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Chapter 11 section 105(a) and 363 order
Dated: 2000

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re: :
ACME METALS INCORPORATED, ACME : Chapter 11
STEEL COMPANY, ACME PACKAGING :
CORPORATION, ALPHA TUBE : Case No. 98-2179 (MFW)
CORPORATION, ALABAMA : Jointly Administered
METALLURGICAL CORPORATION, and ACME :
STEEL INTERNATIONAL, INC., :
Debtors. :
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**ORDER PURSUANT TO SECTIONS 105(a) AND 363 OF THE
BANKRUPTCY CODE AND FEDERAL RULES OF BANKRUPTCY
PROCEDURE 2002 AND 6004 (i) APPROVING CERTAIN SALE
PROCEDURES AND BUYER PROTECTIONS, INCLUDING A
BREAK-UP FEE; (ii) SCHEDULING A HEARING FOR APPROVAL
OF SALE OF CERTAIN ASSETS OF ACME STEEL COMPANY;
AND (iii) APPROVING CERTAIN NOTICE PROCEDURES
RELATING TO THE SALE OF SUCH ASSETS**

Upon the motion, dated September __, 2000 (the "Motion") of Acme Steel Company (the "Seller") and its affiliated debtors in possession Acme Metals Incorporated ("Acme"), Acme Packaging Corporation, Alabama Metallurgical Corporation and Acme Steel Company International, Inc. (together with the Seller, the "Acme Debtors"), for an order pursuant to sections 105(a) and 363 of the Bankruptcy Code: (i) approving and authorizing certain sale procedures and buyer protections, including a break-up fee and reimbursement of Buyer' expenses; (ii) scheduling a hearing regarding the proposed sale of the Assets; and (iii) approving certain notice procedures related to the proposed Auction and Sale Hearing; and it appearing notice of the Motion has been given to (a) the United States Trustee for the District of Delaware;

1. All undefined capitalized terms in this Order shall have the meanings ascribed to them in the Motion.

(b) counsel to the Acme Committee; (c) counsel to the Alpha Tube Committee; (d) counsel for the Debtors' postpetition secured lenders; (e) counsel for the Buyer; (f) counsel to First Chicago Leasing Corporation; (g) counsel to KeyCorp Leasing; (h) counsel to State Street Bank and Trust Company; (i) counsel to National City Bank of Kentucky; (j) counsel to BankOne, formerly NBD Bank; (k) counsel to Alpha Tube; and (l) all entities who have filed notices of appearances requesting service of papers in this case in accordance with Bankruptcy Rule 2002; and no other notice being necessary; and after due deliberation, it being determined the relief requested is in the best interests of the Acme Debtors, their estates and their creditors, and sufficient cause appearing therefor, it is hereby

FOUND THAT

- A. The court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334.
- B. This is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(A), (N), and (O).
- C. Good and sufficient notice of the Motion has been given.
- D. Acme Steel's payment to WCI of the Buyer Protections, as set forth in the Letter of Intent, is (a) an actual and necessary cost and expense of preserving Acme Steel's estate, within the meaning of section 503(b) of the Bankruptcy Code, (b) of substantial benefit to the Acme Debtors' estates, (c) reasonable and appropriate considering, among other things, the size and nature of the Proposed Transaction, and (d) necessary to ensure that WCI will continue to pursue its proposed acquisition of the Assets. The Court's approval of the Buyer Protections is a material inducement, and condition to, WCI's continued negotiations regarding the Proposed Transaction. Thus, assurance to WCI of payment of the Buyer Protections will promote competitive bidding by inducing WCI's initial bid. Without such assurance bidding on the Assets might not occur. Further, because the Buyer Protections will induce WCI to research the value of the Assets and submit a bid that will serve as a minimum or floor bid on which other bidders can rely, the Buyer Protections will provide a benefit to the Acme Debtors' estates by increasing the likelihood that the price at which the Assets are sold will reflect their true worth. Finally, absent

authorization of the Buyer Protections, the Acme Debtors may lose the opportunity to obtain the highest or best available offer for the Assets.

E. The amount of the Buyer Protections is fair and reasonable and was negotiated by the parties in good faith.

F. The Sale Procedures are reasonable and appropriate and represent the best method for maximizing the return for the Assets.

