

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

40-7580

In re: ) Chapter 11  
)  
FANSTEEL INC., *et al.*,<sup>1</sup> ) Case No. 02-10109 (JJF)  
) (Jointly Administered)  
)  
Debtors. )

[Docket No. 538]

**CERTIFICATION OF NO OBJECTION**

**RE: BIDDING PROCEDURES PORTION OF MOTION FOR ORDER UNDER 11 U.S.C. §§ 105, 363, 365 AND 1146(C) AND FED. R. BANKR. P. 2002(A)(2) AND (C)(1), 6004 AND 6006: (A) APPROVING THE STOCK PURCHASE AGREEMENT WITH HANCOCK PARK ASSOCIATES AND FANSTEEL INC., (B) APPROVING THE SALE OF THE SHARES, (C) DETERMINING THAT SUCH SALE IS EXEMPT FROM ANY STAMP, TRANSFER, RECORDING OR SIMILAR TAXES AND (D) APPROVING ASSUMPTION AND ASSIGNMENT OF LEASE ADDENDUM**  
**[DOCKET NO. 538]**

The undersigned hereby certifies that the *Motion for Order Under 11 U.S.C. §§ 105, 363, 365 and 1146(c) and Fed. R. Bankr. P. 2002(a)(2) and (c)(1), 6004 and 6006: (a) Approving The Stock Purchase Agreement With Hancock Park Associates And Fansteel Inc., (b) Approving The Sale Of The Shares, (c) Determining That Such Sale Is Exempt From Any Stamp, Transfer, Recording or Similar Taxes And (d) Approving Assumption And Assignment Of Lease Addendum* (Docket No. 548). Pursuant to the notice of Motion (the "Notice"), objections to the bidding procedures aspect of the Motion were to be filed and served no later than November 8, 2002 by 4:00 p.m. (Eastern Time).

<sup>1</sup> The Debtors are the following entities: Fansteel Inc., Fansteel Holdings, Inc., Custom Technologies Corp., Escast, Inc., Wellman Dynamics Corp., Washington Mfg. Co., Phoenix Aerospace Corp., American Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.  
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The undersigned hereby certifies that, as of the date hereof, no answer, objection or other responsive pleading to the Motion has been received. She further certifies that the Court's docket has been carefully reviewed in this case and no answer, objection or other responsive pleading to the Motion appears thereon.

It is hereby respectfully requested that the Court enter the attached Bidding Procedures Order at its earliest convenience. Exhibit 1 to the attached Bidding Procedures Order, the Notice of the Sale, has been amended from the filed version of the Notice of Sale

*[Remainder of Page Intentionally Left Blank]*

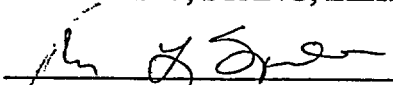
to reflect minor changes (such as inserting the date of the Sale Hearing, adding the names of Debtors' counsel at the bottom of the Notice of Sale, and other stylistic changes in preparation for publication). A blackline copy of the Notice of Sale, showing changes from the Exhibit 1 that was filed is attached for Your Honor's convenience.

Dated: November 12, 2002

SCHULTE ROTH & ZABEL LLP  
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and

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\_\_\_\_\_  
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Co-Counsel for the Debtors and  
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: ) Chapter 11  
)  
FANSTEEL INC., et al.,<sup>1</sup> ) Case No. 02-10109 (JJF)  
) (Jointly Administered)  
)  
Debtors. )

[Docket No. 538]

**ORDER UNDER 11 U.S.C. §§ 105 AND 363 AND FED. R. BANKR. P. 6004  
(I) APPROVING BIDDING PROCEDURES AND BREAK-UP FEE AND EXPENSE  
REIMBURSEMENT IN CONNECTION WITH THE PROPOSED SALE OF THE  
SHARES, (II) SCHEDULING A HEARING DATE, AUCTION DATE AND BIDDING  
DEADLINE IN CONNECTION WITH SUCH SALE AND  
(III) APPROVING FORM AND MANNER OF NOTICE THEREOF**

Upon the motion (the "Motion") of Fansteel Inc. ("Fansteel") and its affiliated debtors and debtors-in-possession (the "Debtors") for entry of (I) an order scheduling a hearing date to approve the bidding procedures and break-up fee and expense reimbursement, (II) an order under 11 U.S.C. §§ 105 and 363 and Fed. R. Bankr. P. 6004(f) (A) approving bidding procedures (the "Bidding Procedures Order") and a break-up fee and expense reimbursement in connection with the proposed sale by Fansteel Inc. ("Fansteel") to Hancock Park Associates ("Proposed Purchaser") of all of the issued and outstanding Shares<sup>2</sup> of capital stock of Fansteel Schulz Products, Inc. (the "Company"), (B) scheduling a hearing date, auction date, and bidding deadlines and procedures in connection with the sale of the Shares, and (C) and approving the form and manner of notice thereof (collectively, "Part I of the Motion"); and (III) an order (the

