

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	Chapter 11
)	
J.L. FRENCH AUTOMOTIVE CASTINGS,)	Case No. 09-12445 (KG)
INC., et al.,)	(Jointly Administered)
)	
Debtors. ¹)	Re Docket No. 225

NOTICE OF RECLAMATION CLAIMS MADE BY SELLERS OF GOODS

The above-captioned debtors and debtors-in-possession (collectively, the “Debtors”) hereby file this notice pursuant to the *Final Order Pursuant to 11 U.S.C. § 546(c) (I) Establishing Procedures for Resolution of Reclamation Claims and (II) Prohibiting Sellers of Goods from Reclaiming or Otherwise Interfering with Debtors’ Possession of Certain Goods* (the “Reclamation Procedures Order”) [Docket No. 225] and respectfully state as follows:

1. Pursuant to the Reclamation Procedures Order, the Debtors were required to (i) review all written demands for reclamation (the “Reclamation Claims”) made by sellers of goods (the “Sellers”) which were received by the Debtors within 45 days prior to the Petition Date and (ii) submit a notice identifying those Reclamation Claims that the Debtors deemed to be valid and those Reclamation Claims the Debtors deem to be invalid.

2. The Debtors have reviewed each of the Reclamation Claims they have received as of the filing of this notice. Attached hereto as Exhibit A is a schedule that identifies each creditor that has filed a Reclamation Claim, the amount of each Reclamation Claim, the

¹ The Debtors in these cases along with the last four digits of each of the Debtors’ federal tax identification numbers are: J.L. French Automotive Castings, Inc., (3670); French Holdings LLC, (0518); Nelson Metal Products LLC (4939); Allotech International LLC (5832); J.L. French LLC (8901); J.L. French Automotive, LLC (7075); Central Die, LLC (7793). The Debtors’ headquarters and mailing address is: 3101 South Taylor Drive, Sheboygan, WI 53082.

Debtor against which each Reclamation Claim is asserted and the date that such Reclamation Claim was received.

3. Based on their review of the Reclamation Claims, the Debtors submit that none of the Reclamation Claims is entitled to payment under section 546(c) (“Section 546(c)”) of title 11 of the United States Code (the “Bankruptcy Code”) because all of the goods relating to the Reclamation Claims are “subject to the prior rights of a holder of a security interest in such goods or the proceeds thereof.” This express language of 546(c)(1) has been held to mean that prepetition and post-petition senior liens on a debtor’s inventory are superior to reclamation claims of the sellers of goods. Simon & Schuster, Inc. v. Advanced Marketing Services, Inc. (In re Advanced Marketing Services, Inc.), 360 B.R. 421, 429 (Bankr. Del. 2007). Thus, “after the secured creditors’ superior interests have been satisfied or released, the reclaiming seller retains a priority interest in any remaining goods, and in any surplus proceeds from the secured creditors’ foreclosure sale . . . where the value of the reclaiming seller’s rights is worthless because of the secured lien, the reclamation request is not denied, but is of no value.” In re Child World, 145 B.R. 5, 7 (Bankr. S.D.N.Y. 1992).

4. The Debtors’ prepetition first lien lenders (the “First Lien Lenders”) have valid and perfected first priority liens on substantially all of the Debtors’ assets, including, without limitation, goods, inventory and the proceeds thereof, as evidenced by the credit documents and UCC-1 financing statements attached to the proofs of claim filed by CapitalSource Bank, as agent to the first lien revolving lender [Claim Nos. 30-36], and Wilmington Trust FSB, as agent to the first lien term lenders [Claim Nos. 1-6]. The First Lien Lenders claims total not less than \$210,549,429.10.

5. In addition, the Debtors submit that their prepetition second lien lenders (the “Second Lien Lenders”; together with the First Lien Lenders, the “Prepetition Lenders”) have valid and perfected second priority liens on substantially all of the Debtors’ assets, including, without limitation, goods, inventory and the proceeds thereof. The Second Lien Lenders claims total not less than \$60,248,713.28.

6. Furthermore, as reflected in the Going Concern Valuation of the Debtors contained in the supplement to the Debtors proposed plan of reorganization [Docket No. 194], the Debtors’ assets are worth less than the aggregate amount of their secured debt. The Debtors therefore submit that the Prepetition Lenders are entitled to all of the value attributable to any goods that are the subject of a Reclamation Claim or the proceeds thereof.

7. The Debtors note that a portion of the Reclamation Claims have been, or may be, paid pursuant to this Court’s *Order Authorizing, But Not Requiring, the Debtors to Pay in the Ordinary Course of Business the Prepetition Claims of Essential Trade Creditors* [Docket No. 68]. No such payment, however, is intended to be, or shall be deemed or construed as, an admission by the Debtors regarding the validity of the Reclamation Claim to which such payment relates.

8. In addition, the Debtors note that certain of the Reclamation Claims assert, or reserve the right to assert, claims for administrative expenses pursuant to Bankruptcy Code section 503(b)(9) (the “503(b)(9) Claims”) for goods received by the Debtors within the 20-day period immediately preceding the petition date and sold to the Debtor in the ordinary course of the debtor's business. The Debtors currently are reviewing the 503(b)(9) Claims. To the extent the Debtors determine that a 503(b)(9) Claim, or a portion thereof, is valid, the Debtors intend to pay such claims in the ordinary course of business.

Dated: August 28, 2009

MILBANK, TWEED, HADLEY & MCCLOY LLP

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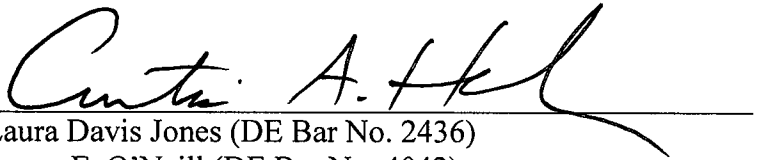
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and

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A handwritten signature in black ink, appearing to read "Curtis A. Hehn", is written over a horizontal line.

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