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

IN RE:	)	
	)	
CITATION CORPORATION, et al.,[1]	)	**Case No. __________________**
	)	
Debtors.	)	

DEBTORS' MOTION PURSUANT TO 11 U.S.C. §§ 105(A) AND 363(B) AND (C) FOR AUTHORIZATION TO CONTINUE THE DEBTORS' WORKERS' COMPENSATION PROGRAMS, ALL OTHER INSURANCE POLICIES, ALL AGREEMENTS RELATING THERETO, AND PAY ALL OBLIGATIONS IN RESPECT THEREOF

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 §§ 105(a) and 363(b) and (c) of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code"), request this Court enter an order authorizing the Debtors to continue their workers' compensation programs, all other insurance policies, and all agreements relating thereto, and to pay all obligations in respect thereof. In support of this Motion, the Debtors rely on the Affidavit of Charles P. Bloome in Support of Chapter 11 Petitions and First Day Orders, filed contemporaneously herewith, and state as follows:

[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.

Support of Chapter 11 Petitions and First Day Orders, filed contemporaneously herewith, and 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 Bankruptcy Code §§363 and 105.

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.

B. The Debtors' Insurance Programs

19. In the ordinary course of their businesses, the Debtors maintain numerous insurance policies and workers' compensation programs (the "Insurance Programs") through

several different insurance carriers (the "Insurance Carriers").[2] The Insurance Programs include, without limitation, workers' compensation plans, automobile insurance, crime and theft insurance, general and professional liability insurance, fiduciary liability insurance, directors' and officers' liability insurance, employment practices liability insurance, as well as letters of credit and loss fund deposits which provide security for the Debtors' obligations under certain insurance policies.[3]

20. Prior to the Petition Date, the Debtors utilized Lockton Companies, Inc., an insurance broker/consultant (the "Broker"), for the administration of the vast majority of the Debtors' insurance policies, which include, without limitation, property, general liability, automobile liability, workers' compensation, umbrella, excess umbrella, fiduciary liability, directors and officers liability, and employment practices liability. The Broker also provides a number of ancillary administrative services, including consulting and risk management services. For only a few other insurance policies, the premiums are paid directly by the Debtors to the Insurance Carriers. Moreover, Debtors also utilized Escambia Insurance Agency ("Escambia"), an insurance broker, to obtain insurance on its Brewton, Alabama facility (Escambia is hereinafter included in the definition of "Broker").

21. With respect to these policies, the Debtors pay the Broker directly for all premiums and other amounts due under the policies, and the Broker remits the payments to the Insurance Carriers. The Debtors also pay the Broker an aggregate annual fee of $240,000.00

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[2] A list of the insurers and the coverage they provide is attached as an exhibit hereto.

[3] Debtors are filing contemporaneously herewith their "Motion of the Debtors Pursuant to 11 U.S.C. §§ 105(a) and 363(b) for Authorization to Pay Prepetition Wages, Compensation, and Employee Benefits" seeking court authority to continue payment of, among other things, costs associated with employee related insurance benefits, including medical and health insurance, prescription insurance, life insurance, dental insurance, and other such similar benefits.

(the "Broker Fees") for its services, which is paid in quarterly installments. The Debtors are current on their payments to the Broker for the Broker Fees, premiums, and deductibles. Likewise, the Debtors are current on the payment of premiums, deductibles, and other payments made directly to the Insurance Carrier.[4] To the extent any prepetition Broker Fees are due, the Debtors are not seeking authority to pay those amounts.

(a) The Workers' Compensation Programs

22. Under the laws of the various states in which they operate, the Debtors are statutorily required to maintain workers' compensation and employer's liability policies and programs (collectively, the "Workers' Compensation Programs") and to provide their employees with workers' compensation coverage for claims arising from or related to their employment with the Debtors. Pursuant to such state law requirements, the Debtors maintain Workers' Compensation Programs in all states in which they operate, either through third-party insurance or self-insured programs.

23. For certain employees in the states of Alabama and Illinois, the worker's compensation and employer's liability coverage consists of a self-insured program maintained through the Broker, and administered by Helmsman Management Services, Inc., a subsidiary of Liberty Mutual Insurance Group ("Liberty Mutual"). To the extent the Debtors' self-insured limit is exceeded, the Debtors also maintain an excess policy with Liberty Mutual, which policy is also maintained by the Broker. For employees in all other states, Liberty Mutual currently issues the workers' compensation and employer's liability insurance policies, which policies are maintained by the Broker.