<sup>1</sup> The Debtors are the following entities: Fansteel Inc., Fansteel Holdings, Inc., Custom Technologies Corp., Escast, Inc., Wellman Dynamics Corp., Washington Mfg. Co., Phoenix Aerospace Corp., American Sintered Technologies, Inc. and Fansteel Schulz Products, Inc.

<sup>2</sup> Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Stock Purchase Agreement.

"Sale Order") under 11 U.S.C. §§ 105, 363, 365 and 1146(c) and Fed. R. Bankr. P. 2002(a)(2) and (c)(1), 6004 and 6006, (A) approving the Stock Purchase Agreement, dated as of October 25, 2002 (the "Stock Purchase Agreement") between Fansteel and Proposed Purchaser or a modification thereof, if another party is the Successful Bidder, (B) approving the sale of the Shares to the Proposed Purchaser or such other party making a higher and better offer therefore, (C) determining that such sale is exempt from any stamp, transfer, recording or similar taxes, and (D) approving the assumption and assignment of a certain lease of real property occupied by the Company in San Gabriel, California (collectively, "Part II of the Motion"); and sufficient notice of the Motion having been given; and after due deliberation and good cause having been shown, the Court finds as follows:

A. As of October 25, 2002, Fansteel entered into a Stock Purchase Agreement, substantially in the form attached as Exhibit D to the Motion, wherein Fansteel agreed to sell all of the Shares to the Proposed Purchaser for a purchase price of \$2,350,000 (subject to adjustments) (the "Purchase Price").

B. Proposed Purchaser is prepared to purchase the Shares as described in the Stock Purchase Agreement. The Proposed Purchaser has committed substantial time and money to the transaction contemplated in the Stock Purchase Agreement.

C. The Stock Asset Purchase Agreement contains a conditional requirement to pay a Break-Up Fee and Expense Reimbursement, if a Qualified Bid prevails and is approved. The Break-Up Fee and Expense Reimbursement is the product of extensive negotiations between the Proposed Purchaser and Fansteel. The Break-Up Fee and Expense Reimbursement is a condition precedent to the effectiveness of the Stock Purchase Agreement. In the absence of such fee, the Proposed Purchaser, as an initial offeror, would be discouraged from making an

offer, due to the fear that its initial offer would be "shopped around" and outbid by an entity that would rely upon the due diligence, time, and effort expended by the Proposed Purchaser. The payment of the Break-Up Fee and Expense Reimbursement, if payable under the Stock Purchase Agreement, will not have an adverse impact upon Fansteel, its estate or its creditors. The Break-Up Fee and Expense Reimbursement is necessary to convince the Proposed Purchaser to proceed with the transactions contemplated by the Stock Purchase Agreement and thus, commence the bidding process for the sale of the Shares. The Break-Up Fee and Expense Reimbursement is reasonable in relation to the Proposed Purchaser's costs, efforts and risks, and the magnitude of the transactions contemplated in the Stock Purchase Agreement.

D. Good and sufficient notice of the relief sought in Part I of the Motion has been given in accordance with the Scheduling Order and no other or further notice is required.

E. Fansteel's proposed notice of the sale of the Shares and bidding procedures announcing the Sale and the approval of the bidding procedures is appropriate and reasonably calculated to provide all interested parties with timely and proper notice of the sale of the Shares and the overbid procedures to be employed in connection therewith.

F. Fansteel has demonstrated a sound business justification for authorizing the payment of the Break-Up Fee and Expense Reimbursement to the Proposed Purchaser under the circumstances, timing and procedures set forth in the Motion.

G. The Break-up Fee and Expense Reimbursement is fair and reasonable, and was negotiated by the parties in good faith.

H. Fansteel's payment to the Proposed Purchaser of the Break-up Fee and Expense Reimbursement, in the event the Proposed Purchaser is not the Successful Bidder, is (i) an actual and necessary cost of preserving Fansteel's estate, within the meaning of 11 U.S. §

503(b), (ii) of substantial benefit to the Fansteel's estate, (iii) reasonable and appropriate, in light of the size and nature of the Sale and the efforts that have been and will be expended by the Proposed Purchaser notwithstanding that the proposed Sale is subject to higher or better offers and (iv) necessary to ensure that the Proposed Purchaser will continue to pursue its proposed acquisition of the Shares.

