In the United States Bankruptcy Court
For the District of Maryland
(Baltimore Division)

IN RE:	
Canton & Company LLC	**CASE NO. 23-19054-DER**
DEBTOR.	**(CHAPTER 7)**
Morgan W. Fisher, Chapter 7 Trustee	
V.	**Adv. Proc. No.: 25-00441-der**
INNOVATION REFUNDS LLC	

MOTION TO VACATE DEFAULT AND AUTHORIZE COMPROMISE OF CONTROVERSIES

Morgan W. Fisher, Trustee, by undersigned counsel, files this *Motion to Vacate Default and Authorize Compromise of Controversies* by and between the Trustee on the one hand and Defendant, Innovation Refunds LLC. ("Innovation") on the other hand, and states:

Introduction

1. The Debtor commenced this case by filing of a voluntary petition for relief under Chapter 11 (Sub-V) of the Bankruptcy Code on December 12, 2023 (the "Petition Date"). On December 3, 2025, the Court entered an Order Granting Motion to Convert to a Case Under Chapter 7 [Dkt. 208].

2. Morgan W. Fisher was appointed as the chapter 7 trustee (the "Trustee").

Background and Controversies

3. Upon information and belief, between September 12, 2023, and the Petition Date, the Debtor made three transfers to the Defendant in the aggregate amount of $192,426.39 (the "Transfers"). See Complaint at Exhibit A.

4. The Trustee filed a Complaint against Innovation seeking to avoid and recover the Transfers pursuant to 11 U.S.C. § 544 et. seq. and 550.

5. No answer was filed. On February 11, 2026, the Trustee filed a Motion for Default Judgment (the "Default motion") [Dkt. 8]. Thereafter, Defendant and the Trustee settled this adversary proceeding. However, before the Trustee could withdraw the Default Motion and file a motion to compromise, the Court granted the Default Motion [Dkt. 9].

The Compromise

6. The Trustee and Innovation have reached a resolution of the claims raised in the Complaint as follows:

a. Innovation has returned the full $192, 426.39 to the Trustee.

b. On March 10, 2026, Innovation filed Proof of Claim 16 in the amount of $192,426.39.

c. The claim shall be deemed a timely filed general unsecured claim.

d. The default judgment shall be vacated.

Legal Standard And Request For Relief

7. Settlements are to be encouraged, and it should not be the intention of a court to discourage settlements. *U.S. ex rel. Rahman v. Oncology Associates, P.C.,* 269 B.R. 139 (D. Md. 2001).

8. In approving a settlement, this Court must determine whether such settlement is in the best interests of the estate, which requires an examination of the litigation's probable costs and benefits. While it is the obligation of a bankruptcy court to review independently a proposed compromise to determine whether it is fair and equitable and in the best interests of the bankruptcy estate, settlements are to be encouraged. *See Nussbaum v. United States (In re Smith)*, 210 B.R. 689, 692 (Bankr. D. Md. 1997) (Derby, J.). When recovering assets that may involve "protracted investigation or potentially costly litigation, with no guarantees as to the outcome, the trustee must tread cautiously-and an inquiring court must accord him wide latitude should he conclude that the game is not worth the candle." *In re Mailman Steam Carpet Cleaning Corp.*, 212 F.3d 632, 635 (1st Cir.), *cert. denied*, 120 S. Ct. 2661 (2000). When a settlement agreement provides tangible benefits to the estate in return for a sacrifice of

uncertain claims against a creditor, a bankruptcy court does not err in approving the settlement. *In re Bond*, No. 93-1410, 1994 WL 20107, *4 (4th Cir. Jan. 26, 1994).

9. A court must examine whether the Trustee's actions in settling fall within the universe of reasonable action, not whether pressing onward might produce more funds for the estate. *See In re Ashford Hotels, Ltd*., 226 B.R. 797, 802 (Bankr. S.D.N.Y. 1998) (viewing settlement within the "lowest point in the range of reasonableness"). A court may approve a settlement over objections unless the proposed settlement falls below the "lowest point in the range of reasonableness." *In re W.T. Grant Co.,* 699 F.2d 599, 608, 613 (2d Cir.), *cert. denied,* 464 U.S. 822, 104 S.Ct. 89, 78 L.Ed.2d 97 (1983). A settlement should be approved if it provides for "the best possible realization upon the available assets...without undue waste or needless or fruitless litigation." *In re Bowman*, 181 B.R. 836, 847 (Bankr.D.Md.1995)(citing *In re Central Ice Cream*, 59 B.R. 476, 487 (Bankr.N.D.Ill.1985)).

10. In determining the reasonableness of the proposed settlement, this Court should consider the following factors:

a. the probability of success in the litigation;
b. the likely difficulties in collection;
c. the complexity of the litigation;
d. the expense, inconvenience and delay necessarily attending to the litigation; and
e. the paramount interest of the creditors of the estate.

See In re Martin, 91 F.3d 389, 393 (3d Cir. 1996).

11. Here, the Trustee believes he would succeed in the litigation.

12. Collection would not be difficult.

13. The expense, inconvenience, and delay necessarily attending to the litigation likely exceeds any further benefit available to the Trustee.

14. The Trustee submits that the proposed settlement is reasonable under the circumstances, the paramount interest of the creditors is served by approval of the settlement.

15. In the exercise of his reasonable judgment the Trustee submits that the settlement proposed herein should be approved and consummated.

WHEREFORE, Zvi Guttman, Trustee, moves that the Court:

A. Enter the Order attached hereto approving the compromise set forth herein;

B. Authorize the Trustee to take any and all actions and execute any and all documents necessary and appropriate to effectuate and consummate the terms of the compromise; and

C. Grant such other relief as this Court deems just and proper.

/s/ Zvi Guttman
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