

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

IN RE:)
)
Advanced Precision Manufacturing, Inc.) Case No. 17-18961
) Chapter 11
) Judge Cassling
)
Debtor/Debtor-in-Possession.)

NOTICE OF MOTION

TO: ATTACHED SERVICE LIST:

PLEASE TAKE NOTICE that on the 28th day of June, 2017 at 9:30 a.m. or as soon thereafter as counsel can be heard, I shall appear before the Honorable Donald R. Cassling, Bankruptcy Judge, in Room 619 of the United States Bankruptcy Court in the Everett McKinley Dirksen Federal Building, 219 South Dearborn Street, Chicago, Illinois, or before any other Judge who may be sitting in his place and stead and shall present the **Motion For Authority To Use Cash Collateral and For Related Relief**, a copy of which is attached hereto and herewith served upon you, and shall pray for the entry of an Order in compliance therewith.

AT WHICH TIME and place you may appear if you so see fit.

/s/David K. Welch
Crane, Heyman, Simon, Welch & Clar
135 S. LaSalle St., Suite 3705
Chicago, Illinois 60603
(312) 641-6777

CERTIFICATE OF SERVICE

The undersigned, being first duly sworn on oath deposes and states that he caused a copy of the foregoing Notice and attached Motion to be served on all the parties listed on the attached service list via the Court's Electronic Filing System (ECF), Via facsimile and/or Federal Express Overnight Delivery, properly addressed, on the 23rd day of June, 2017.

/s/David K. Welch

SERVICE LIST

United States Trustee
Dirksen Federal Building
219 South Dearborn Street
Suite 873
Chicago, IL 60604
Via ECF

ALRO STEEL CORPORATION
4501 JAMES PLACE
Melrose Park, IL 60160
Federal Express Overnight

AM Castle & Co
13843 Collections Center Dr.
Chicago, IL 60693
Federal Express Overnight

BRADISH ASSOCIATES, LTD.
215 N. ARLINGTON HTS. RD.
Arlington Heights, IL 60004
Federal Express Overnight

CALUMET SURFACE HARDENING
6805 McCOOK AVENUE
Hammond, IN 46323
Federal Express Overnight

Chase
Schaumburg Meacham
600 N. Meacham Road
Schaumburg, IL 60173
Federal Express Overnight

COLMAR INDUSTRIAL SUPPLIES, LLC
890 LIVELY BLVD.
Elk Grove Village, IL 60007
Federal Express Overnight

COMMONWEALTH EDISON
Erin Buechler
Claims Department
Via Facsimile: 630-437-2228

COPPER & BRASS SALES INC
P.O. BOX 2625
Carol Stream, IL 60132-2625
Via Facsimile: 847-490-9081

DELTA CENTERLESS GRINDING
9220 W. Chestnut Ave.
Franklin Park, IL 60131-3014
Federal Express Overnight

EARLE M. JORGENSEN CO-CHICAGO
75 REMITTANCE DRIVE
Suite 6477
Chicago, IL 60675-6477
Federal Express Overnight

GENERAL CUTTING TOOLS INC.
6440 N. RIDGEWAY AVE
Lincolnwood, IL 60712
Federal Express Overnight

GIS Rolling LLC
c/o Darwin Asset Management Co.
970 N. Oak Lawn Ave., #100
Elmhurst, IL 60126
Federal Express Overnight

LIVINGSTONE TOOL COMPANY
1546 N. OAKMONT DRIVE
Vernon Hills, IL 60061
Federal Express Overnight

METALS TECHNOLOGY CORPORATION
120 NORTH SCHMALE RD
Carol Stream, IL 60188
Federal Express Overnight

Midwest Community Bank
510 Park Crest Drive
Freeport, IL 61032
Attn: Mark Wright
Federal Express Overnight

MMB MACHINING TECHNOLOGY, INC.
1250 JARVIS AVE
Elk Grove Village, IL 60007
Federal Express Overnight

MSC INDUSTRIAL SUPPLY CO.,INC
75 Maxess Road
Melville, NY 11747-3151
Federal Express Overnight

On Deck Capital
901 N. Stuart St., #700
Attn: Director of Operations
Arlington, VA 22203
Federal Express Overnight

QUALITY CASTINGS (R2)
1908 MACARTHUR ROAD
Waukesha, WI 53188
Federal Express Overnight

