

40-7102
40-8948

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Attorneys for Debtors
in Possession
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John J. Rapisardi, Esq. (JR-7781)

Hearing Date & Time
Date: February 9, 1994
Time: 2:00 p.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X		
In re	:	Chapter 11 Case Nos.
	:	93 B 44468 (JLG)
	:	93 B 44469 (JLG)
METALLURG, INC., and	:	(Jointly Administered)
SHIELDALLOY METALLURGICAL	:	
CORPORATION,	:	
	:	
Debtors.	:	
-----X		

NOTICE OF MOTION FOR ENTRY OF AN ORDER PURSUANT TO
SECTIONS 105 AND 363 OF THE BANKRUPTCY CODE
AUTHORIZING METALLURG, INC. TO RELEASE ELECTROWERK
WEISWEILER GMBH FROM CERTAIN ACCRUED MANAGEMENT FEES

PLEASE TAKE NOTICE THAT upon the annexed motion of Metallurg, Inc. ("Metallurg") and Shieldalloy Metallurgical Corporation (collectively, the "Debtors") dated January 28, 1994 (the "Motion"), the Debtors will move before the Honorable James L. Garrity, United States Bankruptcy Judge, on February 9, 1994, at 2:00 p.m., in Room 610-2 of the United States Bankruptcy Court, Alexander Hamilton Customs House, One Bowling Green, New York, New York 10004, for an order authorizing Metallurg to release one of Metallurg's foreign subsidiaries, Electrowerk Weisweiler, GmbH ("EWW"),

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PDR ADOCK 04007102
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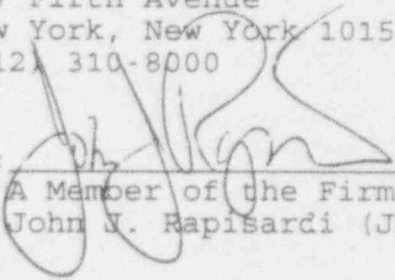
from certain accrued management fees, in order to allow such subsidiary to complete a financial restructuring with its lenders.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the relief requested in the Motion must be made in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, set forth the name of the objectant, the nature and amount of any claim or interest held or asserted against the Debtors' estates or properties, the basis for the objection and the specific grounds therefor, and shall be filed, together with a proof of service, with the Clerk of the Bankruptcy Court, with a copy to chambers and be personally served upon Weil, Gotshal & Manges, attorneys for the Debtors, 767 Fifth Avenue, New York, New York 10153, Attention: John J. Rapisardi, Esq., and Stroock, Stroock & Lavan, attorneys for the statutory unsecured creditors' committee, One Hanover

Square, New York, New York 10004-2696, Attention: Larry M.
Handelsman, Esq., no later than February 4, 1994 at 5:00
p.m.

Dated: New York, New York
January 24, 1994

WEIL, GOTSHAL & MANGES
Attorneys for Metallurg, Inc.
and Shieldalloy Metallurgical
Corporation,
Debtors In Possession
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By: 
A Member of the Firm
John V. Rapisardi (JR-7781)

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In re : Chapter 11 Case Nos.
: 93 B 44468 (JLG)
METALLURG, INC., and : 93 B 44469 (JLG)
SHIELDALLOY METALLURGICAL : (Jointly Administered)
CORPORATION, :
Debtors. :
:-----X

ORDER PURSUANT TO SECTIONS 105 AND 363 OF THE BANKRUPTCY
CODE AUTHORIZING METALLURG, INC. TO RELEASE ELECTROWERK
WEISWEILER GMBH FROM CERTAIN ACCRUED MANAGEMENT FEES

Upon the motion of Metallurg, Inc. ("Metallurg")
and Shieldalloy Metallurgical Corporation (collectively, the
"Debtors") dated January 28, 1994 (the "Motion"), for an
order authorizing Metallurg to release one of its foreign
subsidiaries, Electrowerk Weisweiler, Gmbh ("EWW"), from
certain accrued management fees, in order to allow such
subsidiary to complete a financial restructuring with its
lenders, all as more fully described in the Motion; and
sufficient notice of the Motion having been given to the
Committee, the United States Trustee and those parties who

have requested notice, and that no further notice is required; and it appearing that the best interests of Metallurg, its estate, its creditors and its equity holders; and after due consideration and for good cause shown, it is hereby

ORDERED that the Motion be, and it hereby is, granted in all respects; and it is further

ORDERED that Metallurg be, and it hereby is, authorized to release EWW from accrued but unpaid management fees for 1992 and 1993 in the approximate amount of \$557,000; and it is further

ORDERED that the requirement of Local Bankruptcy Rule 13(b) be, and it hereby is, waived.