I. The entry of this Order ("Bidding Procedures Order") is in the best interests of Fansteel, its estate and creditors. Accordingly, it is

**ORDERED and ADJUDGED** as follows:

1. The Motion is GRANTED to the extent provided herein.

2. Fansteel shall provide notice by publication of the Final Sale Hearing date established by this Bidding Procedures Order, substantially in the form of notice which is annexed as Exhibit 1 (the "Notice"). Fansteel shall place the Notice in *The Wall Street Journal* following the date of this Bidding Procedures Order. The Notice shall also be served by regular U.S. mail on all parties who received copies of the Motion, as well as all creditors of the Company who have timely filed a proof of claim or who have been listed on the Company's bankruptcy Schedules.

3. At the Sale Hearing, the Court will consider the Motion to sell the Shares to the Proposed Purchaser (or any prevailing Qualified Bidder(s)), pursuant to the Stock Purchase Agreement, and any timely objections thereto, in accordance with the procedures approved herein below ("Bidding Procedures"), such that no Qualified Bid(s) will be considered for approval unless it satisfies, at a minimum, each of the following conditions.

**The Bidding Process**

4. The Seller shall (i) determine whether any person is a Qualified Bidder (as defined below), (ii) coordinate the efforts of Qualified Bidders in conducting their due diligence

investigations, (iii) receive offers from Qualified Bidders and (iv) negotiate any offers made to purchase the Shares (collectively, the "Bidding Process"). Any person who wishes to participate in the Bidding Process must be a Qualified Bidder. Neither the Seller nor its representatives shall be obligated to furnish any information of any kind whatsoever to any person who is not determined to be a Qualified Bidder. Qualified Bidders shall be given all relevant information pertaining to the Sale. The Seller shall have the right to adopt such other rules for the Bidding Process, which rules will better promote the goals of the Bidding Process and that are not inconsistent with any of the other provisions hereof or of any Court order.

#### Participation Requirements

5. Unless otherwise ordered by the Court for cause shown or as otherwise determined by the Seller, in order to participate in the Bidding Process each person (a "Proposed Bidder") must deliver (unless previously delivered) to the Seller:

- (i) An executed confidentiality agreement in form and substance satisfactory to the Seller; and
- (ii) Current audited financial statements of the Proposed Bidder, or, if the Proposed Bidder is an entity formed for the purpose of acquiring the Shares, current audited financial statements of the equity holder(s) of the Proposed Bidder, or such other form of financial disclosure acceptable to the Seller and its advisors demonstrating such Proposed Bidder's ability to close a proposed transaction.

6. A "Qualified Bidder" is any Proposed Bidder or multiple Proposed Bidders participating in the Bidding process together that delivers the documents described in subparagraphs (i) and (ii) above, whose financial information demonstrates the financial capability of the Proposed Bidders, either jointly or separately, to consummate the Sale, and that the Seller determines are reasonably likely (based on availability of financing, experience and other considerations) to submit a bona fide offer and to be able to consummate the Sale if selected as the Successful Bidder.



7. Within two business days after a Proposed Bidder delivers all of the materials required by subparagraphs (i) and (ii) above, the Seller shall determine, and shall notify the Proposed Bidder, if such Proposed Bidder is a Qualified Bidder.

#### **Due Diligence**

8. The Seller may afford any Qualified Bidder the opportunity to conduct a due diligence review. The Seller will designate an employee or other representative to coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders. The Seller shall not be obligated to furnish any due diligence information after the Bid Deadline (as hereinafter defined). Neither the Seller nor any of its representatives are obligated to furnish any information to any person. Bidders are advised to exercise their own discretion before relying on any information provided by anyone other than the Seller or its representatives.

#### **Bid Deadline**

9. A Qualified Bidder who desires to make a bid shall deliver a written copy of its bid to the Seller, c/o Schulte, Roth & Zabel LLP, 919 Third Avenue, New York, NY 10022, Attn.: Jeffrey Sabin, Esq., not later than 11:00 a.m. (EST) on the date which is three Business Days prior to the date scheduled by the Court for the Sale Hearing (the "Bid Deadline"). The Seller will immediately distribute by facsimile transmission, personal delivery or reliable overnight courier service in accordance with the Stock Purchase Agreement, a copy of each bid upon receipt to counsel for the Proposed Purchaser. The Seller may, in its discretion, extend the Bid Deadline once or successively, but is not obligated to do so. The Seller shall announce the terms of the highest and best Qualified Bids received by the Bid Deadline.

