

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

FILED

In re:

FANSTEEL INC., et al.,

Debtors.

Case No: 02-10109 (JJF)
2002 JUN 20 PM 7:32

Chapter 11
CLERK
US BANKRUPTCY COURT
DISTRICT OF DELAWARE
Jointly Administrated

40-7580

Hearing Date: TBD

Objection Deadline: July 11, 2002 at 4:00 p.m.

NOTICE OF MOTION OF THE CIT GROUP/EQUIPMENT FINANCING, INC. FOR AN ORDER COMPELLING THE DEBTOR TO MAKE PAYMENTS PURSUANT TO 11 U.S.C. § 365(d)(10) AND COMPELLING THE DEBTOR TO ASSUME OR REJECT LEASE PURSUANT TO 11 U.S.C. § 365(d)(2)

PLEASE TAKE NOTICE that The CIT Group/Equipment Financing, Inc. ("CIT") has filed with the United States Bankruptcy Court for the District of Delaware a Motion For An Order Compelling Debtor To Make Payments Pursuant To 11 U.S.C. § 365(d)(10) And Compelling The Debtor To Assume Or Reject Lease Pursuant To 11 U.S.C. § 365(d)(2) (the "Motion").

You are required to file a response to the Motion on or before **July 11, 2002, at 4:00 p.m. (Eastern)** with the Clerk of the United States Bankruptcy Court for the District of Delaware, Marine Midland Plaza, 824 Market Street, 5th Floor, Wilmington, DE 19801.

At the same time, you must also serve a copy of the response upon Movant's attorneys:

Peter S. Clark, II, Esquire
Brian D. Stewart, Esquire
REED SMITH LLP
2500 One Liberty Place
1650 Market Street
Philadelphia, PA 19103

HEARING ON THE MOTION WILL BE HELD ONLY IF OBJECTIONS ARE FILED at the United States District Court for the District of Delaware; 844 King Street, Wilmington, Delaware 19801.

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IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT
MAY GRANT THE RELIEF DEMANDED BY THE APPLICATION WITHOUT FURTHER
NOTICE OF HEARING.

Dated: June 20, 2002
Wilmington, Delaware

REED SMITH LLP

By: /s/ Jan A. T. van Amerongen, Jr

Jan A. T. van Amerongen, Jr. (No. 3453)

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Attorneys for Movant,
The CIT Group/Equipment Financing, Inc.

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

_____)	Case No: 02-10109 (JJF)
_____)	
In re: _____)	Chapter 11
_____)	
FANSTEEL INC., <i>et al.</i> , _____)	Jointly Administered
_____)	
Debtors. _____)	Hearing Date: TBD
_____)	Objection Deadline: July 11, 2002 at 4:00 p.m.

**MOTION OF THE CIT GROUP/EQUIPMENT FINANCING, INC. FOR AN ORDER
COMPELLING THE DEBTOR TO MAKE PAYMENTS PURSUANT TO
11 U.S.C. § 365(d)(10) AND COMPELLING THE DEBTOR TO ASSUME
OR REJECT LEASE PURSUANT TO 11 U.S.C. § 365(d)(2)**

The CIT Group/Equipment Financing, Inc. ("CIT"), by and through its attorneys, Reed Smith LLP, files this Motion For An Order Compelling the Debtor to Make Payments Pursuant to 11 U.S.C. § 362(d)(10) and Compelling the Debtor to Assume or Reject Lease Pursuant to 11 U.S.C. § 365(d)(2) (the "Motion"), and in support thereof, states as follows:

JURISDICTION

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334.
2. This is a core proceeding under 28 U.S.C. §§ 157(b)(2)(A), (G) and (O).
3. Venue of the Debtors' chapter 11 case and this Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.
4. The statutory predicate for the relief requested in the Motion is § 362(d)(2) and (10) of the Bankruptcy Code.

BACKGROUND

5. On or about January 15, 2002 (the "Petition Date"), the Debtors including Wellman Dynamics, Inc. ("Wellman") (the "Debtors")) filed voluntary petitions for relief under chapter 11, title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

Wellman Dynamics Lease

6. On or about February 6, 2001, Wellman executed and delivered to CIT that certain Master Lease Agreement (the "Master Lease"). A true and correct copy of the Master Lease is attached hereto, and incorporated by reference, as Exhibit "A". Pursuant to Schedule 1 of the Master Lease dated February 6, 2001 ("Schedule 1"; together with the Master Lease, the "Lease"), Wellman leased certain equipment including, but not limited to, an Ingersoll Rand air compressor, a Motivair refrigerated air dryer, and certain filters from CIT (the "Collateral"). A true and correct copy of Schedule 1 is attached hereto, and incorporated by reference, as Exhibit "B".

7. Pursuant to Schedule 1, Wellman was required to make monthly lease payments to CIT in the amount of \$1,509.32.

8. Pursuant to the terms of Schedule 1, Wellman agreed to pay monthly payments to CIT.

9. The failure to make the monthly payments when due constitutes an event of default under the Lease.

10. Since the Petition Date, Wellman has failed to make the monthly payment when due.

11. The total post-petition amount required to be paid to CIT, as of the filing date of this Motion, totals \$7,546.60, plus certain costs and fees.

RELIEF REQUESTED

12. Pursuant to Section 365(d)(10) of the Bankruptcy Code, this Court should compel the Debtor to bring CIT current on delinquent post-petition lease payments and make ongoing monthly payments under the Lease to CIT on a timely basis. Pursuant to Section 365(d)(2) of the Bankruptcy Code, this Court should compel the Debtor to decide whether to assume or reject the Lease.

BASIS FOR RELIEF REQUESTED

This Court Should Compel the Debtors to Make Post-Petition Lease Payments To CIT Under The Lease.

16. Section 365(d)(10) of the Bankruptcy Code provides, in relevant part, that the Debtor is required to "timely perform all of the obligations ... first arising from or after 60 days after the order for relief ... under an unexpired lease of personal property...until such lease is assumed or rejected...." 11 U.S.C. § 365(d)(10).

17. Since the Petition Date, the Debtor has failed to make timely payments to CIT under the Lease.

18. The Debtor should be compelled to cure the delinquent post-petition lease payments and make ongoing lease payments on a timely basis until the Lease is assumed or rejected.

This Court Should Fix a Reasonable Time For The Debtor To Decide To Assume Or Reject The Lease.

19. Section 365(d)(2) of the Bankruptcy Code provides, in relevant part, that "on request of any party to ... [a] lease, [the court] may order the [debtor] to determine within a specified period of time whether to assume or reject such ... lease."

20. The Debtor should be required to make a prompt decision with respect to the assumption or rejection of the Lease.

NOTICE

21. Pursuant to Federal Rule of Bankruptcy Procedure 6006(c), 9014, and 2002 and Del.Bankr.LR 2002-1(b), 9013-1(d) and (f), a copy of this Motion and the accompanying proposed Order and Notice of Motion were served upon the Debtors, counsel for the Debtors, the United States Trustee, counsel for the Official Committee of Unsecured Creditors, and all parties who have filed a request for notices pursuant to Federal Rule of Bankruptcy Procedure 2002(i).

