

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

IN RE:)
) **Chapter 11**
CITATION CORPORATION, et al.,¹)
) **Case No. _____**
Debtors.) **(Jointly Administered)**

**DEBTORS' MOTION FOR ORDER APPROVING CLAIMS AND NOTICING AGENT
OF BANKRUPTCY COURT PURSUANT TO 28 U.S.C. § 156(c) AND FED. R. BANKR.
P. 2002**

COME NOW, Citation Corporation ("Citation"), its holding company, and certain of its direct and indirect subsidiaries (the "Subsidiaries"), as debtors and debtors in possession (collectively, the "Debtors"), and, pursuant to 28 U.S.C. § 156(c) and Fed. R. Bankr. P. 2002, request this Court (the "Motion") for an order approving appointment of a claims and noticing agent and appointing such entity as claims and noticing agent of the Bankruptcy Court (the "Claims and Noticing Agent"). In support of this Motion, the Debtors rely on the Affidavit of

¹ In addition to the Citation Corporation, the Debtors include the following entities: (i) Citation Holding Company, (ii) Berlin Foundry Corporation, (iii) Bohn Aluminum, Inc., (iv) Castwell Products, Inc., (v) Citation Precision, Inc., (vi) HI-TECH, Inc., (vii) Iroquois Foundry Corporation, (viii) ISW Texas Corporation, (ix) Mansfield Foundry Corporation, (x) OBI Liquidating Corp., (xi) Texas Steel Corporation, (xii) TSC Texas Corporation, (xiii) Citation Aluminum, LLC, (xiv) Citation Castings, LLC, (xv) Citation Grand Rapids, LLC, (xvi) Citation Lake Zurich, LLC, (xvii) Citation Michigan, LLC, (xviii) Citation Wisconsin Forging, LLC, (xix) Citation Wisconsin, LLC, (xx) ITM Holding Co., LLC, (xxi) Interstate Southwest, Ltd., (xxii) Texas Foundries Ltd., and (xxiii) MFC Liquidating Company, Ltd.

Charles P. Bloome in Support of Chapter 11 Petitions and First Day Orders, filed contemporaneously herewith. Debtors further state as follows:

JURISDICTION AND VENUE

1. On September 18, 2004 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the Clerk of this Court. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to §§ 1107(a) and 1108. The Debtors have moved this Court for joint administration of these chapter 11 cases.

2. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of the Debtors' chapter 11 cases and this Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief requested herein are 28 U.S.C. § 156(c) and Fed.R.Bankr.P. 2002.

FACTS

A. Background

3. Facing its biggest challenges of all -- a sluggish industry and skyrocketing materials costs -- Citation and its affiliated companies have filed for chapter 11 bankruptcy in the U.S. Bankruptcy Court in Birmingham, Alabama. This action was taken to reorganize Citation's businesses into a profitable company that will continue to serve its customers. The Citation companies continue to operate their businesses and manage their properties as debtors in possession in accordance with the Bankruptcy Code.

4. Since its inception in 1974, Citation has forged a name for itself within the metal components industry by focusing on one overriding goal; total customer satisfaction. Citation has done this by acquiring capable leadership, loyal production workers and responsive suppliers.

5. Like every action Citation has taken over the years, chapter 11 was undertaken with customers in mind. The company is confident that a court-guided reorganization will give Citation the breathing room it needs to improve cash flow and emerge as a profitable company serving its many customers. The Citation companies will continue to use sound management practices to operate their businesses and manage their properties as debtors in possession in accordance with the Bankruptcy Code.

6. Citation is a privately held Delaware corporation headquartered in the Birmingham, Alabama metropolitan area. Through its wholly-owned subsidiaries, Citation designs, develops and manufactures high quality cast, forged, and machined components for the capital and durable goods industries. The products Citation manufactures are made primarily from iron, steel and aluminum materials. Citation's attention to quality, delivery and cost have allowed it to grow its customer base over the years. The company has also grown its business through a series of acquisitions. The Citation companies now own and operate sixteen facilities located in Alabama, Indiana, Wisconsin, Michigan, Illinois, Texas, and North Carolina. The Citation companies employ approximately 5,100 employees, some of whom are unionized.