### Bid Requirements

10. For the purposes of determining the existence of a bid, a bid may be in the form of a joint bid from more than one Qualified Bidder, or may be in the form of separate bids from more than one Qualified Bidder, with each such separate bid being for a portion of the Shares, but all of such separate bids collectively aggregating a bid price having a value greater than or equal to the sum of (x) the value, as reasonably determined by the independent financial advisor of the Seller, of the Proposed Purchaser's offer plus (y) the amount of the Break-Up Fee and Expense Reimbursement (as defined below) plus (z) (A) in the case of the initial Qualified Bid, \$40,000, and (B) in the case of any subsequent Qualified Bids, \$40,000 plus the amount by which the preceding Qualified Bid exceeds the sum of (x) plus (y) above. All bids must include the following documents (the "Required Bid Documents"):

- a letter stating that one or more Qualified Bidders offer to purchase all or a portion of the Shares and that such offer is irrevocable until 2 business days after the Shares have been disposed of pursuant to these Bidding Procedures;
- a statement by each Qualified Bidder that it is prepared to enter into and consummate the Sale as soon as practicable but in no event more than thirty-one (31) days after entry by the Court of the 363 Order;
- an executed copy of the Stock Purchase Agreement, together with all Exhibits and Schedules thereto (the "Definitive Sale Documentation") marked and initialed to show those amendments and modifications to such agreement that the Qualified Bidder proposes, including, but not limited to, price and the time of closing;
- a good faith deposit (the "Good Faith Deposit") in the form of a certified check or other form acceptable to the Seller in its sole discretion payable to the order of the Seller (or such other party as the Seller may determine) in an amount equal to \$235,000. All Qualified Bidders shall enter into an escrow agreement as directed by the Seller;
- written evidence of a commitment for financing or other evidence of ability to consummate the proposed transaction satisfactory to the Seller; and

- a statement by each Qualified Bidder as to whether such bidder intends to assume any liabilities associated with any defined benefit plan sponsored by the Company.

11. The Seller will consider a bid only if the bid is on terms that are not conditioned on obtaining financing or on the outcome of unperformed due diligence by the bidder. A bid received from a Qualified Bidder that includes all of the Required Bid Documents and meets all of the above requirements is a "Qualified Bid."

12. If the Seller does not receive any Qualified Bids, the Seller will report the same to the Court and will proceed with a sale and assignment of the Shares to the Proposed Purchaser pursuant to the terms of the Stock Purchase Agreement. The Stock Purchase Agreement executed by the Proposed Purchaser shall constitute a Qualified Bid for all purposes.

#### Bid Protection

13. The payment of the Break-Up Fee and Expense Reimbursement is hereby approved.

#### Auction

14. If the Seller receives a Qualified Bid, the Seller will conduct an auction (the "Auction") at the offices of Schulte, Roth & Zabel LLP, 919 Third Avenue, New York, NY 10022, on the date that is one Business Day prior to the date scheduled by the Court for the Sale Hearing, beginning at 11:00 a.m. (EST) or such later time or other place as the Seller shall notify all Qualified Bidders who have submitted Qualified Bids. Only the Proposed Purchaser, the Seller, the Committee and any Qualified Bidders who have timely submitted Qualified Bids shall be entitled to attend the Auction, and only the Proposed Purchaser and Qualified Bidders will be entitled to make any subsequent Qualified Bids at the Auction. During the Auction, bidding shall begin initially with the highest Qualified Bid and continue in minimum increments of at least \$40,000 higher than the previous Qualified Bid. Bidding at the Auction will continue until

such time as the highest and best Qualified Bid is determined. The Seller may announce at the Auction additional procedural rules that are reasonable under the circumstances (e.g., the amount of time allotted to make subsequent overbids) for conducting the Auction so long as such rules are not inconsistent with these Bidding Procedures.

15. Upon conclusion of the Auction, the Seller, in consultation with its financial and business advisors shall (i) review each Qualified Bid or bids on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale, and (ii) identify the highest and otherwise best offer for the Shares (the "Successful Bid"), which highest and best offer will provide the largest amount of net value to the Seller after payment of, among other things, the Break-Up Fee and Expense Reimbursement, if necessary. The Seller may adopt rules for the bidding process at the Auction that will better promote the goals of the bidding process and that are not inconsistent with any of the provisions of the Bankruptcy Code, any Court order, or these Bidding Procedures.