NO PRIOR REQUEST

22. No prior request for the relief sought in this Motion has been made.

WHEREFORE, CIT respectfully requests that this Court enter an Order, in the form submitted, (i) granting the Motion, (ii) compelling the Debtor to cure delinquent post-petition lease payments owed to CIT under the Lease and to make ongoing payments on a timely basis, (iii) compelling the Debtor to file a motion to assume or reject the Lease within ten (10) days, (iv) scheduling a prompt hearing on the Debtor's motion to assume or reject, and (v) granting such further relief as is appropriate.

REED SMITH LLP

Dated: June 20, 2002

By: /s/ Jan A. T. van Amerongen, Jr

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bstewart@reedsmith.com

Attorneys for Movant,
The CIT Group/Equipment Financing, Inc.

EXHIBIT A

MASTER LEASE AGREEMENT ("Master Lease") dated as of February 6, 2001 between The CIT Group/Equipment Financing, Inc. ("Lessor"), having a place of business at

900 Ashwood Parkway Atlanta GA 30338
Address City State Zip Code

and Wellman Dynamics Corporation ("Lessee"), having its chief executive office at

1746 Commerce Road Creston Iowa 50801
Address City State Zip Code

IN CONSIDERATION of the mutual agreements set forth in this Master Lease, the parties agree as follows:

1. Property Leased; Title.

1.1 Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, the personal property described in each Equipment Schedule ("Schedule") executed from time to time in accordance with this Master Lease, together with all replacement parts, additions, repairs, accessions, attachments and accessories thereto (collectively, "Equipment"). Each Schedule shall incorporate all of the terms and conditions of this Master Lease and such other terms and conditions as the parties shall agree upon. Each Schedule shall constitute an agreement separate and distinct from this Master Lease and all other Schedules. In the event of a conflict between the provisions of this Master Lease and the provisions of a Schedule, the provisions of the Schedule shall prevail. The term "Lease" when used herein shall mean a Schedule and, solely to the extent incorporated therein by reference, this Master Lease.

1.2 The Equipment is and shall remain the personal property of Lessor. Lessee shall have no right, title or interest in the Equipment except as expressly provided in this Master Lease. Upon Lessor's request, Lessee shall obtain a written waiver from any party having an interest in the real property where the Equipment is or shall be located, waiving any claim or interest in the Equipment.

1.3 So long as no Event of Default (as defined below) has occurred and remains continuing, Lessor shall not disturb Lessee's right of quiet enjoyment and use of the Equipment.

2. Term of Master Lease and Schedules.

2.1 The term of this Master Lease shall commence on the date set forth above, and shall continue so long as any Schedule remains in effect.

2.2 The "Initial Term" shall commence on the Acceptance Date (as defined below) if the Acceptance Date is the first calendar day of a month, otherwise on the first calendar day of the next month (such first calendar day, in either case, being the "Commencement Date") and shall continue for the number of months specified in the applicable Schedule. The "Acceptance Date" shall be the date on which the Equipment has been delivered to Lessee, installed and accepted by Lessee, as so memorialized in a written document in form and substance acceptable to Lessor ("Evidence of Acceptance").

2.3 The Lease shall automatically renew for an additional six-month term and thereafter renew for successive one-month terms (each a "Renewal Term") unless Lessee gives Lessor written notice of termination as provided in paragraph 2.4.

2.4 The term of each Lease shall commence as set forth in subparagraphs 2.2 and 2.3 and shall terminate upon the earliest to occur of any of the following: (i) the occurrence of an Event of Default thereunder and Lessor's election to terminate such Lease; (ii) the payment by Lessee of all Payments (as defined below) due under such Lease and the performance of all other obligations of Lessee arising thereunder and, if such Lease provides for Renewal Terms, Lessee gives Lessor written notice of termination one hundred twenty (120) days prior to the end of the Initial Term; or (iii) if Lessee enters into one or more Renewal Terms, at the end of any such Renewal Term by giving Lessor written notice of termination thirty (30) days prior to the end of such Renewal Term. Any termination by Lessee shall be irrevocable and must relate to all of the Equipment described in the Lease.

3. Rent; Delinquent Payments.

3.1 Lessee shall pay to Lessor rent for the lease, use and possession of the Equipment during the Initial Term in the amount and at the times specified in the Schedule ("Basic Rent"). Lessee shall pay to Lessor rent for the lease, use and possession of the Equipment during the Renewal Term at the same rent unless otherwise agreed upon, in writing, by Lessor and Lessee ("Renewal Rent" and together with Basic Rent, "Rent"). All Rent and other amounts due under the Lease (collectively, "Payments") shall be paid at Lessor's place of business shown above, or such other place as Lessor may designate in writing to Lessee.

3.2 In the event that any Payments are not made when due, Lessee shall pay to Lessor (i) an amount equal to 5% of any such late Payment and (ii) interest on any such late Payment commencing thirty (30) days from the due date thereof until the date paid at the lesser rate of 1½% per month or the maximum rate permitted by applicable law ("Late Payment Rate").

4. Net Lease; Lease Irrevocability.

4.1 Each Lease shall constitute a net lease. The obligation of Lessee to make Payments due under the Lease shall be absolute and unconditional under all circumstances, notwithstanding: (i) any setoff, counterclaim, defense or other right that Lessee may have against Lessor for any reason whatsoever; (ii) any defect in the title, right to use, condition, operation, fitness for use, damage or destruction of or to the Equipment or any interruptions or cessations in use or possession for any reason whatsoever; and (iii) any insolvency, bankruptcy, reorganization or similar proceedings instituted by or against Lessee. **All Rent shall be paid without notice or demand and without abatement, deferment, reduction, setoff, counterclaim, defense or deduction of any amount for any reason whatsoever.**

4.2 This Master Lease and any Schedule cannot be terminated or canceled for any reason except as expressly provided herein.

5. Acceptance.

5.1 Lessee represents and warrants that (i) it has selected each item of Equipment based on its own judgment and expertise and (ii) as of the Acceptance Date, Lessee has unconditionally accepted each item of Equipment. On the Acceptance Date, Lessee shall execute and deliver to Lessor Evidence of Acceptance with respect to the Equipment, which shall constitute conclusive evidence of the foregoing. Lessee hereby authorizes Lessor to insert on the Schedule the due date of the first Basic Rent payment and any other information, such as the Commencement Date or serial numbers, that should be added to the Schedule or any other related document or instrument in the event such information is incomplete when such Schedule, document or instrument is executed by Lessee.

5.2 In the event Lessee shall (i) fail to execute and deliver to Lessor Evidence of Acceptance as provided in subparagraph 5.1 or (ii) reject the Equipment, in either case for any reason whatsoever (other than the fault of Lessor), all obligations, if any, of Lessor to any vendor with respect to the Equipment shall be deemed those of Lessee, and Lessee shall indemnify and hold Lessor harmless from any and all liability, damages and expenses, including, without limitation, attorneys' fees, arising therefrom. Lessee's obligations under this subparagraph 5.2 shall survive the expiration and earlier termination of this Master Lease.