Dated: New York, New York
February __, 1994

United States Bankruptcy Judge

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767 Fifth Avenue
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(212) 310-8000
Marcia L. Goldstein, Esq. (MG-2606)
John J. Rapisardi, Esq. (JR-7781)

Hearing Date & Time
Date: February 9, 1994
Time: 2:00 p.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re : Chapter 11 Case Nos.
METALLURG, INC., and : 93 B 44468 (JLG)
SHIELDALLOY METALLURGICAL : 93 B 44469 (JLG)
CORPORATION, : (Jointly Administered)
Debtors. :
-----X

MOTION FOR ENTRY OF AN ORDER PURSUANT TO SECTIONS 105
AND 363 OF THE BANKRUPTCY CODE AUTHORIZING
METALLURG, INC TO RELEASE ELECTROWERK
WEISWEILER GMBH FROM CERTAIN ACCRUED MANAGEMENT FEES

TO THE HONORABLE JAMES L. GARRITY
UNITED STATES BANKRUPTCY JUDGE:

Metallurg, Inc. ("Metallurg") and Shieldalloy
Metallurgical Corporation ("Shieldalloy"), as debtors and
debtors in possession in the above captioned cases
(collectively, the "Debtors"), as and for this Motion for
entry of an order authorizing Metallurg to release one of
Metallurg's foreign subsidiaries, Electrowerk Weisweiler,
GmbH ("EWW"), from certain accrued management fees, in order
to allow such subsidiary to complete a financial
restructuring with its lenders, respectfully represent:

Background

1. On September 2, 1993, each of the Debtors filed with this Court a voluntary petition for relief under chapter 11, title 11, United States Code (the "Bankruptcy Code"). Pursuant to an order of the Court, the Debtors' chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered.

2. Each of the Debtors continues to operate its business and manage its properties as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. On September 13, 1993, the United States Trustee appointed the statutory unsecured creditors' committee in the Debtors' chapter 11 cases (the "Committee").

Description of the Debtors' Businesses

4. Metallurg is a privately owned holding company headquartered in New York City, the assets of which are (i) its equity interests in a number of operating companies (collectively, the "Metallurg Group") that, taken as a group, are leading global producers of high quality metals and metal alloys used by manufacturers of steel, aluminum, super alloys, hard metals, hard facing, electronics and fiber optics and other metal consuming industries, and (ii)

the accounts receivable and inventory from the trading operations of Metallurg's trading division, Metallurg International Resources (MIR).

5. The most significant products of the companies in the Metallurg Group are vanadium-based alloys and chemicals, the production of which is concentrated in two plants located in Nürnberg, Germany and Cambridge, Ohio. The Metallurg Group manufactures three major classes of alloys: specialty ferroalloys, aluminum master alloys, and specialty metals and alloys. The Metallurg Group's two principal ferroalloy products are ferrovanadium and low carbon ferrochrome, which are both specialty ferroalloys.

6. The Metallurg Group employs approximately 2,200 people worldwide and operates smelting and refining facilities located in the United States, the United Kingdom, Germany and Brazil in addition to sales offices in all major worldwide metal markets. The Metallurg Group also owns or operates mines in Turkey, Brazil and Zaire which produce chrome, tin, tantalum, and columbium ores for the Metallurg Group's production facilities.

7. Metallurg is the 99% owner of a German company, Gesellschaft fuer Elektrometalurgie ("Gfe"). Gfe has five subsidiaries, including EWW (collectively, the "German Subsidiaries"). EWW, an active company since 1917,

is one of the world's largest suppliers of low carbon ferrochrome. Approximately, seventy percent of the low carbon ferrochrome produced by EWW is used or distributed by Metallurg Group companies.