#### **Acceptance Of Qualified Bids**

16. The Seller shall sell the Shares for the highest or otherwise best Qualified Bid received at the Auction upon the approval of such Qualified Bid by the Court after the hearing (the "Sale Hearing"). The Seller's presentation of a particular Qualified Bid to the Court for approval does not constitute the Sellers' acceptance of the bid. The Seller will be deemed to have accepted a bid only when the bid has been approved by the Court at the Sale Hearing.

#### **Sale Hearing**

17. The Sellers request a hearing at the earliest convenience of the Court at the United States Bankruptcy Court for the District of Delaware, located in Wilmington, Delaware.

Such hearing may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Hearing.

18. Following the Sale Hearing approving the sale of the Shares to the Successful Bidder, if such Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the next highest or otherwise best Qualified Bid, as disclosed at the Sale Hearing, shall be deemed to be the Successful Bid and the Seller shall be authorized, but not required, to consummate the sale with the Qualified Bidder submitting such bid without further order of the Court.

#### **Return Of Good Faith Deposit**

19. Good Faith Deposits of all Qualified Bidders (except for the Successful Bidder) shall be held in an interest-bearing escrow account until two (2) days following the Auction. If a Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Seller will not have any obligation to return the Good Faith Deposit deposited by such Successful Bidder.

#### **Modifications**

20. The Seller may (a) determine, which Qualified Bid, if any, is the highest or otherwise best offer; and (b) reject at any time before entry of an order of the Court approving a Qualified Bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of the Seller, its estates and creditors. At or before the Sale Hearing, the Seller may impose such other terms and conditions as it may determine to be in the best interests of the Seller's estate, its creditors and other parties-in-interest.

### Objections

21. All objections to the Sale Motion must be in writing, must state the name of the objecting party, must state the particularity of the reasons and basis for the objection, and must be filed with the Court (with a copy hand delivered to Chambers) and served upon (i) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attn.: Jeffrey S. Sabin, Esq., attorney for the Debtors, (ii) Paul, Hastings, Janofsky & Walker LLP, 25<sup>th</sup> Floor, 515 S. Flower Street, Los Angeles, CA 90071-2228, Attn.: Robert A. Miller, Esq., attorney for the Proposed Purchaser, (iii) the Office of the United States Trustee, 844 King Street, Ste. 2313, Wilmington, DE 19801, Attn.: David Buchbinder, and (iv) Freeborn & Peters, 311 South Wacker Drive, Ste. 3000, Chicago, IL 60606-6677, Attn.: Frances Gecker, Esq., counsel for the creditors' committee, so that objections are actually received by such person no later than November 18, 2002 at 4:00 p.m. (EST).

22. The Bankruptcy Court shall retain jurisdiction over any matters related to or arising from the implementation of this Bidding Procedures Order, including, but not limited to, the right to amend this Bidding Procedures Order.

Dated: \_\_\_\_\_, 2002

\_\_\_\_\_  
The Honorable Joseph J. Farnan, Jr.  
United States District Court Judge

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: ) Chapter 11  
)  
FANSTEEL INC., et al.,<sup>1</sup> ) Case No. 02-10109 (JJF)  
) (Jointly Administered)  
)  
Debtors. )

**NOTICE OF: (I) SALE OF STOCK OF FANSTEEL SCHULZ PRODUCTS, INC.,  
(II) BIDDING AND SALE PROCEDURES AND FINAL SALE HEARING  
AND (III) APPROVED BREAK-UP FEE AND EXPENSE REIMBURSEMENT**

NOTICE IS HEREBY GIVEN pursuant to Fed. R. Bankr. P. 2002(a)(2) and (c)(1), 6004(a) and 6006(c), that on October 29, 2002, the Debtors filed a Motion for Orders under 11 U.S.C. § 105, 363, 365 and 1146(c) and Fed. R. Bankr. P. 6004 and 6006: (I) Scheduling Hearing on Approval of Bidding Procedures, Break-up Fee and Expense Reimbursement, (II) (A) Approving Bidding Procedures and Break-up Fee and Expense Reimbursement in Connection with the Proposed Sale of the Shares, (B) Scheduling a Hearing Date, Auction Date and Bidding Deadline in Connection with the Sale of Such Shares, and (C) Approving Form and Manner of Notice Thereof; and (III) (A) Approving the Stock Purchase Agreement with Hancock Park Associates and Fansteel Inc., (B) Approving the Sale of the Shares, (C) Determining that such Sale is Exempt from Stamp, Transfer, Recording or Similar Taxes, and (D) Approving the Assumption and Assignment of a Certain Lease of Real Property Occupied by the Company in San Gabriel, California (the "Motion").