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[4] The Debtors are current on their payments with respect to billed amounts owed pursuant to the Insurance Programs, the majority of which are paid in advance. To the extent any of the Insurance Programs are billed in arrears, the Debtors may owe monies for the unbilled coverage.

underpaid premiums based on such audits, they are entitled to a refund, or are required to make an additional payment, respectively.

25. The Debtors have obtained, and there are currently outstanding, a number of letters of credit ("LC") for the benefit of the Debtors' current and former workers' compensation carriers, as security for the Debtors' obligations to such carriers for workers' compensation deductible losses (the "Workers' Compensation Security"). As of the Petition Date, the Debtors maintained Workers' Compensation Security of approximately $13,093,303 consisting of: (a) a $10,900,000 LC for the benefit of Liberty Mutual, (b) a $850,000.00 LC for the benefit of Travelers Insurance Company, (c) a $775,000 LC for the benefit of the Illinois Industrial Commission, (d) a $350,000 LC for the benefit of RLI Insurance Company, (e) a $100,000 LC for the benefit of TIG Insurance Company, (f) a $75,000 LC for the benefit of Sentry Insurance Company, and (g) a $43,303 LC for the benefit of the Alabama Self-Insured Workers' Compensation Fund.

26. As of July 1, 2004, there were approximately two hundred and fifty (250) workers' compensation claims pending against the Debtors (the "Workers' Compensation Claims"). The estimated total prepetition workers' compensation potential exposure is approximately 11.2 million dollars. Payment of the prepetition Workers' Compensation Claims is essential to the continued operation of the Debtors' businesses, since there is a risk that eligible claimants will not receive payments with respect to employment-related injuries, which may have a devastating effect on the financial well-being and morale of the Debtors' employees and their willingness to remain in the Debtors' employ. Therefore, the Debtors are requesting authority to pay any and all amounts due and owing with respect to any Workers' Compensation Program, up to $4 million for the first six (6) months following the Petition Date, and maintain

authority to pay any and all amounts due and owing with respect to any Workers' Compensation Program, up to $4 million for the first six (6) months following the Petition Date, and maintain and continue prepetition practices with respect to the Workers' Compensation Programs, including, among other things, the Workers' Compensation Security and allowing workers' compensation claimants, to the extent they hold valid Workers' Compensation Claims, to proceed with their claims directly against the Insurance Carriers under the applicable insurance policy or program.

(b) Liability and Property Insurance

27. The Debtors also maintain liability and property insurance policies, which provide the Debtors with insurance coverage for claims relating to, among other things, property, general liability, automobile liability, umbrella, excess umbrella, ocean cargo, aviation liability, aviation products liability, international commercial package, crime, special crime (kidnap and ransom), fiduciary liability, directors' and officers' liability, and employment practices liability. These policies are essential to the ongoing operation of the Debtors' businesses because the Debtors would be exposed to substantial liability for any damages resulting to persons and property of the Debtors and others in the event such policies were terminated for non-payment.

28. The Debtors are required to pay premiums based upon a rate established and billed by each Insurance Carrier. The premiums for most of these policies are determined annually and are paid either to the Broker, which pays the premiums to the Insurance Carriers on the Debtors' behalf, or in some instances, directly to the Insurance Carrier.

29. With respect to some of the Debtors' insurance policies, there are certain deductible or self-insured retention amounts set forth in the policy language for each claim. The Debtors have also made certain "Loss Fund Deposits" with certain Insurance Carriers in

connection with the Insurance Programs administered by the Broker (the "Loss Fund Deposits"). The Loss Fund Deposits total approximately $800,000.

30. In most instances, claim losses and expenses are paid by the Insurance Carriers directly to claimants and others as incurred. The Insurance Carriers bill the Debtors for reimbursement of those losses and expenses which fall under the deductible or self-insured retention amounts.