G. The entry of this Procedures Order is in the best interest of the Debtors and their estates and creditors.

NOW THEREFORE, IT IS HEREBY

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

ORDERED, that the Sale Procedures are approved; and it is further

ORDERED, that the following Sale Procedures shall apply with respect to the proposed sale of the Assets:

(a) Each higher or better competing bid on the Assets (a "Competing Bid") must be made in writing, in the form of the Purchase Agreement (which shall be filed with the Court by Acme Steel no later than twenty-five (25) days prior to the date of the Auction) marked to reflect (in bold typeface) all changes, including greater consideration, different buyer and any other conforming changes that must be made to reflect a different buyer. Each Competing Bid must be executed by an individual authorized to bind the prospective purchaser ("Competing Bidder") to its terms. The initial Competing Bid of each party must be served so that such bid is received no later than 4:00 p.m. eastern time on November 10, 2000 (subject to the Acme Debtors' right to adjourn such date as set forth in subparagraph (j) below) (the "Bid Deadline"), upon (i) Brendan L. Shannon, Esq. of Young Conaway Stargatt & Taylor, LLP, One Rodney Square North, 11th Floor, Wilmington, Delaware 19899 (facsimile number (302) 571-0453); (ii) Edward P. Weber, Jr., Esq. of Acme Metals Incorporated, 13500 S. Perry Avenue, Riverdale, Illinois 60827 (facsimile number (708) 841-6010); (iii) David M. LeMay, Esq. of Hughes Hubbard & Reed LLP, One Battery Park Plaza, New York, New York 10004 (facsimile number (212) 422-4726); (iv) Mr. Martin Lewis of Wasserstein Perella & Co., Inc., 31 West 52nd Street, New York, New York 10019 (facsimile number (212) 969-2705); (v) David C.L. Frauman, Esq. of Cadwalader, Wickersham & Taft, 100 Maiden Lane, New York, New York 10038 (facsimile number (212) 504-6666); and (vi) Lawrence M. Handelsman, Esq. of Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038 (facsimile number (212) 806-6006); and the copy to Young Conaway Stargatt & Taylor, LLP must be accompanied by the Earnest Money Deposit (as defined below).

(b) The initial purchase price offered by any Competing Bidder shall provide value of no less than the sum of (i) the overall value to the Seller as provided by the Purchase Agreement plus (ii) \$7 million, and shall include the assumption of the EIBs on identical terms as set forth in the Purchase Agreement (the "Initial Competing Bid Amount"). However, any Competing Bid submitted by the USWA shall not be required to comply with the initial minimum overbid requirement.

(c) The initial Competing Bid of each party shall be accompanied by:

(i) a certified check, wire transfer or non-contingent irrevocable letter of credit payable to Young Conaway Stargatt & Taylor, LLP, as Acme Steel's agent, for not less than \$1 million, such funds representing a refundable earnest money deposit ("Earnest Money Deposit") to be held in escrow and applied toward the purchase price if the Competing Bid is accepted and the sale is approved by the Court, or returned to the Competing Bidder if the bid is not accepted by the Acme Debtors, *provided, however*, that the USWA shall not be required to submit an Earnest Money Deposit;

(ii) evidence reasonably acceptable to the Acme Debtors demonstrating that the Competing Bidder has the financial ability to close and consummate an acquisition of the Assets without undue delay. If financing is to be provided by any external source(s), included with the Competing Bid shall be a statement of the terms and present status of all financing agreements, if any, and the forms of all commitment agreements anticipated to be obtained. Competing Bidders must provide the names and phone numbers of the contact persons at the institutions providing financing in connection with the Competing Bid, and inform such persons that they may be contacted by the Debtors or their representatives and authorize such persons to communicate with the Debtors or their representatives regarding such Competing Bid;

(iii) the name and telephone number(s) of a contact person who will be available to answer questions regarding the Competing Bid, as well as the names and telephone numbers of any financial and legal advisors retained by the Competing Bidder, as applicable;

(iv) a statement that the Competing Bidder has received all necessary corporate governance approvals. Any material conditions to closing that differ from those set forth in the Purchase Agreement must be set forth in bold type and clearly described in the Competing Bid, including any third-party consents and approvals that the Competing Bidder views as essential to completing the transaction, *provided, however*, that no Competing Bid shall include a material condition to closing that differs from those set forth in the Purchase Agreement and that the Seller or the Acme Debtors would be unable to satisfy, using their reasonable best efforts, within ten (10) business days of the Court's approval of such bid. The scope of any representations, warranties, covenants and any conditions to closing deemed to be material to the Acme Debtors in their sole and

exclusive discretion may cause the Acme Debtors to discount the value of a Competing Bid; and

(v) such other information as reasonably may be requested by the Acme Debtors.

