

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. )

**NOTICE OF: (I) SALE OF CERTAIN ASSETS OF FANSTEEL, INC. AND  
PHOENIX AEROSPACE CORPORATION, (II) BIDDING AND SALE PROCEDURES  
AND FINAL SALE HEARING AND (III) APPROVED BREAK-UP FEE**

**NOTICE IS HEREBY GIVEN** pursuant to Fed. R. Bankr. P. 2002(a)(2) and (c)(1), 6004(a) and 6006(c), that on July 24, 2003, the Debtors filed a Motion, and on September 2, 2003, a Supplement to the Motion, for Orders under 11 U.S.C. § 105, 363, and 365 and Fed. R. Bankr. P. 6004 and 6006: (I) Scheduling Hearing on Approval of Bidding Procedures and Break-up Fee, (II) (A) Approving Bidding Procedures and Break-up Fee in Connection with the Proposed Sale of Certain Assets, (B) Scheduling a Hearing Date, Auction Date and Bidding Deadline in Connection with the Sale of such Assets, and (C) Approving Form and Manner of Notice Thereof; and (III) (A) Approving the Asset Purchase Agreement Among Fansteel Inc., Phoenix Aerospace Corporation and the Proposed Purchaser, (B) Approving the Sale of the Assets, and (C) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases (the "Motion").

**PLEASE TAKE FURTHER NOTICE** that the Debtors seek the following relief, among other things, in the Motion:

(i) authority to, among other things, sell substantially all of the assets, property and businesses of Phoenix Aerospace Corporation ("Phoenix") and the divisions of Fansteel Inc. known as California Drop Forge, Hydrocarbide-Gulfport and Hydrocarbide-Latrobe, and the accounts receivable and inventory of the division of Fansteel known as VR/Wesson-Plantville, and the equipment and inventory of the division of Fansteel known as V/R/Wesson-Lexington (collectively, the "Purchased Assets") to HCA Acquisition, Inc. ("HCA"), CDF Acquisition, Inc. ("CDF"), and HBD Industries, Inc. ("HBD") (HBD, HCA and CDF collectively, the "Proposed Purchaser") for an aggregate amount (the "Purchase Price") equal to the sum of (i) eighty percent (80%) of the book value of the Receivables (reduced by book reserves for bad debts and credits and discounts granted prior to the Closing in the ordinary course), plus (ii) eighty percent (80%) of the book value of the Inventory (reduced by book reserves for excess and obsolete stock and scrap), plus (iii) fifty percent (50%) of the book value of the Prepaid Items and Deposits, plus (iv) eighty percent (80%) of the book value of the Fixed Assets (reduced by accumulated book depreciation in the ordinary course), plus (v) eighty percent (80%) of the book value of the Transferred Real Property (reduced by accumulated book depreciation) plus (vi) the sum of \$3,850,000 (the "Purchase Price"), subject to higher and better offers;

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

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

<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., and American Sintered Technologies, Inc.

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**PLEASE TAKE FURTHER NOTICE that:**

(1) By order dated September 5, 2003 (the "Bidding Procedures Order"), the Bankruptcy Court has approved bidding procedures governing the sale of the Purchased Assets, and has scheduled a hearing to consider approval of the Sale (the "Sale Hearing") to be held on October 7, 2003 at 12:00 p.m. (noon) (EST) before the Honorable Joseph J. Farnan, United States District Judge, in the United States District Court for the District of Delaware. Any objection to the proposed sale shall be filed with the Court and served on counsel identified below;

(2) all objections to the 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) the Proposed Purchaser, HBD Industries, Inc., 5200 Upper Metro Place, Suite 110, Dublin, Ohio, 43017-1372 Attn: Michael T. Clancey, General Counsel, (iii) the Office of the United States Trustee, 844 King Street, Ste. 2207, 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 Creditors' Committee, so that objections are actually received by such persons no later than September 30, 2003 at 5:00 p.m.;

(3) the Bankruptcy Court approved a Break-Up Fee in favor of Proposed Purchaser in the amount of \$350,000 as set forth in the Asset Purchase Agreement, that will be payable at the Closing from the sale proceeds of any higher Qualified Bids as a pre-condition to the sale closing and before any application of the sale proceeds; and

(4) the Debtors will either seek to approve the proposed sale of the Purchased Assets to the Proposed Purchaser pursuant to an Asset Purchase Agreement, or will entertain any Qualified Bids for the purchase of the Purchased Assets. 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 plus (z) (A) in the case of the initial Qualified Bid, \$150,000, 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 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 the Debtors, (ii) the Proposed Purchaser, HBD Industries, Inc., 5200 Upper Metro Place, Suite 110, Dublin, Ohio, 43017-1372 Attn: Michael T. Clancey, General Counsel, (iii) the Office of the United States Trustee, 844 King Street, Ste. 2207, 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, not later than 11:00 a.m. (EST) on October 1, 2003, 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. If a Qualified Bid is received, an Auction will be held at the offices of Schulte, Roth & Zabel LLP, 919 Third Avenue, New York, NY 10022, on October 3, 2003, beginning at 11:00 a.m. (EST) and will continue until such time as the highest and best Qualified Bid is determined.

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: Wilmington, Delaware  
September 5, 2003

**BY ORDER OF THE COURT**