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

In re:	)	Chapter 11
	)	
DT INDUSTRIES, INC., et al.,[1]	)	Case No. 04-34091
	)	(Jointly Administered)
Debtors.	)	
	)	Honorable Lawrence S. Walter

MOTION FOR ORDERS AUTHORIZING AND APPROVING (I) THE SALE OF CERTAIN OF THE DEBTORS' ASSETS FREE AND CLEAR OF LIENS, CLAIMS AND INTERESTS, (II) THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (III) THE FORM AND MANNER OF SALE NOTICES, AND (IV) CERTAIN SALE PROCEDURES, INCLUDING THE PAYMENT OF A BREAK-UP FEE

The above captioned debtors and debtors in possession, hereby move this Court for the entry of orders, pursuant to sections 105(a), 363 and 365 of chapter 11 of title 11 of the United States Code (the "*Bankruptcy Code*") and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the "*Bankruptcy Rules*"), authorizing and approving (i) the sale (the "*Sale*") of certain of the Debtors' assets (the "*Transferred Assets*") and the stock of DT Industries, Inc.'s ("*DTI*") German subsidiary to Assembly and Test Worldwide, Inc. (the "*Proposed Purchaser*") pursuant to that certain Asset Purchase Agreement[2] (the "*Agreement*") dated May 12, 2004 by and among DTI, Detroit Tool and Engineering Company, Assembly Technology and Test, Inc., and Advanced Assembly Automation, Inc. (collectively, the "*Debtors*") and Proposed Purchaser and attached hereto as Exhibit A, (ii) the assumption and assignment of certain executory contracts and unexpired leases as set forth in the Agreement (the "*Designated Contracts*") to the Proposed Purchaser, and (iii) the form and manner of notice of

---

[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] Unless otherwise defined herein, all capitalized terms shall have the meaning ascribed to them in the Agreement, to the extent defined therein.

the proposed sale (the "*Notice Procedures*"), and (iv) certain sale procedures (the "*Sale Procedures*"), including the payment, under certain circumstances, of a break-up fee (the "*Break-Up Fee*") described herein. In support of this Motion, the Debtors respectfully represent as follows:

I. INTRODUCTION

1. On May 12, 2004 (the "*Petition Date*"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors' chapter 11 cases are being jointly administered with those of the other related debtors for procedural and administrative purposes under the DTI chapter 11 case. Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors continue to operate their business and manage their affairs as debtors-in-possession.

2. An official committee of unsecured creditors (the "*Unsecured Creditors' Committee*") has not been appointed for these jointly administered cases.

3. The Court has jurisdiction over the Motion under 28 U.S.C. § 1334. This is a core proceeding within the meaning of 28 U.S.C. §§ 157(b)(2) (A) and (O). Venue of these chapter 11 cases in this district is proper under 28 U.S.C. §§ 1408 and 1409.

4. The statutory predicates for the relief requested herein are sections 105(a), 363(b), 1107(a), and 1108 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, and 9014.

II. BACKGROUND

A. Company Overview

5. DTI 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 ("*DTE*"). 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 DTE operating segment is a direct, wholly-owned subsidiary of DTI which manufactures special machines, automated systems, tooling and fixtures, and the Peer(™) 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 Firstar 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.

III. RELIEF REQUESTED

16. The Debtors respectfully request, at an initial hearing (the "*Procedures Hearing*"), entry of an order (the "*Procedures Order*") in the form attached hereto as Exhibit B authorizing and approving the Sale Procedures, including payment of the Break-Up Fee, and the form and notice of (i) the Sale, (ii) the Sale Procedures (as more fully described herein) and (iii) the assumption and assignment of the Designated Contracts.

17. The Debtors further request that, at the Procedures Hearing, the Court schedule a subsequent hearing (the "*Sale Hearing*") at which time the Debtors will seek entry of an order (the "*Sale Order*") in the form attached hereto as Exhibit C authorizing: (i) the Debtors to sell the Transferred Assets, and (ii) the Debtors to assume and assign the Designated Contracts to the Proposed Purchaser or the Successful Bidder (as hereinafter defined), as the case may be.

IV. PROPOSED SALE OF ASSETS

A. Factors Leading to Sale and Marketing Efforts Leading to the Agreement

18. In March 2004, the Debtors determined that a restructuring of their debt was not likely, and, in light of the declining market and Debtors' loss of revenue, the Debtors determined that pursuing a going concern sale of their operations was the most prudent means to maximize value for the Debtors' estates and creditors.

19. The Debtors retained Houlihan Lokey Howard & Zukin ("*Houlihan*"), a prominent investment banking firm, to market the Debtors' assets for sale and assess the level of interest of prospective buyers, including soliciting offers from qualified buyers.

20. Houlihan was retained by the Debtors in March 2004 for the purposes of developing a coordinated sales effort, contacting potential purchasers, and assisting in the negotiations and structuring of the financial aspects of any proposed sale of the Debtors' business as a going concern.

21. Initially, Houlihan produced an offering memorandum, which enabled the Debtors to be marketed to a wide variety of both strategic and financial buyers. Through Houlihan's extensive industry knowledge and relationships, Houlihan identified over 30 strategic buyers (industrial companies with similar operations to the Debtor) and 91 financial buyers (private equity firms that have previously expressed an interest to Houlihan in investing in manufacturing and/or distressed companies). Of the 121 potential buyers contacted, 41 executed a confidentiality agreement and received the confidential offering memorandum prepared by Houlihan. Of the remaining parties, a significant portion conducted a level of due diligence. Houlihan answered numerous inquiries from potential buyers and provided additional financial and other information as requested. In addition, the Debtors' management conducted numerous telephonic and in person meetings with interested parties. As a result of Houlihan's efforts, eight parties submitted formal bids to acquire certain of the Debtors' assets. Three additional parties expressed interest in acquiring the Debtors in whole or in part but did not provide written indication of that interest.

22. After the Debtors identified Thompson Street Capital Partners LP (equity holders of the Proposed Purchaser) as having provided the best offer, Houlihan assisted the Debtors and their professionals in negotiating a favorable Asset Purchase Agreement.

23. Based on the Debtors' and Houlihan's efforts to sell the assets and the expressions of interest that the Debtors have received with respect to such a potential sale on an expedited basis, the Debtors believe that completing a sale outside of a plan of reorganization will lead to greater value than completing a sale pursuant to a plan which, in the Debtors' estimation, would lengthen the process and, as a result, lead to further erosion of the value of the Debtors' business to the detriment of all parties in interest.

B. The Agreement

24. Pursuant to the Agreement, upon the approval by this Court and the satisfaction of conditions precedent set forth in the Agreement, DTI, DTE, AT&T and AAA will (i) sell the Transferred Assets free and clear of all liens, security interests, claims, encumbrances or other interests (collectively, the "*Interests*") and (ii) assume and assign the Designated Contracts to the Proposed Purchaser. The significant terms[3] of the Agreement are as follows:

> GENERAL TERMS: The Proposed Purchaser will purchase all of the assets of DTE, AT&T and AAA needed for or used in connection with the manufacture, sale and service of special automation assembly and processing equipment, precision tooling and dies, welding systems, custom non-synchronous and synchronous assembly systems, rotary dial assembly systems, electrified monorail material handling systems, fuel injection, engine and transmission test systems, and lean assembly systems (the "*Business*"). In addition, the Proposed Purchaser will purchase from DTI, all of DTI's assets used in connection with the Business and the stock of DTI's German subsidiary, DT Assembly and Test Europe GmbH.
>
> PURCHASE PRICE: The Initial Purchase Price to be paid by Proposed Purchaser is $18 million, which is subject to purchase price adjustments as provided in the Agreement. Proposed Purchaser will provide a deposit in the form of a letter of credit in the face amount of $900,000 upon receipt by Debtors of debtor-in-possession financing. In addition, the Purchase Price may be increased if Proposed Purchaser receives a purchase order for certain specified work-in-process inventory and equipment of DTE, which adjustment shall be not less than $1 million.
>
> CURE AMOUNTS: Proposed Purchaser will assume the contracts set forth on Schedule 2.8 to the Agreement. Proposed Purchaser shall have the right to add or delete contracts up to 2 Business Days prior to Closing. Subject to the terms of the Agreement, the Proposed Purchaser will be responsible for satisfying the pre-closing liabilities or defaults under the Designated Contracts, including the payment of cure amounts necessary for such contracts to be assumed by Proposed Purchaser in accordance with the Bankruptcy Code. These Cure Amounts will be reflected in the Net Working Capital and may affect the Initial Purchase Price payable under the Agreement.
>
> AS IS SALE: The Sale is "*AS IS*", "*WHERE IS*" and "*WITH ALL FAULTS*".
>
> EMPLOYMENT: The Agreement provides that the Proposed Purchaser may make offers of employment to the Sellers' employees. Proposed Purchaser will assume liabilities for unpaid salaries, severance benefits and other accrued but unpaid benefits

[3] To the extent this summary differs in any way with the terms of the Agreement, the provisions of the Agreement will control.

payable to employees who are hired by the Proposed Purchaser at the effective date to the extent reflected in Closing Date Net Working Capital.

BREAK-UP FEE: Subject to Bankruptcy Court approval, the Debtors will be obligated to pay to Proposed Purchaser $540,000, which payment is to be paid in cash upon the Closing of a sale of the Transferred Assets to the successful bidder at the Debtors' auction if other than Proposed Purchaser. The Break-Up Fee is discussed in further detail below.

25. The Proposed Purchaser is not an "insider" of any of the Debtors, as that term is defined in 11 U.S.C. §101.

C. Sale Procedures

26. Section 8 of the Agreement provides that the Sale is subject to higher and better offers pursuant to the Sale Procedures. Accordingly, at the Procedures Hearing, the Debtors seek approval of the Sale Procedures. The Debtors believe that implementation of the Sale Procedures is most likely to maximize value of the Assets for the benefit of the Debtors' estates, creditors, and other interested parties.

27. The proposed Sale Procedures are attached hereto as Exhibit 1 to the Procedures Order, Exhibit B attached hereto. Those procedures provide, in relevant part, as follows:

a. Participation Requirements. Unless otherwise ordered by the Bankruptcy Court, each person (a "*Potential Bidder*") interested in participating in the process must deliver (unless previously delivered) to the Debtors (i) an executed confidentiality agreement, and (ii) adequate assurance to the Debtors and their advisors of such Potential Bidder's ability to close a proposed transaction on or before the fifth (5th) Business Day before the Bid Deadline (as hereinafter defined).