(d) Only those Competing Bids submitted by the Bid Deadline that meet all of the requirements of paragraphs (a) through (c) above (subject to any exceptions set forth in such paragraphs) shall constitute "Qualified Competing Bids," and only parties submitting Qualified Competing Bids shall be entitled to participate in the Auction.

(e) If one or more Qualified Competing Bids are submitted, the Auction shall be conducted on November 20, 2000 (subject to the Acme Debtors' right to adjourn such date as set forth in subparagraph (j) below) (the "Auction Date") at the offices of Young Conaway Stargatt & Taylor, LLP, One Rodney Square North, Wilmington, Delaware 19899, commencing at 9:30 a.m. At the Auction, the Buyer and all parties who have submitted Qualifying Competing Bids will have the opportunity to submit additional higher or better bids. Any additional bid for the Assets made at the Auction shall be in an increment of at least \$1 million in excess of the higher of (i) the last bid or (ii) the Initial Competing Bid Amount, *provided, however*, that any successive bid submitted by the USWA shall not be subject to the minimum incremental increases set forth herein.

(f) At the conclusion of the Auction, the Acme Debtors will announce their determination of the person or entity submitting the highest or best bid for the Assets. Immediately thereafter, such prevailing Competing Bidder (other than the USWA) shall submit to Acme Steel a certified check, wire transfer or non-contingent irrevocable letter of credit payable to Young Conaway Stargatt & Taylor, LLP, as Acme Steel's agent, for not less than \$4 million, which amount shall be held in escrow, together with the prevailing Competing Bidder's Earnest Money Deposit. The prevailing Competing Bidder's deposit of \$4 million and Earnest Money Deposit (collectively referred to as the "Deposit") will be applied toward the purchase price upon the closing of the transaction contemplated by the Competing Bid Agreement. In the event that such closing does not occur, the Deposit, and any interest accrued thereon, would be released to the prevailing Competing Bidder *unless* the failure of such closing to occur is attributable in whole or in part to a material breach or inaccuracy of any representation, warranty or covenant of such prevailing Competing Bidder, in which case such funds would be released to Acme Steel. In the event that the USWA is the prevailing Competing Bidder, the USWA will not be required to make the Deposit.

(g) At the Sale Hearing, the Acme Debtors will present to the Court their recommendation on the highest or best bid. The Court, in its discretion, shall then approve the highest or best bid for the Assets. The Acme Debtors, however, shall have accepted a bid only when it is approved by the Court at the Sale Hearing. Until the Court has approved the sale of the Assets, the Acme Debtors reserve their right to pursue a Stand Alone Plan.

(h) If the closing under a Competing Bid is not timely concluded with a successful Competing Bidder, the Debtors shall have the right, but not the obligation, without further authorization or order from the Court, to promptly to conclude the contemplated transactions with the next highest willing bidder having submitted a Qualified Competing Bid, or with the Buyer, as determined by the Acme Debtors.

(i) If no Qualifying Competing Bids are received, the Acme Debtors will not conduct the Auction, and the Court, in its discretion, will decide whether to approve the sale to Buyer under the terms of the Purchase Agreement.