RELIEF REQUESTED

31. By this Motion, pursuant to Bankruptcy Code §§ 105(a), § 363, and the "necessity of payment" doctrine, the Debtors seek authorization to: (a) continue to pay all prepetition amounts, if any, related to the Insurance Programs and Workers' Compensation Claims, including, among other things: premiums, deductibles, and other amounts due, including retroactive adjustments; provided that such payments shall not exceed $4,000,000 in the aggregate; (b) to maintain and continue on an uninterrupted basis prepetition practices with respect to such Insurance Programs and Workers' Compensation Claims, including, among other things, allowing claimants to proceed directly against the Insurance Carriers to the extent that such claimants have valid Workers' Compensation Claims; (c) maintain and continue to make post-petition payments with respect to the Insurance Programs, including, among other things, premiums, deductibles, and other amounts due, on an uninterrupted basis; and (d) continue to maintain the Workers' Compensation Security, the Loss Fund Deposits, and any other security maintained in respect of the Insurance Programs (collectively, the "Insurance Security").

32. The annual premiums for the Debtors' worker's compensation, liability, and property coverage aggregate approximately $5,200,000. As of the Petition Date, the Debtors believe they are current in respect of their prepetition premiums and deductible reimbursements

under these policies. In an abundance of caution, to the extent a premium or deductible reimbursement relating to a period prior to the Petition Date is outstanding with respect to any insurance policy, the Debtors seek authority to make such payment in the same manner that such payments were made prior to the Petition Date (subject to the aggregate cap on payments described in paragraph 31 above).

33. In addition, the Debtors propose to continue to make all postpetition payments with respect to the Insurance Programs, including, without limitation, deductibles, premiums, and payments to the Insurance Carriers directly, where applicable, in connection with postpetition services. The Debtors propose to pay all obligations arising under or related to these programs and polices subsequent to the Petition Date in the ordinary course of business, not on an accelerated basis, and in accordance with the terms of these programs and policies.

34. The Debtors also seek authority to renew any of the Insurance Programs postpetition, as the Debtors see fit in the exercise of their ordinary course of business discretion, if and/or when such Insurance Programs expire after the Petition Date.

35. As a result of the commencement of the Debtors' chapter 11 cases, and in the absence of an order of the Court providing otherwise, the Debtors will be prohibited from paying or otherwise satisfying all prepetition obligations related to the Insurance Programs (the "Prepetition Insurance Program Obligations"), and the checks, drafts, wire transfers, and ACH direct deposit transfers issued and effected in respect of such Prepetition Insurance Program Obligations will be dishonored or rejected. The Debtors seek authority to issue new postpetition checks, or effect new fund transfers, on account of the Prepetition Insurance Program Obligations to replace any prepetition checks or fund transfer requests that may be dishonored or rejected. The Debtors have, or will have, on deposit sufficient available funds in their bank

accounts to satisfy all the Prepetition Insurance Program Obligations so that the Debtors' banks will not be prejudiced by any order authorizing them to honor the Debtors' checks or fund transfer requests with respect to such amounts. The Debtors further request that the Court authorize Debtors' banks and financial institutions to process, honor and pay any and all checks on account of obligations to be paid pursuant to this Motion and to rely on the representations of the Debtors as to which checks are issued and authorized to be paid in accordance with this Motion without any duty of further inquiry and without liability for following the Debtors' instructions.

36. This Court has approved payment of prepetition insurance monies on the grounds that the payment of such claims was necessary to effectuate a successful reorganization in other chapter 11 cases. *See, e.g., In re Meadowcraft, Inc.* Chapter 11 Case No. 02-06910 (TOM) (Bankr. N.D. Ala. 2002); *In re Alabaster Industries, Inc.* Chapter 11 Case No. 98-02220 (BGC) (Bank. N.D. Ala. 1998).

37. The Bankruptcy Code § 363(b)(1) provides that the "[t]rustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). Bankruptcy Code § 105(a) further provides:

> The court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title. No provision of this title providing for the raising of an issue by a party in interest shall be construed to preclude the court from, sua sponte, taking any action or making any determination necessary or appropriate to enforce or implement court orders or rules, or to prevent an abuse of process.

11 U.S.C. § 105(a).

38. As set forth in the Affidavit of Charles P. Bloome in Support of Chapter 11 Petitions and First Day Orders, the Debtors must continue their Insurance Programs post petition, which Insurance Programs provide a comprehensive range of coverage for the Debtors

and their businesses and properties, in full force and effect. If these policies were allowed to lapse, the Debtors would be exposed to substantial liability for any damages resulting to persons and property of the Debtors and others. Maintenance of the directors' and officers' liability policy also is necessary to the retention of the Debtors' senior management who are critical to the success of the Debtors' businesses and reorganization and to enable the Debtors to financially indemnify their officers and directors per the requirements set forth in certain of Debtor's bylaws, partnership and/or operating agreements. Paragraph H of this Court's standard "Chapter 11 Operating Order" also requires the Debtors to maintain their Insurance Programs.

