

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
FANSTEEL INC., et al.,¹) Case No. 02-10109 (JJF)
) (Jointly Administered)
Debtors.)

Objection Deadline: November 26, 2002 at 4:00 P.M. ET
Hearing Date: TBD (Only if objections are timely filed)

**NOTICE OF THIRD MOTION OF DEBTORS FOR AN ORDER EXTENDING
THE TIME TO ASSUME OR REJECT UNEXPIRED LEASES OF
NONRESIDENTIAL REAL PROPERTY PURSUANT TO SECTION 365(d)(4)
OF THE BANKRUPTCY CODE**

TO: ALL PARTIES REQUIRED TO RECEIVE NOTICE PURSUANT TO UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE LOCAL RULE OF BANKRUPTCY PRACTICE AND PROCEDURE 2002-1(b)

On November 8, 2002, the captioned debtors and debtors-in-possession (the "Debtors") filed with United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 (the "Bankruptcy Court") the **Third Motion of Debtors for an Order Extending the Time To Assume or Reject Unexpired Leases of Nonresidential Real Property Pursuant to Section 365(d)(4) of the Bankruptcy Code** (the "Motion"). The Motion seeks an order extending the time to assume or reject unexpired leases of nonresidential real property pursuant to Bankruptcy Code § 365(d)(4) to and including Wednesday, March 12, 2003. A true and correct copy of the Motion is attached.

¹ The Debtors are the following entities: Fansteel Inc.; Fansteel Holdings, Inc., Custom Technologies Corp., Escast, Inc., Wellman Dynamics Corp., Washington Mfg. Co., Phoenix Aerospace Corp., American Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.

Am 58457 Filed 11/10/02 by [Name]

RESPONSES OR OBJECTIONS, IF ANY, TO THE RELIEF REQUESTED IN THE MOTION MUST BE IN WRITING, FILED WITH THE BANKRUPTCY COURT, AND SERVED UPON BOTH OF THE UNDERSIGNED COUNSEL FOR DEBTORS SO AS TO BE RECEIVED BY 4:00 P.M., PREVAILING EASTERN TIME, ON NOVEMBER 26, 2002.

IF ANY OBJECTIONS ARE TIMELY FILED AND SERVED, A HEARING ON THE MOTION MAY BE HELD AT A TIME TO BE DETERMINED, BEFORE THE HONORABLE JOSEPH J. FARNAN, JR., OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE. THE HEARING WILL BE HELD IN COURTROOM 6A, J. CALEB BOGGS FEDERAL BUILDING, 844 N. KING STREET, WILMINGTON, DELAWARE 19801. ONLY TIMELY FILED AND RECEIVED WRITTEN OBJECTIONS WILL BE CONSIDERED BY THE COURT AT THE HEARING.

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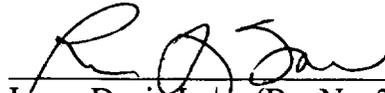
IF NO OBJECTIONS ARE TIMELY FILED AND SERVED IN
ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF
REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: November 8, 2002

SHULTE ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS – 7600)
Michael R. Mitchell (MRM – 9279)
919 Third Avenue
New York, NY 10022
Telephone: (212) 756-2000
Facsimile: (212) 593-5955

and

PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.



Laura Davis Jones (Bar No. 2436)
Hamid Rafatjoo (CA Bar No. 181564)
Rosalie L. Spelman (Bar No. 4153)
919 North Market Street, 16th Floor
P.O. Box 8705
Wilmington, DE 19899-8705 (Courier 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400

Co-Counsel for the Debtors and
Debtors in Possession

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
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FANSTEEL INC., et al.,¹) Case No. 02-10109 (JJF)
) (Jointly Administered)
Debtors.)

Objection Deadline: November 26, 2002 at 4:00 p.m. ET
Hearing Date: TBD (Only if objections are filed)

**THIRD MOTION OF DEBTORS FOR AN ORDER EXTENDING THE TIME TO
ASSUME OR REJECT UNEXPIRED LEASES OF NONRESIDENTIAL REAL
PROPERTY PURSUANT TO SECTION 365(d)(4) OF THE BANKRUPTCY CODE**

The debtors and debtors in possession in the captioned cases (collectively, the “Debtors”) hereby move (the “Motion”) this Court, pursuant to section 365(d)(4) of title 11 of the United States Code (the “Bankruptcy Code”), to enter an order granting a third approximately 120-day extension of time for the Debtors to assume or reject any leases, subleases or other agreements (the “Real Property Leases”) to which any of the Debtors are a party that may be considered an “unexpired nonresidential real property lease,” through and including the date of Wednesday, March 12, 2003. In support of this Motion, the Debtors respectfully represent as follows:

Status of the Case and Jurisdiction

1. On January 15, 2002 (the “Petition Date”), the Debtors commenced these cases by each filing a voluntary petition for relief under chapter 11 of title 11 of the Bankruptcy

¹ The Debtors are the following entities: Fansteel Inc.; Fansteel Holdings, Inc., Custom Technologies Corp., Escast, Inc., Wellman Dynamics Corp., Washington Mfg. Co., Phoenix Aerospace Corp., American Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.