7. Citation manufactures products for several market segments including the automotive, heavy truck, construction, aerospace, agricultural and commercial industries. Citation produces aluminum and iron castings. Its steel forgings are used in a wide variety of

applications including braking, steering, engine and drive train parts for passenger cars and light trucks; suspension and transmission parts for heavy trucks; ground engaging tools for construction equipment; parts for aircraft engines, landing gear and structural airframes; and thousands of other critical parts for capital and durable goods. Citation sells its castings and forgings to customers throughout the United States. Several of its largest customers are very large tier-one suppliers who make, assemble, and supply parts to automobile manufacturers.

8. Through the 1990s, Citation was a publicly traded company. In December 1999, Citation was taken private by an investment firm based in New York. A fund managed by the same firm continues to own virtually all of the shares of Citation's parent corporation.

9. Citation's cash flow challenges are typical of the industry today. All purchasers of steel have been suffering from the onslaught of record steel price increases. In the last 18 months, the price of steel scrap escalated from its traditional price of \$150 per ton to more than \$400 per ton. Other raw materials prices have also suffered dramatic price increases.

10. Ductile products account for half of Citation's sales. Steel scrap is the primary raw material used to make ductile products. Due to the unprecedented and unexpected price escalations for the purchase of steel scrap, Citation has found it difficult to maintain sufficient operating capital. Although some of Citation's customer relationships include provisions for sharing cost increases for steel scrap, Citation's relationships with several of its largest customers have no such provisions. Although Citation continues to work with customers to maintain positive, mutually beneficial relationships, Citation to date has been forced to bear the full burden of the increased price of steel scrap in many of its relationships. Citation's aluminum and

other divisions have fared better, largely due to their ability to pass on the raw materials price increases.

11. In addition to the escalating price of steel scrap, Citation -- like numerous U.S. companies that provide employees with healthcare benefits -- has incurred heavy increases in the cost of health care for Citation's employees. This and an increase in the cost of utilities has further hampered Citation's cash flow.

12. Citation has a strong market share of the North American ductile iron parts industry, competing primarily with North American companies only. This is because the weight, size, and shapes of the materials and product and heavy industry's requirements for just-in-time or staged delivery generally require the ductile iron foundries to be located on the same continent as the customers. Nonetheless, there is foreign competition, primarily from China and India.

13. The entire North American ductile iron parts industry finds itself in the same predicament as Citation. Some companies have recently exited this business altogether while a few competitors are better capitalized. Citation is determined to stay in business, and to continue serving the customers, employees and suppliers who have come to rely on Citation as a partner in success. Citation's management sees chapter 11 as a positive step to better position itself until the price of steel and other raw materials can reach an equilibrium within the industry and the true cost of materials can be passed through to the end user of the product.

14. As already mentioned, one of the most significant costs to Citation has been the unprecedented increase in the price of steel scrap. Combined with Citation's debt load, this has resulted in a shortage of cash flow. For the fiscal year ended September 28, 2003, Citation and

its subsidiaries reported net sales of approximately \$640,000,000 and a net loss of approximately \$120,000,000.

15. Citation and its subsidiaries are indebted under a bank debt facility in the approximate amount of \$325,000,000. This indebtedness is secured by a first lien on virtually all of the Debtors' assets. Citation's parent corporation is separately indebted under a different debt facility to a different set of creditors in the approximate amount of \$140,000,000. Citation generally has trade debt of approximately \$60,000,000.

16. Citation is owed receivables from its customers that generally total around \$90,000,000. Citation maintains inventory that has a book value of approximately \$45,000,000. Citation owns property, plants, and equipment of substantial value. Its greatest assets, however, are Citation's strong customer base and its many loyal employees.

17. As a part of its ongoing strategic review and assessment of their financial condition, Citation has determined to take advantage of its strong market share position, to strengthen the balance sheet, and to operate successfully in today's competitive environment, it must reduce its existing debt burden and increase operating efficiencies. Citation seeks protection under chapter 11 of the Bankruptcy Code to provide the necessary time to stabilize its finances and to develop and to implement a strategic plan to return its business to sustained profitability.