PLEASE TAKE FURTHER NOTICE that Fansteel Inc. ("Fansteel") seeks the following relief, among other things, in the Motion:

a. authority to, among other things, sell all the shares of Fansteel Schulz Products, Inc. ("Shares") to Hancock Park Associates ("Proposed Purchaser") for a purchase price of \$2,350,000, subject to certain adjustments and higher and better offers, and provided that the sale to Proposed Purchaser is consummated on or before January 22, 2002;

b. authority, pursuant to 11 U.S.C. §§ 363(b) and (f), to sell the Shares free and clear of any claims, liens and encumbrances; and

<sup>1</sup> The Debtors are the following entities: Fansteel Inc., Fansteel Holdings, Inc., Custom Technologies Corp., Escast, Inc., Wellman Dynamics Corp., Washington Mfg. Co., Phoenix Aerospace Corp., American Sintered Technologies, Inc. and Fansteel Schulz Products, Inc.

c. a finding of the District Court that Proposed Purchaser (or such other purchaser of the Stock pursuant to the Motion) is a good-faith purchaser entitled to the protections of 11 U.S.C. § 363(m).

PLEASE TAKE FURTHER NOTICE that:

a. By order dated [            ], 2002 (the "Bidding Procedures Order"), the United States District Court for the District of Delaware ("District Court") has approved bidding procedures governing the sale of the Shares, and has scheduled a hearing to consider approval of the Sale (the "Sale Hearing") on November 26, 2002 at 12:30 p.m. (ET) before the Honorable Joseph J. Farnan, Jr., District Court Judge, United States District Court for the District of Delaware. Any objection to the proposed sale shall be filed with the United States Bankruptcy Court for the District of Delaware and served on counsel identified below;

b. all objections to the Sale must be in writing, must state the name of the objecting party, must state the particularity of the reasons and basis for the objection, and must be filed with the Court and served upon (i) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attn.: Jeffrey S. Sabin, Esq., attorney for the Debtors, (ii) Paul, Hastings, Janofsky & Walker LLP, 25<sup>th</sup> Floor, 515 S. Flower Street, Los Angeles, CA 90071-2228, Attn.: Robert A. Miller, Esq., attorney for the Proposed Purchaser, (iii) the Office of the United States Trustee, 844 King Street, Ste. 2313, Wilmington, DE 19801, Attn.: David Buchbinder, Esq. and (iv) Freeborn & Peters, 311 South Wacker Drive, Ste. 3000, Chicago, IL 60606-6677, Attn.: Frances Gecker, Esq., counsel for the Official Committee of Unsecured Creditors ("Committee"), so that objections are actually received by such persons no later than November 18, 2002 at 4:00 p.m.;

c. the District Court approved a Break-Up Fee and Expense Reimbursement in favor of Proposed Purchaser in the amount of \$70,500 as set forth in the Stock Purchase Agreement, that will be payable at the Closing from the sale proceeds if any other Qualified Bid is the successful bidder, as a pre-condition to the sale closing and before any application of the sale proceeds; and

d. Fansteel will either seek to approve the proposed sale of the Stock to Proposed Purchaser or to a Qualified Bidder that is otherwise the successful bidder. Pursuant to the Bidding Procedures Order, to be a Qualified Bid, the Bid must equal the sum of (x) the value, as reasonably determined by the independent financial advisor of the Seller, of the Proposed Purchaser's offer plus (y) the amount of the Break-Up Fee and Expense Reimbursement plus (z) (A) in the case of the initial Qualified Bid, \$40,000, and (B) in the case of any subsequent Qualified Bids, \$40,000 plus the amount by which the preceding Qualified Bid exceeds the sum of (x) plus (y) above and meets certain other conditions. Any Qualified Bid must be submitted in writing to (i) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attn.: Jeffrey S. Sabin, Esq., attorney for Fansteel, (ii) Paul, Hastings, Janofsky & Walker LLP, 25<sup>th</sup> Floor, 515 S. Flower Street, Los Angeles, CA 90071-2228, Attn.: Robert A. Miller, Esq., attorney for the Proposed Purchaser, (iii) the Office of the United States Trustee, 844 King



Street, Ste. 2313, Wilmington, DE 19801, Attn.: David Buchbinder, and (iv) Freeborn & Peters, 311 South Wacker Drive, Ste. 3000, Chicago, IL 60606-6677, Attn.: Frances Gecker, Esq., attorney for the Committee, not later than 11:00 a.m. (ET) on November 21, 2002, along with evidence of financial responsibility (as provided in the Bidding Procedures Order), and must satisfy all conditions set forth in the Bidding Procedures Order. No Qualified Bid will be considered unless it satisfies, at a minimum, the terms and conditions set forth in the Bidding Procedures Order. Prospective Qualified Bidders also may conduct due diligence as provided in the Bidding Procedures Order.