6. No Warranties by Lessor; Manufacturer's Warranties.

6.1 Lessor, not being the manufacturer of the Equipment, nor manufacturer's agent, **MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE FITNESS, QUALITY, DESIGN, CONDITION, CAPACITY, SUITABILITY, MERCHANTABILITY OR PERFORMANCE OF THE EQUIPMENT OR OF THE MATERIAL OR WORKMANSHIP THEREOF OR WITH RESPECT TO PATENT INFRINGEMENT OR THE LIKE, IT BEING AGREED THAT THE EQUIPMENT IS LEASED "AS IS" AND THAT ALL SUCH RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE AT ITS SOLE RISK AND EXPENSE.** Lessor shall have no obligation to install, erect, test, adjust or service the Equipment. Lessee shall look solely to the manufacturer and/or vendor for any claims related to the Equipment.

6.2 Provided that no Event of Default shall have occurred and remains continuing, Lessee shall be entitled to the benefit of any applicable manufacturer's warranties, indemnities and representations, and such warranties, indemnities and representations are hereby assigned by Lessor to Lessee, to the extent assignable. Lessee's sole remedy for the breach of any such warranties, indemnities or representations shall be against such manufacturer and not against Lessor. Upon Lessee's request and at the sole expense of Lessee, Lessor shall provide reasonable assistance to Lessee in enforcing any such warranties, indemnities and representations.

7. Use; Maintenance; Return.

7.1 Lessee shall comply with all governmental laws, ordinances, regulations, requirements and rules with respect to the use, maintenance and operation of the Equipment. Lessee shall use the Equipment in the normal course of its business only and in conformance with the manufacturer's specifications.

7.2 Unless otherwise set forth in the Schedule, Lessee shall be responsible for all transportation, packing, assembly, installation, insurance, testing, dismantling and other charges incurred in connection with the delivery, installation, use, maintenance and return of the Equipment.

7.3 Lessee, at its expense, shall maintain the Equipment in good operating order, condition, repair and appearance and furnish or cause to be furnished all parts, replacements, mechanisms, devices and servicing required therefor so that the value, condition and operating efficiency thereof shall at all times be maintained and preserved, reasonable wear and tear excepted. All such repairs, parts, mechanisms, devices and replacements shall immediately, without further act, become the property of Lessor and part of the Equipment. If so specified in the applicable Schedule, Lessee shall enter into and keep in force a maintenance agreement with the manufacturer or vendor of the Equipment (or such other party as is acceptable to Lessor) and furnish evidence of such agreement to Lessor upon request.

7.4 Upon the expiration or earlier termination of a Schedule, Lessee, at its expense, shall return all of the Equipment by delivering it to such place or on such carrier, packed for shipping, in the continental United States as Lessor shall direct. Lessee agrees that the Equipment, when returned (i) shall be in the same condition as when delivered to Lessee, reasonable wear and tear excepted, and as further set forth in the Schedule, (ii) shall be eligible for the manufacturer's or vendor's standard maintenance agreement without the need for repair or rehabilitation and (iii) shall be free and clear of all liens other than Lessor's liens, if any. In the event that the Equipment is not in such condition, Lessee shall be responsible for all expenses necessary to place the Equipment in such condition. Should any item of Equipment be missing or damaged when the Equipment is returned, Lessee shall be responsible for the replacement or repair of such items of Equipment in accordance with paragraph 8 of this Master Lease. In lieu of returning the Equipment to Lessor, Lessee agrees that Lessee will, upon the request of Lessor, store the Equipment on Lessee's premises, at an inside location, protected from the weather and elements and in accordance with the manufacturer's recommendations, without charge to Lessor, for a period of one hundred eighty (180) days

Following the expiration or earlier termination of a Schedule, Lessee shall not use the Equipment for any purpose. Upon the expiration of the storage period, Lessee will return the Equipment to Lessor in accordance with this paragraph.

7.5 Until Lessee shall have returned to Lessor each item of Equipment pursuant to subparagraph 7.4, all of the other provisions of the Lease with respect to such Equipment, including, without limitation, the renewal provisions, shall continue in full force and effect.

8. Loss and Damage.

8.1 Lessee assumes and shall bear the entire risk of any partial or complete loss of the Equipment from any and every cause whatsoever, including theft, loss, damage, destruction or governmental taking, whether or not such loss is covered by insurance or is the fault of Lessee, from the date of vendor's shipment of the Equipment to Lessee F.O.B. vendor's point of shipment until the Equipment is returned to Lessor. Lessee agrees to give Lessor prompt notice of any damage to or loss of any of the Equipment.

8.2 If any of the Equipment is damaged, Lessor shall determine in the exercise of its reasonable judgment whether the Equipment is damaged beyond repair. In the event the Equipment or any item thereof is not damaged beyond repair or is not a total loss, Lessee shall cause the affected Equipment to be restored to the condition required by the terms of the Lease. Upon completion of such repair and after supplying Lessor with satisfactory evidence thereof (and provided no Event of Default has occurred and remains continuing), Lessee shall be entitled to receive any insurance proceeds or other recovery to which Lessor would otherwise be entitled in connection with such loss up to the amount expended by Lessee in making the repair.

8.3 In the event any item of the Equipment is taken or condemned by a government authority, destroyed, damaged beyond repair, lost or stolen ("Event of Loss"), Lessee, at its option, provided that no Event of Default has occurred and remains continuing, otherwise at Lessor's option, shall elect one of the following actions within fifteen (15) days of the Event of Loss:

- (a) continue paying all Payments due under the applicable Schedule, replace the item of Equipment suffering the Event of Loss with equipment of identical manufacture, make, model, configuration, condition and operating functionality and efficiency and having a value greater than or equal to the item of Equipment suffering the Event of Loss ("Replacement Equipment"), and convey title (free and clear of all liens) to the Replacement Equipment to Lessor, whereupon the Replacement Equipment shall become the property of Lessor and shall become subject to the terms and conditions of the Lease; or
- (b) on the next Rent payment date following such Event of Loss, pay to Lessor an amount equal to (i) if specified in the Schedule, the Stipulated Loss Value for such item of Equipment (computed as of the Rent payment date on or immediately preceding the Event of Loss) together with all other Payments due and owing under the Lease together with interest thereon at the Late Payment Rate, if applicable, or (ii) if the Stipulated Loss Value is not specified in the Schedule, the sum of (x) any Payments due and owing under the Lease together with interest thereon at the Late Payment Rate plus (y) all remaining Rent payments to be paid during the Initial Term and any Renewal Term multiplied by a fraction the numerator of which is equal to Lessor's cost of the item of Equipment suffering the Event of Loss, as set forth on the Schedule, and the denominator of which is equal to Lessor's aggregate cost of all items of Equipment, as set forth on the applicable Schedule, plus (z) the fair market residual value of the item of Equipment suffering the Event of Loss as of the expiration of the Initial Term or any Renewal Term, as determined by Lessor in a commercially reasonable manner at the inception of the Initial Term; each amount set forth in clauses (b)(ii)(y) and (b)(ii)(z) of this subparagraph 8.3 shall be discounted to present value at the interest rate specified in the Schedule; and Lessor shall retain any physical damage insurance proceeds arising out of such Event of Loss in excess of the amount due Lessor in accordance with this Master Lease.