18. Citation filed bankruptcy with four primary goals in mind: (a) to reshape the Debtors' capital structure; (b) to improve cost efficiencies; (c) to maintain product manufacture and delivery; and (d) to negotiate with its key customers to pass on raw materials price increases. During its stay as a debtor-in-possession in chapter 11, Citation will continue to serve its

customers by manufacturing high quality products at Citation's many locations throughout the United States. Once these four key goals are sufficiently met by the bankruptcy proceedings, Citation will emerge from this process as a strong, viable, and independent business positioned for increased competitiveness and sustained profitability.

RELIEF REQUESTED

19. By this Motion the Debtors seek an order authorizing them to retain and employ an entity as Claims and Noticing Agent to, among other things: (a) serve as the Court's Claims and Noticing Agent to mail notices to certain of the estates' creditors and other parties-in-interest, (b) provide computerized claims, objection and balloting date base services, and (c) provide expertise and consultation and assistance in claim and ballot processing and with the dissemination of other administrative information related to the Debtors' chapter 11 cases.

BASIS FOR RELIEF

20. The Debtors have identified over 20,000 creditors, potential creditors and other parties-in-interest to whom certain notices, including notice of the commencement of the chapter 11 case, and voting documents, must be sent. Upon information and belief, the Clerk's Office is not equipped to efficiently and effectively docket and maintain the extremely large number of proofs of claim that likely will be filed in these cases. The sheer magnitude of the Debtors' creditor body makes it impracticable for the Clerk's Office to undertake that task and send notices to the creditors and other parties-in-interest

21. The Debtors submit that the most effective and efficient manner by which to accomplish the process of receiving, docketing, maintaining, photocopying and transmitting

proofs of claim in these cases is for them to engage an independent third party to act as an Claims and Noticing Agent for the Court.

22. Further, the Debtors expect that the solicitation of votes on their reorganization plan(s) will necessitate the forwarding of ballots, disclosure statement(s) and related solicitation material to many thousands of creditors, as well as the accurate recordation and tabulation of the numerous ballots that are returned by such creditors. The Debtors also wish to retain the Claims and Noticing Agent to assist them in this process.

23. The Debtors wish to engage this yet-to-be-determined Claims and Noticing Agent to send out certain designated notices, maintain claim files and a claims register, and act as voting agent with respect to certain creditors in these cases. The Debtors believe that such a system will expedite service of Rule 2002 Notices, streamline the claims administration process, and permit the Debtors to focus on their reorganization efforts.

24. Fed.R.Bankr.P. 2002 generally regulates the notices that must be provided to creditors and parties-in-interest in bankruptcy cases. Under Rule 2002, the Court may direct that a person other than the Clerk of the Court give notice of the various matters described therein.

25. Further, 28 U.S.C. § 156(c), which governs the staffing and expenses of the Bankruptcy Court, states in pertinent part:

- (c) Any court may utilize facilities or services, either on or off the court's premises, which pertain to the provision of notices, dockets, calendars, and other administrative information to parties in cases filed under the provisions of title 11, United States Code, where the cost of such facilities or services are paid for out of the assets of the estate and are not charged to the United States. The utilization of such facilities or services shall be subject to such conditions and limitations as the pertinent circuit council may prescribe.

28 U.S.C. § 156(c). The Debtors' engagement of a Claims and Noticing Agent is expressly authorized under Fed.R.Bankr.P. 2002 and 28 U.S.C. § 156(c).

26. The Debtors anticipate that the Claims and Noticing Agent will perform the following services, at the request of the Debtors or Clerk's Office:

- (a) Prepare and serve required notices in these chapter 11 cases, including:
 - (i) A notice of the commencement of these chapter 11 cases and the initial meeting of creditors under section 341(a) of the Bankruptcy Code;
 - (ii) A notice of the claims bar date;
 - (iii) Notices of objections to claims;
 - (iv) Notices of any hearings on a disclosure statement and confirmation of a plan or plans of reorganization; and
 - (v) Such other miscellaneous notices as the Debtors or the Court may deem necessary or appropriate for an orderly administration of these chapter 11 cases;
- (b) Within five business days after the service of a particular notice, file with the Clerk's Office a certificate or affidavit of service that includes (i) a copy of the notice served, (ii) an alphabetical list of persons on whom the notice was served, along with their addresses, and (iii) the date and manner of service;
- (c) Maintain copies of all proofs of claim and proofs on interest filed in these cases;
- (d) Maintain official claims registers in these cases by docketing all proofs of claim and proofs of interest in a claims database that includes the following information for each such claim or interest asserted:

- (i) The name and address of the claimant or interest holder and any agent thereof, if the proof of claim or proof of interest was filed by an agent;
 - (ii) The date the proof of claim or proof of interest was received by the Claims and Noticing Agent and/or the Court;
 - (iii) The claim number assigned to the proof of claim or proof of interest;
 - (iv) The asserted amount and classification of the claim; and
 - (v) The applicable Debtors against which the claim or interest is asserted;
- (e) Implement necessary security measures to ensure the completeness and integrity of the claims registers;
 - (f) Transmit to the Clerk's Office a copy of the claims registers on a weekly basis, unless request by the Clerk's Office on a more or less frequent basis;
 - (g) Maintain an up-to-date mailing list for all entities that have filed proofs of claim or proofs of interest and make such list available upon request to the Clerk's Office or any parties-in-interest;
 - (h) Provide access to the public for examination of copies of the proofs of claim or proofs of interest filed in these cases without charge during regular business hours;
 - (i) Record all transfers of claims pursuant to Fed.R.Bankr.P. 3001(e) and provide notice of such transfers as request by Rule 3001(e), if directed to do so by the Court; Fed.R.Bankr.P. 2002
 - (j) Comply with applicable federal, state, municipal and local statutes, ordinances, rules, regulations, orders and other requirements
 - (k) Provide temporary employees to process claims, as necessary;

- (l) Promptly comply with such further conditions and requirements as the Clerk's Office or the Court may at time prescribe; and
- (m) Provide such other claims processing, noticing, balloting, and related administrative services as may be requested from time to time by the Debtors.

27. In addition to the foregoing, the Debtors seek to employ the Claims and Noticing Agent to assist them with the preparation, mailing and tabulation of ballots of certain creditors for the purpose of voting to accept or reject a plan or plans of reorganization.

28. The Debtors request that the fees and expenses of Claims and Noticing Agent incurred in the performance of their duties be treated as an administrative expense of the Debtors' chapter 11 estate and be paid by the Debtors in the ordinary course of business.² The Claims and Noticing Agent will submit to the Office of the Bankruptcy Administrator for the U.S. Bankruptcy Court for the Northern District of Alabama, Southern Division, on a monthly basis, copies of the invoices it submits to the Debtors for services rendered.

29. The Debtors will submit a copy of a fully-executed agreement with the yet-to-be-determined Claims and Noticing Agent upon execution and within ten (10) days of the Order of Relief entered by the Court in these cases. The Debtors will also submit an affidavit of disinterestedness regarding the Claims and Noticing Agent and will serve both of these documents according to this Court's order on service. If no objections are filed on a timely basis, the Court may enter the order approving the agreement without a hearing.

² An as administrative agent and an adjunct to the Court, the Debtors do not believe that the Claims and Noticing Agent is a "professional" whose retention is subject to approval under section 327 of the Bankruptcy Code or whose compensation is subject to approval of the Court under sections 330 and 331 of the Bankruptcy Code.

30. For all of the foregoing reasons, the Debtors believe that the retention of the Claims and Noticing Agent is appropriate and in the best interest of the Debtors, their estates and their creditors.

31. No previous request for the relief sought in this Motion has been made to this Court or any other Court.

WHEREFORE the Debtors respectfully requests that the Court enter an order (i) authorizing the Debtors to retain and employ a Claims and Noticing Agent, and (ii) granting the Debtors such other further relief as is just and proper.

Dated this the 18 day of September, 2004.