39. In addition, it is essential to the continued operation of the Debtors' businesses and their efforts to reorganize that all Workers' Compensation Claims and state fees and assessments are paid on a timely basis, and that the Insurance Security is maintained. The risk that eligible claimants will not receive payments with respect to employment-related injuries may have a devastating effect on the financial well-being and morale of the Debtors' employees and their willingness to remain in the Debtors' employ. Departures by employees at this critical time may result in a severe disruption of the Debtors' businesses to the detriment of all parties in interest.

40. The Debtors estimate that the total amount proposed to be paid with respect to the Prepetition Insurance Program Obligations is *de minimis* compared with the size of the Debtors' estates, the importance of the Debtors' employees to the reorganization effort, and the potential liability exposure of the Debtors absent insurance coverage. Based upon the foregoing, the relief requested herein is amply justified and, in the case of the Workers' Compensation Programs, may be mandatory under state or federal law.

41. To the extent that any Insurance Program, or any other agreement, policy, or contract described herein, including any agreement with the Broker, is deemed an executory contract within the meaning of Bankruptcy Code § 365, the Debtors do not at this time intend to assume the same. Court authorization of payments in respect thereof shall not be deemed to constitute postpetition assumption or adoption thereof as an executory contract pursuant to Bankruptcy Code § 365. The Debtors will review the Insurance Programs, the agreement with the Broker, and other agreements and reserve all their rights under the Bankruptcy Code with respect thereto.

NOTICE AND PRIOR MOTIONS

42. Notice of this Motion has been given to the (1) the Office of the Bankruptcy Administrator for the United States Bankruptcy Court for the Northern District of Alabama, Southern Division; (2) counsel to the JPMorgan Chase Bank as Administrative Agent for the Debtors' prepetition lenders; (3) counsel to JPMorgan Chase Bank as Administrative Agent for the Debtors' proposed postpetition lenders; (4) the Debtors' twenty (20) largest unsecured creditors (on a consolidated basis); and (5) the District Director of the Internal Revenue Service for the Northern District of Alabama. In light of the nature of the relief requested herein, the Debtors submit that no further notice of the Motion is necessary or required.

43. No previous request for the relief requested herein has been made to this or any other court.

WHEREFORE, the Debtors request the Court enter an order substantially to the order attached hereto as Exhibit "A," and grant the Debtors such other and further relief as this Court may deem just and proper.

Dated: Birmingham, Alabama
September 18, 2004

Michael Leo Hall
Robert B. Rubin
Rita H. Dixon
Attorneys for the Debtors and Debtors in Possession

OF COUNSEL:

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Citation Policies

Coverage	Carrier
Crime	Natl. Union Fire
D&O	Natl. Union Fire
Fiduciary Liability	Natl. Union Fire
Employment Practices	Natl. Union Fire
Property	AIG
ITM Property	Federal Insurance Co.
Citation Castings, Alabama Property	Travelers
Citation Castings, Alabama Flood	Westchester
Citation Castings, Alabama Flood	Great American
Citation Castings, Alabama Flood	Greenwich
Citation Castings, Alabama Flood	Landmark American
Citation Castings, Alabama Flood	Allstate
Global DIC	CNA
General Liability	Liberty Mutual
Automobile (AOS)	Liberty Mutual
Automobile (OH)	Liberty Mutual
Umbrella	AIG
Excess Umbrella	Chubb
Workers Compensation (Self-Insurance Proposal)	Liberty Mutual
Workers Compensation (Excess Program)	Liberty Mutual
Workers Compensation (Retro Program)	Liberty Mutual
Workers Compensation (Large Deductible Program)	Liberty Mutual
Aircraft Product Liability	Natl. Union Fire
K&R/Special Crime	Liberty Ins. Underwriters
Ocean Marine Cargo	Fireman's Fund

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

IN RE:	)	
	)	
CITATION CORPORATION, et al.,[1]	)	**Case No. ________________**
	)	
Debtors.	)	

ORDER PURSUANT TO 11 U.S.C. §§ 105(A) AND 363(B) AND (C) AUTHORIZING DEBTORS TO CONTINUE THE DEBTORS' WORKERS' COMPENSATION PROGRAMS, ALL OTHER INSURANCE POLICIES, ALL AGREEMENTS RELATING THERETO, AND PAY ALL OBLIGATIONS IN RESPECT THEREOF

