

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION - DAYTON**

In re:) Chapter 11
)
DT INDUSTRIES, INC., et al.¹) Case No. 04-_____
) (Jointly Administered)
Debtors.)
) Honorable _____

**APPLICATION OF DEBTORS FOR AUTHORITY TO RETAIN AND EMPLOY
COOLIDGE WALL WOMSLEY & LOMBARD, CO., L.P.A. AS LOCAL COUNSEL**

DT Industries, Inc. and its affiliated debtors and debtors-in-possession (collectively, the “Debtors”), hereby apply to the Court for an order authorizing the retention and employment of Coolidge Wall Womsley & Lombard, Co., L.P.A. (“CWWL”) as local counsel in these proceedings pursuant to 11 U.S.C. §327(a), §328(a) and §329 and Local Bankruptcy Rule (“LBR”) 2014-1.

In support of this Application, Debtors represent as follows:

I. JURISDICTION AND VENUE

1. This Court has jurisdiction over this Application pursuant to 29 U.S.C. §§ 157 and 1334. This is a core proceedings pursuant to 28 U.S.C. § 157(b). Venue of Debtors’ Chapter 11 case and this Application in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

¹ The other debtors and debtors-in-possession include the following: Vanguard Technical Solutions, Inc., Mid-West Automation Enterprises, Inc., Mid-West Automation Systems, Inc., Assembly Technology and Test, Inc., Detroit Tool and Engineering Company, Advanced Assembly Automation, Inc., Assembly Machines, Inc., Hansford Manufacturing Corporation, DTI Leominster Subsidiary, Inc., DTI Pennsylvania Subsidiary, Inc., DTI Massachusetts Subsidiary, Inc., DTI Lebanon Subsidiary, Inc., and DT Resources, Inc.

2. The statutory predicates for the relief requested herein are sections 327(a), 328(a), 329 and 1107(b) of the Bankruptcy Code, as complemented by Rules 2014, 2016 and 2017 of the Federal Rules of bankruptcy Procedure (the “Bankruptcy Rules”).

II. INTRODUCTION

3. On May 12, 2004 (the “Petition Date”), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors continue to operate their businesses and manage their affairs as debtors-in-possession.

4. No trustee, examiner or committee has been appointed in these chapter 11 cases.

III. BACKGROUND

A. Company Overview

5. Debtor, DT Industries, Inc. is an engineering-driven designer, manufacturer, and integrator of automated production equipment and systems used to manufacture a variety of industrial and consumer products. Headquartered in Dayton, Ohio, DTI is a Delaware corporation that was formed in 1992. Through its operating subsidiaries, DTI maintains operations throughout the Midwestern U.S., as well as the United Kingdom and Germany.

6. Customers of DTI are found in a wide variety of industries, including automotive, appliance and consumer products manufacturing, electronics, and computers, as well as a diverse group of other industrial manufacturers. DTI maintains a significant foothold in each of these end-markets, serving a high quality customer base of Fortune 500 companies through its industry- leading product quality and engineering capabilities. In addition, DTI’s custom machine building capabilities, which are a critical component of its customers’ overall

manufacturing processes, include engineering, project management, machining and fabrication of components, installation of electrical controls, and final assembly and testing.

7. DTI's operations are composed of two separate operating segments – Assembly and Test and Detroit Tool & Engineering. The Assembly and Test operating segment is composed of Advanced Assembly Automation, Inc. (“AAA”), Assembly Technology & Test, Inc. (“AT&T”) (both direct, wholly-owned subsidiaries of DTI), DT Assembly and Test GMBH, a German limited liability corporation that is a direct, wholly-owned subsidiary of DTI, and DT Assembly & Test Limited, an English corporation that is an indirect, wholly-owned subsidiary of DTI. The business units in the Assembly and Test segment design and build custom assembly systems, electrified monorail material handling systems, fuel injection, engine and transmission test systems, and lean assembly systems primarily for customers in automotive-related and heavy equipment markets. The businesses in DTI's Assembly and Test segment work closely with their customers to design, engineer, assemble, test, and install equipment that meets the customers' manufacturing objectives. Purchase contracts typically include equipment design, and customers often retain rights to the design after delivery of the equipment. However, DTI often reapplies the engineering and manufacturing expertise gained in designing and building equipment in projects for other customers.

