

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF ALABAMA**

In re:)	
)	Chapter 11
MOBILE PULLEY, L.L.C.,)	
)	Case No. 02-15612 (MAM)
Debtor.)	

THE DEBTOR'S BIDDING PROCEDURES

These Bidding Procedures set forth the process by which Mobile Pulley, L.L.C., as debtor and debtor in possession (the “Debtor”) in the above-captioned case, is authorized to conduct a sale by auction (the “Auction”) of any and all of the Debtor's assets. These Bidding Procedures were approved on December 17, 2002 (the “Bidding Procedures Order”) by the United States Bankruptcy Court for the Southern District of Alabama (the “Court”) (in which the Debtor’s chapter 11 bankruptcy case, Case No. 02-15612 (MAM), is pending) pursuant to the motion for an order (a) authorizing and scheduling a public auction for the sale of any and all of the Debtor’s assets free and clear of all liens, claims and encumbrances, (b) approving procedures for the submission of qualifying bids, and (c) approving the form and manner of notice pursuant to FED. R. BANKR. P. 2002 (the “Bidding Procedures Motion”).

1. Assets to be Sold

The Debtor proposes these Bidding Procedures, whereby prospective bidders may qualify for and participate in the Auction, thereby competing to make the highest and best offer for any and all of the assets of the Debtor in whole or in part, up to and including all of the assets of the Debtor in the following categories: machinery and equipment, inventory, intellectual property, accounts receivable, real property and fixtures (collectively, or in part, the “Assets”).

2. Stalking Horse Agreement

Pursuant to Court approval, and further subject to higher and better offers at the Auction, the Debtor has entered into two stalking horse agreements with Metso Minerals Industries, Inc. (“Metso”) and Machinery Acquisitions International, Inc. (“MAI”) for the purposes of establishing minimum bids and a foundation for further bidding on the Assets. Metso has executed an asset purchase agreement for part of the intellectual property of the Debtor in the amount of \$600,000. MAI has executed an asset purchase agreement for substantially all of the Debtor’s assets other than the intellectual property, accounts receivables, work-in-progress, inventory, raw materials, finished goods and real property for \$800,000. Any parties who desire to bid on these assets at the Auction, must make an initial bid that is determined by the Debtor to be a higher and better offer than the respective offers of Metso and MAI. Bidders may review the Metso and MAI offers, which are contained in the respective

motions to sell assets to Metso and MAI on file with the Court by contacting counsel for the Debtor or by reviewing the Court's docket.

3. Notice of Auction

As soon as practicable after the date that the Court enters the Bidding Procedures Order, the Debtor will serve (a) the Bidding Procedures and the Notice of Auction substantially in the form attached to the Bidding Procedures Motion by first class mail to (i) the Bankruptcy Administrator, (ii) all parties who have requested notice pursuant to FED. R. BANKR. P. 2002, (iii) counsel to the Prepetition Secured Lenders, (iv) counsel to any statutory committee appointed in the Debtor's Chapter 11 Case, (v) those parties identified by the Debtor (and its representatives) as potential purchasers of the Assets; and (b) the Notice of Auction attached hereto by first class mail deposited as soon as practicable after the date of this Bidding Procedures Order to those entities included on the Debtor's Creditor Matrix submitted to the Court. Finally, as soon as practicable after the Court enters the Bidding Procedures Order, the Debtor proposes to cause notice in substantially the form of the Notice of Auction to be published in the local newspaper in Mobile, Alabama.

4. Confidentiality Agreement and Selection of Bidders

Potential bidders (the "Bidders") for any of the Assets may be required to complete and execute a confidentiality agreement and provide the Debtor with information about their financial qualifications and any other information the Debtor may reasonably request. When making a bid for any of the Assets (a "Qualifying Bid"), all such bidders must abide by the various Bidding Procedures outlined herein. As appropriate, the Debtor shall require Bidders to present satisfactory financial qualifications before such bidder may participate in the Auction and be deemed to have submitted a Qualifying Bid.

5. Due Diligence

Upon execution of a confidentiality agreement and the submission of satisfactory financial qualifications in the Debtor's sole discretion, the Debtor will provide reasonable access to Debtor's books, records and executives to Bidders for the purpose of conducting due diligence prior to the Auction. By participating in the Auction, all Bidders are deemed to acknowledge that they have had sufficient and reasonable access to the Debtor's books, records and executives for the purposes of conducting due diligence and opportunity to conduct such due diligence.