This matter came to be heard upon the motion (the "Motion") of 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"), pursuant to §§ 105(a) and 363(b) and (c) of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code") for authorization to: (a) continue to pay all prepetition amounts, if any, related to the Insurance Programs (unless otherwise defined, capitalized terms shall be used herein as they are defined in the Motion) and Workers' Compensation Claims, including, among other things: premiums, deductibles, and other amounts due, including retroactive adjustments;

[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.

provided that such payments shall not exceed $4,000,000 in the aggregate; (b) to maintain and continue on an uninterrupted basis prepetition practices with respect to such Insurance Programs and Workers' Compensation Claims, including, among other things, allowing claimants to proceed directly against the Insurance Carriers to the extent that such claimants have valid Workers' Compensation Claims; (c) maintain and continue to make post-petition payments with respect to the Insurance Programs, including, among other things, premiums, deductibles, and other amounts due, on an uninterrupted basis; and (d) continue to maintain the Workers' Compensation Security, the Loss Fund Deposits, and any other security maintained in respect of the Insurance Programs.

Upon consideration of the Affidavit of Charles P. Bloome in Support Chapter 11 Petitions and First Day Order; the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; due notice of the Motion having been provided to the (1) the Office of the Bankruptcy Administrator for the United States Bankruptcy Court for the Northern District of Alabama, Southern Division; (2) counsel to JPMorgan Chase Bank as Administrative Agent for the Debtors' prepetition lenders; (3) counsel to JPMorgan Chase Bank as Administrative Agent for the Debtors' proposed postpetition lenders; (4) the Debtors' twenty (20) largest unsecured creditors (on a consolidated basis); and (5) the District Director of the Internal Revenue Service for the Northern District of Alabama and it appearing that no other or further notice need be provided; the Court having determined that the relief sought in the Motion is in the best interests of the Debtors, their creditors, and all parties in interest; upon the Motion and all of the proceedings before the Court; and after due deliberation and sufficient cause appearing therefore, it is hereby **ORDERED, ADJUDGED, and DECREED:**

1. That the Debtors may, on account of those matters described in the Motion and in the manner described in the Motion, without prejudice to the Debtors' right to seek additional or further relief in the future, in the ordinary course of business: (a) continue to pay all prepetition amounts, if any, related to the Insurance Programs, including, among other things: premiums, deductibles, and other amounts due, including retroactive adjustments; provided that such payments shall not exceed $4,000,000 in the aggregate; (b) maintain and continue on an uninterrupted basis prepetition practices with respect to such Insurance Programs, including, among other things, allowing claimants to proceed directly against the Insurance Carriers to the extent that such claimants have valid Workers' Compensation Claims; (c) maintain and continue to make post-petition payments with respect to the Insurance Programs, including, among other things, premiums, deductibles, and other amounts due, on an uninterrupted basis; and (d) continue to maintain the Workers' Compensation Security, the Loss Fund Deposits, and any other Insurance Security; and further

2. That the Debtors are authorized to maintain and continue on an uninterrupted basis any and all prepetition practices and payments on a postpetition basis with respect to the Insurance Programs, including without limitation, renewal and/or continuation, if Debtors so elect in the exercise of their business judgment, of any of the Insurance Programs that may expire postpetition; and further

3. The Debtors are authorized to issue new postpetition checks, or effect new fund transfers, on account of the Prepetition Insurance Program Obligations to replace any prepetition checks or fund transfer requests that may be dishonored or rejected; and further

4. That the Debtors' banks and financial institutions that process, honor and pay any and all checks, or fund transfers, on account of obligations to be paid pursuant to this Order are authorized to do so and may rely on the representations of the Debtors as to which checks are issued and authorized to be paid in accordance with this Order without any duty of further inquiry and without liability for following the Debtors' instructions; and further

5. That to the extent that the Insurance Programs, or any related contract or agreement, are deemed executory contracts, the relief granted hereby shall not be deemed an assumption of any such contract pursuant to Bankruptcy Code § 365; and further

6. That nothing in this Order or the Motion is intended or shall be construed to constitute relief from the automatic stay pursuant to Bankruptcy Code § 362.

Dated: ________________, 2004

Birmingham, Alabama

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UNITED STATES BANKRUPTCY JUDGE