Relief Requested

8. By this Motion, Metallurg requests pursuant to sections 105 and 363(b) of the Bankruptcy Code that this Court enter an order allowing Metallurg to release EWW from its obligation to pay Metallurg certain accrued management fees, thereby allowing EWW to consummate a financial restructuring that has been negotiated with EWW's primary creditors.

EWW's Financial Restructuring

9. During the past two years, the management of the German subsidiaries have been working closely with their respective lenders to restructure their businesses and capital structures in order to ensure their continued viability. One alternative explored was an additional infusion of capital by, or a guarantee of the German Subsidiaries' bank debt from, Metallurg. After brief consideration, it was concluded that such an alternative was not possible because neither an additional infusion of capital nor the requested guarantee would be supported by Metallurg's lenders.

10. The German Subsidiaries continued to discuss additional alternatives with its lenders, major suppliers and government authorities. These discussions have resulted in a tentative agreement. The German pension insurance company has agreed to reduce EWW's pension liabilities by DM13,000,000 (or US \$8,125,000), thereby significantly improving EWW's capital structure. Furthermore, the state in which EWW is located has agreed to provide a guarantee of 80% of EWW's bank debt, thus enabling EWW to obtain the necessary financing from certain German bank lenders. Additionally, EWW's power supplier, which is one of its largest creditors, has agreed to support EWW's restructuring by providing more favorable rates to EWW.

11. However, the support given by the pension insurer, the banks, the state and the power authority are all conditioned upon Metallurg releasing certain accrued but unpaid management fees in the aggregate amount of approximately \$557,000 (the "Accrued Management Fees").

12. Since 1987, Metallurg has charged its subsidiaries an annual management fee for management services provided.¹ Accordingly, EWW, as an indirect

1. On October 28, 1993, this court entered an order authorizing the Debtors to continue to operate its cash management system subject to the certain restrictions including, inter alia, that all management fees charged to
(continued...)

subsidiary of Metallurg, has been charged an annual fee for management services as well. Although agreed annual management fees have been billed on a quarterly basis through fiscal year 1992, because of significant losses incurred by EWW over the last two years, EWW has been legally unable to pay these charges. Consequently, EWW has accrued the 1992 and 1993 management fees, and to date the accrual amounts to approximately \$557,000. Given the current financial condition of EWW, the prospect of its paying these amounts in the near future is unlikely.

Waiving the Accrued But Unpaid Management Fees
Is In The Best Interest Of The Debtors' Estates

13. The continued survival of EWW as a supplier of low carbon ferrochrome is critical to the future of Metallurg and Shieldalloy, as well as other Metallurg subsidiaries across the world. Gross margin earned by the Metallurg Group from materials produced by EWW and distributed by Metallurg and its subsidiaries exceeds \$2,000,000 per annum - more than half of this amount is earned in the United States. Releasing EWW from all Accrued Management Fees will assure that its financial restructuring

1. (...continued)
Metallurg's subsidiaries shall be continued to be billed in accordance with existing terms and past business practices and Metallurg will use its best efforts to collect such management fees.

will go forward. As a result, it will remain in business and assure Metallurg of continued worldwide distribution of EWW's products and the gross margin earned from these products' sales.

14. Moreover, EWW, as an indirect subsidiary of Metallurg, is a valuable asset of the its estate. Without the relief provided by the restructuring, the continued viability of EWW is questionable. Indeed, Metallurg has been advised by EWW that, unless the proposed restructuring is completed, EWW will have a negative net worth, which under German law will result in the commencement of the company being placed unto the German equivalent of bankruptcy.

15. Metallurg submits that waiver of the Accrued Management Fees is supported by sound business judgment, promotes its rehabilitative efforts, and is in the best interests of Metallurg, its creditors and estates. It is only with Metallurg's support of EWW's restructuring through the waiver of the Accrued Management Fees can the continued survival of EWW be assured.