8.4 After payment of the applicable amounts set forth in subparagraph 8.3(b), the remaining Rent payments under the Schedule shall be reduced pro rata in the same amount as Lessor's cost for the item of Equipment suffering the Event of Loss bears to Lessor's aggregate cost of all items of Equipment on the Schedule. Lessee shall cease to pay further Rent for the item of Equipment suffering the Event of Loss but shall continue to make all other Payments under the Lease and pay Rent, as adjusted pursuant to this subparagraph 8.4, for all the other items of Equipment on the Schedule that have not suffered an Event of Loss.

8.5 Upon the satisfaction of the conditions set forth in subparagraph 8.3, and so long as no Event of Default has occurred and remains continuing, Lessor shall transfer to Lessee Lessor's rights to the Equipment suffering the Event of Loss "AS IS", "WHERE IS", AND WITHOUT RECOURSE, REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, other than a warranty that the Equipment is free and clear of any liens created by Lessor.

8.6 Lessor shall not be obligated to undertake by litigation or otherwise the prosecution of any claim against any person for loss of, damage to, or governmental taking of the Equipment. Upon Lessee's request and at the sole expense of Lessee, Lessor shall cooperate with Lessee to pursue any such claims. Except as expressly provided in subparagraph 8.4, the total or partial destruction of any Equipment or Lessee's total or partial loss of use or possession thereof shall not release or relieve Lessee from its obligations under the Lease, including the duty to pay the Rent therein provided.

9. Insurance.

Lessee shall, at its expense, insure the Equipment (including, without limitation, during any period of storage or transportation) against all risks, including, without limitation, all-risk physical damage insurance, including flood and earthquake, and comprehensive general and/or automobile (as appropriate) liability insurance in such form and amounts, with deductibles and with such carriers as shall be satisfactory to Lessor. Lessor may require other insurance from time to time as may be appropriate. Without limiting the generality of the foregoing sentence, the amount of all-risk physical damage insurance shall not on any date be less than the greater of (i) the full replacement value of the Equipment, (ii) the Stipulated Loss Value of the Equipment, if any, as of such date or (iii) a sum

equal to all rent due under the Schedule, plus all Rent to become due hereunder. The amount of liability insurance shall not be less than \$2 million per occurrence or such other amount as may be appropriate. The policies shall not contain a Year 2000 or any other date recognition exclusion. Each physical damage insurance policy shall name Lessor as loss payee. Each liability insurance policy shall name Lessor as additional insured. Each insurance policy shall also require that the insurer give Lessor at least thirty (30) days prior written notice of any alteration to or cancellation of the terms of such policy and require that Lessor's interests continue to be insured regardless of any breach or violation by Lessee or others of any warranties, declarations or conditions contained in such insurance policy. In no event shall Lessor be responsible for premiums, warranties or representations to any insurer or any agent thereof. Lessee shall furnish to Lessor an original certificate or other evidence satisfactory to Lessor that such insurance coverage is in effect as of the date of the applicable Schedule and thereafter prior to each policy replacement or expiration, but Lessor shall be under no duty to ascertain the existence or adequacy of such insurance. The insurance required hereby to be maintained by Lessee shall be primary without any right of contribution from any other insurance that may be maintained by Lessor. Lessee shall be liable for all deductible portions of all required insurance. Lessor may, at its own expense, for its own benefit, purchase insurance in excess of that required under this Master Lease. Physical damage insurance proceeds shall be applied as set forth in paragraph 8. Lessor shall have the right, on behalf of itself and Lessee, to make claim for, receive payment of and execute and endorse all documents, checks or drafts received in payment for loss or damage under each insurance policy required hereby to be maintained by Lessee.

10. Taxes.

10.1 Lessee shall pay, and shall indemnify and hold Lessor harmless from and against, on an after-tax basis, all fees, taxes, withholdings, assessments and other governmental charges, however designated, together with any penalties, fines or interest, if any, thereon (collectively, the "Impositions") which are at any time levied or imposed against Lessor, Lessee, the Lease, the Equipment or any part thereof by any Federal, state, local or foreign government or taxing authority upon, with respect to, as a result of, or measured by (i) the Equipment (or any part thereof), or the Lease or the interest of the Lessor therein, or (ii) the purchase, ownership, delivery, leasing, possession, maintenance, use, operation, return, sale or other disposition of the Equipment or any part thereof, or (iii) the rentals, receipts or earnings payable under the Lease or otherwise arising from the Equipment or any part thereof; excluding, however, Federal, state or local taxes based on or measured by the net income of Lessor. Lessor (i) shall pay, and promptly upon receipt of Lessor's invoice therefor, Lessee shall reimburse Lessor for paying, any Impositions, and (ii) in case any report or return is required to be filed with respect to any Impositions, Lessor will make such report or return to show Lessor's ownership of the Equipment. Lessor and Lessee may instead agree in writing that Lessee will pay any Impositions, directly or file any such reports or returns. Lessee's obligations under this paragraph shall survive the expiration or earlier termination of this Lease.

10.2 Lessee warrants that each item of Equipment has the recovery period under Section 168(c) of the Internal Revenue Code of 1986, as amended, or any comparable successor law (the "Code") as set forth on the Schedule and will be eligible for depreciation deductions determined by using the method specified in Section 168(b)(1)(A) of the Code commencing with the taxable year of Lessor that includes the delivery date and using a basis equal to Lessor's cost as set forth on the Schedule; a reasonable estimate of the useful life of each item of Equipment is at least 125% of the Initial Term; a reasonable estimate of the fair market value of each item of Equipment at the end of the Initial Term is at least 20% of Lessor's cost therefor; and Lessee will not use the Equipment in a manner which will result in foreign source income for Lessor.

10.3 Lessor has calculated the Rent and, if applicable, Stipulated Loss Values for each Schedule based in part on Lessee's warranties herein and on the assumptions that Lessor shall be entitled to all tax benefits of ownership with respect to the Equipment (the "Tax Benefits"), including, but not limited to, the accelerated cost recovery deductions determined in accordance with Section 168(b)(1) of the Code for each item of Equipment based on the cost and depreciable life thereof specified on the Schedule. Lessee hereby indemnifies and holds Lessor harmless from and against any of the following: (i) the loss, disallowance, unavailability or recapture of all or any part of the Tax Benefits in the event that Lessor shall not be entitled or shall determine that it does not have substantial authority to claim, shall suffer a disallowance of, or shall be required to recapture all or any part of the Tax Benefits; (ii) Lessor's originally contemplated after-tax rate of return ("Net Return") is adversely affected as a result of any amendment of the Code or any other change in the tax law (including a tax rate change) occurring after the date of the Lease (collectively, a "Tax Law Change"); (iii) Lessor shall be required to include in its gross income for any period any amount other than the Rent in the respective specified monthly payment amounts and not prior to the respective periods to which such Rent is allocable under the terms of the Lease (the matters stated in clauses (i) (ii) and (iii) being referred to as a "Tax Loss"). Lessee shall pay to Lessor, in immediately available funds within thirty (30) days of Lessor's invoice, an indemnity, plus all taxes required to be paid by Lessor upon receipt of the indemnity which shall be computed at the highest marginal statutory tax rate then applicable to Lessor, which will maintain Lessor's Net Return in respect of the Equipment at the same level that would have been available if such Tax Loss had not occurred, and which includes penalties and interest payable in connection with such Tax Loss. In the event of an indemnity payment, the Stipulated Loss Values, if specified on the Schedule, shall be adjusted by Lessor as necessary to maintain Lessor's Net Return. For purposes of this paragraph, "Lessor" includes for all tax purposes the consolidated taxpayer group of which Lessor is a part.