A Qualified Bidder is a Potential Bidder that timely delivers the documents described above, and that the Debtors determine to be reasonably likely (based on financial information submitted by the Potential Bidder, the availability of financing, experience and other considerations deemed relevant by the Debtors) to submit a bona fide offer and to be able to consummate the Sale if selected as a Successful Bidder. No later than three (3) Business Days after a Potential Bidder delivers all of the materials required by subparagraphs (a)(i) and (ii) above, the Sellers shall determine, and shall notify the Potential Bidder, if such Potential Bidder is a Qualified Bidder.

b. Due Diligence. The Debtors must afford any Qualified Bidder the time and opportunity to conduct reasonable due diligence. The Debtors will designate an employee or other representative to coordinate all reasonable requests for additional information and due diligence access from such Qualified Bidders. The Debtors shall not be obligated to furnish any due diligence information after the Bid Deadline. Neither the Debtors nor any of their respective representatives are obligated to furnish any information to any person other than a Qualified Bidder. The Debtors are not responsible for, and will bear no liability with respect to, any information obtained by Bidders in connection with the sale of the Assets.

c. Bid Deadline. A Qualified Bidder who desires to make a bid shall deliver a written copy of its bid to (1) Debtors' counsel, Jeffrey L. Elegant, Katten Muchin Zavis Rosenman, 525 W. Monroe, Suite 1600, Chicago, IL 60661, not later than 12:00 p.m. (prevailing Central time) on the day that is three (3) Business Days prior to the Auction (the "*Bid Deadline*"). The Debtors' counsel shall immediately distribute copies of the bids to the Unsecured Creditors' Committee, if any, the Proposed Purchaser and the agent to Debtors' prepetition secured lenders and DIP lenders. The Debtors shall announce the terms of the Qualified Bid(s) received by the Bid Deadline no later than 5:00 p.m. (prevailing Central time) on the second (2nd) Business Day after the Bid Deadline.

d. Bid Requirements. All bids must include the following documents (the "*Required Bid Documents*"): (i) a letter stating that the bidder's offer is irrevocable until the earlier of (x) the Closing of the sale of the Transferred Assets, or (y) July 15, 2004; (ii) an executed copy of a purchase agreement marked to show modifications to the Agreement that the Qualified Bidder proposes (the "*Marked Agreement*"), which may not be subject to a financing contingency and which must propose paying to Sellers an overall value (or in the case of multiple bids for portions of the Transferred Assets, which bids in the aggregate) that is equal to, or in excess of, at least $640,000 over the sum of the overall value of the transaction contemplated by the Agreement (including the Break-Up Fee of $540,000) (the "*Required Bid Value*"); (iii) a good faith deposit (the "*Good Faith Deposit*") in the form of immediately available funds or a letter of credit in form acceptable to the Debtors in their sole discretion payable to the order of the Debtors (or such other party as the Debtors may determine) in an amount equal to $900,000; (iv) written evidence of a commitment for financing (without contingencies) or other evidence of the ability to consummate the Sale satisfactory to the Debtors with appropriate contact information for such financing sources.

The Debtors will disregard bids that are conditioned on obtaining financing, on the outcome of unperformed due diligence by the bidder or qualifies the "as is, where is" terms of the sale on representations or warranties of any kind, nature, or description by the Sellers, their agents or their estate except to the extent set forth in the Marked Agreement. 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.*"

e. Auction. If one or more Qualified Bids (other than that of the Proposed Purchaser) have been received, the Debtors shall conduct an auction (the "*Auction*") with respect to the Assets. The Auction shall commence on the date that is three (3) Business Days prior to the Sale Hearing at the offices of Katten Muchin Zavis Rosenman, 525 W. Monroe, Suite 1600, Chicago, Illinois. The Debtors shall notify all Qualified Bidders who have submitted Qualified Bids of the time and place of the Auction. If there is no timely Qualified Bid (other than that of the Proposed Purchaser), the Proposed Purchaser shall be deemed to be the Successful Bidder.

Only a Qualified Bidder who has submitted a Qualified Bid is eligible to participate at the Auction. During the Auction, bidding shall begin initially with the highest Qualified Bid and subsequently continue in minimum increments of at least $100,000.00. The Debtors may conduct the Auction in the manner they determine will result in the highest, best or otherwise financially superior offer(s) for the Assets. The Proposed Purchaser shall be entitled to credit bid against any competing offer all or a part of the Break-up Fee in accordance with the minimum increment.

Upon conclusion of the bidding, the Auction shall be closed. The Debtors shall (i) immediately 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) within one day identify the highest and best bid offer for the Assets (the "*Successful Bid*" and the entity or entities submitting such Successful Bid, the "*Successful Bidder*"), and advise the Bidders of such determination.

f. Sale Hearing. The Debtors shall seek approval of the Successful Bid from the Court at the Sale Hearing. The Proposed Purchaser shall have the right to object to the Debtors' selection of another person as the Successful Bidder at the Sale Hearing.

28. Following the Sale Hearing approving the sale of the Assets to the Successful Bidder, if such Successful Bidder fails to consummate an approved sale, the next highest or otherwise best Qualified Bid, as disclosed at the Sale Hearing, shall be deemed to be the Successful Bid and the Debtors shall be authorized, but not required, to consummate the sale with the Qualified Bidder submitting such bid without further order of the Bankruptcy Court and such Qualified Bidder shall be required to consummate the sale on the terms of such Qualified Bid.

29. Good Faith Deposits of all Qualified Bidders (except for the Successful Bidder) shall be held in an interest-bearing escrow account until the earlier of the Closing of the sale of the Transferred Assets or July 15, 2004. 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 Debtors shall be entitled to retain the Good Faith Deposit as part of their damages resulting from the breach or failure to perform by the Successful Bidder. The Prospective Purchaser has made its Good Faith Deposit in the form of a letter of credit, which may be replaced by immediately available funds pursuant to an Escrow Agreement dated as of May 12, 2004, by and among the Debtors, the Prospective Purchaser and LaSalle Bank, N.A., as escrow agent (the "*Escrow Agreement*").

D. Break-Up Fee

30. The Proposed Purchaser has expended, and likely will continue to expend, considerable time, money, and attention in the pursuit of the Sale and have engaged in extended arm's-length, good faith negotiations. The Agreement is the culmination of those negotiations.

31. In recognition of this expenditure of time, energy, and resources, the Debtors have agreed to provide the Break-Up Fee, and request that it be approved at the Procedures Hearing. Under section 8.4 of the Agreement, the Break-Up Fee, which is equal to $540,000, shall be payable by the Debtors to Proposed Purchaser upon the Closing of a sale or sales of a material portion of the Transferred Assets to a purchaser other than Proposed Purchaser pursuant to Section 363 of the Bankruptcy Code or a plan of reorganization (an "*Alternative Transaction*"). The obligations of Debtors to pay the Break-Up Fee shall have the priority set forth under Section 364(d)(1) of the Bankruptcy Code and a surcharge under Section 506(c) of the Bankruptcy Code on the Transferred Assets and the proceeds thereof which are subject to any liens, security interests, claims and encumbrances.

32. The Break-Up Fee was a material inducement for, and a condition of, the Proposed Purchaser's entry into the Agreement. The Debtors believe that the Break-Up Fee is fair and reasonable in view of (a) the intensive analysis, due diligence investigation, and negotiation undertaken by the Proposed Purchaser in connection with the Sale, and (b) the fact that the Proposed Purchaser's efforts have established a floor with respect to the Assets and increased the chances that the Debtors will receive the highest and best offer for the Assets, to the benefit of the Debtors, their estates, their creditors, and all other parties in interest.

33. The Proposed Purchaser is unwilling to commit to hold open its offer to purchase the Transferred Assets under the terms of the Agreement unless the Break-Up Fee is approved. Thus, absent approval of the Break-Up Fee, the Debtors may lose the opportunity to obtain what they believe to be the highest and best offer for the Assets.

E. Assumption/Assignment of Contracts

34. As part of the Sale, the Debtors seek authority to assume and assign the Designated Contracts to the Proposed Purchaser or Successful Bidder.

35. With respect to the Designated Contracts, the Debtors, no later than seven (7) days after the entry of the Procedures Order, will file with the Court and serve on each party to a Designated Contract a cure notice substantially in the form attached hereto as Exhibit 3 to the Procedures Order attached hereto as Exhibit B (the "*Cure Notice*"). The Cure Notice shall state the cure amount that the Debtors believe is necessary to assume such contract or lease pursuant to section 365 of the Bankruptcy Code (the "*Cure Amount*") and notify each party that such party's lease or contract will be assumed and assigned to the Proposed Purchaser or the Successful Bidder to be identified at the conclusion of the Auction.

36. The Debtors request that any objection to the assumption or assignment of any Designated Contract or the amount or terms of payment of the Cure Amount thereunder be

required to be filed and served on or before five (5) Business Days before the Auction (the "*Cure Objection Deadline*"). Any objection to the amount or terms of payment of the Cure Amount must state with specificity what cure the party to the Designated Contract believes is required with appropriate documentation in support thereof. If no objection is timely received, the Cure Amount set forth in the Cure Notice shall be controlling notwithstanding anything to the contrary in any Designated Contract or other document and the non-debtor party to the Designated Contract shall be forever barred from asserting any other claim arising prior to the assignment against the Debtors or the Proposed Purchaser as to such Designated Contract and such non-debtor party shall be deemed to have consented to the assumption and assignment of such Designated Contract to the Proposed Purchaser under the terms proposed in the Agreement and this Motion.

F. Notice of Sale

37. Within five (5) days after the entry of the Procedures Order (the "*Mailing Date*"), the Debtors (or their agents) shall serve the Motion, the Agreement, the proposed Sale Order, a Notice of the Sale substantially in the form attached as Exhibit 2 to the Procedures Order attached hereto as Exhibit B, and a copy of the Procedures Order by first-class mail, postage prepaid, upon (i) all entities known to have asserted any Interest in or upon the Transferred Assets, including, without limitation, any lien, security interest, claim, encumbrance or other interest; and (ii) all parties to the Designated Contracts; and (iii) all entities listed on the Debtors' Master Service List as of the Mailing Date. In addition, the Debtors will also serve all entities that have expressed interest to Houlihan in purchasing the assets.

38. Any creditors or parties in interest objecting to the Sale of the Transferred Assets or the Sale Order shall file their objection and serve it on counsel to Debtors, the Prospective Purchaser, any Official Committee of Unsecured Creditors and the agent to Debtors' prepetition

secured lenders and DIP lenders on or before the fifth (5th) Business Day before the Sale Hearing.

WHEREFORE, based on the foregoing, the Debtors request that the court enter an order (i) approving the Sale Procedures, including the Break-Up Fee, (ii) approving the form and manner of notices of the Sale and assumption and assignment of contracts, and (iii) setting a hearing for the approval of the Sale.

Dated: May 17, 2004

Respectfully Submitted,

DT INDUSTRIES, INC., et al.

By: s/ Julia Brand
One of its attorneys

Ronald S. Pretekin (#0016894)
COOLIDGE WALL WOMSLEY & LOMBARD
33 West First Street, Suite 600
Dayton, OH 45402
Telephone: (937) 223-8177
Facsimile: (937) 223-6705
Email: pretekin@coollaw.com
and
Julia W. Brand (CA #121760)[4]
Kenneth J. Ottaviano (Ill. #6237822)
Matthew A. Olins (Ill. #6275636)
KATTEN MUCHIN ZAVIS ROSENMAN
525 West Monroe Street
Chicago, Illinois 60661-3693
Telephone: (312) 902-5200
Facsimile: (312) 902-1061
Email: julia.brand@kmzr.com
Proposed Attorneys for Debtors and Debtors-In-Possession

[4] Julia W. Brand is an attorney in the Los Angles office of Katten Muchin Zavis Rosenman: 2029 Century Park East, Suite 2600, Los Angeles, California, 90067-3012 (telephone) (310) 788-4400 (Facsimile) (310) 788-4471.