Code. On the Petition Date, the Debtors also jointly filed motions or applications seeking certain “first day” orders, including an order to have these cases jointly administered.

2. The Debtors have continued in possession of their properties and have continued to operate and manage their businesses as debtors in possession since the Petition Date pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

3. On January 28, 2002, the United States Trustee for the District of Delaware appointed the Official Committee of Unsecured Creditors in these chapter 11 cases.

4. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory predicates for the relief requested herein are § 365(a) of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 6006.

Background of the Debtors

5. The facts and circumstances of this case are set forth in the Affidavit of Gary L. Tessitore, Chairman of the Board, President and Chief Executive Officer of Fansteel Inc. in Support of First Day Motions [Docket No. 3].

6. On May 16, 2002, the Court entered an Order Granting Extension of Time to Assume or Reject Unexpired Leases of Nonresidential Real Property [Docket No. 199]. The first extension was through and including July 14, 2002.

7. On August 22, 2002, the Court entered an Order Granting Second Extension of Time to Assume or Reject Unexpired Leases of Nonresidential Real Property [Docket No. 432]. The second extension was through and including November 12, 2002.

**Request for an Extension of the Debtors' Deadline
to Assume or Reject Their Real Property Leases**

8. By this Motion, the Debtors request entry of an order, pursuant to section 365(d)(4) of the Bankruptcy Code, granting a third 120-day extension of the sixty-day period to assume or reject non-residential real property leases ("Sixty-Day Period"), which would otherwise expire on November 12, 2002, through and including Wednesday, March 12, 2003. Such an extension would be subject to and without prejudice to the rights of the Debtors to request a further extension of time to assume or reject the Real Property Leases.

Basis For Relief Requested

9. This Motion is filed pursuant to section 365(d)(4)² of the Bankruptcy Code which permits courts to grant, for cause, extensions of the Sixty-Day Period. See In re Channel Home Centers, Inc., 989 F.2d 682 (3d Cir. 1993), cert. denied, 114 S. Ct. 184 (1993). The primary purpose of section 365(d)(4) is "to protect lessors... from delay and uncertainty by forcing a trustee or a debtor in possession to decide quickly whether to assume unexpired leases." In re American Healthcare Mgmt., Inc., 900 F.2d 827, 830 (5th Cir. 1990). In enacting

² Section 365(d)(4) provides:

Notwithstanding paragraphs (1) and (2), in a case under any chapter of this title, if the trustee does not assume or reject an unexpired lease of nonresidential real property under which the debtor is the lessee within 60 days after the date of the order for relief, or within such additional time as the court, for cause, within such 60-day period, fixes, then such lease is deemed rejected and the trustee shall immediately surrender such nonresidential real property to the lessor.

11 U.S.C. § 365(d)(4) (emphasis added).

section 365(d)(4) of the Bankruptcy Code, Congress recognized, “that in some cases sixty days will not be enough time for bankrupt lessees to decide whether to assume or reject leases. In these circumstances, upon adequate demonstration of cause, bankruptcy courts may grant lessees extensions of time in which to assume or reject.” Id.

10. It is well-established that the factors³ in support of an extension of time under section 365(d)(4) of the Bankruptcy Code include, among others, “whether the debtor has had sufficient time to formulate a plan of reorganization,” In re Burger Boys, Inc., 94 F.3d 755, 761 (2d. Cir. 1996), and “whether the case is exceptionally complex and involves a large number of leases.” In re Victoria Station, Inc., 88 B.R. 231, 236 n.7 (9th Cir. B.A.P. 1988). Indeed, the Third Circuit Court of Appeals recognized that “nothing prevents a bankruptcy court from granting an extension because a particular debtor needs additional time to determine whether the assumption or rejection of particular leases is called for by the plan of reorganization that it is attempting to develop.” Channel Home Centers, 989 F.2d at 689.

11. Numerous courts have granted debtors the extension, under section 365(d)(4) of the Bankruptcy Code, for long periods of time in order to give the debtor more time to analyze its leases in light of the reorganization plan. See, e.g., In re New York Deli, Ltd., 41 B.R. 198 (Bankr. D. Del. 1984) (granting a nine month extension of time to assume or reject

³ The legislative history of section 364(d)(4) indicates that the Sixty Day Period “could be extended by the court for cause, such as in exceptional cases involving large numbers of leases.” In re Channel Home Centers, Inc., 989 F.2d at 685 n.2 (citing 130 Cong. Rec. S8894-95, reprinted at 1984 U.S. Code Cong. & Admin. News 576, 598-601 (remarks of Sen. Hatch concerning the bill)).

leases); Victoria Station 88 B.R. at 236-37 (granting multiple extensions of time to assume or reject leases). Indeed, this District has uniformly granted such extensions in chapter 11 cases.⁴

12. Since the Petition Date, the Debtors' management and professionals have obtained DIP financing, worked on a new decommissioning plan for the Muskogee facility, marketed assets, maintained and improved operations, as well as worked on a business plan leading towards a plan of reorganization. Debtors have a motion for approval of the sale of all of the capital stock of a subsidiary, Fansteel Schulz Company, Inc ("Schulz"), currently pending before the Court [Docket No. 538].