11. Liens; Right of Inspection; Identification of Equipment.

11.1 Lessee shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, lien, security interest, encumbrance or claim on or with respect to the Equipment, Lessor's title thereto or any interest therein except for those created, incurred, assumed or suffered to exist by Lessor, and shall at all times protect and defend, at Lessee's sole cost and expense, Lessor's title and the Equipment from all claims, liens and legal process.

11.2 Lessor (or its designee) shall have the right from time to time during reasonable business hours to enter upon Lessee's premises or elsewhere for the purpose of confirming the existence, condition and proper maintenance (including the right to review Lessee's equipment log and applicable maintenance records) of the Equipment and, during any period of storage, Lessor also shall have the right to demonstrate and show the Equipment to others. The foregoing rights of entry shall be subject to any applicable laws, rules and regulations and Lessee's prior receipt from Lessor of notice of such entry.

11.3 Lessee shall, upon the request of Lessor, and at Lessee's own expense, firmly affix to the Equipment, in a conspicuous place, a label or metal plate (or other appropriate marking) as shall be supplied by Lessor showing Lessor as the owner and lessor of the Equipment.

So long as Lessee shall not be in default under the Lease it shall be entitled to the possession and use of the Equipment in accordance with the terms of the Lease. No item of Equipment shall be removed from its location as specifically shown on the Schedule without the prior written consent of Lessor. The Equipment shall be located in the United States at all times, and Lessee shall not, without Lessor's prior written consent, sublease, part with possession or control of the Equipment or attempt or purport to sell or otherwise dispose of or encumber any interest in the Equipment or under the Lease.

13. Lessor's Performance of Lessee's Obligations.

In the event that Lessee shall fail duly and promptly to perform any of its obligations under the Lease, Lessor may, at its option, perform the same for the account of Lessee without thereby waiving such default, and any amount paid or expense (including reasonable attorneys' fees), penalty or other liability incurred by Lessor in such performance, together with interest thereon at the Late Payment Rate until paid by Lessee to Lessor, shall be payable by Lessee upon demand as additional Rent for the Equipment. If a check is dishonored due to insufficient funds, Lessee shall be responsible for and pay to Lessor a returned check fee, not to exceed the lesser of \$50 or the maximum permitted by law. The returned check fee shall be payable by Lessee upon demand as additional Rent for the Equipment.

14. Default.

The occurrence of any of the following events shall constitute an event of default ("Event of Default") under the Lease:

- (a) Lessee fails to make any Payments due and owing under the Lease and such failure continues for a period of ten (10) days;
- (b) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it under the Lease and such failure continues uncured for fifteen (15) days after written notice thereof to Lessee by Lessor;
- (c) Lessee ceases doing business as a going concern, makes an assignment for the benefit of creditors, admits in writing its inability to pay its debts as they become due, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or an insolvent, files a petition seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement under any present or future statute, law or regulation or files an answer admitting the material allegations of a petition filed against it in any such proceeding, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of it or of all or any substantial part of its assets or properties, or Lessee or its shareholders shall take any action looking to its dissolution or liquidation;
- (d) within sixty (60) days after the commencement of any proceedings against Lessee seeking reorganization, arrangement, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceedings shall not have been dismissed, or within sixty (60) days after the appointment, without Lessee's consent or acquiescence, of any trustee, receiver or liquidator of Lessee or of all or any substantial part of Lessee's assets and properties, such appointment shall not have been vacated;
- (e) Lessee attempts to remove, sell, transfer, encumber, part with possession of or sublease the Equipment or any item thereof, except as expressly permitted hereunder;
- (f) Lessee defaults in the payment or performance of any obligation or indebtedness of any kind or description, whether direct, indirect, absolute or contingent, due or to become due, now existing or hereafter arising owing to Lessor or to any of its affiliates; or
- (g) any warranty, representation or statement made or furnished to Lessor by or on behalf of Lessee in or in connection with the Lease proves to have been false in any material respect when made or furnished.

15. Remedies on Default.

15.1 Upon the occurrence of an Event of Default, Lessor may, at its option, do one or more of the following:

- (a) by notice to Lessee, terminate the Lease effective on the date such Event of Default first occurred;
- (b) proceed by appropriate court action or actions or other proceedings either at law or equity to enforce performance by Lessee of any and all of its covenants under the Lease and to recover damages for the breach thereof;
- (c) with Lessee's consent or after legal process, take possession of the Equipment (by self-help, summary proceeding or otherwise) wherever located, without prejudice to any other claim or remedy referred to herein;
- (d) (i) sell the Equipment at private or public sale, in bulk or in parcels, with or without notice to Lessee (which Lessee hereby waives to the extent permitted by applicable law), without having the Equipment present at the place of sale or (ii) lease, otherwise dispose of, retain or keep idle all or part of the Equipment; Lessor may use Lessee's premises for any or all of the foregoing;
- (e) without notice or further action on the part of Lessor, declare immediately due and payable (i) all Payments due under the Lease, (ii) as liquidated damages for loss of the bargain and not as a penalty ("Liquidated Damages Amount"), (1) in the case of a Schedule that specifies Stipulated Loss

values, an amount equal to the stipulated loss value for the Equipment as of the next payment date immediately preceding the date Lessor declares the Lease in default, or (2) in the case of a Schedule that does not specify Stipulated Loss Values, all remaining Rent payments to be paid during the Initial Term or Renewal Term, as applicable, and the fair market residual value of the Equipment as of the expiration of the Initial Term or Renewal Term, as applicable, as determined by Lessor in a commercially reasonable manner at the inception of the Initial Term (each amount set forth in clause (e)(ii)(2) of this subparagraph 15.1 shall be discounted to present value at the interest rate specified in the Schedule), (iii) all costs and expenses incurred by Lessor in the repossession, recovery, storage or repair of the Equipment and all court costs and reasonable attorneys' fees incurred by Lessor relating to the enforcement of its rights under the Lease, and (iv) any indemnity payment, if then determinable; provided, however, that if the Event of Default described in either subparagraph 14(c) or subparagraph 14(d) shall have occurred and remains continuing, then all of the aforesaid amounts shall automatically and immediately become due and payable, without presentment, demand, notice, declaration, protest or other requirements of any kind, all of which are expressly waived by Lessee; and

(f) exercise any other right or remedy available to Lessor as a secured party under the Uniform Commercial Code or any other applicable law.

