In April 2024, the Debtors engaged Configure Partners, LLC (“**Configure**”) as their investment banker. Configure began contacting potential bidders promptly, resulting in multiple prospective purchasers submitting proposals or indications of interest. After evaluation of all of the proposals, the Debtors selected the proposal submitted by Avem Partners (“**Avem**”), a private equity firm located in Southern California specializing in investments in aerospace and industrial companies. An acquisition company formed by Avem, FMI Holdco LLC, is the Debtors’ proposed “stalking horse” purchaser (the “**Stalking Horse Purchaser**”). The proposal by the Stalking Horse Purchaser includes expected offers of employment to Debtor employees, the acquisition of the Assets, and the acquisition of many of the Debtors’ executory contracts and unexpired leases, including the NGSC Agreements.

b. TERMS OF THE NGSC SETTLEMENT.

11. The terms of the proposed NGSC settlement are set forth in two agreements: (i) the Commercial Agreement and Consent to Assumption and Assignment Agreement (the “**Consent**”), and (ii) as an exhibit to the Consent, the Term Sheet for Assumption and Assignment of NGSC Agreements (the “**Term Sheet**” and, together with the Consent, the “**NGSC Settlement**”). Copies of the Consent and Term Sheet are attached hereto together as **Exhibit B**. Because the Term Sheet contains highly confidential pricing and other proprietary information, the parties have agreed to

file it under seal, as described in the Debtors' motion to seal. Filed substantially contemporaneously herewith.

12. Material terms of the NGSC Settlement² include the following:
- a. The NGSC Settlement is subject to Bankruptcy Court approval.
 - b. Upon approval of the NGSC Settlement, NGSC will implement certain modified pricing, and may recoup certain prepetition overpayments to the Debtors against certain credits owed by the Debtors, as set forth in the Term Sheet. The Term Sheet is highly confidential and may only be filed under seal.
 - c. NGSC has agreed to consent to the Debtors' assumption and assignment of the NGSC Agreements to the Stalking Horse Purchaser upon the approval and closing of the Sale. In the event that another bidder should become the successful purchaser, NGSC has agreed to refrain from objecting to such sale, but reserves its rights regarding assumption and assignment of the NGSC Agreements and the Term Sheet.
 - d. The parties agree that NGSC has a valid prepetition claim in the amount of \$4 million, which claim shall be withdrawn upon the closing of the Sale.
 - e. NGSC has advanced certain funds to the Debtors in connection with a pending claim by the Debtors arising under the NGSC Agreements, as further described in the Term Sheet. The parties agree that, upon the closing of the Sale, NGSC shall be entitled to retain the full amount of any payments received by NGSC from third parties on account of such claim, and the Debtors shall waive any claims to such amounts.
 - f. The parties acknowledge that all tooling, equipment, inventory and raw materials provided by or paid for directly by NGSC and delivered to the Debtors is owned by NGSC and may only be used in connection with the Debtors' performance of the NGSC Agreements.

RELIEF REQUESTED

13. By this Motion, the Debtors respectfully request that the Court enter the Proposed Order approving the NGSC Settlement and granting related relief.

BASIS FOR RELIEF REQUESTED

² The summary of material terms set forth herein is for informational purposes only. In the event of any omission or inconsistency between the summary herein and the terms set forth in the NGSC Settlement, the latter shall control.

14. The legal standards applicable to this Motion are well-settled. Bankruptcy Rule 9019 provides the procedural prerequisites for approval of a settlement, as follows:

On motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement. Notice shall be given to creditors, the United States trustee, the debtor, and indenture trustees as provided in Rule 2002 and to any other entity as the court may direct.

Fed. R. Bankr. P. 9019(a).

15. Settlements in bankruptcy are favored as a means of minimizing litigation, expediting the administration of the bankruptcy estate, and providing for the efficient resolution of bankruptcy cases. *Myers v. Martin (In re Martin)*, 91 F.3d 389, 393 (3d Cir. 1996). In deciding whether to approve a settlement pursuant to Bankruptcy Rule 9019, the court should determine whether the compromise is fair, reasonable, and in the best interest of the estates. *In re Marvel Entertainment Group, Inc.*, 222 B.R. 43, 249 (D. Del. 1998). The decision whether to accept or reject a compromise lies within the sound discretion of the court. *In re Neshaminy Office Bldg. Assocs.*, 62 B.R. 798, 803 (E.D. Pa. 1986).