8. The Detroit Tool & Engineering operating segment consists of Detroit Tool and Engineering Company (“DTE”), a direct, wholly-owned subsidiary of DTI which manufactures special machines, automated systems, tooling and fixturing, and the Peer^(TM) brand of automated welding equipment. DTE's products serve a wide variety of markets, including appliances, electronics, building construction, hardware, cosmetics, healthcare, and automotive. DTE's special automation equipment incorporates engineering capabilities ranging from refining and

replicating existing equipment, to designing and building new equipment. DTE provides systems integration and implements a wide range of applications including, dials, power and free, synchronous, indexing processes, metal forming, welding, and robotics.

9. The Debtors have approximately 481 employees, 15 of whom are at the corporate level. The Debtors' workforce is composed of 225 hourly and 256 salaried workers. The Debtors' workforce is highly skilled, with approximately one-third of its employees at all levels possessing an engineering background.

B. Prepetition Financing

10. DTI, DT Industries (UK) II, Limited, DT Assembly and Test GMBH, Kalish, Inc., and DT Canada, Inc., as borrowers (the "Borrowers"), and U.S. Bank National Association f/k/a Firststar Bank, N.A., Bear Sterns & Co., Hourglass Master Fund, Ltd., The Bank of Nova Scotia, William E. Simons & Sons Special Situation Partners, L.P., National City Bank and Oz Special Master Fund, Ltd., as lenders (collectively, with Bank of America, N.A. (formerly Nations Bank, N.A.), the "Lenders"), and Bank of America, N.A., as a lender and agent for the Lenders, are parties to that certain Fourth Amended and Restated Credit Facilities Agreement dated as of July 21, 1997 (as amended and supplemented from time to time, the "Credit Facilities Agreement"), pursuant to which the Lenders have provided to the Borrowers credit facilities and other financial accommodations. Under the terms of the Credit Facilities Agreement, the Borrowers had an aggregate commitment of \$175 million (\$10 million of term loans and \$165 million of revolving loans), which has, through subsequent amendments to the Credit Facilities Agreement, been reduced to \$33.182 million.

11. The Credit Facilities Agreement is secured by pledges of all of the shares of common stock of Borrowers' North American subsidiaries, 65% of the equity of Borrowers'

European subsidiaries, and security interests in all of Borrowers' U.S. and Canadian assets including, but not limited to, all accounts, inventories, machinery, equipment and intangible assets, as well as mortgages on real property located in Saginaw, Michigan, Benton Harbor, Michigan, and Lebanon, Missouri.

12. The Credit Facilities Agreement requires quarterly commitment reductions of \$1.5 million with additional commitment reductions under certain circumstances. The Borrowers must repay amounts outstanding under the Credit Facilities Agreement to the extent the outstanding principal amount (including the face amount of outstanding letters of credit issued under the Credit Facilities Agreement) exceeds the Lenders' aggregate commitment after the required quarterly commitment reductions. As of May 10, 2004, there was a total of \$32.781 million outstanding under the Credit Facility Agreement, which amount includes 1.967 million of letters of credit issued by the Lenders.

13. In addition to the credit facilities under the Credit Facilities Agreement, DTI, through DT Capital Trust, issued \$70 million in 7.16% Term Interest Deferrable Equity Securities ("Tides") in 1997, of which \$35 million in principal amount remain outstanding.

C. Events Leading to the Filing of these Chapter 11 Cases

14. Over the last several years, the Debtors have experienced deteriorating financial performance as a result of depressed economic activity and lower capital goods spending by their customers. As a result of their cash and revenue crisis, the Debtors have had difficulty meeting the financial covenants under the Credit Facilities Agreement, and failed to make timely prepayments required under the Credit Facilities Agreement as of December 31, 2003 and March 31, 2004. As part of an effort to restructure its finances, in 2002, DTI converted \$35 million of the Tides to equity, raised approximately \$22 million in additional equity, repaid a portion of the

debt owed under the Credit Facilities Agreement, and extended the maturity thereof to July 2, 2004. Beginning in 2002 and continuing thereafter, the Debtors executed additional significant restructuring strategies including expense reduction initiatives, facilities closings, and divestitures that resulted in the sale of substantially all of the assets of DTI's Converting Technologies and Packaging Systems businesses in early 2004 and application of the proceeds to reduce the debt under the Credit Facilities Agreement. The Debtors are currently in default under their Credit Facilities Agreement due to the above-referenced failure to make timely required principal payments on December 31, 2003 and March 31, 2004. The Debtors are also currently in violation of several financial and other covenants under the Credit Facilities Agreement. The Debtors have been unable to negotiate a waiver of defaults or forbearance from the Lenders or obtain a replacement credit facility to replace their existing Credit Facilities Agreement, which expires July 2, 2004. The Debtors have no availability under the Credit Facilities Agreement's revolving line and have been operating since January 1, 2004 through the management of their operating cash flow. The inability of the Debtors to access their credit facility has impaired their ability to obtain new customer orders and to pay vendors that have provided components and services on credit for completed projects. The Debtors' ability to meet their short-term liquidity needs and debt obligations have been materially adversely affected by a drop in new orders that are customarily accompanied by advance payments from customers.