QUANTUM LASER MARK
830 SETON CT
Wheeling, IL 60090
Federal Express Overnight

RLM INDUSTRIES, INC
PO BOX 505
Oxford, MI 48371
Via Facsimile: 248-628-6227

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

IN RE:)	
)	Case No. 17-18961
Advanced Precision Manufacturing, Inc.)	Chapter 11
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**MOTION FOR AUTHORITY TO USE
CASH COLLATERAL AND FOR RELATED RELIEF**

Advanced Precision Manufacturing, Inc., Debtor/Debtor-in-Possession herein, by and through its Attorneys, makes its Motion pursuant to Section 363 of the Bankruptcy Code, Rule 4001(b) of the Federal Rules of Bankruptcy Procedure and Rule 4001-2 of the Local Rules of this Court For Authority to Use Cash Collateral and For Related Relief; and in support thereof, states as follows:

Introduction

1. On June 23, 2017, the Debtor filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code (“Petition Date”).
2. The Debtor is operating its business and managing its financial affairs as Debtor in Possession. No trustee, examiner or committee of unsecured creditors has been appointed to serve in this reorganization case.
3. By this Motion, the Debtor requests that this Court authorize it to use certain cash and cash equivalents that allegedly serve as collateral for claims asserted against the Debtor and its property by Midwest Community Bank.
4. This Court has jurisdiction over this matter pursuant to 28 U.S.C. Sections 157

and 1334.

5. This matter constitutes a “core” proceeding within the meaning of 28 U.S.C. Section 157(b)(2)(A), (M) and (O).

6. The statutory predicates for the relief requested in this Motion are Section 363 of the Bankruptcy Code, Rule 4001(b) of the Federal Rules of Bankruptcy Procedure and Rule 4001-2 of the Local Rules of this Court.

Relevant Factual Background

7. The Debtor is a corporation formed and in good standing under the laws of the State of Illinois. The Debtor’s principal place of business is located at 2301 Estes Avenue, Elk Grove Village, Illinois.

8. The Debtor operates a manufacturing business in the metalworking industry wherein it manufactures and distributes quality machine parts that meet regulatory, statutory, and customer requirements in the aerospace, military, oil drilling, power generation, medical and other various industries. A significant portion of the Debtor’s manufacturing business relates to fulfilling military defense contracts. The Debtor employs as many as fifty (50) employees in operating its business in the ordinary course.

9. The Debtor’s primary secured lender is Midwest Community Bank (“Lender”), which extended a series of secured loans to the Debtor at various times over the last approximately five (5) years. The aggregate amount due under these secured loans as alleged by the Lender is approximately \$3,900,000.00, which loans are allegedly secured by all of the Debtor’s property as well as certain property of non-Debtor parties.

10. On or about June 14, 2017, the Lender delivered a series of Notices of Default

under the various loans to the Debtor. None of these Notices of Default specifically identified the nature and extent of the alleged defaults by the Debtor. The Lender asserts that it has accelerated the balances due under each of the underlying loans.

11. On the same day as the Notices of Default, the Lender also delivered letters to the Debtor's account debtors demanding that the account debtors pay any and all amounts due to the Debtor to the Lender. In these letters, the Lender demanded that each of the account debtors pay the amounts due to the Bank to the Lender rather than the Debtor on or before June 23, 2017. The Debtor asserts that these demands were not commercially reasonable thereby rendering such notices as ineffective.

12. As a result of the Lender's actions as set forth above, and in order to protect the Debtor's assets from foreclosure and its business from termination, as well as to protect the overall viability of its business and assets for the benefit of all creditors, the Debtor filed this Chapter 11 case.

13. The Debtor has several options for an exit strategy from this Chapter 11 case. Each of these options provides a mechanism for the payment of all creditors' claims in the context of a confirmable Plan of Reorganization.

Use of Cash Collateral

14. The Lender asserts first position liens and security interests against the Debtor's assets to secure the underlying indebtedness due from the Debtor.

15. Based upon the underlying loan documents of the Lender, the cash collateral issues in this Chapter 11 case relate to the Debtor's accounts receivable and the funds on deposit in accounts maintained by the Debtor.

16. In order for the Debtor to continue to operate its business and manage its financial affairs in the ordinary course and effectuate an effective reorganization, it is essential that the Debtor be authorized to use cash collateral for, among other things, the following purposes:

- A) Maintenance and Repairs to its manufacturing equipment;
- B) Operating expenses;
- C) Insurance;
- D) Utilities;
- E) Payroll; and
- F) Other miscellaneous items needed in the ordinary course of business.

Attached to this Motion as **Exhibit A** are the Debtor's monthly cash flow projections for the period June 23, 2017, through August 18, 2017, (the "Budget"). This Budget itemizes the Debtor's cash needs during the relevant period.

17. The Debtor generates more than sufficient cash flow to cover all operating and related expenses.

18. Use of cash collateral to pay the actual, necessary and ordinary expenses to maintain the Debtor's business, as set forth in the Budget, will preserve the value of the Debtor's assets and business and thereby insure that the interests of creditors that have or may assert an interest in both cash collateral and the Debtor's other assets are adequately protected within the meaning of Sections 361, 362 and 363 of the Bankruptcy Code.

19. The Debtor proposes, subject to the approval of this Court, to use cash collateral in which the Lender asserts an interest. The Debtor's proposal will permit the Debtor to sustain its business operations and reorganize its financial affairs through the implementation of a successful

Plan of Reorganization. Furthermore, the Debtor's proposal will adequately protect the purported secured interests of the Lender.

20. Unless the Debtor is authorized to use cash collateral in which the Lender asserts an interest, the Debtor will be unable to continue to operate its business and manage its property, thereby eliminating any reasonable prospect for a successful reorganization. The cessation of normal business operations by the Debtor will cause irreparable harm to the Debtor, its creditors and this estate.

21. The Debtor proposes to use cash collateral and provide adequate protection to the Lender upon the following terms and conditions:¹

- A. The Debtor will permit the Lender to inspect, upon reasonable notice, within reasonable hours, the Debtor's books and records;
- B. The Debtor shall maintain and pay premiums for insurance to cover all of its assets from fire, theft and water damage;
- C. The Debtor shall, upon reasonable request, make available to the Lender evidence of that which purportedly constitutes its collateral or proceeds;
- D. The Debtor will properly maintain its assets in good repair and properly manage its business; and
- E. The Lender shall be granted valid, perfected, enforceable security interests in and to Debtor's post-petition assets, including all proceeds and products which are now or hereafter become property of this estate to the extent and priority of their alleged pre-petition liens, if valid, but only to the extent of any diminution in the value of such assets during the period from the commencement of the Debtor's Chapter 11 case through the next hearing on the use of cash collateral.

22. Further cash flow budgets, if necessary, will be submitted to this Court pursuant

¹Based upon the Debtor's proposal for the use of cash collateral, none of the disclosures required under Rule 4001-2 of the Local Rules of this Court is necessary.

to this Motion. The Debtor will make the expenditures set forth on Exhibit A to this Motion plus no more than 10% of the total proposed expense payments, unless otherwise agreed by the Lender or upon further Order of this Court. Furthermore, any expenses that are budgeted for payment in one month but are not paid in such month shall be carried over for payment in subsequent months.

Conclusion

23. The Debtor requests, pursuant to Rule 4001(b)(2) of the Federal Rules of Bankruptcy Procedure, that this Court conduct a preliminary hearing to authorize the Debtor's interim use of cash collateral pending a final hearing on this Motion.

24. The Debtor believes that it is in the best interests of the Debtor, its creditors and this estate to authorize it to use that portion of its cash, all or a portion of which may constitute cash collateral, in that, without the limited use of such cash as herein requested, the Debtor will be unable to pay and satisfy its current operating expenses thereby resulting in immediate and irreparable harm and loss to the Debtor, creditors and this estate.

25. For the reasons set forth herein, this Court should grant the relief requested in this Motion.

WHEREFORE, Advanced Precision Manufacturing, Inc., as Debtor/Debtor-in-Possession herein, requests the entry of an Order as follows:

- A. Authorizing the Debtor to use cash collateral in which the Lender asserts liens, upon the terms and conditions set forth in this Motion, until further Order of this Court;
- B. Preliminarily authorizing the Debtor to use cash collateral pending a final hearing on this Motion;
- C. Setting a final hearing on this Motion; and
- D. Granting such other relief as this Court deems just and appropriate.

Advanced Precision Manufacturing, Inc.,
Debtor/Debtor-in-Possession

By: /s/David K. Welch
One of its Attorneys

DEBTOR'S COUNSEL:

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Arthur G. Simon, Esq. (Atty. No. 03124481)
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