16. Courts have developed certain criteria that a bankruptcy court may consider in evaluating a proposed settlement: (a) the probability of success in litigation; (b) the likely difficulties in collection; (c) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (d) the paramount interest of the creditors. *Martin*, 91 F.3d at 393. Courts generally defer to a trustee's business judgment when there is a legitimate business justification for the trustee's decision. *Id.* at 395. Approval of a compromise lies within the "sound discretion" of the bankruptcy court, *see World Health*, 344 B.R. at 296, and the court should consider "whether the settlement falls below the lowest point in the range of reasonableness." *Aetna Casualty & Surety Co. v. Jasmine, Ltd (In re Jasmine, Ltd)*, 258 B.R. 119,

123 (D.N.J. 2000) (internal quotations omitted); *see also In re TSIC, Inc.*, 393 B.R. 71, 79 (Bankr. D. Del. 2008); *In re World Health Alternatives, Inc.*, 344 B.R. 291, 296 (Bankr. D. Del. 2006). The ultimate inquiry is whether the compromise is “fair, reasonable, and in the interests of the estate.” *TSIC*, 393 B.R. at 78.

17. The NGSC Settlement is fair, reasonable, and in the best interests of the Debtors and their estates. The economic benefits of the NGSC Settlement are material and include NGSC’s withdrawal of its \$4 million claim against the Debtors and agreement to implement favorable future pricing terms upon approval of the NGSC Settlement. *See* Ex. B (Term Sheet) at 2-3. Moreover, the agreement by NGSC to consent in advance to the assumption and assignment of the NGSC Agreements by the Stalking Horse Purchaser is an important vote in favor of the Debtors’ ongoing sale process by one of the Debtors’ key customers. *See* Ex. B (Term Sheet) at 2. The NGSC Settlement avoids potential disruptions to a critical customer relationship, avoids potential litigation over any objections to the assumption and assignment of the NGSC Agreements, and sends an important message of support for the Debtors and their sale process to all of the Debtors’ constituents. In short, the NGSC Settlement provides material economic benefits to the Debtors and their estates while facilitating and enhancing the Debtors’ sale process, and thus is in the “paramount interest” of the Debtors and their estates.

18. The NGSC Settlement should likewise be approved pursuant to Bankruptcy Code sections 363(b) and 105(a). Under Section 363(b), a debtor’s settlement and release of claims constitutes a use of property of the estate. *See e.g. Northview Motors, Inc. v. Chrysler Motors Corp.*, 186 F.3d 346, 350-51 (3d Cir. 1999); *Martin*, 91 F.3d at 95 n.2. Courts normally defer to the trustee’s business judgment so long as there is a legitimate business justification. *See id.*; *see also Dai-Ichi Kangyo Bank, Ltd. v. Montgomery Ward Holding Corp. (In re Montgomery Ward*

Holding Corp.), 242 B.R. 147, 153 (Bankr. D. Del. 1999) (trustee need only have a “sound business purpose” to justify use of estate property pursuant to section 363(b)). In addition, under Section 105(a) of the Bankruptcy Code, “[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). Section 105(a) has been interpreted to expressly empower bankruptcy courts with broad equitable powers to “craft flexible remedies that, while not expressly authorized by the Code, effect the result the Code was designed to obtain.” *Official Comm. of Unsecured Creditors of Cybergenics Corp. ex rel. Cybergenics Corp. v. Chinery*, 330 F.3d 548, 568 (3d Cir. 2003) (en banc).

19. In summary, the NGSC Settlement is fair and reasonable and is in the best interests of the Debtors’ estates and creditors. The Debtors’ business reasons for entering into the NGSC Settlement are sound and reasonable, and include the material economic benefits of the NGSC Settlement, the avoidance of potential disruption to a key customer relationship, and a vote of support from a key customer at a critical point in the Debtors’ Chapter 11 Cases. These sound business purposes justify approval of the NGSC Settlement under Rule 9019 as well as Sections 363(b) and 105(a).

NOTICE

20. Notice of this Motion shall be provided to: (i) the Office of the United States Trustee for the District of Delaware; (ii) counsel for the DIP Lender; (iii) counsel to NGSC; and (iv) all parties who, as of the filing of this Motion, have filed a notice of appearance and request for service of papers pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is necessary.

