

**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. 04-08130-TOM-11**
Debtors.) **(Jointly Administered)**

**ORDER PURSUANT TO 11 U.S.C. §§ 105(a) AND 363(b)
AUTHORIZING PAYMENT OF PREPETITION CLAIMS
OF CERTAIN CRITICAL TRADE VENDORS**

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) of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code") for authorization to pay, in the Debtors' sole discretion through reasonable exercise of their business judgment, the prepetition claims of certain critical vendors that are essential to the uninterrupted functioning of the Debtors' business operations (the "Critical Vendors," whose prepetition claims shall be identified as the "Critical Vendor Claims"). Upon consideration of the Affidavits of Larry Tackett and Charles P. Bloome, each filed on the

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.

Petition Date; 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 (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; 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 this Court; and after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED that the Debtors are authorized to pay the Critical Vendor Claims, up to \$20 million in the aggregate, as determined by the Debtors in their sole discretion (subject to the conditions of the Debtors' postpetition financing arrangements) to continue receiving the vital goods and services provided by the Critical Vendors; and it is further

ORDERED that the Debtors condition the payment of Critical Vendor Claims on the agreement of individual Critical Vendors to continue supplying goods and services to the Debtors on trade terms that are as favorable or more favorable than those upon which such Critical Vendor provided goods and/or services to the Debtors prior to the Petition Date; and it is further

ORDERED that the Debtors reserve the right to negotiate new trade terms with any Critical Vendor as a condition to payment of any Critical Vendor Claim; and it is further

ORDERED that the Debtors shall disclose such payments in their monthly operating report, including a description of the payments made and the reason for each payment; and it is further

ORDERED that as a condition to paying any Critical Vendor, the Debtors must (a) send a letter, substantially in the same form as that attached to the Motion as Exhibit “A,” to the Critical Vendors along with a copy of this Order and the letter be executed and returned to the Debtors, and (b) that the check used to pay the holder of a Critical Vendor’s claim contain a legend substantially in the following form:

By accepting this check, the payee agrees to the terms of the Order of the United States Bankruptcy Court for the Northern District of Alabama, dated _____, 2004, in the Company’s Chapter 11 Consolidated Case, Case No _____, entitled “Order Pursuant to 11 U.S.C. §§ 105(a) and 363(b) Authorizing Payment of Prepetition Claims of Certain Critical Trade Vendors” and submits to the jurisdiction of that Court for enforcement thereof.

ORDERED that nothing in this Motion should be construed as a waiver by any of the Debtors of their rights to contest any invoice of a Critical Vendor, whether paid or unpaid, under applicable nonbankruptcy law; and it is further

ORDERED that, if a Critical Vendor at any later time refuses to supply goods and/or services to the Debtors on trade terms that are as favorable or more favorable than those upon which such Critical Vendor provided goods and/or services to the Debtors prior to the Petition Date following receipt of payment on its Critical Vendor Claim, the Debtors are authorized to, in their discretion and without further order of the Court, declare that provisional payments made to Critical Vendors on account of Critical Vendor Claims be deemed to have been in payment of then outstanding postpetition claims of such vendors without further order of the Court or action by any person or entity. In the event that such occurs, the relevant Critical Vendor shall then immediately repay to the Debtors any payment made to it on account of its Critical Vendor

Claims to the extent that payments on account of such Critical Vendor Claims exceed the postpetition claims of such Critical Vendors then outstanding without giving effect to any rights of setoff, claims, provision for payment of reclamation or trust fund claims, or otherwise and it is further

ORDERED that, those Critical Vendors that assert or may assert any mechanics' liens, possessory liens, or other similar State law trade liens ("Trade Liens") on the Debtors' property need not comply with any of the terms and conditions set forth in this Order, except for those in this paragraph. The Critical Vendor Claim of any Critical Vendor who asserts or who may assert a Trade Lien on the Debtors' property may be paid immediately in exchange for such Critical Vendor (i) agreeing, to the extent such Critical Vendor has not previously perfected its interest in the Debtors' property, to forbear from pursuing perfection; (ii) releasing the Trade Lien; and (iii) releasing, to the extent such Critical Vendor is in possession of the Debtors' property, the Debtors' property; provided that payments in respect of Critical Vendor Claims made to Critical Vendors who assert or who may asserts Trade Liens shall not exceed \$1 million in the aggregate (which limit is included in the \$20 million aggregate limit for all Critical Vendor Claims). To the extent that any payment of a Critical Vendor Claim of a Critical Vendor who asserts or who may assert a Trade Lien is made that would exceed the \$1 million aggregate limit, such Critical Vendor must comply with all terms and conditions set forth in this Order; and it is further

ORDERED that the banks and financial institutions that process, honor and pay any and all checks 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.

Dated this the 20th day of September, 2004.

/s/ Tamara O. Mitchell
United States Bankruptcy Judge