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

In re:	)	Chapter 11
	)	
DT INDUSTRIES, INC., et al.,[1]	)	Case No. 04-34091
	)	(Jointly Administered)
Debtors.	)	
	)	Honorable Lawrence S. Walter

MEMORANDUM OF LAW IN SUPPORT OF MOTION FOR ORDERS AUTHORIZING AND APPROVING (I) THE SALE OF CERTAIN OF THE DEBTORS' ASSETS FREE AND CLEAR OF LIENS, CLAIMS AND INTERESTS, (II) THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (III) THE FORM AND MANNER OF SALE NOTICES, AND (IV) CERTAIN SALE PROCEDURES, INCLUDING THE PAYMENT OF A BREAK-UP FEE

Debtors, DT Industries, Inc., Detroit Tool and Engineering Company, Assembly Technology and Test, Inc. and Advanced Assembly Automation, Inc. (collectively, the "*Debtors*") submit the following Memorandum of Law in Support of their Motion for Orders Authorizing and Approving (I) the Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims and Interests, (II) the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases (III) the Form and Manner of Sale Notices, and (IV) Certain Sale Procedures, Including the Payment of a Break-Up Fee.

A. Sale Pursuant to Section 363(b)(1)

Section 363(b)(1) of the Bankruptcy Code provides: "The Trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." Section 105(a) of the Bankruptcy Code provides in relevant part: "The Court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this

[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.

title." A sale of substantially all of the debtor's assets should be authorized pursuant to section 363 of the Bankruptcy Code if a sound business purpose exists for doing so. *See, e.g., Fulton State Bank v. Schipper*, 933 F.2d 513, 515 (7th Cir. 1991); *Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983); *In re Telesphere Communications, Inc.*, 179 B.R. 544, 552 (Bankr. N.D. Ill. 1994). Once the Debtors articulate a valid business justification, "[t]he business judgment rule 'is a presumption that in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action was in the best interests of the company.'" *In re S.N.A. Nut Company*, 186 B.R. 98 (Bankr. N.D. Ill. 1995); *In re Integrated Resources, Inc.*, 147 B.R. 650, 656 (S.D.N.Y. 1992); *In re Johns-Manville Corp.*, 60 B.R. 612, 615-16 (Bankr. S.D.N.Y. 1986) ("a presumption of reasonableness attaches to a Debtor's management decisions."). Indeed, when applying the "business judgment" rule, courts show great deference to the debtor's decision-making. *See Summit Land Co. v. Allen (In re Summit Land Co.)*, 13 B.R. 310, 315 (Bankr. D. Utah 1981). Thus, this Court should grant the relief requested in this Motion if the Debtors demonstrate a sound business justification therefor. *See Schipper*, 933 F.2d at 515; *In re Lionel Corp.*, 722 F.2d at 1071.

The Debtors have sound business justifications for selling the Assets at this time. Indeed, it is critical that Debtors immediately consummate the Sale in order to preserve the enterprise value of the Business, and maximize the Debtors' estates. The Debtors are in a cash crisis. The Debtors do not have sufficient funds to continue to operate their businesses. These assets must be sold quickly as the Debtors will not be able to fund their operations into the future. If the Debtors cannot fund their operations and must cease operations, the value of the business will decline substantially. Preservation of enterprise value is a compelling circumstance and maximization of asset value for the benefit of all creditors is a sound business purpose,

warranting authorization of the Sale. Accordingly, there is a sound business purpose for the Sale of the Business to the Proposed Purchaser pursuant to section 363 of the Bankruptcy Code and authorization of the Sale is warranted.

In addition to showing a business justification, for a sale under section 363 to be approved, a debtor must show that (a) the price is fair and reasonable, (b) the Proposed Purchaser acted in good faith and (c) adequate notice was provided. *In the Matter of Engineering Products Co.*, 121 B.R. 246, 247 (Bankr. E.D. Wis. 1990). The good faith of the Proposed Purchaser and the reasonableness of the Purchase Price cannot be questioned. The Debtors entered into the Agreement only after seriously exploring all other alternatives and after expending significant time, effort, and resources in trying to find the highest and best offer for the Business. The Debtors retained Houlihan who extensively marketed the assets of the Debtors. The Debtors and Houlihan reviewed all offers and selected the Proposed Purchaser. The Agreement is the product of extensive arm's-length negotiations between the Proposed Purchaser and the Debtors. These negotiations involved substantial time and energy by the parties and their professionals.

The Debtors further submit that the Agreement, entered into after an extensive and thorough marketing process, represents the highest and best offer for the Business and the consideration to be paid thereunder is fair and reasonable. Any doubt as to the reasonableness of the Purchase Price will be dispelled by the fact that the Sale is subject to competing bids, thereby enhancing the Debtors' ability to receive the highest and best offer for the Assets. Under the circumstances, the Debtors submit that the Sale is the result of good faith arm's-length negotiations and the Proposed Purchaser should be entitled to all of the protections of section 363(m) of the Bankruptcy Code.

The final element for the approval of a sale under section 363 of the Bankruptcy Code is the requirement that interested parties receive adequate notice. Notice of the Sale will be given

as described in the Motion. Such notice is reasonably calculated to provide timely and adequate notice to the Debtors' major creditor constituencies, those parties most interested in these cases, and, accordingly, is sufficient for entry of the Sale Order. The Sale thus satisfies all of the requisite conditions for authorization under section 363(b) of the Bankruptcy Code.

B. Sale Free and Clear Pursuant to Section 363(f)

Section 363(f) of the Bankruptcy Code provides:

> (f) The trustee may sell property under section (b) or (c) of this section free and clear of any interest in such property of an entity other than the estate, only
>
> if –
>
> (ii) applicable non-bankruptcy law permits sale of such property free and clear of such interest;
>
> (iii) such entity consents;
>
> (iv) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
>
> (v) such interest is in bona fide dispute; or
>
> (vi) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

The Lenders have consented to the Sale with their Liens to be transferred to the proceeds of the sale to the same extent as the Liens on the assets immediately prior to the Sale. Therefore, pursuant to section 363(f) the Debtors may sell the Transferred Assets free and clear of all liens, security interests, claims, encumbrances and other interests. Accordingly, the Debtors request that the Transferred Assets be transferred to the Proposed Purchaser free and clear of all liens, security interests, claims, encumbrances and other interests, with such liens, security interests, claims, encumbrances and other interests to attach to the proceeds of the Sale of the Transferred Assets.

C. Good Faith Pursuant to Section 363(m)

Section 363(m) of the Bankruptcy Code provides:

> (m) The reversal or modification on appeal of any authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.

11 U.S.C.§ 363(m). While the Bankruptcy Code does not define "good faith," the Seventh Circuit in *In the Matter of Andy Frain Services, Inc.*, 798 F.2d 1113 (7th Cir. 1986) held that:

> The requirement that a purchaser act in good faith . . . speaks to the integrity of his conduct in the course of the sale proceedings. Typically, the misconduct that would destroy a purchaser's good faith status at a judicial sale involves fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders.

798 F.2d at 1125 (emphasis omitted) (quoting *In re Rock Industries Machinery Corp.*, 572 F.2d 1195, 1198 (7th Cir. 1978) (interpreting Bankruptcy Rule 805, the precursor of section 363(m)). The Debtors submit that as set forth above, the Agreement is an intensely negotiated, arm's-length transaction, in which the Proposed Purchaser has at all times acted in good faith. The Debtors, therefore, request that the Court make a finding that the Proposed Purchaser has purchased the Transferred Assets and assumed the Designated Contracts and Assumed Liabilities in good faith within the meaning of section 363(m) of the Bankruptcy Code. Further, the Debtors submit that any asset purchase agreement reached as a result of the Sale Procedures will be an arm's-length, intensely negotiated transaction entitled to the protections of section 363(m) of the Bankruptcy Code.

D. Authorization of Assumption and Assignment of Executory Contracts and Unexpired Leases

To enhance the value to the Debtors of the Sale, the Debtors request approval under section 365 of the Bankruptcy Code of the Debtors' assumption and assignment of the

Designated Contracts to the Proposed Purchaser. The Debtors further request that the Sale Order provide that the Designated Contracts will be transferred to, and remain in full force and effect for the benefit of, the Proposed Purchaser notwithstanding any provisions in the Designated Contracts, including those described in sections 365(b)(2) and (f)(1) and (3) of the Bankruptcy Code, that prohibit such assignment.

The meaning of "adequate assurance of future performance" depends on the facts and circumstances of each case, but should be given a "practical, pragmatic construction." *See, e.g., EBG Midtown South Corp. v. McLaren/Hart Env. Engineering Corp. (In re Sanshoe Worldwide Corp.), 139 B.R. 585, 593 (S.D.N.Y. 1992); In re Prime Motor Inns, Inc.*, 166 B.R. 993, 997 (Bankr. S.D. Fla. 1994) ("[a]lthough no single solution will satisfy every case, the required assurance will fall considerably short of an absolute guarantee of performance"); *Carlisle Homes, Inc. v. Azzari (In re Carlisle Homes, Inc.)*, 103 B.R. 524, 538 (Bankr. D.N.J. 1988). Adequate assurance may be provided by demonstrating the assignee's financial health and experience in managing the type of enterprise or property assigned. *See, e.g., In re Bygaph, Inc.*, 56 B.R. 596, 605-06 (Bankr. S.D.N.Y. 1986) (adequate assurance is present when prospective assignee of lease from debtor has financial resources and has expressed willingness to devote sufficient funding to business to give it strong likelihood of succeeding).

The Debtors will present facts at the Sale Hearing to show the financial credibility, the willingness, and the ability of the Proposed Purchaser or Successful Purchaser to perform under the Designated Contracts. The Sale Hearing thus will provide the Court and other interested parties the opportunity to evaluate the ability of the Proposed Purchaser or any other Successful Bidder to provide adequate assurance of future performance under the Designated Contracts, as required under 11 U.S.C. § 365(b)(1)(C). Further, as set forth above, the Debtors will give notice to all parties to the Designated Contracts of their intention to assume the Designated

Contracts and what the Debtors believe are the Cure Amounts. Accordingly, the Court should authorize the Debtors to assume and assign the Designated Contracts to the Proposed Purchaser or Successful Purchaser.

E. The Break-Up Fee is Warranted

The Debtors believe that the Break-Up Fee and the procedures for its payment are reasonable, given the benefits to the estates of having a definitive Agreement and being in a position to consummate a going concern sale of the business at a fair, fully negotiated price.

Bidding incentives encourage a potential Proposed Purchaser to invest the requisite time, money, and effort to negotiate with a debtor and perform the necessary due diligence attendant to the acquisition of a debtor's assets, despite the inherent risks and uncertainties of the chapter 11 process. "Agreements to provide breakup fees or reimbursement of fees and expenses are meant to compensate the potential acquirer who serves as a catalyst or 'stalking horse' which attracts more favorable offers." *In re S.N.A. Nut Company*, 186 B.R. 98, 101 (Bankr. N.D. Ill. 1995), (citations omitted); see also *In re 995 Fifth Ave. Associates, L.P.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1992) (bidding incentives may "be legitimately necessary to convince a white knight to enter the bidding by providing some form of compensation for the risks it is undertaking").[2]

In the bankruptcy context, the test for determining whether a proposed break-up fee should be approved is whether it is in the best interests of the estate. *Id.* at 104; *see also In re America West Airlines, Inc.*, 166 B.R. 908 (Bankr. D. Ariz. 1994); *In re Hupp Industries, Inc.*, 140 B.R. 191 (Bankr. N.D. Ohio 1992). In particular, circumstances should "clearly indicate that payment of the fee would be in the best interests of the estate." *In re S.N.A. Nut Company*, 186

[2] *See also In re Integrated Resources*, 147 B.R. 650, 657-58 (S.D.N.Y. 1992), appeal dismissed, 3 F.3d 49 (2d Cir. 1993) (establishing three basic factors for determining whether to permit such fees in bankruptcy: whether (1) relationship of parties who negotiated break-up fee is tainted by self-dealing or manipulation; (2) fee hampers, rather than encourages, bidding; and (3) amount of fee is unreasonable relative to purchase price).

B.R. at 105. Accordingly, to be approved, bidding incentives must provide some benefit to the debtor's estate. *Calpine Corporation v. O'Brien Environmental Energy, Inc. (In re O'Brien Environmental Energy, Inc.)*, 181 F.3d 527, 533, 1999 WL 504723 (3d Cir. 1999).

Courts have identified at least two instances in which bidding incentives may provide benefit to the estate. First, benefit may be found if "assurance of a break-up fee promoted more competitive bidding, such as by inducing a bid that otherwise would not have been made and without which bidding would have been limited." *Id.* at 537. Second, where the availability of bidding incentives induces a bidder to research the value of the debtor and submit a bid that serves as a minimum or floor bid on which other bidders can rely, "the bidder may have provided a benefit to the estate by increasing the likelihood that the price at which the debtor is sold will reflect its true worth." *Id.*

The Debtors believe that the proposed Break-Up Fee satisfies this standard. The Agreement and the Break-Up Fee are the product of extended good faith, arm's-length negotiations between the Debtors and the Proposed Purchaser. It is fair and reasonable in amount, particularly in view of the Proposed Purchaser's efforts to date, and the stabilizing effect that the execution of the Agreement is expected to have on the Debtors' business (thereby preserving value for creditors).

Further, the Break-Up Fee represents less than 3% of the Purchase Price and accordingly falls within the range of accepted practice for break-up fees. In sum, the Debtors' ability to offer the Break-Up Fee enables them to proceed with the Sale at a price which they believe to be fair.

F. Transfer Pursuant to Section 1146(c)

Section 1146(c) of the Bankruptcy Code provides: "[t]he issuance, transfer, or exchange of a security, or the making or delivery of an instrument or transfer under a plan confirmed under section 1129 of this title, may not be taxed under any law imposing a stamp or similar tax." 11 U.S.C. § 1146(c). The Sale will provide the Debtors the necessary capital to fund a plan. Where, as here, a sale outside of a plan is "necessary to the consummation of a plan," such sale is within the exemption from taxation provided under section 1146(c). *In re Jacoby-Bender, Inc.*, 758 F.2d 840, 842 (2d Cir. 1985). *See also In re Smoss Enterprises Corp.*, 54 B.R. 950, 951 (E.D.N.Y. 1985). Therefore, since the consummation of the Sale is critical to the ultimate consummation of a plan in these chapter 11 cases, the Sale should be afforded exemption from stamp taxes or similar taxes provided by section 1146(c) of the Bankruptcy Code.

WHEREFORE, the Debtors respectfully request that the Court (i) enter the Procedures Order at the Procedures Hearing, (ii) set a date for the Sale Hearing and appropriate dates and methods of giving notice and filing and serving objections to the sale of the Transferred Assets and the assumption and assignment of Designated Contracts, (iii) at the Sale Hearing, approve all other relief requested herein, and (iv) grant such other relief as is necessary and appropriate.

Dated: May 17, 2004

Respectfully Submitted,

DT INDUSTRIES, INC., et al.

By: s/ Julia Brand
One of its attorneys

Ronald S. Pretekin (#0016894)
COOLIDGE WALL WOMSLEY & LOMBARD
33 West First Street, Suite 600
Dayton, OH 45402
Telephone: (937) 223-8177
Facsimile: (937) 223-6705
Email: pretekin@coollaw.com

and

Julia W. Brand (CA #121760)[3]
Kenneth J. Ottaviano (Ill. #6237822)
Matthew A. Olins (Ill. #6275636)
KATTEN MUCHIN ZAVIS ROSENMAN
525 West Monroe Street
Chicago, Illinois 60661-3693
Telephone: (312) 902-5200
Facsimile: (312) 902-1061
Email: julia.brand@kmzr.com
Proposed Attorneys for Debtors and Debtors-In-Possession

[3] Julia W. Brand is an attorney in the Los Angles office of Katten Muchin Zavis Rosenman: 2029 Century Park East, Suite 2600, Los Angeles, California, 90067-3012 (telephone) (310) 788-4400 (Facsimile) (310) 788-4471.

EXHIBIT A

ASSET PURCHASE AGREEMENT

EXHIBIT B

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

In re:	)	Chapter 11
	)	
DT INDUSTRIES, INC., et al.,[1]	)	Case No. 04-34091
	)	(Jointly Administered)
Debtors.	)	
	)	Honorable Lawrence S. Walter

ORDER APPROVING (A) BIDDING PROCEDURES; (B) THE FORM AND MANNER OF NOTICE OF (I) THE SALE OF CERTAIN ASSETS, AND (II) THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (C) THE BREAK-UP FEE

This matter having come before the Court on the Motion[2] for Orders Pursuant to 11 U.S.C. §§ 105(a), 363, 365, and 1145 and FED. R. BANKR. P. 2002, 6004, 6006 and 9014 (A) Approving (i) Bidding Procedures, (ii) the Form and Manner of Sale Notices, and (iii) Break-Up Fee and (B) Authorizing and Approving (i) the Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims and Interests, (ii) the Assumption and Assignment of Certain Executory

[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] All capitalized terms not otherwise defined herein shall have the meaning ascribed to such term in the Motion, and, as applicable, the Agreement.

Contracts and Unexpired Leases, and (iii) the Form and Manner of Sale Notices; and (iv) Certain Sales Procedures, Including the Payment of a Break-Up Fee (the "*Motion*") filed by DT Industries, Inc. ("*DTI*") Detroit Tool and Engineering Company, Assembly Technology and Test, Inc. and Advanced Assembly Automation, Inc. (collectively, the "*Debtors*"), debtors and debtors-in-possession (the "*Debtors*"), for, *inter alia*, entry of an order (the "*Procedures Order*") (a) scheduling a hearing (the "*Sale Hearing*") with respect to the Debtors' motion for an order authorizing (i) the sale of certain of the Debtors' Assets relating to the Business, free and clear of all liens, security interests, claims, encumbrances and other interests (the "*Sale*"), pursuant to and as described in the Asset Purchase Agreement, dated as of May 12, 2004 (the "*Agreement*"), by and among the Debtors and Assembly and Test Worldwide, Inc. (the "*Proposed Purchaser*"), (ii) the Debtors' assumption and assignment to the Proposed Purchaser of certain executory contracts and unexpired leases (the "*Assumed Contracts*"), pursuant to, limited by, and as described in the Agreement, free and clear of liens, security interests, claims, encumbrances and other interests; and (b) approving (i) the Debtors' proposed bidding procedures in the form attached hereto as Exhibit 1 (the "*Bidding Procedures*"), (ii) the form and manner of notice of the Sale, (iii) the form and manner of the Notices of the Assumption of the Designated Contracts and (iv) the Break-Up Fee; and the Court having reviewed the Motion; and it appearing that notice of the Motion was good and sufficient under the particular circumstances and that no other or further notice need be given; and the Court having considered the arguments of counsel at the hearing held on _____ __, 2004 (the "*Hearing*"); and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates and creditors and other parties in interest; and upon the record of the Hearing; and after due deliberation thereon; and good cause appearing therefor, it is hereby

FOUND AND DETERMINED THAT:[3]

A. The Court has jurisdiction over this matter and over the property of the Debtors and their respective bankruptcy estates pursuant to 28 U.S.C. §1334 and § 157(a).

B. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O).

C. The Debtors have articulated good and sufficient business justifications for approving (i) the manner of notice of the Sale, the Sale Hearing and the assumption and assignment of the Designated Contracts, (ii) the form of notice of the Sale and the Sale Hearing (the "*Sale Notice*") to be distributed to creditors and other parties in interest, including prospective bidders, (iii) the form of notices of the cure amounts and the assumption of the Designated Contracts to be filed with the Court and served on parties to each Designated Contract, (iv) the Bidding Procedures, and (iv) the terms of the Break-Up Fee for the Proposed Purchaser.

D. The Debtors' payment to the Proposed Purchaser (as set forth in the Agreement), of the Break-Up Fee (a) is an actual and necessary cost and expense of preserving the Debtors' estates, within the meaning of section 503(b) of the Bankruptcy Code; (b) is of substantial benefit to the Debtors' estates and the collateral of parties asserting liens, security interests, encumbrances or other interests in and to the Transferred Assets, which are adequately protected from any diminution arising from such Break-Up Fee; (c) is reasonable and appropriate, including 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 for the Assets; (d) was negotiated by the parties at arms' length and in good faith; and (e) is necessary to ensure that the Proposed Purchaser will continue to pursue its proposed acquisition of the Business. The Break-Up Fee was a material inducement for, and condition of,

[3] Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See FED. R. BANKR. P. 7052.

the Proposed Purchaser's entry into the Agreement. Thus, assurance to the Proposed Purchaser of payment of the Break-Up Fee has promoted more competitive bidding by inducing the Proposed Purchaser's bid that otherwise would not have been made, and without which bidding would have been limited.

E. The Bidding Procedures are reasonable and appropriate and represent the best method for maximizing the return for the Assets.

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

Asset Purchase Agreement

1. The Prospective Purchaser is approved as a "*Qualified Bidder*" for the Transferred Assets and the Agreement is approved as a Qualified Bid therefore. The Escrow Agreement dated as of May 12, 2004, by and among the Debtors, the Prospective Purchaser and LaSalle Bank, N.A., as escrow agent (the "*Escrow Agreement*"), including, without limitation the provision with respect to the terms and conditions for the return to the Prospective Purchaser of the deposits made pursuant to the Agreement and Escrow Agreement, are hereby approved.

Sale Hearing

2. The Sale Hearing shall be held before the Honorable, Lawrence S. Walter, United States Bankruptcy Judge for the United States Bankruptcy Court, for the Southern District of Ohio, Western Division - Dayton, on _____, 2004 at _____ prevailing Central time, at which time the Court shall consider the Sale and confirm the results of the Auction (as defined in the Motion), if any. Objections to the Sale shall be filed and served upon counsel to the Debtors, the Proposed Purchaser, the Unsecured Creditor Committee, if formed, the agent to Debtors' prepetition secured lenders and DIP lenders, and all parties on the Debtors' Master

Service List no later than 4:30 p.m. (prevailing Central Time) on _____, 2004 (the "*Objection Deadline*").

3. The failure of any objecting person or entity to timely file its objection shall be a bar to the assertion, at the Sale Hearing or thereafter, of any objection to the Sale Motion, the Sale, or the Debtors' consummation and performance of the Agreement (including the transfer of the Assets and Designated Contracts free and clear of all Interests), if authorized by the Court.

4. 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.

Notice

5. Notice of (a) the Sale, (b) the Sale Hearing, and (c) the proposed assumption and assignment of the Designated Contracts to the Proposed Purchasers pursuant to the Agreement shall be good and sufficient, and no other or further notice shall be required, if given as follows:

(a) Notice of Sale Hearing. Within five (5) days after the entry of this Order (the "*Mailing Date*"), the Debtors (or their agents) shall serve the Motion, the Agreement, the proposed Sale Order, a copy of this Procedures Order and the Bidding Procedures attached hereto as Exhibit 1 by first-class mail, postage prepaid, upon (i) all entities known to have expressed an interest in a transaction with respect to the Transferred Assets or a portion thereof during the past three (3) months; (ii) all entities known to have asserted any Interest, including without limitation, any lien, security interest, claim, encumbrance or other interest, in or upon the Transferred Assets; (iii) all parties to the Designated Contracts; (iv) counsel for the Unsecured Creditors Committee, if any; and (v) all entities listed on the Debtors' Master Service List as of the Mailing Date;

(b) Sale Notice. On or before the Mailing Date, the Debtors (or their agents) shall serve by first class mail, postage prepaid, the Sale Notice substantially in the form attached hereto as Exhibit 2 upon all other known creditors of the Debtors;

(c) Cure Notice. Within five (5) days after the entry of this Order, the Debtors shall file with the Court and serve on all non-Debtor parties to the Designated Contracts, a notice substantially in the form attached hereto as Exhibit 3 (the "*Cure Notice*") of the cure amount necessary to assume the Designated Contract (the "*Cure Amount*");

(d) Assumption Notice. At the conclusion of the Auction, the Debtors shall file with the Court, and serve on all affected parties, a notice (the "Assumption Notice") identifying the Successful Bidder.

(e) Objections to Assumption and Assignment of Designated Contracts or Cure Amount. The non-Debtor party to the Designated Contract shall have until 4:30 p.m. prevailing Central Time on _____ __, 2004 (the "*Contract Objection Deadline*") to object to the assumption or assignment of any Designated Contract to which it is a party or to the amount or terms of payment of Cure Amount and shall, as applicable, state in its objection with specificity what Cure Amount is required (with appropriate documentation in support thereof). Such objections shall be served to be actually received by the Contract Objection Deadline on counsel for (i) the Debtors, (ii) the Proposed Purchaser, the Unsecured Creditors' Committee, if formed, (iii) the agent to Debtors' prepetition secured lenders and DIP lenders and (iv) all other parties on the Debtors' Master Service List. To the extent that Contracts are added to the list of Designated Contracts, the Debtors shall provide a Cure Notice to the non-Debtor party to any such Contract and such non-Debtor party shall have no less than fourteen (14) days to file an objection to the specified Cure Amount. If no objection is timely received, the

Cure Amount set forth in the Debtors' Cure Notice shall be controlling, notwithstanding anything to the contrary in any Designated Contract or any other document, and each non-Debtor party to the Designated Contract which has received actual or constructive notice of the Cure Objection Deadline shall be deemed to have waived and released any right to assert a Cure Objection, to have consented to the assumption and assignment of such Designated Contract to the Prospective Purchaser, and shall be forever barred from asserting any other claims against the Debtors, the Proposed Purchaser, or the property of either of them, as to such Designated Contract with respect to amounts other than the Cure Amount that were due, defaults that were existing or other performance that was due from the Debtors under such Designated Contract prior to the Closing. at the Sale Hearing, the Court will consider resolve any objections to the listed Cure Amounts;

Break-Up Fee

6. Payment of the Break-Up Fee, as defined in the Agreement, and in accordance with Section 8.4 of the Agreement is hereby approved, and the Break-Up Fee is authorized and directed to be paid at the time and under the circumstances set forth in the Agreement and shall be entitled to priority under Section 364(d)(1) of the Bankruptcy Code as a senior lien and security interest on the Transferred Assets with priority over all other pre- or postpetition Interests and the proceeds thereof and a surcharge under Section 506(c) of the Bankruptcy Code on any interest of the Debtors in the Transferred Assets which is subject to any lien, security interest, or other encumbrance.

Bidding Procedures

7. The Bidding Procedures, as set forth on Exhibit A, attached hereto and incorporated herein by reference as if fully set forth in this Order, are hereby approved and shall

govern all proceedings relating to the Agreement and any subsequent bids for the Assets in these cases.

8. The Court shall retain jurisdiction over any matter or dispute arising from or relating to the implementation of this Order.

9. Notwithstanding Bankruptcy Rules 6004(g) and 6006(d), this Order shall be effective upon entry.

CC: See Master Service List

####

Bidding Procedures

Exhibit 1 to Procedures Order

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

In re:	)	Chapter 11
	)	
DT INDUSTRIES, INC., et al.,[1]	)	Case No. 04-34091
	)	(Jointly Administered)
Debtors.	)	
	)	Honorable Lawrence S. Walter

Procedures for Sale of Assets of Debtors DT Industries, Inc., Detroit Tool and Engineering Company, Assembly Technology and Test, Inc. and Advanced Assembly Automation, Inc.

Set forth below are the sale procedures (the "*Sale Procedures*") to be employed with respect to the asset purchase agreement (the "*Agreement*") by and among DT Industries, Inc. ("*DTI*"), Detroit Tool and Engineering Company (*"DTE"),* Assembly Technology and Test, Inc. ("*AT&T"*) and Advanced Assembly Automation, Inc. (*"AAA" and together with DTI and DTE, the "Sellers"*) and Assembly and Test Worldwide, Inc. (the "*Proposed Purchaser*") concerning the prospective sale of the Transferred Assets (as that term is defined in the Agreement). The Sellers will seek entry of an order from the Bankruptcy Court authorizing and approving the Sale (as hereinafter defined) to one or more Qualified Bidders (as hereinafter defined) which the Sellers may determine to have made the highest, best or otherwise financially superior offer (the "*Successful Bidder*").

Assets to be Sold

The Sellers are offering for sale in one or more transactions (the "*Sale*") all or substantially all of the assets of Sellers (the "*Assets*"). The Proposed Purchaser has offered to purchase the Transferred Assets which are described in the Agreement and which include substantially all of the operating assets of DTE, AT&T and AAA, the operating assets of DTI related to the business of DTE, AT&T and AAA and the stock of DTI's German subsidiary DT Assembly and Test Europe GmbH. The Proposed Purchaser also proposes to assume the Designated Contracts of Sellers listed in the Agreement after curing any defaults thereunder.

The Bidding Process

The Sellers and their advisors shall (i) determine whether any person is a Qualified Bidder (hereinafter defined), (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 Assets (collectively, the "*Bidding Process*"). Any person who wishes to participate in the Bidding Process must be a Qualified Bidder and must make a

[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.

Qualified Bid. Neither the Sellers nor their representatives shall be obligated to furnish any information of any kind whatsoever to any person who is not determined to be a Qualified Bidder. The Sellers shall have the right to adopt such other rules for the Bidding Process (including rules that may depart from those set forth herein), which rules will better promote the goals of the Bidding Process and which are not inconsistent with any of the other provisions hereof or of any Bankruptcy Court order.

Participation Requirements

Unless otherwise ordered by the Bankruptcy Court or determined by the Sellers, each person (a "*Potential Bidder*") interested in participating in the Bidding Process must deliver (unless previously delivered) to the Sellers on or before the fifth (5th) Business Day before the Bid Deadline (as hereinafter defined):

(i) An executed confidentiality agreement; and

(ii) adequate assurance acceptable to the Sellers and their advisors, demonstrating such Potential Bidder's ability to close a proposed transaction.

A Qualified Bidder is a Potential Bidder that delivers the documents described in subparagraphs (i) and (ii) above, and that the Sellers, determine is reasonably likely based on information submitted by the Potential Bidder, the availability of financing, experience and other considerations deemed relevant by the Sellers, to submit a bona fide offer and to be able to consummate the Sale if selected as a Successful Bidder.

No later than two (2) Business Days after a Potential Bidder delivers all of the materials required by subparagraphs (i) and (ii) above, the Sellers shall determine, and shall notify the Potential Bidder, if such Potential Bidder is a Qualified Bidder. The Proposed Purchaser has already been determined to be a Qualified Bidder.

Due Diligence

The Sellers must afford any Qualified Bidder the time and opportunity to conduct reasonable due diligence. The Sellers will designate an employee or other representative to coordinate all reasonable requests for additional information and due diligence access from such Qualified Bidders. The Sellers shall not be obligated to furnish any due diligence information after the Bid Deadline (as hereinafter defined). Neither the Sellers nor any of their respective representatives are obligated to furnish any information to any person other than a Qualified Bidder. The Sellers are not responsible for, and will bear no liability with respect to, any information obtained by Bidders in connection with the sale of the Assets.

Bid Deadline

A Qualified Bidder who desires to make a bid shall deliver a written copy of its bid to Debtors' Counsel Jeffrey L. Elegant, Katten Muchin Zavis Rosenman, 525 West Monroe Street, Suite 1600, Chicago, Illinois 60661-3693, (312)902-5265 (tel), (312) 577-4676 (fax) not later than 12:00 p.m. (prevailing Central time) on the day that is three (3) Business Days prior to the Auction (as defined below) (the "*Bid Deadline*"). Debtors' counsel shall immediately distribute copies of the bids to counsel for the Creditors' Committee, if any, the agent to Debtors'

prepetition secured lenders and DIP lenders, and Proposed Purchaser. The Sellers shall announce the terms of the highest and best Qualified Bid(s) received by the Bid Deadline no later than 5:00 p.m. (prevailing Central time) on the second (2nd) Business Day after the Bid Deadline.

Bid Requirements

All bids must include the following documents (the "*Required Bid Documents*"):

(i) A letter stating that the bidder's offer is irrevocable until the earlier of (x) the Closing of the sale of the Transferred Assets, or (y) July 15, 2004.

(ii) An executed copy of an asset purchase agreement marked to show modifications to the Agreement that the Qualified Bidder proposes (the "*Marked Agreement*"), which may not be subject to a financing contingency and must propose an overall value of consideration to Sellers which is equal to, or in excess of, at least $640,000.00 over the sum of the overall value of the transactions contemplated by the Agreement (which includes the Break-up Fee of $540,000 described below) (the "*Required Bid Value*").

(iii) A good faith deposit (the "*Good Faith Deposit*") in the form of immediately available funds or a letter of credit in form acceptable to the Debtors in their sole discretion payable to the order of the Debtors (or such other party as the Sellers may determine) in an amount equal to $900,000.00.

(iv) Written evidence of a commitment for financing without contingencies or other evidence of the ability to consummate the Sale satisfactory to the Sellers with appropriate contact information for such financing sources.

The Sellers will disregard bids that are 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.*"

There is no requirement that a Qualified Bid include more or less Assets than the Transferred Assets covered by the Agreement. The Sellers reserve the right to determine (i) the value of any Qualified Bid, (ii) whether any Qualified Bid (either by itself or in connection with another Qualified Bid(s) provides overall value to Sellers that is equal to, or in excess of, the Required Bid Value or any other Qualified Bid and (iii) which Qualified Bid(s) constitutes the highest and best offer. The Sellers' determination in this regard may include an analysis of the value (whether positive or negative) of any Assets that are included in or excluded from any Qualified Bid, the existence or absence of any escrow or indemnity and consideration of the Break-up Fee, if applicable.

Bid Protection

Recognizing the Proposed Purchaser's expenditure of time, energy and resources, the Sellers have agreed to provide certain bidding protections to the Proposed Purchaser.

Specifically, the Sellers have determined that the Agreement will further the goals of the Bidding Procedures by setting a floor for which all other Potential Bids must exceed and, therefore, is entitled to be selected as a "*Stalking Horse Bid.*" As a result, the Sellers have agreed to pay, in certain limited circumstances as set forth in the Agreement, a break-up fee of $540,000 (the "*Break-up Fee*") to the Proposed Purchaser. The Break-Up Fee shall have the priority set forth under Section 364(d)(1) of the Bankruptcy Code and a surcharge under Section 506(c) of the Bankruptcy Code on the Transferred Assets and the proceeds thereof which are subject to any liens, security interests, claims and encumbrances.

"As Is, Where Is"

The sale of the Transferred Assets shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Sellers, their agents or their estate except to the extent set forth in the applicable agreement of the Successful Bidder as accepted by Sellers. Except as otherwise provided in the applicable agreement, all of the Sellers' right, title and interest in and to the Transferred Assets subject thereto shall be sold free and clear of all pledges, liens, security interests, encumbrances, claims and other interests of any type whatsoever (collectively, the "*Interests*") in accordance with sections 363 and 365 of the Bankruptcy Code, with such interests to attach to the net proceeds of the sale of the Assets.

Auction

If one or more Qualified Bids (other than that of the Proposed Purchaser) are received, the Sellers shall conduct an auction (the "*Auction*") with respect to the Assets. The Auction shall commence on the date that is three (3) Business Days prior to the Sale Hearing (as defined below) at the offices of Katten Muchin Zavis Rosenman, 525 West Monroe Street, Suite 1600, Chicago, Illinois 60661-3693. The Sellers shall notify all Qualified Bidders who have submitted Qualified Bids of the time and place of the Auction. If there is no timely Qualified Bid (other than that of the Proposed Purchaser), the Proposed Purchaser shall be deemed to be the Successful Bidder.

Only a Qualified Bidder who has submitted a Qualified Bid is eligible to participate at the Auction. During the Auction, bidding shall begin initially with the highest Qualified Bid and subsequently continue in minimum increments of at least $100,000. Other than as disclosed herein, the Sellers may conduct the Auction in the manner they determine will result in the highest and best offer(s) for the Assets. The Proposed Purchaser shall be entitled to credit bid against any competing offer all or a part of the Break-up Fee in accordance with the minimum increment.

Upon conclusion of the bidding, the Auction shall be closed. The Sellers shall (i) immediately review each Qualified Bid or Bids on the basis of the 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) within one day identify the highest, best or otherwise financially superior offer(s) for the Assets (the "*Successful Bid*" and the entity or entities submitting such Successful Bid, the "*Successful Bidder*"), which highest, best or otherwise financially superior offer(s) will provide the greatest amount of net value to the Sellers after payment of, among other things, the Break-up Fee, if required and advise the Bidders of such determination.

Acceptance of Qualified Bids

The Sellers shall sell the Assets to the Successful Bidder(s) upon the approval of the Successful Bid, by the Bankruptcy Court after hearing (the "*Sale Hearing*"). The Sellers' presentation of a particular Qualified Bid to the Bankruptcy Court for approval does not constitute the Sellers' acceptance of the bid. The Sellers will be deemed to have accepted a bid only when the bid has been approved by the Bankruptcy Court at the Sale Hearing. The Proposed Purchaser shall have the right to object to the Debtors' selection of another person as the Successful Bidder at the Sale Hearing.

Sale Hearing

The Sale Hearing will be held before the Honorable Lawrence S. Walter on _____, 2004 at _____ (prevailing Central time) at the United States Bankruptcy Court for the Southern District of Ohio, Room ____, 120 West Third Street, Dayton, Ohio, but may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Hearing.

Following the Sale Hearing approving the sale of the Assets to the Successful Bidder, if such Successful Bidder fails to consummate an approved sale, the next highest or otherwise best Qualified Bid, as disclosed at the Sale Hearing, shall be deemed to be the Successful Bid and the Sellers shall be authorized, but not required, to consummate the sale with the Qualified Bidder submitting such bid without further order of the Bankruptcy Court.

Return of Good Faith Deposit

Good Faith Deposits of all Qualified Bidders (except for the Successful Bidder) shall be held in an interest-bearing escrow account until the earlier of (x) the Closing of the sale of the Transferred Assets, or (y) July 15, 2004. 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 Sellers shall be entitled to retain the Good Faith Deposit as part of its damages resulting from the breach or failure to perform by the Successful Bidder.

Modifications

The Sellers may (a) determine, which Qualified Bid(s), if any, is the highest and best offer; and (b) reject at any time before entry of an order of the Bankruptcy Court approving a Qualified Bid(s), 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 Sellers, their estates and creditors. At or before the Sale Hearing, the Sellers may impose such other terms and conditions as the Sellers may determine to be in the best interests of the Sellers' estate, their creditors and other parties in interest.

Further Information

For further information on the Sale, please contact Debtor's Counsel at the address set forth above.

Notice of Sale

EXHIBIT 2 of Procedures Order

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

In re:	)	Chapter 11
	)	
DT INDUSTRIES, INC., et al.,[1]	)	Case No. 04-34091
	)	(Jointly Administered)
Debtors.	)	
	)	Honorable Lawrence S. Walter

NOTICE OF SALE OF SUBSTANTIALLY ALL OF DEBTORS' ASSETS

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. Pursuant to that certain Motion for Orders Authorizing and Approving (i) the Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims and Encumbrances, (ii) the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (iii) the Form and Manner of Sale Notices, and (iv) Certain Sale Procedures, Including the Payment of a Break-Up Fee, and (B) Ordering that the Sale is Exempt from Certain Taxes Pursuant to 11 U.S.C. §1146 (the "*Procedures Order*"), DT Industries, Inc., Detroit Tool and Engineering Company, Assembly Technology and Test, Inc. and Advanced Assembly Automation, Inc. (collectively, the "*Debtors*"), are selling their operating assets (the "*Business*") as set forth in the Asset Purchase Agreement (the "*Agreement*") by and between the Debtors and Assembly and Test Worldwide, Inc. (the "*Proposed Purchaser*").

2. All interested parties are invited to make competing offers to purchase the Assets in accordance with the terms and conditions approved by the Bankruptcy Court (the "*Bidding Procedures*"). Pursuant to the Bidding Procedures approved pursuant to the Procedures Order, the Debtors may conduct an auction for the Business (the "*Auction*") beginning on [_____ __, 2004 at _____ prevailing Central time at the offices of Katten Muchin Zavis Rosenman, 525 West Monroe Street, Chicago, Illinois.

3. Participation at the Auction is subject to the Sale Procedures and the Procedure Order. The Bidding Procedures include the following:

4. A hearing (the "*Sale Hearing*") to approve the Sale of the Assets to the highest and best bidder will be held [_____ __, 2004, at _____ prevailing Central Time at the United States Bankruptcy Court for the Southern District of Ohio, Western Division - Dayton, Room ____, 120 West Third Street, Dayton, Ohio, 45402, before the Honorable Lawrence S. Walter, United States Bankruptcy Judge. **An order granting the relief requested may be entered without further notice unless you file a written objection on or before 4:30 p.m. prevailing Central Time on _____, 2004 with the Clerk of the Court and served so as**

[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.

to be actually received by the following counsel at or before that time: (i) the undersigned counsel for the Debtors, (ii) counsel for the Prospective Purchaser, J. Mark Fisher, Schiff Hardin LLP, 6600 Sears Tower, Chicago, IL 60606, (iii) counsel for the agent to Debtors' prepetition secured lenders and DIP lenders, Mark Brannum, Winstead Sechrest & Minick P.C., 5400 Renaissance Tower, 1201 Elm Street, Dallas, Texas 75270-2199 (iv) counsel for any Official Committee of Unsecured Creditors, if formed, and (v) all parties on the Debtors' Master Service List.

5. The Debtors will have accepted a bid only when the bid has been approved by the Bankruptcy Court at the Sale Hearing. All Good Faith Deposits shall be held by the Debtors until the Sale Hearing. Upon failure to consummate the sale of the Business because of a breach or failure on the part of the Successful Bidder, the Debtors may select in their business judgment the next highest or otherwise best Qualified Bid to be the Successful Bid without further order of the Court.

6. The Debtors may (a) determine, in their business judgment, which Qualified Bid is the highest or otherwise best offer and (b) reject at any time before entry of an order of the Bankruptcy Court approving a Qualified Bid, any bid that, in the Debtors' sole discretion, 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 Debtors, their estate and creditors.

7. This notice is qualified in its entirety by the Procedures Order, which may be obtained by contacting the undersigned counsel.

Dated: May 17, 2004

Respectfully Submitted,

DT INDUSTRIES, INC., et al.

By: s/ Julia Brand
One of its attorneys

Ronald S. Pretekin (#0016894)
COOLIDGE WALL WOMSLEY & LOMBARD
33 West First Street, Suite 600
Dayton, OH 45402
Telephone: (937) 223-8177
Facsimile: (937) 223-6705
Email: pretekin@coollaw.com

and

Julia W. Brand (CA #121760)[2]
Kenneth J. Ottaviano (Ill. #6237822)
Matthew A. Olins (Ill. #6275636)
KATTEN MUCHIN ZAVIS ROSENMAN
525 West Monroe Street
Chicago, Illinois 60661-3693
Telephone: (312) 902-5200
Facsimile: (312) 902-1061
Email: julia.brand@kmzr.com
Proposed Attorneys for Debtors and Debtors-In-Possession

[2] Julia W. Brand is an attorney in the Los Angles office of Katten Muchin Zavis Rosenman: 2029 Century Park East, Suite 2600, Los Angeles, California, 90067-3012 (telephone) (310) 788-4400 (Facsimile) (310) 788-4471.

Cure Notice

Exhibit 3 to Procedures Order

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

In re:	)	Chapter 11
	)	
DT INDUSTRIES, INC., et al.,[1]	)	Case No. 04-34091
	)	(Jointly Administered)
Debtors.	)	
	)	Honorable Lawrence S. Walter

NOTICE OF AMOUNTS NECESSARY TO CURE DEFAULTS UNDER CONTRACTS AND LEASES PROPOSED TO BE ASSUMED AND ASSIGNED TO PURCHASER OF SUBSTANTIALLY ALL OF DEBTORS' ASSETS

PLEASE TAKE NOTICE THAT:

1. Pursuant to that certain Motion for Orders Authorizing and Approving (i) the Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims and Interests, (ii) the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (iii) the Form and Manner of Sale Notices, and (iv) Certain Sale Procedures, Including the Payment of a Break-Up Fee (the "*Procedures Order*"), the above captioned debtors and debtors in possession (collectively, the "*Debtors*"), hereby provide notice that the unexpired leases or executory contracts listed on Exhibit A[2] hereto may be assumed and assigned, pursuant to section 365 of the Bankruptcy Code to Assembly and Test Worldwide, Inc. (the "*Proposed Purchaser*") or such other purchaser (the "*Successful Bidder*") that submits a higher and better offer pursuant to the bidding procedures approved under the Procedures Order.

2. Under the Asset Purchase Agreement dated as of May 12, 2004 (the "*Agreement*") that the Debtors have entered into with the Proposed Purchaser, or such other agreement as the Debtors may enter into with a Successful Bidder, certain unexpired leases or executory contracts may be identified as unexpired leases or executory contracts ("*Designated Contracts*") that are to be assumed by the Debtors and assigned to the Proposed Purchaser or the Successful Purchaser, as the case may be. If you have received this notice, it is possible that your unexpired lease or executory contract with the Debtors may be assumed by the Debtors and assigned to the Proposed Purchaser or Successful Bidder, as the case may be.

---

[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] Nothing contained herein shall be deemed an admission by the Debtors that any contract, lease or other agreement listed on Exhibit A is, in fact, an executory contract or an unexpired lease. The Debtors specifically reserve their right to argue that any such contract, lease or other agreement is not an executory contract or unexpired lease.

3. Opposite the name of each non-Debtor party to an unexpired lease or executory contract listed on Exhibit A is the dollar amount that the Debtors believe is necessary to cure any defaults under the Designated Contract or lease to which such non-Debtor is a party, plus the amount the Debtors believe is required to compensate such person for any actual loss resulting from such default (the "*Cure Amount*").

4. **All objections to the assumption and assignment of the Designated Contracts or to the amounts listed as Cure Amounts must be filed on or before 4:30 p.m. prevailing Central time on _____, 2004, with the United States Bankruptcy Court for the Southern District of Ohio, Western Division - Dayton (the "*Bankruptcy Court*"), 120 West Third Street, Dayton, Ohio 45402 and served so as to be actually received by the following counsel at or before that time: (i) the undersigned counsel for the Debtors, (ii) counsel for the Prospective Purchaser, J. Mark Fisher, Schiff Hardin LLP, 6600 Sears Tower, Chicago, IL 60606, (iii) counsel for the agent to Debtors' prepetition secured lenders and DIP lenders, Mark Brannum, Winstead Sechrest & Minick P.C., 5400 Renaissance Tower, 1201 Elm Street, Dallas, Texas 75270-2199 (iv) counsel for any Official Committee of Unsecured Creditors, if formed, and (v) all parties on the Debtors Master Service List.** The objection must state with specificity the amounts that the non-Debtor party believes are necessary to cure the defaults and compensate the party for any actual losses resulting from the defaults with appropriate documentation in support thereof.

IF NO OBJECTION IS TIMELY RECEIVED, THE CURE AMOUNT SET FORTH IN THE CURE NOTICE SHALL BE CONTROLLING NOTWITHSTANDING ANYTHING TO THE CONTRARY IN ANY DESIGNATED CONTRACT OR OTHER DOCUMENT AND THE NON-DEBTOR PARTY TO THE DESIGNATED CONTRACT SHALL BE FOREVER BARRED FROM ASSERTING ANY OTHER CLAIM ARISING PRIOR TO THE ASSIGNMENT AGAINST THE DEBTORS OR THE PROPOSED PURCHASER AS TO SUCH DESIGNATED CONTRACT AND SUCH NON-DEBTOR PARTY SHALL BE DEEMED TO HAVE CONSENTED TO THE ASSUMPTION AND ASSIGNMENT OF SUCH DESIGNATED CONTRACT TO THE PROPOSED PURCHASER.

5. There shall be a hearing commencing on _____, 2004 at __:___ __.m. prevailing Central time before the Honorable Lawrence S. Walter, United States Bankruptcy Judge for the Southern District of Ohio, Western Division - Dayton, Courtroom ___, 120 West Third Street, Dayton, Ohio 45402 to (a) determine that there is adequate assurance of the future performance of the ability of the Proposed Purchaser or Successful Bidder, as the case may be, to provide adequate assurance of future performance under the unexpired leases and executory contracts to be assumed and assigned to the Proposed Purchaser or Successful Bidder, (b) resolve any objections to the listed Cure Amounts, and (c) approve the proposed assumption and assignment of such leases and contracts.

Dated: May 17, 2004

Respectfully Submitted,

DT INDUSTRIES, INC., et al.

By: s/ Julia Brand
One of its attorneys

Ronald S. Pretekin (#0016894)
COOLIDGE WALL WOMSLEY & LOMBARD
33 West First Street, Suite 600
Dayton, OH 45402
Telephone: (937) 223-8177
Facsimile: (937) 223-6705
Email: pretekin@coollaw.com

and

Julia W. Brand (CA #121760)[3]
Kenneth J. Ottaviano (Ill. #6237822)
Matthew A. Olins (Ill. #6275636)
KATTEN MUCHIN ZAVIS ROSENMAN
525 West Monroe Street
Chicago, Illinois 60661-3693
Telephone: (312) 902-5200
Facsimile: (312) 902-1061
Email: julia.brand@kmzr.com

Proposed Attorneys for Debtors and Debtors-In-Possession[4]

[3] Julia W. Brand is an attorney in the Los Angles office of Katten Muchin Zavis Rosenman: 2029 Century Park East, Suite 2600, Los Angeles, California, 90067-3012 (telephone) (310) 788-4400 (Facsimile) (310) 788-4471.

[4]

EXHIBIT C

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

In re:	)	Chapter 11
	)	
DT INDUSTRIES, INC., et al.,[1]	)	Case No. 04-34091
	)	(Jointly Administered)
Debtors.	)	
	)	Honorable Lawrence S. Walter

ORDER AUTHORIZING AND APPROVING (I) THE SALE OF CERTAIN OF THE DEBTORS' ASSETS FREE AND CLEAR OF LIENS, CLAIMS AND INTERESTS, AND (II) THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Upon the motion (the "*Motion*")[2] of DT Industries, Inc. ("*DTI*"), Detroit Tool and Engineering Company, Assembly Technology and Test, Inc. and Advanced Assembly Automation, Inc. (collectively, the "*Debtors*"), pursuant to sections 105(a), 363 and 365 of title 11 of the United States Code (the "*Bankruptcy Code*") and Rules 6006 and 9019 of the Federal Rules of Bankruptcy Procedure, to approve (i) that certain Asset Purchase Agreement, (the

[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] All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Motion and, as applicable, the Agreement.

"*Agreement,*" a copy of which is attached as Exhibit A to the Motion) by and among the Debtors and Assembly and Test Worldwide, Inc. ("*Purchaser*") dated as of May 12, 2004; the Court having reviewed the Motion; it appearing to the Court that it has core jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(b)(2) and 1334; the Court finding that notice of the Motion was sufficient under the circumstances; the Court having conducted a hearing, reviewed and considered the Agreement, the Motion, any objections to the Motion and the arguments of counsel and the evidence adduced or proffered at the hearing; and the Court being fully advised in the premises and having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested is in the best interest of the Debtors, their respective estates, creditors and other parties in interest; and good cause appearing therefore:

NOW, THEREFORE, IT IS HEREBY FOUND AND DETERMINED THAT[1]:

1. The Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334, and this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A). Venue of these cases and the Sale Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

2. The statutory predicates for the relief sought in the Motion are sections 105(a), 363(b), (f), (m), and (n), and 365 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 2002, 6004, 6006 and 9014.

3. Proper, timely, adequate and sufficient notice of the Motion, the Sale Hearing, the Sale, and the assumption and assignment of the Designated Contracts has been provided in accordance with 11 U.S.C. §§ 102(1), 363 and 365 and FED. R. BANKR. P. 2002, 6004, 6006 and 9014 and in compliance with the Procedures Order dated May [___], 2004 (the "*Procedures Order*"), (ii) such notice was good and sufficient, and appropriate under the particular

[1] Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See FED. R. BANKR. P. 7052.

circumstances, and (iii) for good cause shown, no other or further notice of the Motion, the Sale Hearing, the Sale Procedures, the Auction, the Sale, or the assumption and assignment of the Designated Contracts is or shall be required.

4. The Debtors have marketed the Transferred Assets and conducted the sale process in compliance with the Procedures Order and the Auction was duly noticed and conducted in a non-collusive, fair and good faith manner. Pursuant to the Procedures Order, the Purchaser has been duly determined to have submitted the highest and best Qualified Bid for the Transferred Assets as more fully set forth in the Agreement.

5. Each Debtor (i) has full corporate power and authority to execute the Agreement and all other documents contemplated thereby, and the sale of the Business by the Debtors has been duly and validly authorized by all necessary corporate action of each of the Debtors, (ii) has all of the corporate power and authority necessary to consummate the transactions contemplated by the Agreement, and (iii) has taken all corporate action necessary to authorize and approve the Agreement and the consummation by such Debtors of the transactions contemplated thereby. No consents or approvals, other than those expressly provided for in the Agreement, are required for the Debtors to consummate such transactions.

6. Approval of the Agreement and consummation of the Sale at this time are in the best interests of the Debtors, their creditors, their estates, and other parties in interest.

7. The Debtors have demonstrated both (i) good, sufficient, and sound business purpose and justification and (ii) compelling circumstances exist for the Sale pursuant to 11 U.S.C. § 363(b) prior to, and outside of, a plan, in that, among other things, absent the Sale the value of the Transferred Assets and the Business will be harmed.

8. A reasonable opportunity to object or be heard with respect to the Motion and the relief requested therein has been afforded to all interested persons and entities, including: (i) the

Office of the United States Trustee; (ii) counsel for the Purchaser; (iii) all entities known to have expressed an interest in a transaction with respect to the Transferred Assets during the past three months; (iv) all entities known to have asserted any mortgages, licenses, security interests, pledges, liens, charges, Claims, judgments, options, rights, voting or other restrictions, rights-of-way, covenants, conditions, easements, encroachments, restrictions, other third-party rights or title defects or encumbrances of any nature whatsoever, whether legal or equitable in nature, whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, liquidated or unliquidated, senior or subordinated and whether contractual, statutory or common law in origin, including any other interest in property, (individually, an "*Interest*" and collectively, the "*Interests*") in or upon the Transferred Assets; (v) all parties to Designated Contracts; (vi) the Unsecured Creditors Committee, if formed; and (vii) all entities listed on the Debtors' Master Service List.

9. The Agreement was negotiated, proposed and entered into by the Debtors and the Purchaser without collusion, in good faith, and from arm's-length bargaining positions. Neither the Debtors nor the Purchaser have engaged in any conduct that would cause or permit the Agreement to be avoided under 11 U.S.C. §363(n).

10. The Purchaser is a good faith purchaser within the meaning of 11 U.S.C. § 363(m) and, as such, is entitled to all of the protections afforded thereby.

11. The Purchaser is not an "insider" of any of the Debtors, as that term is defined in 11 U.S.C. §101.

12. The consideration provided by the Purchaser for the Business pursuant to the Agreement (i) is fair and reasonable, (ii) is the highest or otherwise best offer for the Business, (iii) will provide a greater recovery for the Debtors' creditors than would be provided by any

other practical available alternative, and (iv) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and any other applicable law.

13. The sale of the Transferred Assets to the Purchaser is necessary to the Debtors' ability to confirm and consummate a plan or plans in these cases. The Sale is a sale in contemplation of a plan and, accordingly, a transfer pursuant to 11 U.S.C. §1146(c), which shall not be taxed under any law imposing a stamp tax or similar tax.

14. The transfer of the Transferred Assets to the Purchaser will be a legal, valid, and effective transfer of the Transferred Assets, authorized pursuant to the Bankruptcy Code, and will vest the Purchaser with all right, title, and interest of the Debtors to the Transferred Assets free and clear of all Interests, including without limitation any taxes arising under or out of, in connection with, or in any way relating to the operation of the Debtors' businesses prior to the date (the "*Closing Date*") of the consummation of the Asset Purchase Agreement (the "*Closing*"), except for the Permitted Exceptions set forth in the Agreement.

15. The Purchaser shall purchase the Transferred Assets free and clear of all Interests, including without limitation all liens, Claims, encumbrances or other interests pursuant to 11 U.S.C. § 363. The Purchaser does not constitute a successor-in-interest to the Debtors for any purpose, including successor liability, except as otherwise set forth herein.

16. The Debtors may sell the Transferred Assets free and clear of all Interests of any kind or nature whatsoever because, in each case, one or more of the standards set forth in 11 U.S.C. § 363(f)(1)-(5) has been satisfied. Those (i) holders of Interests and (ii) non-Debtor parties to executory contracts being assigned which did not object, or who withdrew their objections, to the Sale Motion are deemed to have consented to the relief requested by the Motion pursuant to 11 U.S.C. § 363(f)(2). Those (i) holders of Interests and (ii) non-Debtor parties to executory contracts being assumed and assigned which did object are adequately

protected by having their Interests, if any, attach to the proceeds of the Sale ultimately attributable to the property against or in which they claim or may claim an Interest.

17. The Debtors have demonstrated that it is an exercise of their sound business judgment to assume and assign the Designated Contracts to the Purchaser in connection with the consummation of the Sale, and the assumption and assignment of the Designated Contracts is in the best interests of the Debtors, their estates, and their creditors. The Designated Contracts being assigned to the Purchaser are an integral part of the Business being purchased by the Purchaser and, accordingly, such assumption and assignment of Designated Contracts are reasonable, enhance the value of the Debtors' estates, and do not constitute unfair discrimination.

18. The Debtors and/or the Purchaser have (i) cured, or have provided adequate assurance of cure, of any default existing prior to the date hereof under any of the Designated Contracts, within the meaning of 11 U.S.C. §365(b)(1)(A) and (ii) provided compensation or adequate assurance of compensation to any party for any actual pecuniary loss to such party resulting from a default prior to the date hereof under any of the Designated Contracts, within the meaning of 11 U.S.C. §365(b)(1)(B), and the Purchaser has provided adequate assurance of its future performance of and under the Designated Contracts, within the meaning of 11 U.S.C. §365(b)(1)(C).

19. Those non-debtor parties to Designated Contracts who did not object to the assumption and assignment of their Designated Contract, including, without limitation the proposed Cure Amount, are deemed to have consented to the assumption and assignment of their Designated Contract to the Purchaser under the terms provided in the Agreement.

20. Approval of the Agreement and assumption and assignment of the Designated Contracts and consummation of the Sale of the Transferred Assets at this time are in the best interests of the Debtors, their creditors, their estates and other parties in interest.

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

General Provisions

1. The Motion is granted, as further described herein.

2. All objections to the Motion or the relief requested therein that have not been withdrawn, waived or settled, and all reservations of rights included therein, are hereby overruled on the merits.

Approval of the Agreement

3. The Agreement, and all of the terms and conditions therein, are hereby approved in all respects. The failure specifically to include any particular provisions of the Agreement in this Sale Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Agreement be authorized and approved in its entirety.

4. The terms and provisions of the Agreement and this Sale Order shall be binding in all respects upon, and shall inure to the benefit of, the Debtors, their estates, and their creditors, the Purchaser, and its respective affiliates, successors and assigns, and any affected third parties including, but not limited to, all persons asserting Interests in the Assets to be sold to the Purchaser pursuant to the Agreement and all non-Debtor parties to the Designated Contracts, notwithstanding any subsequent appointment of any trustee(s) under any chapter of the Bankruptcy Code, as to which trustee(s) such terms and provisions likewise shall be binding. The Purchaser has not engaged in collusive bidding or otherwise violated the provisions of section 363(m) of the Bankruptcy Code.

5. The transactions contemplated by the Agreement are undertaken by the Purchaser in good faith, as that term is used in section 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Sale shall not affect the validity of the Sale to the Purchaser (including the assumption and

assignment of any of the Designated Contracts), unless such authorization is duly stayed pending such appeal.

6. The Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto, in a writing signed by both parties, and in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates.

7. Pursuant to 11 U.S.C. §363(b), the Debtors are authorized to perform their obligations under and comply with the terms of the Agreement, and consummate the Sale, pursuant to and in accordance with the terms and conditions of the Agreement.

8. The Debtors are authorized and directed to execute and deliver, and empowered to perform under, consummate and implement, the Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Agreement and to take all further actions as may be requested by the Purchaser for the purpose of assigning, transferring, granting, conveying and conferring to the Purchaser or reducing to possession, the Transferred Assets, or as may be necessary or appropriate to the performance of the obligations as contemplated by the Agreement.

Sale of Transferred Assets Free and Clear of All Interests

9. Except as expressly permitted or otherwise specifically provided for in the Agreement or this Order, pursuant to 11 U.S.C. §§ 105(a) and 363(f), the Transferred Assets shall be transferred to the Purchaser, and upon consummation of the Agreement (the "*Closing*") shall be, free and clear of all Interests, including, without limitation, all liens, security interests, claims, encumbrances and other interests in and to the Transferred Assets of any kind or nature whatsoever other than the Permitted Exceptions set forth in the Agreement, with all such

Interests to attach to the net proceeds of the Sale in the order of their priority, with the same validity, force and effect which they now have as against the Transferred Assets, subject to any claims and defenses the Debtors may possess with respect thereto; provided, however, that the Debtors shall pay or reserve for payment from the proceeds of the Sale, the following amounts which shall not be subject to any such Interests:

a. Fee of Houlihan Lokey Howard & Zukin in the amount of $_____;

b. Payments to be made pursuant to the Key Employee Retention Program in an amount not to exceed $_____;

c. The Break-Up Fee, if any, payable to the Proposed Purchaser;

d. The amount of $_____ shall be reserved with respect to the allowed unpaid professional fees and disbursements incurred by professionals employed by the Debtors accrued as of the Date of the Sale; and

e. The amount of $_____ shall be reserved with respect to the fees of Debtors' counsel and Debtors' financial advisors Focus Management Group, which amount shall be reduced by any retainers of such professionals.

10. Except as expressly permitted or otherwise specifically provided by the Agreement or this Order, all persons and entities, including, but not limited to, all debt security holders, equity security holders, governmental, tax, and regulatory authorities, lenders, trade and other creditors, holding Interests of any kind or nature whatsoever against or in the Debtors or the Transferred Assets (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, senior or subordinated), arising under or out of, in connection with, or in any way relating to, the Debtors, the Transferred Assets, the operation of the Business prior to the Closing, or the transfer of the Transferred Assets to the Purchaser, hereby are forever barred, estopped, and permanently enjoined from asserting against the Purchaser, its successors or assigns, its property, or the Transferred Assets, such persons' or entities' Interests.

11. The transfer of the Transferred Assets to the Purchaser pursuant to the Agreement constitutes a legal, valid, and effective transfer of the Transferred Assets, and shall vest the

Purchaser with all right, title, and interest of the Debtors in and to the Transferred Assets free and clear of all Interests including, without limitation all liens, security interests, claims, encumbrances and other interests of any kind or nature whatsoever.

Assumption and Assignment of Designated Contracts

12. Pursuant to 11 U.S.C. §§ 105(a) and 365, and subject to and conditioned upon the Closing of the Sale, the Debtors' assumption and assignment to the Purchaser, and the Purchaser's assumption on the terms set forth in the Agreement, of the Designated Contracts is hereby approved, and the requirements of 11 U.S.C. §365(b)(1) with respect thereto are hereby deemed satisfied.

13. The Debtors are hereby authorized and directed in accordance with 11 U.S.C. §§ 105(a) and 365 and the Agreement to: (a) assume and assign to the Purchaser, effective upon the Closing, the Designated Contracts free and clear of all Interests of any kind or nature whatsoever and (b) execute and deliver to the Purchaser such documents or other instruments as may be necessary to assign and transfer the Designated Contracts and Assumed Liabilities to the Purchaser. The Designated Contracts being assigned to the Purchaser pursuant to the Agreement shall be transferred to, and remain in full force and effect for the benefit of the Purchaser in accordance with their respective terms, notwithstanding any provision in any such assigned contracts that prohibits, restricts, or conditions such assignment or transfer and, pursuant to 11 U.S.C. § 365(k).

14. All defaults or other obligations of the Debtors under any Designated Contract arising or accruing prior to the Closing (without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code) shall be deemed cured by the payment of the Cure Amount associated with such Designated Contract by the Purchaser at the Closing of the Sale or as soon thereafter as practicable, and, upon such

payment, the Purchaser shall have no liability or obligation arising or accruing under any Designated Contract prior to the Closing, except as otherwise expressly provided in the Agreement.

15. Except as provided in the Agreement or this Order, after the Closing, the Debtors and their estates shall have no further liabilities or obligations with respect to any Assumed Liabilities and all holders of such claims are forever barred and estopped from asserting such claims against the Debtors, their successors or assigns, their property or their assets or estates.

Additional Provisions

16. The consideration provided by the Purchaser for the Business under the Agreement shall be deemed to constitute reasonably equivalent value and fair consideration under the Bankruptcy Code and under any other applicable law.

17. The consideration provided by the Purchaser for the Business under the Agreement is fair and reasonable and may not be avoided under section 363(n) of the Bankruptcy Code.

18. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Agreement.

19. This Sale Order shall be effective as a determination that, as of the Closing, all Interests of any kind or nature whatsoever existing as to the Debtors or the Transferred Assets prior to the Closing have been unconditionally released, discharged and terminated, and that the conveyances described herein have been effected. As of the Closing, each person asserting an Interest in the Transferred Assets is authorized and directed to execute such documents and take all other actions as may be necessary to release such Interest, if any, to the extent that such Interests may have been recorded or may otherwise exist.

20. If any person or entity that has filed financing statements, mortgages, mechanic's liens, lis pendens or other documents or agreements evidencing Interests in the Debtors or the Assets shall not have delivered to the Debtors prior to the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of all Interests which the person or entity has with respect to the Debtors or the Transferred Assets or otherwise, then the Purchaser is hereby authorized to file, register, or otherwise record a certified copy of this Sale Order, which, once filed, registered or otherwise recorded, shall constitute conclusive evidence of the release of all Interests in the Transferred Assets of any kind or nature whatsoever and the filing officer is hereby directed to accept the filing of the Sale Order by the Purchaser as evidence of the release of such encumbrances.

21. Under no circumstances shall any holder of an Interest be able to commence, continue or otherwise pursue or enforce any remedy, claim or cause of action against the Purchaser, except with respect to: (a) any Assumed Liabilities, (b) the Cure Amount, if any, under a Designated Contract with respect to performance due from the Debtors prior to Closing, or (c) performance due under a Designated Contract from Purchaser after Closing.

22. All entities who are presently, or as if the Closing may be, in possession of some or all of the Transferred Assets are hereby directed to surrender possession of the Transferred Assets to the Purchaser at the Closing .

23. The Agreement and any related agreements, documents or other instrument may be modified, amended or supplemented by the parties thereto, in a writing signed by both parties, and in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates. In the event that there is a conflict between the terms of this Order and the Agreement, the terms of the Agreement shall control.

24. The transfer of the Transferred Assets pursuant to the Sale is a transfer pursuant to section 1146(c) of the Bankruptcy Code, and accordingly shall not be taxed under any law imposing a stamp tax or a sale, transfer, or any other similar tax. Each and every federal, state and local government agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transfer of any of the Transferred Assets, all without imposition or payment of any stamp tax, transfer tax, or similar tax.

25. As provided by Rules 6004(g) and 6006(d) of the Federal Rules of Bankruptcy Procedure, this Order shall not be stayed for 10 days after the entry of the Order and shall be effective immediately upon entry.

26. All bids received at the Auction from Qualified Bidders shall remain open until the earlier of the Closing or July 15, 2004 in accordance with prior orders of this Court.

cc: See Master Service List

####

S:\Wdox\Client\007111\00151\00174633.Doc