Copies of the Bidding Procedures Order, the Motion and Sale Order, and other related items may be obtained from: Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attn.: Jeffrey S. Sabin, Esq., attorney for Debtors.

**SHULTE ROTH & ZABEL LLP**

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**PACHULSKI, STANG, ZIEHL, YOUNG &  
JONES P.C.**

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Facsimile: (302) 652-4400

**BLACKLINE COPY OF NOTICE OF SALE**  
**(showing changes from filed version to submitted version)**

**Exhibit 1 to the Bidding Procedures Order**

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

In re: ) Chapter 11  
)  
FANSTEEL INC., et al.,<sup>1</sup> ) Case No. 02-10109 (JJF)  
) (Jointly Administered)  
)  
Debtors. )

**NOTICE OF: (I) SALE OF STOCK OF FANSTEEL SCHULZ PRODUCTS, INC.,  
(II) BIDDING AND SALE PROCEDURES AND FINAL SALE HEARING  
AND (III) APPROVED BREAK-UP FEE AND EXPENSE REIMBURSEMENT**

NOTICE IS HEREBY GIVEN pursuant to Fed. R. Bankr. P. 2002(a)(2) and (c)(1), 6004(a) and 6006(c), that on ~~{[\_\_\_\_\_]}~~ [October 29,] 2002, the Debtors ~~{-have}~~ filed a Motion for Orders under 11 U.S.C. § 105, 363, 365 and 1146(c) and Fed. R. Bankr. P. 6004 and 6006: (I) Scheduling Hearing on Approval of Bidding Procedures, Break-up Fee and Expense Reimbursement, (II) (A) Approving Bidding Procedures and Break-up Fee and Expense Reimbursement in Connection with the Proposed Sale of the Shares, (B) Scheduling a Hearing Date, Auction Date and Bidding Deadline in Connection with the Sale of ~~{such}~~ [Such] Shares, and (C) Approving Form and Manner of Notice ~~{thereof}~~ [Thereof]; and (III) (A) Approving the Stock Purchase Agreement with Hancock Park Associates and Fansteel Inc., (B) Approving the Sale of the Shares, (C) Determining that such Sale is ~~{exempt}~~ [Exempt] from Stamp, Transfer, Recording or Similar Taxes, and (D) ~~{approving}~~ [Approving] the ~~{assumption}~~ [Assumption] and ~~{assignment}~~ [Assignment] of a ~~{certain}~~ [Certain] ~~{lease}~~ [Lease] of ~~{real-property-occupied}~~ [Real Property Occupied] by the Company in San Gabriel, California (the "Motion").

PLEASE TAKE FURTHER NOTICE that Fansteel Inc. ("Fansteel") seeks the following relief, among other things, in the Motion:

a. authority to, among other things, sell all the shares of Fansteel Schulz Products, Inc. ("Shares") to Hancock Park Associates ("Proposed Purchaser") for a purchase price of \$2,350,000, subject to certain adjustments ~~{-subject to}~~ [ and] higher and better offers,

<sup>1</sup> The Debtors are the following entities: Fansteel Inc., Fansteel Holdings, Inc., Custom Technologies Corp., Escast, Inc., Wellman Dynamics Corp., Washington Mfg. Co., Phoenix Aerospace Corp., American Sintered Technologies, Inc. and Fansteel Schulz Products, Inc.

and provided that the sale to Proposed Purchaser is consummated on or before January 22, 2002;

b. authority, pursuant to 11 U.S.C. §§ 363(b) and (f), to sell the Shares free and clear of any claims, liens and encumbrances; and

c. a finding of the ~~{Bankruptcy}~~ [District] Court that Proposed Purchaser (or such other purchaser of the Stock pursuant to the Motion) is a good-faith purchaser entitled to the protections of 11 U.S.C. § 363(m).