15.2 Lessor may sell, lease or otherwise dispose of the Equipment at a time and location of its choosing provided that Lessor acts in good faith and in a commercially reasonable manner. The proceeds of the sale, lease or other disposition, if any, of the Equipment shall be applied (i) to reimburse Lessor for all of its costs, charges and expenses incurred in taking, removing, holding, repairing, selling, leasing or otherwise disposing of the Equipment, including, without limitation, attorneys' fees, then (ii) to the extent not previously paid in full by Lessee, to pay Lessor the applicable Liquidated Damages Amount plus any late charges, indemnities and any other amounts then remaining unpaid under the Lease, then (iii) to reimburse Lessee for any such sum previously paid by Lessee pursuant to subparagraph 15.1(e). Any surplus shall be retained by Lessor. In no event shall Lessee upon demand by Lessor for payment hereunder or otherwise be obligated to pay any amount in excess of that permitted by law.

15.3 The waiver by Lessor of any breach of any obligation of Lessee shall not be deemed to be a waiver of any future breach of the same or any other obligation. No remedy of Lessor hereunder shall be exclusive of any remedy provided herein or by law, but each shall be cumulative and in addition to every other remedy referred to above or otherwise available to Lessor at law or in equity.

16. Indemnity.

Except for Lessor's gross negligence or willful misconduct, Lessee shall hold Lessor, its assignees, successors or transferees and their respective employees, officers and/or agents (collectively, "Indemnified Persons") harmless from, defend and indemnify the Indemnified Persons against any and all claims, actions, suits, proceedings (including, without limitation, claims for patent, trademark or copyright infringement by Lessee and claims for property damage, personal injury or wrongful death arising in strict liability or negligence), costs and expenses (including, without limitation, reasonable attorneys' fees), disbursements, losses, judgments, damages, penalties, fines and liability arising out of, connected with, or resulting from the Equipment or the Lease, including, without limitation, the manufacture, selection, delivery, possession, use, maintenance, operation or return of the Equipment. Lessee's obligations under this paragraph 16 shall survive the expiration or earlier termination of this Master Lease.

17. Assignment; Participations.

17.1 The Lease and all rights of Lessor thereunder, including its interests in the Equipment, may be transferred, pledged, sold or assigned by Lessor without Lessee's consent, but Lessee shall not be obligated to any assignee of Lessor except after written notice of such assignment from Lessor. Following such assignment (i) solely for the purpose of determining assignee's rights under the Lease, the term "Lessor" shall be deemed to include or refer to Lessor's assignee, (ii) such assignee shall have all the rights and benefits of Lessor under the Lease, but none of Lessor's obligations (except as expressly agreed to in writing by Lessor and such assignee), (iii) Lessee shall make all Payments directly to such assignee and (iv) Lessee agrees that it shall not assert against any assignee any claim, defense, counterclaim or offset that Lessee may have against Lessor, the manufacturer or the vendor of the Equipment or against any other person or entity. Lessor shall have the right to sell participation interests in a Lease without notice to or the consent of Lessee.

17.2 Without the prior written consent of Lessor, Lessee shall not assign, sell or otherwise transfer the Lease or its interests thereunder or enter into any sublease with respect to the Equipment covered thereby.

18. Notices.

All notices shall be in writing and shall be delivered to the appropriate party (i) personally, by private courier or by mail, postage prepaid, at its address shown herein or to such other address as directed in writing by such party, or (ii) by facsimile transmission.

19. Purchase Option.

19.1 If a Schedule contains a purchase option price for the Equipment, then at the expiration of the Initial Term of such Schedule, if Lessee has paid in full all rentals owing under such Schedule, and not be then in default under the Lease, Lessee shall have the option to purchase all, but not less than all, of Equipment upon giving written notice one hundred twenty (120) days prior to expiration of the Initial Term. The purchase price shall be as set forth in the applicable Schedule and shall be payable upon expiration of the Initial Term. If any Schedule does not contain a purchase option price, then Lessee shall not have an option to purchase any Equipment on such Schedule.

19.2 Any purchase option price stated as "fair market value" ("FMV") for any item of Equipment shall be equal to the cash price of the Equipment which would obtain between an informed and willing buyer under no compulsion to buy, and an informed and willing seller under no compulsion to sell, with the Equipment being in use and operational, and in the condition required under the Lease. The Lessor shall determine the FMV of the Equipment. In the

event that the Lessee disagrees with the Lessor's determination of FMV, the FMV shall be determined by an independent appraiser selected by Lessor. All costs and expenses of the appraisal shall be paid by Lessee.

19.3 In the event that the Lessee elects to purchase the Equipment, Lessee shall pay all taxes (other than taxes based on Lessor's income), costs and expenses including, without limitation, legal fees, incurred in connection with such sale, and Lessor shall transfer title to Lessee "AS IS", "WHERE IS", WITHOUT RECOURSE, REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, except that Lessor will warrant that the item of Equipment is free and clear of any liens created by Lessor.

20. Vendor Not an Agent.

Lessee understands and agrees that neither the vendor (or manufacturer, as applicable) nor any sales representative or agent of the vendor is an agent of Lessor. Sales representatives of the vendor, and persons not employed by Lessor (including, without limitation, brokers) are not authorized to waive or alter any term or condition of the Lease. No representation as to the Equipment by the vendor or by any other person not employed by Lessor shall in any way bind Lessor or affect Lessee's obligations under the Lease.

21. Upgrades; Alterations and Modifications.

21.1 Lessee shall not make any upgrades, modifications, alterations or additions to the Equipment without the prior written consent of Lessor. Notwithstanding the foregoing, Lessee shall be entitled to install, at Lessee's expense and with Lessor's prior written consent, such upgrades or modifications that (i) are required by the manufacturer, (ii) will not impair the originally intended function, use or value of the Equipment, (iii) will not render the Equipment ineligible for the manufacturer's or vendor's standard maintenance agreement, if so required, (iv) are of the type that are readily installed and removed from the Equipment without damage to the Equipment and (v) will not impair Lessee's ability to return the Equipment to Lessor in accordance with subparagraph 7.4. In the event that Lessor so agrees in writing, Lessee shall not be required to remove such modifications upon return of the Equipment. Any modifications or alterations that are not removed by Lessee shall automatically become the property of Lessor, free and clear of all liens. All upgrades, modifications or alterations shall be maintained in accordance with paragraph 7, including, without limitation, qualification for the manufacturer's or vendor's maintenance agreement, if so required.

21.2 In the event that Lessee leases upgrades from Lessor, unless otherwise agreed to in writing, the lease of such upgrades shall be on the same terms and conditions as then being offered by Lessor for the same type of upgrades.

22. Software.

Lessee and Lessor acknowledge that the Equipment may contain or include certain software ("Software") in which neither Lessor nor Lessee have any ownership or other proprietary rights. Where required by the owner or manufacturer of the Software, Lessee shall enter into a license or other agreement for the use of the Software. Any Software agreement shall be separate and distinct from the Lease, and Lessor shall not have any obligations whatsoever thereunder. In the event a Schedule includes an amount attributable to the financing by Lessor of Lessee's fee for the use of the Software, Lessee agrees that all such amounts shall be deemed Rent and subject to all of the provisions of the Lease.

23. Counterpart Schedules.

One originally executed copy of the Schedule shall be denominated "Originally Executed Copy No. 1 of 1 originally executed copies" and such copy shall be retained by Lessor. If more than one copy of the Schedule is executed by Lessor and Lessee, all such other copies shall be numbered consecutively with numbers greater than 1. Only transfer of possession by Lessor of the originally executed copy denominated "Originally Executed Copy No. 1" shall be effective for the purpose of perfecting an interest in such Schedule by possession.