Applicable Law

16. The waiver of the Accrued Management Fees by Metallurg arguably is a use of an asset of Metallurg's estate out of the ordinary course of business thereby

requiring this Court's authorization pursuant to section 363(b)(1) of the Bankruptcy Code. Specifically, section 363(b)(1) of the Bankruptcy Code provides, in pertinent part, that

[t]he trustee, 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).

17. In the exercise of its discretion, a court may approve the proposed use, sale or lease of property of the debtor's estate that is outside of the ordinary course of business, if the decision is based upon a sound business justification. See Institutional Creditors of Continental Air Lines v. Continental Air Lines (In re Continental Air Lines), 780 F.2d 1223, 1226 (5th Cir. 1986) (there must be some articulated business justification for using the debtor's property outside of the ordinary course of business); Committee of Equity Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063, 1070 (2d. Cir. 1983) (sound business justification necessary in order for the court to authorize a sale of assets, pursuant to section 363(b)(1) of the Bankruptcy Code). For the reasons stated above, Metallurg submits that waiver and release of the Accrued Management Fees is supported by sound business justifications.

The Committee Has Consented
To The Relief Requested Herein

18. Metallurg has been informed by the Committee that it does not object to the relief requested in this Motion.

19. For the reasons set forth above, Metallurg submits that approval of the waiver of the Accrued Management Fees is appropriate under the circumstances of the Debtors' chapter 11 cases.

Notice

20. Notice of this Motion has been given to the Committee, the United States Trustee, and all other persons who have requested notice in the Debtors' chapter 11 cases. Metallurg submits that given the nature of its request and that the Committee has no objection to relief requested herein, no further notice is necessary.

Waiver Of Memorandum Of Law

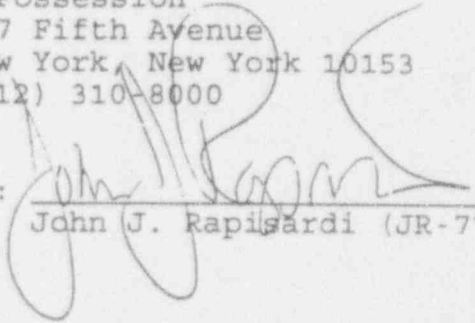
21. Metallurg requests that the Court waive and dispense with the requirement set forth in Local Rule 13(b) of the Local Bankruptcy Rules that any motion filed shall have an accompanying memorandum of law. This Motion does not present a novel issue of law. Accordingly, Metallurg submits that waiver of the Local Rule 13(b) requirement is appropriate in these circumstances.

22. No previous request for the relief sought by this Motion has been made to this or any other court.

WHEREFORE Metallurg respectfully requests that this Court enter an order authorizing it to release the Accrued Management Fees, in order to allow EWW to complete a financial restructuring and grant Metallurg such other and further relief as is just.

Dated: New York, New York
January 28, 1994

WEIL, GOTSHAL & MANGES
Attorneys for Debtors in
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767 Fifth Avenue
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(212) 310-8000

By: 
John J. Rapisardi (JR-7781)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

METALLURG, INC., and
SHIELDALLOY METALLURGICAL
CORPORATION

Debtors.

MOTION FOR ENTRY OF AN ORDER PURSUANT TO SECTIONS
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METALLURG, INC. TO RELEASE ELECTROWERK
WEISLEILER GMBH FROM CERTAIN ACCRUED MANAGEMENT FEES

WEIL, GOTSHAL & MANGES

Attorneys for Debtors

767 FIFTH AVENUE
BOROUGH OF MANHATTAN, NEW YORK, N.Y. 10153
(212) 310-8000

To:

Attorney(s) for

Service of a copy of the within

is hereby admitted.

Dated:

.....
Attorney(s) for

PLEASE TAKE NOTICE

Check Applicable Box

NOTICE OF
ENTRY

that the within is a true copy of a
entered in the office of the clerk of the within named court on

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NOTICE OF
SETTLEMENT

that an Order of which the within is a true copy will be presented for settlement to the Hon.
one of the judges of the within named Court,

at
on

19

, at

M.

Dated:

WEIL, GOTSHAL & MANGES

Attorneys for

767 FIFTH AVENUE
BOROUGH OF MANHATTAN, NEW YORK, N.Y. 10153

To:

Attorney(s) for