13. Since the Petition Date, the Debtors have allowed certain real property leases to expire by their own terms, rejected others, and have consensually terminated others. The remaining Real Property Leases include leases for warehousing, offices, and a machine shop facility. One lease, and addendum thereto, is currently the subject of a motion before the Court for approval to assign in connection with the Schulz stock sale [Docket No. 538]. For the remaining Real Property Leases, it is too soon for Debtors to have determined whether or not it is in the best interests of the estates, and their forthcoming plan of reorganization, to assume or reject them.

14. Pending the Debtors' election to assume or reject the Real Property Leases, the Debtors will continue to perform all of their obligations under the Real Property

⁴ See, e.g., In re Webvan Group, Inc., No. 01-2404 (MFW) (Bankr. D. Del. July 13, 2001); In re Pathmark Stores, Inc., 00-2963 (PJW) (Bankr. D. Del. July 12, 2000); In re Pillowtex, Inc., No. 00-4211 (SLR) (Bankr. D. Del. Jan. 16, 2001); In re The Imperial Home Décor Group, Inc., No. 00-19 (MFW) (Bankr. D. Del. Mar. 15, 2000); In re Purina Mills, Inc., No. 99-3938 (SLR) (Bankr. D. Del. Aug. 31, 1999); In re Montgomery Ward Holding Corp., No. 97-1409 (PJW) (Bankr. D. Del. Aug. 28, 1998).

Leases, as required by section 365(d)(3) of the Bankruptcy Code. As a result, there should be little or no prejudice to the Lessors as a result of the requested extension.

15. For the reasons set forth herein, and given the importance of the Real Property Leases to the Debtors' ongoing operations, the Debtors propose that the deadlines for making these decisions be extended through and including Wednesday, March 12, 2003. The Debtors respectfully submit that the time period extended should be granted subject to and without prejudice to the rights of the Debtors to request a further extension of time to assume or reject the Real Property Leases.

Notice

16. Notice of this Motion has been provided to all those persons required to receive notice pursuant to United States Bankruptcy Court for the District of Delaware Local Rule of Bankruptcy Practice and Procedure 2002-1(b).

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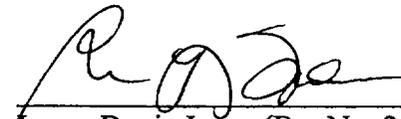
WHEREFORE, the Debtors respectfully request that the Court enter an order: (i) granting the Debtors an extension of time pursuant to 365(d)(4) of the Bankruptcy Code to assume or reject all Real Property Leases through and including Wednesday, March 12, 2003, subject to and without prejudice to the rights of the Debtors to seek further extension of time, and (ii) granting such other and further relief as the Court may deem necessary and proper.

Dated: November 8, 2002

SCHULTE, ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS - 7600)
Michael R. Mitchell (MRM - 9279)
919 Third Avenue
New York, New York 10022
Telephone: (212) 756-2000
Facsimile: (212) 593-5955

and

PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.



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) (Jointly Administered)
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Debtors.)

**ORDER GRANTING THIRD EXTENSION OF TIME TO ASSUME OR
REJECT UNEXPIRED LEASES OF NONRESIDENTIAL REAL PROPERTY**

Upon the motion (the “Motion”) of the debtors and debtors in possession in the captioned cases (“Debtors”) for entry of an order pursuant to section 365(d)(4) of the Bankruptcy Code,² extending the time to assume or reject unexpired nonresidential real property leases; and it appearing that this Court has jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C §§ 157 and 1334; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that this Motion is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been given; and it appearing that the relief requested in the Motion is in the best interests of the Debtors and their estates and creditors; and after due deliberation and sufficient cause appearing therefor, it is hereby:

ORDERED that the Motion is granted; and it is further

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² Capitalized terms not defined herein shall have the same meaning as in the Motion.

ORDERED that the Debtors' time to elect to assume or reject the Real Property Leases is extended pursuant to section 365(d)(4) of the Bankruptcy Code through and including Wednesday, March 12, 2002; and it is further

ORDERED that entry of this Order shall be subject to and without prejudice to the rights of the Debtors to request a further extension of time to assume or reject the Real Property Leases.

Dated: _____, 2002

The Honorable Joseph J. Farnan, Jr.
United States District Court Judge