PLEASE TAKE FURTHER NOTICE that:

a. By order dated [                    ], 2002 (the "Bidding Procedures Order"), the ~~{Bankruptcy Court}~~ [United States District Court for the District of Delaware ("District Court")] has approved bidding procedures governing the sale of the Shares, and has scheduled a hearing to consider approval of the Sale (the "Sale Hearing") ~~{to be held}~~ on ~~{[~~ ~~November 26,~~ ] 2002 at ~~{[~~ ~~12:30~~ ]} {a}{p}.m. (~~{EST}~~ [ET]) before the Honorable Joseph J. Farnan, ~~{United States}~~ [Jr., District Court] Judge, ~~{in the}~~ United States [ District] Court for the District of Delaware. Any objection to the proposed sale shall be filed with the [United States Bankruptcy ] Court [ for the District of Delaware] and served on counsel identified below;

b. all objections to the Sale must be in writing, must state the name of the objecting party, must state the particularity of the reasons and basis for the objection, and must be filed with the Court ~~{(with a copy hand delivered to Chambers)}~~ and served upon (i) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attn.: Jeffrey S. Sabin, Esq., attorney for the Debtors, (ii) Paul, Hastings, Janofsky & Walker LLP, 25<sup>th</sup> Floor, 515 S. Flower Street, Los Angeles, CA 90071-2228, Attn.: Robert A. Miller, Esq., attorney for the Proposed Purchaser, (iii) the Office of the United States Trustee, 844 King Street, Ste. 2313, Wilmington, DE 19801, Attn.: David Buchbinder, Esq. and (iv) Freeborn & Peters, 311 South Wacker Drive, Ste. 3000, Chicago, IL 60606-6677, Attn.: Frances Gecker, Esq., counsel for the Official Committee of Unsecured Creditors [ ("Committee")], so that objections are actually received by such ~~{person}~~ [persons] no later than November 18, 2002 at 4:00 p.m.;

c. the District Court approved a Break-Up Fee and Expense Reimbursement in favor of Proposed Purchaser in the amount of \$70,500 as set forth in the Stock Purchase Agreement, that will be payable at the Closing from the sale proceeds ~~{ef}~~ [if] any ~~{higher}~~ [other] Qualified Bids [ is the successful bidder,] as a pre-condition to the sale closing and before any application of the sale proceeds; and

d. Fansteel will either seek to approve the proposed sale of the Stock to [Proposed ] Purchaser ~~{pursuant to a proposed Stock Purchase Agreement,}~~ or ~~{will entertain any}~~ [to a] Qualified ~~{Bids for}~~ [Bidder that is otherwise] the ~~{purchase of the Stock}~~ [successful bidder]. Pursuant to the Bidding Procedures Order, to be a Qualified Bid, the

Bid must equal the sum of (x) the value, as reasonably determined by the independent financial advisor of the Seller, of the Proposed Purchaser's offer plus (y) the amount of the Break-Up Fee and Expense Reimbursement plus (z) (A) in the case of the initial Qualified Bid, \$40,000, and (B) in the case of any subsequent Qualified Bids, \$40,000 plus the amount by which the preceding Qualified Bid exceeds the sum of (x) plus (y) above and ~~meet~~ [meets] certain other conditions. Any Qualified Bid must be submitted in writing to (i) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attn.: Jeffrey S. Sabin, Esq., attorney for Fansteel, (ii) Paul, Hastings, Janofsky & Walker LLP, 25<sup>th</sup> Floor, 515 S. Flower Street, Los Angeles, CA 90071-2228, Attn.: Robert A. Miller, Esq., attorney for the Proposed Purchaser, (iii) the Office of the United States Trustee, 844 King Street, Ste. 2313, Wilmington, DE 19801, Attn.: David Buchbinder, and (iv) Freeborn & Peters, 311 South Wacker Drive, Ste. 3000, Chicago, IL 60606-6677, Attn.: Frances Gecker, Esq., ~~ounsel~~ [attorney] for the ~~Official~~ } Committee ~~{of Unsecured Creditors}~~, not later than 11:00 a.m. (~~EST~~) [ET] on ~~{[\_\_\_\_\_]};~~ [November 21,] 2002, along with evidence of financial responsibility (as provided in the Bidding Procedures Order), and must satisfy all conditions set forth in the Bidding Procedures Order. No Qualified Bid will be considered unless it satisfies, at a minimum, the terms and conditions set forth in the Bidding Procedures Order. Prospective Qualified Bidders also may conduct due diligence as provided in the Bidding Procedures Order.

Copies of the Bidding Procedures Order, the Motion and Sale Order, and other related items may be obtained from: Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attn.: Jeffrey S. Sabin, Esq., attorney for Debtors.

{Dated: \_\_\_\_\_, 2002}

{\_\_\_\_\_  
{The Honorable Joseph J. Farnan, Jr.  
United States District Court Judge}

[SHULTE ROTH & ZABEL LLP

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