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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

IN RE:)
) **Chapter 11**
CITATION CORPORATION, et al.,¹)
) **Case No. _____**
Debtors.) **(Jointly Administered)**

**ORDER ON PROPOSED CLAIMS AND NOTICING AGENT OF BANKRUPTCY
COURT PURSUANT TO 28 U.S.C. § 156(c) AND FED. R. BANKR. 2002**

Upon the motion (the "Motion")² of the above-captioned Debtors and debtors-in-possession, (collectively, the "Debtors") for an order pursuant to 28 U.S.C. § 156(c) and Fed.R.Bankr.P. 2002 approving the Debtors' agreement with a claims and noticing agent (the "Claims and Noticing Agent"); and upon the Affidavit of Charles P. Bloome in support of the Motion; and it appearing to the Court that due and adequate notice of the Motion having been given; the relief requested in the Motion is in the best interest of the estates and their creditors; after due deliberation thereon, it is hereby **ORDERED, ADJUDGED, and DECREED** as set forth below:

¹ In addition to the Citation Corporation, the Debtors include the following entities: (i) Citation Holding Company, (ii) Berlin Foundry Corporation, (iii) Bohn Aluminum, Inc., (iv) Castwell Products, Inc., (v) Citation Precision, Inc., (vi) HI-TECH, Inc., (vii) Iroquois Foundry Corporation, (viii) ISW Texas Corporation, (ix) Mansfield Foundry Corporation, (x) OBI Liquidating Corp., (xi) Texas Steel Corporation, (xii) TSC Texas Corporation, (xiii) Citation Aluminum, LLC, (xiv) Citation Castings, LLC, (xv) Citation Grand Rapids, LLC, (xvi) Citation Lake Zurich, LLC, (xvii) Citation Michigan, LLC, (xviii) Citation Wisconsin Forging, LLC, (xix) Citation Wisconsin, LLC, (xx) ITM Holding Co., LLC, (xxi) Interstate Southwest, Ltd., (xxii) Texas Foundries Ltd., and (xxiii) MFC Liquidating Company, Ltd.

² Capitalized terms shall have the meanings ascribed to them in the Motion.

1. Pursuant to Fed.R.Bankr.P. 2002 and 28 U.S.C. § 156(c), the Debtors, as a debtors-in-possession, are authorized to employ and retain a Claims and Noticing Agent to perform the services requested in the Motion. However, the Court must receive a copy of a fully-executed agreement identifying and binding, subject to Court approval, the yet-to-be-determined Claims and Noticing Agent (the "Agreement") within ten (10) days of the Order of Relief entered by this Court, along with an affidavit of disinterestedness regarding the Claims and Noticing Agent. If no objections are filed on a timely basis, the Court may enter the order approving the agreement without a hearing.

2. The Claims and Noticing Agent shall, on a monthly basis, submit detailed invoices to the Debtors for services rendered, with a copy to the Office of the Bankruptcy Administrator for the U.S. Bankruptcy Court for the Northern District of Alabama, Southern Division.

3. The fees and expenses of the Claims and Noticing Agent incurred in the performance of the services described in the Motion shall be treated as an administrative expense of the Debtors' chapter 11 estates and be paid by the Debtors in the ordinary course of business.

4. As a condition to its retention, the Claims and Noticing Agent shall meet with the Clerk's Office to agree upon such procedures for administration of the Claims and Noticing Agent's services as the Clerk of Court may request.

5. No proof of claim or proof of interest shall be filed with the Court until a Claims and Noticing Agent is appointed. If a proof of claim or proof of interest in these cases is filed with the Court prior to appointment of a Claims and Noticing Agent, then such proof of claim or proof of interest shall be date stamped, but not docketed, by the Court, and immediately forwarded to the Claims and Noticing Agent upon appointment.

6. The Clerk's Office will forward to the Claims and Noticing Agent on a weekly basis any requests for transfers of claims pursuant to Rule 3001(e) of the Federal Rules of Bankruptcy Procedure. The Claims and Noticing Agent will perform the noticing services required by such rule and will provide certificates of service to the Court on a weekly basis containing a list of all transfer requests served the previous week.

7. The Claims and Noticing Agent will provide to the Clerk of Court a certificate of service for mailings it performs in these cases within five (5) business days of service.

Dated this the _____ day of _____ 2004

UNITED STATES BANKRUPTCY JUDGE