6. Submission of Bids

In order to submit a Qualifying Bid at the Auction, a party must inter alia, comply with all of the following provisions of this section:

- a. Any Bidder desiring to qualify for participation in the Auction must deliver notice of its intention to participate in writing to: (i) the Debtor, Mobile Pulley, L.L.C., William L. Wann, Jr., 4400 Post Oak Parkway, Suite 2000, Houston, TX 77027; and (ii) the Debtor's undersigned counsel not later than 5:00 p.m. Eastern Time, on or before January 10, 2003. Requests received after this deadline may be rejected in the discretion of the Debtor.

b. Unless the Debtor otherwise determines, a Bidder must include (A) a good faith deposit of at least \$25,000 in cash or in other form of immediately available U.S. funds (the "Initial Deposit") and (B) a commitment to provide, in the event such offer ultimately is determined by the Debtor to be a Final Accepted Bid, a further deposit in cash or in other form of immediately available U.S. funds in the amount sufficient to bring the total deposit up to the amount that is equal to 10% of the value of the Final Accepted Bid (the "Remaining Deposit") for the Assets; provided, however, that the Debtor in its sole discretion shall determine the amount of the Remaining Deposit (the "Remaining Deposit," together with the Initial Deposit, the "Full Deposit") and the Remaining Deposit shall be received by the Debtor within the earlier of one business day after the Debtor notifies the Bidder that it has been determined by the Debtor to be a Final Accepted Bidder and one business day prior to the Sale Hearing (as defined below).

c. Each Initial Deposit and Remaining Deposit received by the Debtor shall be maintained in an interest-bearing account and be subject to the jurisdiction of the Court.

d. Each Qualifying Bid made at the Auction must (unless otherwise determined by the Debtor): (i) clearly state the portion of consideration to be paid in cash and the portion to be paid in any other form of value; (ii) provide such information as to permit the Debtor to accurately assess the value of such consideration, if any consideration is to be provided in a form other than cash; and (iii) give sufficient indicia that the Bidder or its representative is legally empowered by power of attorney or otherwise, and financially capable, to both bid on behalf of the Qualifying Bidder and also to complete and sign, on behalf of the Qualifying Bidder, a binding and enforceable asset purchase agreement, including as such agreement may be amended at the Auction.

7. Credit Bid of the Prepetition Lenders

In certain circumstances, the Prepetition Lenders to which the Debtor is indebted under the Prepetition Credit Facility are allowed to credit bid (the "Bank Bid"). The Bank Bid will be deemed a Qualifying Bid subject to and upon compliance with all requirements described herein and in the Bidding Procedures, and the Prepetition Lenders will be deemed a Qualifying Bidder subject to and upon compliance with all requirements described herein and in the Bidding Procedures, and will be allowed to participate in the Auction; provided, however, that:

a. The Prepetition Lenders will not be required to provide an Initial Deposit or a Remaining Deposit as required in the paragraph above;

b. The Prepetition Lenders need not deliver certified financial statements for the preceding two years (or other evidence establishing to the Debtor's satisfaction the Prepetition Lenders' financial capability to timely close its proposed Qualifying Bid).

If a Qualifying Bid or a combination of Qualifying Bids provides payment in full of the outstanding principal of the Prepetition Credit Facility either (i) in cash or (ii) any other form of payment acceptable to the Prepetition Lenders and the Debtor, including, inter alia, cash, debt instruments, or equity interests, at the Auction, the Prepetition Lenders will forfeit the right to submit additional credit bids based upon obligations owed by the Debtor under the Prepetition Credit Facility.

8. Auction and Selection of Winning Bid

The Auction will be held on January 13, 2003 at a location to be designated by the Debtor (and to be communicated to all Qualifying Bidders (as defined herein)) prior to the Auction. The only persons who will be permitted to bid at the Auction are those bidders that are deemed by the Debtor as Qualifying Bidders. For a Qualifying Bid to be considered, the bidder(s) must appear in person at the Auction or through a duly authorized representative, unless alternative arrangements are made in advance with the Debtor. If multiple Qualifying Bids are received, each such bidder shall have the right to continue to improve its Qualifying Bids at the Auction. Bidding will commence with the announcement of the Qualifying Bid of Metso Minerals Industries, Inc. and Machinery Acquisition, Inc., and will proceed in monetary increments to be determined by the Debtor.

The bid or bids that the Debtor determines to be the highest and best offer or offers for the Assets (each, a "Final Accepted Bid") shall be submitted for approval by the Court; provided, however, the Debtor shall have the right, in its reasonable business judgment, to reject any and all Qualifying Bids made at the Auction. Qualifying Bids will not be considered to be a higher or better offer (A) unless the Debtor has determined in good faith that the offer, if accepted, is reasonably likely to be closed taking into account all legal, financial, regulatory and other aspects of the proposal and the entity making the proposal, and that the Debtor believes in good faith, would, if closed, result in a sale of the Assets, and (B) unless such bid is not conditioned on the outcome of due diligence that is not completed by the date that is two business days prior to the date of the Auction (unless otherwise agreed to by the Debtor in its sole discretion).