(j) In the event that the Purchase Agreement has not been filed with the Court by October 25, 2000, the Acme Debtors may adjourn the scheduled dates for the Bid Deadline and the Auction, such that the Bid Deadline will be the first business day that is fifteen (15) days after the filing of the Purchase Agreement and the Auction shall occur on the first business day that is twenty-five (25) days after the filing of the Purchase Agreement. In addition, the Auction shall not occur prior to the satisfaction or waiver of the condition identified in paragraph 16(g) of the Term Sheet, which provides for the Buyer's satisfaction with the content of a certain environmental report prepared by a third party assessing environmental conditions of certain of the Assets. In the event of any such adjournment, the Acme Debtors will immediately notify the Court and request that the date for the Sale Hearing be scheduled within three (3) days following the adjourned Auction Date, subject to the Court's availability;

and it is further

ORDERED, that, the terms providing for the Break-Up Fee, the Alternate Fee and Expense Reimbursement as set forth in the Letter of Intent are hereby approved; and it is further

ORDERED that the Break-Up Fee or the Alternate Fee, as the case may be, and Expense Reimbursement, once earned, shall be payable by Acme Steel to WCI, as administrative expenses pursuant to section 503(b) of the Bankruptcy Code, pursuant to the terms set forth in the Letter of Intent; and it is further

ORDERED, that a hearing with respect to the approval of the sale of the Assets (the "Sale Hearing") shall be held before the Honorable Mary F. Walrath, United States Bankruptcy Judge, United States Bankruptcy Court, 824 Market Street, 6th Floor, Wilmington, Delaware 19801, on November 21, 2000 at 10:00 a.m.; and it is further

ORDERED, that the Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in

open Court or on the Court's calendar on the date scheduled for the Sale Hearing or any adjourned date; and it is further

ORDERED that any objections to the motion to approve the sale of the Assets (the "Sale Motion") shall be made in writing, filed with the Court and served upon the Office of the United States Trustee, Curtis Center, 601 Walnut Street, Suite 950 West, Philadelphia, Pennsylvania 19106, Attn. Richard Schepacarter; Hughes Hubbard & Reed LLP, One Battery Park Plaza, New York, New York 10004, Attn: David M. LeMay; Young Conaway Stargatt & Taylor, LLP, One Rodney Square North, 11th Floor, Wilmington, Delaware 19899, Attn: Brendan Shannon; Cadwalader, Wickersham & Taft, 100 Maiden Lane, New York, New York 10038, Attn: David C.L. Frauman; and Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038, Attn: Lawrence M. Handelsman, so as to be actually received by no later than 4:00 p.m. prevailing Eastern time on November 10, 2000. Only timely filed and served responses, objections or other papers will be considered by the Court at the Sale Hearing; and it is further

ORDERED that the form of notice of the Auction and Sale Hearing, in substantially the form attached to the Motion as Exhibit "C" (the "Sale Notice"), provides reasonable and adequate notice of the Auction and Sale Hearing and is hereby approved; and it is further

ORDERED that the notice of the Sale Hearing is deemed to be good and proper notice thereof, and any requirements for other notice be, and hereby are, waived and dispensed with pursuant to Bankruptcy Rules 2002, 6004, 6006 and 9007 and section 102 of the Bankruptcy Code and pursuant to this Court's powers under section 105 of the Bankruptcy Code if (i) on or before October 25, 2000, the Debtors shall have caused to be served true and correct copies of the Sale Motion and all exhibits thereto, including this Procedures Order and the Purchase Agreement, and the Sale Notice by first class mail, postage pre-paid, upon (a) the United States Trustee for the District of Delaware; (b) counsel to the Acme Committee; (c) counsel to the Alpha Tube Committee; (d) counsel for the Debtors' postpetition secured lenders;

(e) counsel for the Buyer; (f) all entities known to have expressed an interest in a transaction with respect to the Assets during the course of these chapter 11 cases; (g) counsel to First Chicago Leasing Corporation; (h) counsel to KeyCorp Leasing; (i) counsel to State Street Bank and Trust Company; (j) counsel to National City Bank of Kentucky; (k) counsel to BankOne, formerly NBD Bank; (l) counsel to Morgan Stanley Senior Funding, Inc.; (m) all relevant taxing authorities; (n) counsel to Alpha Tube; and (o) all entities who have filed notices of appearances requesting service of papers in this case in accordance with Bankruptcy Rule 2002; and (ii) the Debtors shall cause a true and correct copy of the Sale Notice to be published in the National European and Asian Editions of the *Wall Street Journal* and in *American Metal Market* within five (5) days after filing the Sale Motion with the Court.

Dated: Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE