

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

In re:

Welded Construction, L.P. *et al.*,
Debtors.¹

Chapter 11

Case No. 18-12378 (CSS)

(Jointly Administered)

Welded Construction, L.P.,
Plaintiff,

Adv. Pro. No. 20-50936 (CSS)

v.

Magnum Machine Works, LLC,
Defendant.

**ANSWER AND AFFIRMATIVE DEFENSES OF MAGNUM MACHINE
WORKS, LLC, TO PLAINTIFF'S COMPLAINT TO AVOID AND RECOVER
TRANSFERS PURSUANT TO 11 U.S.C. §§ 547, 548, AND 550 AND TO
DISALLOW CLAIMS PURSUANT TO 11 U.S.C. § 502**

Magnum Machine Works, LLC (the "Defendant"), by and through its undersigned counsel, answers the Complaint (the "Complaint") filed by Welded Construction, L.P. (the "Plaintiff") in the above-referenced adversary proceeding (the "Adversary Proceeding") as follows:

NATURE OF THE ACTION

1. The statements within paragraph 1 of the Complaint are based upon a written document (the Complaint) that speaks for itself and, therefore, it appears no response is required. To the extent a response is required, Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 1 of the Complaint and, on that basis, denies each and every allegation contained therein.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Welded Construction, L.P (5008) and Welded Construction Michigan, LLC (9830).



2. The statements within paragraph 2 of the Complaint are based upon a written document (the Complaint) that speaks for itself and, therefore, it appears no response is required. To the extent a response is required, Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 2 of the Complaint and, on that basis, denies each and every allegation contained therein.

JURISDICTION AND VENUE

3. The allegations in paragraph 3 of the Complaint contain legal conclusions to which no response is required. To the extent a response is required, the Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 3 of the Complaint and, on that basis, denies each and every allegation contained therein.

4. The allegations in paragraph 4 of the Complaint contain legal conclusions to which no response is required. To the extent a response is required, the Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 4 of the Complaint and, on that basis, denies each and every allegation contained therein.

5. The allegations in paragraph 5 of the Complaint contain legal conclusions to which no response is required. To the extent a response is required, the Defendant admits that this adversary proceeding is a “core” proceeding. Pursuant to Local Bankruptcy Rule 7012-1, Defendant states that it does not consent to the entry of final orders or judgments by the Court if it is determined that the Court, absent consent of the parties, cannot enter final orders or judgments consistent with Article III of the United States Constitution.

6. The statements in paragraph 6 of the Complaint contain legal conclusions to which no response is required. To the extent a response is required, the Defendant admits that venue is proper in the District of Delaware.

7. The Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 7 of the Complaint and, on that basis, denies each and every allegation contained therein. Pursuant to Local Bankruptcy Rule 7012-1, Defendant states that it does not consent to the entry of final orders or judgments by the Court if it is determined that the Court, absent consent of the parties, cannot enter final orders or judgments consistent with Article III of the United States Constitution.

PROCEDURAL BACKGROUND

8. The Defendant admits the allegations set forth in paragraph 8 of the Complaint.

9. The Defendant admits the allegations set forth in paragraph 9 of the Complaint.

10. The Defendant admits the allegations set forth in paragraph 10 of the Complaint.

11. Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 11 of the Complaint and, on that basis, denies each and every allegation contained therein.

12. Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 12 of the Complaint and, on that basis, denies each and every allegation contained therein.

13. Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 13 of the Complaint and, on that basis, denies each and every allegation contained therein.

THE PARTIES

14. Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 14 of the Complaint and, on that basis, denies each and every allegation contained therein.

15. The Defendant admits that its principal place of business is located at the address listed in paragraph 15 of the Complaint and that it is a limited liability company residing in and subject to the laws in the State of Missouri. It is denied that the Defendant was, at all relevant times, a custom machine and attachment manufacturer to or for the Debtors. The Defendant also provided repairs, rentals, attachment manufacture, and reman equipment during relevant time periods.

FACTUAL BACKGROUND

16. The Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 16 of the Complaint and, on that basis, denies each and every allegation contained therein.

17. With regard to paragraph 17 of the Complaint, the Defendant admits that prior to the Petition Date the Debtors maintained business relationships with various business entities, through which the Debtors regularly purchased, sold, received, and/or delivered goods and services. The Defendant is without information or knowledge sufficient to form a belief as to the truth of the remaining allegations in paragraph 17 of the Complaint, and on that basis, denies the remaining allegations contained therein.

18. With regard to paragraph 18 of the Complaint, the Defendant admits that the Debtors regularly purchased goods from various business entities including vendors, creditors, suppliers and distributors, and that the Debtors regularly paid for services used to facilitate their business.

19. The Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 19 of the Complaint and, on that basis, denies each and every allegation contained therein.

20. The Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 20 of the Complaint and, on that basis, denies each and every allegation contained therein.

21. The allegations in paragraph 21 of the Complaint are admitted.

22. Defendant admits that during the course of the Debtor's and Defendant's relationship, the Parties entered into one or more written and/or verbal agreements that may or may not have been evidenced by invoices, communications, and/or other documents. Defendant denies that the details of any such agreements are set forth on a Statement of Account attached as Exhibit A to the Complaint. Defendant is without information or knowledge sufficient to form a belief as to the truth of the remaining allegations in paragraph 22 of the Complaint and, on that basis, denies the remaining allegations contained therein.

23. With regard to paragraph 23 of the Complaint, the Defendant admits that it conducted business with one or more of the Debtor though and including the Petition Date. As the Complaint does not clearly identify the alleged "Agreements," the Defendant is without information or knowledge sufficient to form a belief as to the truth of the remaining allegations in paragraph 23 of the Complaint and on that basis denies the remaining allegations contained therein.

24. As the Complaint does not clearly identify the alleged "Agreements," the Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 24 of the Complaint and, on that basis, denies each and every allegation contained therein.

25. The Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 25 of the Complaint and, on that basis, denies each and every allegation contained therein.

26. With regard to paragraph 26 of the Complaint, it is admitted that Defendant received certain payments during the Preference Period relating to the goods, rentals and/or services it provided to the Debtors. Defendant denies that the payment detail on Exhibit A to the Complaint is entirely accurate. It is further denied that any of the payments alleged on Exhibit A to the Complaint constituted preferential transfers. The Defendant is without information or knowledge sufficient to form a belief as to the truth of the remaining allegations in paragraph 26 of the Complaint and, on that basis, denies each and every remaining allegation contained therein.

27. The Defendant admits the Plaintiff sent Defendant a Demand Letter. Defendant is without information or knowledge sufficient to form a belief as to the truth of the remaining allegations in paragraph 27 of the Complaint and, on that basis, denies each and every remaining allegation contained therein.

28. It is denied that Plaintiff may avoid some or all of the alleged transfers in this matter. The Defendant is without information or knowledge sufficient to form a belief as to the truth of the remaining allegations in paragraph 28 of the Complaint and, on that basis, denies each and every remaining allegation contained therein.

29. Paragraph 29 of the Complaint does not appear to contain allegations requiring a response. To the extent a response is required, the allegations are denied.

30. With regard to paragraph 30 of the Complaint, it is admitted that in the event the Plaintiff meets its burden of proof under Bankruptcy Code section 547(b), such transfers are subject to defenses including, but not limited to, the defenses under Bankruptcy Code section 547(c). The remaining allegation in paragraph 30 of the Complaint is denied as a conclusion of law.

CLAIMS FOR RELIEF

COUNT I

(Avoidance of Preference Period Transfers – 11 U.S.C. § 547)

31. The Defendant incorporates all preceding paragraphs as though fully set forth herein.

32. With regard to paragraph 32 of the Complaint, it is admitted that Defendant received certain payments during the Preference Period relating to the goods, rentals and/or services it provided to the Debtors. Defendant denies that the payment detail on Exhibit A to the Complaint is entirely accurate. It is further denied that any of the payments alleged on Exhibit A to the Complaint constituted preferential transfers. The Defendant is without information or knowledge sufficient to form a belief as to the truth of the remaining allegations in paragraph 32 of the Complaint and, on that basis, denies each and every remaining allegation contained therein.

33. The Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 33 of the Complaint and, on that basis, denies each and every allegation contained therein.

34. The allegations in paragraph 34 of the Complaint contain legal conclusions to which no response is required. To the extent a further response is required, the Defendant is also without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 34.

35. The allegations in paragraph 35 of the Complaint contain legal conclusions to which no response is required. To the extent a response is required, the Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 35 of the Complaint and, on that basis, denies each and every allegation contained therein.

36. The allegations in paragraph 36 of the Complaint contain legal conclusions to which no response is required. To the extent a response is required, the Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 36 of the Complaint and, on that basis, denies each and every allegation contained therein.

37. The allegations in paragraph 37 of the Complaint contain legal conclusions to which no response is required. To the extent a response is required, the Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 37 of the Complaint and, on that basis, denies each and every allegation contained therein.

38. With regard to paragraph 38 of the Complaint, it is admitted that Defendant received certain payments on Exhibit A from the Debtor during the Preference Period. Defendant is still reconciling the payment data for the relevant time period and denies that the payment detail on Exhibit A to the Complaint is entirely accurate. It is further denied that any of the payments alleged on Exhibit A to the Complaint constituted preferential transfers.

39. The allegations in paragraph 39 of the Complaint contain legal conclusions to which no response is required. To the extent a response is required, the Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 39 of the Complaint and, on that basis, denies each and every allegation contained therein.

40. The allegations in paragraph 40 of the Complaint are denied.

COUNT II
(Avoidance of Fraudulent Transfers – 11 U.S.C. § 548(a)(1)(B))

41. The Defendant incorporates all preceding paragraphs as though fully set forth herein.

42. The Defendant denies the allegations set forth in paragraph 42 of the Complaint and its subparts.

43. The Defendant denies the allegations set forth in paragraph 43 of the Complaint.

COUNT III
(Recovery of Avoided Transfers – 11 U.S.C. § 550)

44. The Defendant incorporates all preceding paragraphs as though fully set forth herein.

45. The Defendant denies the allegations set forth in paragraph 45 of the Complaint.

46. The allegations in paragraph 46 of the Complaint contain legal conclusions to which no response is required. To the extent a response is required, the Defendant is without information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 46 of the Complaint and, on that basis, denies each and every allegation contained therein.

47. The Defendant denies the allegations set forth in paragraph 47 of the Complaint.

COUNT IV
(Disallowance of all Claims – 11 U.S.C. § 502(d) and (j))

48. The Defendant incorporates all preceding paragraphs as though fully set forth herein.

49. The Defendant denies the allegations set forth in paragraph 49 of the Complaint.

50. With regard to paragraph 50 of the Complaint, the Defendant admits that it has not paid back the amount of the alleged transfers in the Complaint and denies that it has any liability under 11 U.S.C. § 550 or otherwise.

51. The Defendant denies the allegations set forth in paragraph 51 of the Complaint.

52. The Defendant denies the allegations set forth in paragraph 52 of the Complaint.

AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

The transfers alleged in the Complaint, to the extent they occurred and were on account of an antecedent debt, were on account of a debt incurred by one or more of the Debtors in the ordinary course of business or financial affairs of one or more of the Debtors and Defendant, and were made in the ordinary course of business or financial affairs of one or more of the Debtors and Defendant or according to ordinary business terms. Such transfers, therefore, are not subject to avoidance. 11 U.S.C. § 547(c)(2).

SECOND AFFIRMATIVE DEFENSE

To the extent that any of the transfers alleged in the Complaint occurred, after each such transfer occurred, Defendant gave new value to or for the benefit of one or more of the Debtors which was not secured by an otherwise unavoidable security interest, and was on account of which new value one or more of the Debtors did not make an otherwise unavoidable transfer to or for the benefit of Defendant. Such transfers, therefore, are not subject to avoidance. 11 U.S.C. § 547(c)(4).

THIRD AFFIRMATIVE DEFENSE

To the extent that any of the transfers alleged in the Complaint occurred, and were intended by one or more of the Debtors and Defendant to be a contemporaneous exchange for new value given to one or more of the Debtors, and were in fact a substantially contemporaneous exchange, such transfers are not subject to avoidance. 11 U.S.C. § 547(c)(1).

FOURTH AFFIRMATIVE DEFENSE

Defendant took any alleged transfer from the Debtors in good faith and is entitled to retain such transfer to the extent of the value given within the provisions of 11 U.S.C. § 548(c).

FIFTH AFFIRMATIVE DEFENSE

The Plaintiff lacks standing to bring the claims in the Complaint.

SIXTH AFFIRMATIVE DEFENSE

Plaintiff's claims are subject to Defendant's rights of setoff and recoupment.

SEVENTH AFFIRMATIVE DEFENSE

Plaintiff should be denied recovery on the alleged transfers based on the defenses of accord and satisfaction, estoppel, waiver, laches and/or unclean hands.

EIGHTH AFFIRMATIVE DEFENSE

To the extent the transfers alleged in the Complaint occurred and Defendant acted as a conduit between the Debtors and a third party not having dominion or control over the transfers, Defendant was not an "initial transferee," "mediate transferee," or "immediate transferee" pursuant to Section 550 of the Bankruptcy Code. Therefore, such transfers are not subject to avoidance.

NINTH AFFIRMATIVE DEFENSE

The plaintiff may not recover on its claims to the extent they are barred by the applicable statute of limitations.

TENTH AFFIRMATIVE DEFENSE

To the extent the alleged transfers occurred, but were not on account of an antecedent debt, they are not avoidable.

ELEVENTH AFFIRMATIVE DEFENSE

The alleged transfers, to the extent they occurred, are not avoidable by the Plaintiff to the extent they are protected by the earmarking doctrine.

TWELFTH AFFIRMATIVE DEFENSE

To the extent that a contract existed between Defendant and the Debtor, and was assumed, or assumed and assigned, by the Plaintiffs or the Debtors under 11 U.S.C. § 365, the

Plaintiffs are estopped from pursuing the claims asserted in the Complaint.

THIRTEENTH AFFIRMATIVE DEFENSE

The transfers alleged in the Complaint are not recoverable to the extend the Defendant was appointed a Critical Vendor and, after the Petition Date, was paid in full for all amounts owed during the Preference Period.

FOURTEENTH AFFIRMATIVE DEFENSE

The transfers alleged in the Complaint are not recoverable to the extend Defendant was entitled to full payment of all amounts owed pursuant to a payment bond in the event the Debtor did not pay the Defendant.

RESERVATION OF RIGHTS

Defendant reserves the right to assert any claims or other defenses as may be available, or become available to Defendant during the course of discovery and specifically reserves the right to amend its answer to allege such defenses as they become known.

REQUESTED RELIEF

WHEREFORE, Defendant requests entry of an Order and Judgment:

- (i) dismissing the Complaint with prejudice;
- (ii) granting the Defendant costs of suit, including all reasonable counsel fees; and
- (iii) for such other and further relief as the Court deems just, proper and equitable.

[Signature page follows]

Dated: December 10, 2020

AUSTRIA LEGAL, LLC

/s/ Matthew P. Austria

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**Counsel for Defendant Magnum Machine
Works, LLC**

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

In re:	Chapter 11
Welded Construction, L.P. <i>et al.</i> , Debtors.	Case No. 18-12378 (CSS) (Jointly Administered)
Welded Construction, L.P., Plaintiff, v. Magnum Machine Works, LLC, Defendant.	Adv. Pro. No. 20-50936 (CSS)

CERTIFICATE OF SERVICE

I, Matthew P. Austria, hereby certify that on the 10th day of December, 2020, I caused a true and correct copy of the foregoing *Answer and Affirmative Defenses of Magnum Machine Works, LLC, to Plaintiff's Complaint to Avoid and Recover Transfers Pursuant to 11 U.S.C. §§ 547, 548, and 550 and to Disallow Claims Pursuant to 11 U.S.C. § 502* to be served on the following parties in the manner indicated as well as on all parties receiving service through the Electronic Case Filing (ECF) system in this adversary proceeding:

<u>VIA FIRST CLASS MAIL</u> Joseph L. Steinfeld, Jr., Esq. Bethany Rubis, Esq. ASK LLP 2600 Eagan Woods Drive, Suite 400 St. Paul, MN 55121	<u>VIA FIRST CLASS MAIL</u> Josef W. Mintz, Esq. Blank Rome LLP 1201 Market Street, Suite 800 Wilmington, DE 19801
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Date: December 10, 2020

AUSTRIA LEGAL, LLC

/s/Matthew P. Austria

Matthew P. Austria (No. 4827)