Within one business day after the Debtor notifies the party submitting each Final Accepted Bid that such bidders' offer has been determined by the Debtor to be the Final Accepted Bid (each, a "Final Accepted Bidder"), each Final Accepted Bidder shall deliver its Remaining Deposit to the Debtor. Following approval by the Court of the Final Accepted Bid and receipt by the Debtor of each Final Accepted Bidder's Full Deposit as required by this Order, the Debtor shall close each Court-approved transaction on or before ten days after the Sale Hearing.

9. Sale Hearing

Any Qualifying Bid that is accepted by the Debtor at the Auction will be subject to approval by the Court. Please be advised that the hearing to approve the asset purchase agreement of the Final Accepted Bidder(s) accepted by the Debtor at the Auction will be held after the Auction, before the Honorable Margaret A. Mahoney, United States Bankruptcy Judge

in the United States Bankruptcy Court for the Southern District of Alabama (the “Court”), 201 St. Louis Street, Mobile, Alabama on January 16, 2003 at 9:00 a.m. (the “Sale Hearing”).

10. Return of Deposits

Except as otherwise set forth herein, after the closing of the purchase of the Assets, the Debtor shall return to each unsuccessful Qualifying Bidder its Initial Deposit, together with any interest paid thereon, submitted by such Qualifying Bidder; provided, however, each Qualifying Bidder, by making the Initial Deposit, commits to making the Full Deposit if such bidder is deemed to have submitted the highest and best Qualifying Bid as described herein and is deemed to be the Final Accepted Bidder.

11. Failure to Close the Purchase of the Assets

If any Final Accepted Bidder fails to close the purchase of any of the Assets, such party’s Full Deposit, together with any interest paid thereon, shall be forfeited to, and retained irrevocably by, the Debtor, and the Debtor specifically reserves the right to seek all appropriate additional damages from such bidder. Furthermore, in such a circumstance, the bidder of the next highest and best Qualifying Bid for such Assets as determined by the Debtor in its sole discretion will automatically be deemed to have submitted the highest and best Qualifying Bid, and such bidder shall be subject to the Bidding Procedures as if such bidder were originally determined to be a Final Accepted Bidder; provided, however, nothing herein shall affect the Debtor’s right to retain the Full Deposit of any bidder that is or is deemed to be a Final Accepted Bidder and to seek all available damages from any such bidder that otherwise fails to close the purchase of the Assets pursuant to the Bidding Procedures. If the Bank Bid is, or is deemed to be, a Final Accepted Bid, and the Prepetition Lenders fail to close the purchase of the Assets, the Prepetition Credit Facility will be deemed to be repaid.

12. Closing

The closing of the sale of the Assets by the Final Accepted Bidder will occur on or about January 17, 2003 after the Sale Hearing in accordance with the terms of the executed Stalking Horse Agreement or other asset purchase agreement.

Each Full Deposit shall be applied by the Debtor against the cash portion of the purchase price to be paid by each Final Accepted Bidder at the closing of the transaction approved by the Court. If the Prepetition Lenders are a Final Accepted Bidder, the Bank Bid shall be applied by the Debtor against the outstanding indebtedness owed to the Prepetition Lenders at the closing of the transaction approved by the Court.

13. Reservation of Rights: Deadline Extensions

The Debtor reserves its rights in its sole discretion and its reasonable business judgment to: (i) impose, at or prior to the Auction, additional terms and conditions on a sale of the Assets consistent with the Bidding Procedures Order; (ii) extend the deadlines set forth in the Bidding Procedures, adjourn the Auction at the Auction, and/or adjourn the Sale Hearing in open court without further notice; (iii) withdraw from the Auction any or all of the Assets at any time prior to or during the Auction or cancel the Auction; (iv) reject all Qualifying Bids if no bid is, in

the Debtor's reasonable business judgment and sole discretion, for fair and adequate consideration; and (v) modify the Bidding Procedures, including, without limitation, any and all processes and rules regarding conduct of activities at the Auction, including, inter alia, the manner in which bids are submitted and the permitted increments of such bids.

Mobile, Alabama

Respectfully submitted,

Dated: December 23, 2002

Kirk A. Kennedy

KIRKLAND & ELLIS

James H.M. Sprayregen, P.C.

Kirk A. Kennedy

200 East Randolph Drive

Chicago, IL 60601

Telephone: (312) 861-2000

Facsimile: (312) 861-2200

Counsel to the Debtor and Debtor in Possession