15. The declining market and the Debtors' concomitant loss of revenue has made it difficult for the Debtors to continue operations and, at the same time, service their debt under the Credit Facilities Agreement. As a result, these chapter 11 filings were necessary.

IV. REQUEST FOR AUTHORITY TO EMPLOY CWWL

16. Debtors have selected the law firm of CWWL to represent them as debtors and debtors-in-possession in these cases because CWWL has considerable experience in insolvency and bankruptcy matters, including representation of debtors in large chapter 11 cases. Debtors have also selected CWWL because they believe CWWL is well qualified to represent the Debtors as debtors and debtors-in possession. The Debtors submit that the retention of CWWL under the terms described herein is appropriate under section 327(a), 328(A) and 329 of the Bankruptcy Code and L.B.R. 2014-1.

17. Contemporaneously with the filing of this Application, Debtors filed an application seeking authorization to employ the law firm of Katten Muchin Zavis Rosenman (“KMZ Rosenman”) as Debtors’ primary restructuring and bankruptcy counsel during the chapter 11 cases.

Services to be Rendered

18. The Debtors have retained CWWL to assist them, with, among other things, the preparation and filing of their bankruptcy petitions and all related documents and pleadings, and subject to approval from this Court, with the prosecution of these chapter 11 cases. The professional services that Debtors may request CWWL to render include consulting with KMZ Rosenman on the conduct of the case and to support KMZ Rosenman in its representation of Debtors, and, at the request of KMZ Rosenman, to appear on behalf of Debtors in certain bankruptcy matters in circumstances where such appearance and representation would be more cost effective and promote the efficient administration of the estate.

Disclosure Concerning Conflicts of Interest

19. To the best of Debtors' knowledge, CWWL has no connection with any of the Debtors, their creditors or any other party-in-interest in these cases, their respective attorneys or accountants, the United States Trustee, or any person employed in the office of the United States Trustee, except as described in the affidavit of Ronald S. Pretekin (the "Pretekin Affidavit"), attached hereto as Exhibit A.

20. Except as described in the Pretekin Affidavit, CWWL represents no interest adverse to the Debtors as debtors-in-possession or the Debtors' estates in the matters which CWWL is to be engaged for the Debtors.

21. The Debtors submit that CWWL is a "disinterested person" as that term is defined in Section 101(4) of the Bankruptcy Code.

Professional Compensation

22. For the professional services CWWL will provide to Debtors, the firm will charge its customary hourly rates, which are periodically adjusted. The current hourly rates for attorney services range from \$120 to \$275 per hour, and the hourly rates for paralegal services range from \$80 to \$115 per hour.

23. CWWL intends to apply to the Court of allowance of compensation for professional services rendered and reimbursement of expenses incurred in these chapter 11 cases in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules and orders of this Court.

24. CWWL has received from the Debtors the sum of \$20,000 as a retainer toward the services rendered and expenses incurred in connection with these chapter 11 cases. CWWL

will only apply said retainer at the conclusion of the cases and upon this Court's order approving the CWWL's final fee application.

25. Other than as set forth above and in the Pretekin Affidavit, no arrangement is proposed between Debtors and CWWL for compensation to be paid in these cases.

Notice

26. No trustee, examiner or creditors' committee has been appointed in these chapter 11 cases. Notice of this Application has been given to the Office of the United States Trustee for the Southern District of Ohio, counsel for the Debtors' senior lenders, all known secured creditors and each of the twenty largest unsecured creditors of the Debtors at their respective last known addresses. In light of the nature of the relief requested herein, the Debtors submit that no further notice of the Application is necessary or required.

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

WHEREFORE, Debtors request that the Court enter an order authorizing it to employ and retain the firm of CWWL to represent it as local counsel and perform the services set forth above, and granting Debtors such other and further relief as is just and proper.

Dated: May 12, 2004
Dayton, Ohio

DT INDUSTRIES, INC., *et al.*

By: /s/Stephen J. Perkins
Title: Vice President and Chief Executive Officer