24. Article 2A of the Uniform Commercial Code.

Lessee agrees that if Article 2A - Leases of the Uniform Commercial Code applies to the Lease, the Lease shall be considered a "finance lease", as that term is defined in Article 2A. By executing the Lease, Lessee agrees that either: (i) Lessee has received a copy of the contract by which Lessor acquired the Equipment, or (ii) that Lessor has informed Lessee of the identity of the vendor, that Lessee is entitled to the promises and warranties provided by the vendor to Lessor, and that Lessee may contact the vendor for a description of those promises and warranties.

25. Lessee's Representations and Warranties; Negative Covenants.

25.1 Lessee represents and warrants, as of the date of the Lease, that (i) Lessee is duly organized, validly existing and in good standing under the laws of the state of its incorporation or organization, and is qualified to do business where necessary to carry on its business and operations and own its property, (ii) the Lease has been duly authorized, executed and delivered by Lessee and constitutes the legal, valid and binding obligation of Lessee, enforceable in accordance with its terms and (iii) the execution, delivery and performance by Lessee of its obligations under the Lease will not violate any judgment, order, law or governmental regulation applicable to Lessee or any provision of Lessee's articles of incorporation, by-laws or other organizational documents or result in any breach of or constitute a default under any instrument or agreement to which Lessee is a party or by which Lessee or its assets may be bound. Lessor, at its sole discretion, shall have the right to request from Lessee's counsel a written opinion as to the foregoing.

25.2 If Lessee (i) changes the form of organization of its business, (ii) merges or consolidates with another entity, (iii) changes its name or (iv) changes its state of organization or formation, then Lessee shall so notify Lessor within thirty (30) days of such event.

26. Further Assurances.

26.1 Lessee shall execute and deliver to Lessor, upon Lessor's request, such instruments and assurances as Lessor deems necessary or advisable for the confirmation of the Lease and Lessor's rights thereunder. Lessee shall execute financing statements and any other documents or instruments reasonably requested by Lessor to perfect Lessor's interest in the Lease, the Equipment and all Payments due thereunder.

26.2 If Lessor in good faith believes itself insecure or Lessee's performance impaired, it may declare a default under the Lease or, instead of declaring a default, Lessor may demand, and Lessee hereby agrees to give, additional equipment or other collateral as security for Lessee's obligations under the Lease.

27. Miscellaneous.

27.1 If any provision of the Lease is contrary to, prohibited by or deemed invalid under applicable laws or regulations of any jurisdiction, such provision shall be inapplicable and deemed omitted but shall not invalidate the remaining provisions of the Lease.

27.2 In the event the Lease or any part thereof is deemed to be a lease creating a security interest, in no event shall Lessee, by acceleration or prepayment of the unpaid Payments due under the Lease, be obligated to pay any amount in excess of that which is permitted by law. Any acceleration or prepayment of the unpaid Payments due under the Lease shall be subject to all applicable laws, including, without limitation, rebates of unearned charges. If in any event whatsoever, Lessor shall receive anything of value deemed interest under applicable law which would exceed the maximum amount of interest under applicable law, the excess amount shall be applied to the reduction of the unpaid amounts due under the Lease or shall be refunded to Lessee. All sums paid or agreed to be paid by Lessee to Lessor for the use, forbearance or detention of money shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of a Schedule so that the amount of consideration constituting interest is uniform throughout the term of the Schedule and does not exceed the maximum permitted by applicable law.

27.3 In the event the Lease or any part thereof is deemed to be a lease creating a security interest, Lessee grants Lessor a security interest in each item of Equipment and the proceeds thereof as security for all of Lessee's indebtedness and obligations owing under the Lease, as well as all other present and future indebtedness and obligations of Lessee to Lessor of every kind and nature whatsoever. In the event Lessor assigns a Lease to an assignee pursuant to subparagraph 17.1, assignee's interest in the security interest granted in this subparagraph 27.3 shall be limited to those items of Equipment and proceeds thereof covered by each Schedule so assigned to such assignee and shall secure only the payment and performance of Lessee's obligations under such Schedule(s).

27.4 THE LEASE REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES, EMBODIES THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE PARTIES THERETO, SUPERSEDES ALL PRIOR AGREEMENTS AND UNDERSTANDINGS RELATING TO THE SUBJECT MATTER THEREOF, AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. THE LEASE MAY NOT BE ALTERED, MODIFIED, TERMINATED OR DISCHARGED EXCEPT BY A WRITING SIGNED BY THE PARTY AGAINST WHOM SUCH ALTERATION, MODIFICATION, TERMINATION OR DISCHARGE IS SOUGHT.

27.5 Progress payments, if mutually agreed upon by Lessee and Lessor, in respect of the Equipment, shall be made as provided in the applicable Schedule.

27.6 The Lease shall be binding upon and inure to the benefit of Lessor, Lessee, and their successors and permitted assigns.

27.7 Paragraph headings are for convenience only and shall not be construed as part of this Master Lease.

27.8 LESSOR AND LESSEE HEREBY WAIVE THE RIGHT TO A TRIAL BY JURY OF ANY MATTERS ARISING OUT OF THE LEASE OR ANY OTHER AGREEMENT EXECUTED IN CONNECTION THEREWITH.

Lessee: Wellman Dynamics Corporation Lessor: The CIT Group/Equipment Financing, Inc.
Name of individual, corporation or partnership Name of individual, corporation or partnership
Robert J. Dawers GENERAL MANAGER, By Carole G. G... Title TC
Controller If corporation, have signed by President, Vice President, Treasurer or other duly authorized individual, and give official title. If owner or partner, state which. If corporation, have signed by President, Vice President, Treasurer or other duly authorized individual, and give official title. If owner or partner, state which.

If Lessee is a partnership, enter:
Partners' names Home addresses

EXHIBIT B

Equipment Schedule No. 1

Dated as of February 6, 2001

To Master Lease Agreement dated as of February 6, 2001

Acceptance Date _____

Commencement Date _____

Equipment Schedule to MASTER LEASE AGREEMENT dated as of February 6, 2001 between
The CIT Group/Equipment Financing, Inc., as Lessor and Wellman Dynamics Corporation, as Lessee.

This Schedule incorporates the terms and conditions of the above-referenced Master Lease Agreement. Each capitalized term used herein shall have the same meaning given to it in the above-referenced Master Lease Agreement unless otherwise defined herein.

This is Originally Executed Copy No. 1 of 1 originally executed copies. Only transfer of possession by Lessor of Originally Executed Copy No. 1 shall be effective for the purpose of perfecting an interest in this Schedule by possession.

1. **EQUIPMENT DESCRIPTION:** See Schedule A attached hereto and made a part hereof.
2. **LESSOR'S AGGREGATE COST OF EQUIPMENT:** \$94,454.00
3. **EQUIPMENT LOCATION(S):** 1746 Commerce Road Creston Union County IA 50801
4. **INITIAL TERM:** 72 months.
5. **RENT PAYMENTS.** The Basic Rent for the Equipment during the Initial Term shall be the amount of \$ 1,509.32.
The Basic Rent shall be exclusive of any taxes required to be paid by Lessee pursuant to the Master Lease and shall be payable monthly in arrears commencing on the last calendar day of the month in which the Commencement Date and a like sum on the last day of each month thereafter (each a "Payment Date") until paid in full. If the Acceptance Date does not occur on the first day of a calendar month, then Lessee shall pay Lessor an amount equal to the product of (i) one-thirtieth (1/30), if Basic Rent is payable monthly, or one-ninetieth (1/90), if Basic Rent is payable quarterly, of the Basic Rent and (ii) the number of days from and including the Acceptance Date through and including the last calendar day of the month in which the Acceptance Date falls.
6. **PROGRESS PAYMENTS.** If either of the lines designated "Lessee" or "Lessor" is checked below, then Lessee or Lessor, as the case may be, shall make payments to the manufacturer(s) or supplier(s) of the Equipment in accordance with the applicable provisions checked below.

Lessee: Lessee shall timely pay to the manufacturer(s) or supplier(s) of the Equipment all progress payments required in respect of the Equipment and simultaneously with the making of such payment provide Lessor with the invoice therefor and evidence satisfactory to Lessor of Lessee's payment thereof. Within thirty (30) days after Lessor has received from Lessee the Evidence of Acceptance, Lessor shall reimburse Lessee for all such progress payments so made by Lessee, provided, however, that no Event of Default has occurred and remains continuing under this Schedule or the Master Lease.

Lessor: Not less than ten (10) days prior to the due date of any progress payments, Lessee shall deliver to Lessor an authorization, in form and substance satisfactory to Lessor, to make such progress payments and, provided on such due date no Event of Default has occurred and remains continuing under this Schedule or the Master Lease, Lessor shall make the progress payments to the manufacturer(s) or supplier(s) specified in the authorization, in the amounts set forth in such authorization. In respect of such progress payments so made by Lessor, Lessee makes the covenants set forth below.

(i) Lessee shall pay to Lessor an amount equal to the product of (i) the daily rental factor of _____, (ii) the amount of the progress payments advanced by Lessor pursuant to the authorization and (iii) the number of days from and including the date on which Lessor first advanced such progress payments to the Commencement Date. Such payment shall be made by Lessee to Lessor immediately upon Lessee's receipt of a written request therefor (but not more than one such payment shall be made within any given period of thirty (30) days) accompanied by evidence reasonably satisfactory to Lessee indicating the amount and date of payment by Lessor of the progress payments in respect of which such payment is so requested.

(ii) In the event Lessee shall not deliver to Lessor the Evidence of Acceptance on or before _____ months from the date hereof (unless such period is extended by mutual agreement of Lessor and Lessee), Lessee shall pay to Lessor, upon demand, an amount equal to the sum of all progress payments theretofore made by Lessor pursuant to this Schedule, together with unpaid interest thereon.

7. **STIPULATED LOSS VALUES.** The Stipulated Loss Values, expressed as a percentage of Lessor's cost of the Equipment, are set forth in Exhibit A attached hereto. The Stipulated Loss Value with respect to any item of Equipment as of any Payment Date shall be an amount determined by multiplying Lessor's cost of the item by the applicable percentage set forth in Exhibit A. Any Stipulated Loss Value determined as of a date after the final Payment Date of the Initial Term shall be determined by using the percentage for the final Payment Date of the Initial Term.

8. **TAX BENEFITS.** Lessor is entitled to all tax benefits of ownership with respect to the Equipment. Equipment has a recovery period of 7 years.

9. **RETURN, OPERATION, MAINTENANCE, ADDITIONS.** Without limiting the generality of the provisions of paragraph 7 of the Master Lease, Lessee agrees that upon the required return of the Equipment to Lessor, each item of Equipment shall comply with all of the criteria set forth on Attachment 1 attached hereto and made a part hereof.

10. **RETURN FEE:** \$0.00

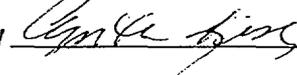
11. **NONREFUNDABLE PROCESSING/ORIGINATION FEE** payable to _____: \$0.00

13. **ADDITIONAL PROVISIONS:**

IN WITNESS WHEREOF, this Schedule has been signed as of the date set forth above.

Lessee: Wellman Dynamics Corporation

_____ Title Controller
ROBERT BOWERS _____
Kenneth Thomas _____
Print or Type Name

Lessor: THE CIT GROUP/EQUIPMENT FINANCING, INC.
By  _____ Title TC

Print or Type Name

SCHEDULE A TO EQUIPMENT SCHEDULE NO. DATED AS OF FEBRUARY 6,
2001 TO MASTER LEASE AGREEMENT OF EVEN DATE BY AND BETWEEN
THE CIT GROUP/EQUIPMENT FINANCING, INC. AS LESSOR AND WELLMAN
DYNAMICS CORPORATION AS LESSEE

One (1) Ingersoll Rand EP300-2S Air Compressor w/ air dryer and (2) Filters, S/M:
EE2067

One (1) Motivair MDX1500-A4 Refrigerated Air Dryer

One (1) Motivair AF2406-P Particulate Filter

One (1) Motivair AF2406-S Coalescing Filter

Lessee's Initial LY

Lessor's Initial AD



UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

ORDER

Upon notice and consideration of the Motion of The CIT Group/Equipment Financing, Inc. For An Order Compelling Debtor To Make Payments Pursuant To 11 U.S.C. § 365(d)(10) And Compelling The Debtor To Assume Or Reject Lease Pursuant To 11 U.S.C. § 365(d)(2) (the "Motion"), and after notice and an opportunity for a hearing, and good cause appearing therefor, it is hereby

ORDERED THAT the Motion is granted;

ORDERED THAT, pursuant to 11 U.S.C. § 365(d)(10), the Debtor shall pay to CIT the sum of \$_____ within five (5) days after this Order is executed for past due post-petition payments under the Leases (as defined in the Motion);

ORDERED THAT, pursuant to 11 U.S.C. § 365(d)(2), the Debtor shall file, and serve notice of, a motion to assume or reject the Lease (the "Motion to Assume or Reject") within ten (10) days after this order is entered on the docket;

ORDERED THAT a hearing on the Motion to Assume or Reject shall be conducted at _____ p.m. on _____, 2002 (the "Hearing"); and it is further

ORDERED THAT, pursuant to 11 U.S.C. §§ 365(d)(10), the Debtor shall continue to make ongoing payments under the Lease to CIT on a timely basis until further Order of the Court.

BY THE COURT:

United States Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that on this 20th day of June, 2002, I caused a copy of the (i) Motion of The CIT Group/Equipment Financing, Inc. For An Order Compelling Debtor To Make Payments Pursuant To 11 U.S.C. § 365(d)(10) And Compelling The Debtor To Assume Or Reject Lease Pursuant To 11 U.S.C. § 365(d)(2), (ii) Notice of Motion, and (iii) (proposed) Order to be served on all parties listed on the attached service list via the manner indicated therein.

By: /s/ Jan A. T. van Amerongen, Jr
Jan A. T. van Amerongen, Jr. (No. 3453)

Fansteel Inc. 2002 Service List
Case No. 02-10109 JJF

VIA HAND DELIVERY

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