NO PRIOR REQUEST

21. The Debtors have not made any prior request to this or to any other court for the relief sought herein.

CONCLUSION

WHEREFORE, the Debtors respectfully request entry of the Proposed Order, substantially in the form attached hereto as **Exhibit A**, granting the relief requested herein and such other and further relief as may be just and proper.

Dated: March 4, 2025
Wilmington, Delaware

CHIPMAN BROWN CICERO & COLE, LLP

/s/ Mark L. Desgrosseilliers

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Proposed Counsel to the Debtors and Debtors in Possession

EXHIBIT A

Proposed Order

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

In re: Dynamic Aerostructures LLC, <i>et al.</i> , Debtors. ¹	Chapter 11 Case No. 25-10292 (LSS) (Jointly Administered) Related Docket No. ____
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**ORDER APPROVING SETTLEMENT WITH
NORTHROP GRUMMAN SYSTEMS CORPORATION**

Upon the motion (the “**Motion**”)² of the above-captioned debtors and debtors-in-possession (the “**Debtors**”) for entry of an order (this “**Order**”) pursuant to section 105(a), 363, and 365 of title 11 of the United States Code of the Bankruptcy Code and Bankruptcy Rule 9019 approving the NGSC Settlement, including the Consent and Term Sheet, all as more fully set forth in and attached to the Motion; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated February 29, 2012; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that venue of this case and this proceeding is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; and this Court having found that the Debtors’ notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the

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² Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Motion.

Motion and having heard the statements in support of the relief requested therein at a hearing before this Court if needed (the “**Hearing**”); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is **GRANTED** as set forth herein. Any objections or reservations of rights filed in respect of the Motion are overruled with prejudice.
2. The NGSC Settlement, including the Consent and Term Sheet, is **APPROVED** in its entirety.
3. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Order in accordance with the Motion.
4. This Court retains jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

EXHIBIT B

Consent and Term Sheet (filed under seal)

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

In re: Dynamic Aerostructures LLC, <i>et al.</i> , Debtors. ³	Chapter 11 Case No. 25-10292 (LSS) (Jointly Administered) Hearing Date: March 25, 2025 at 11:00 a.m. (ET) Objection Deadline: March 18, 2025 at 4 :00 p.m. (ET)
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**NOTICE OF DEBTORS’ MOTION FOR ENTRY OF ORDER APPROVING
SETTLEMENT WITH NORTHROP GRUMMAN SYSTEMS CORPORATION**

PLEASE TAKE NOTICE that, on March 4, 2025, the above-captioned debtors and debtors-in-possession (the “**Debtors**”) filed the *Motion for Entry of Order Approving Settlement with Northrop Grumman Systems Corporation* (the “**Motion**”) with the United States Bankruptcy Court for the District of Delaware (the “**Court**”).

PLEASE TAKE FURTHER NOTICE that objections, if any, to the relief requested in the Motion must be filed with the United States Bankruptcy Court, 824 North Market Street, Third Floor, Wilmington, Delaware 19801, on or before **March 18, 2025, at 4:00 p.m. (Eastern Time)**.

PLEASE TAKE FURTHER NOTICE that at the same time, you must also serve a copy of the objection to (a) counsel for the Debtors, Chipman Brown Cicero & Cole, LLP, *Attn:* Robert A. Weber (weber@chipmanbrown.com), Mark L. Desgrosseilliers. (desgross@chipmanbrown.com), Kristi J. Doughty (doughty@chipmanbrown.com); and (b) the Office of the U.S. Trustee for the District of Delaware, *Attn:* Rosa Sierra-Fox; (Rosa.Sierra-Fox@usdoj.gov) so as to be **received no later than 4:00 p.m. (Eastern Time) on March 18, 2025**.

PLEASE TAKE FURTHER NOTICE THAT A FINAL HEARING ON THE MOTION WILL BE HELD ON MARCH 25, 2025, AT 11:00 A.M. (EASTERN TIME) BEFORE THE HONORABLE LAURIE SELBER SILVERSTEIN, IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 NORTH MARKET STREET, 6TH FLOOR, COURT ROOM 2, WILMINGTON, DELAWARE 19801.

PLEASE TAKE FURTHER NOTICE THAT IF NO OBJECTIONS TO THE RELIEF REQUESTED IN THE MOTION ARE TIMELY FILED, SERVED, AND RECEIVED IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY

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GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Respectfully submitted,

Dated: March 4, 2025
Wilmington, Delaware

CHIPMAN BROWN CICERO & COLE, LLP

/s/ Mark L. Desgrosseilliers

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