

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

Objection Deadline: February 3, 2003 at 12:00 p.m.
(noon) E.T.
(Hearing only if objections are filed)

**NOTICE OF MOTION FOR ORDER ESTABLISHING PROCEDURES FOR, AND
APPROVING, SALE BY LIQUIDATOR OF CERTAIN MACHINERY AND
EQUIPMENT FREE AND CLEAR OF
ALL LIENS, CLAIMS, INTERESTS, AND ENCUMBRANCES**

**To all parties entitled to notice pursuant to
Local Bankruptcy Rule 2002-1(b):**

On January 13, 2003, Fansteel Inc. and Escast, Inc., each debtors and debtors in possession in the above-captioned cases, filed the attached Motion For Order Establishing Procedures For, And Approving, Sale By Liquidator Of Certain Machinery and Equipment Free And Clear Of All Liens, Claims, Interests, And Encumbrances (the "Motion").

Objections or responses, if any, to the Motion, must be filed with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 on or before February 3, 2003 at 12:00 p.m.(noon) Eastern Time. At the same time, you must also serve a copy of the response or objection upon co-counsel for Fansteel and Escast: (i) Pachulski, Stang, Ziehl, Young & Jones P.C., 919 North Market Street, Suite 1600, P.O. Box 8705, Wilmington, Delaware 19899-8705 (courier 19801) (Attn: Laura Davis Jones, Esq.), and

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., and American Sintered Technologies, Inc.

*NMSO1
Add: Reddy
must be*

(ii) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022 (Attn: Jeffrey S. Sabin, Esq.); and (iii) the Office of the United States Trustee (Attn: David Buchbinder, Esq.), 844 King Street, Suite 2313, Lockbox 35, Wilmington, Delaware 19801.

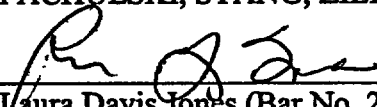
IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED BY THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: January 13, 2003

SCHULTE ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS-7600)
Lawrence V. Gelber (LVG-9384)
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
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Telephone: (302) 652-4100
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Co-Counsel for Debtors and
Debtors-in-Possession

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)
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Debtors.)

Objection Deadline: February 3, 2003 at 12:00 p.m.
(noon) E.T.
(Hearing only if objections are filed)

**MOTION FOR ORDER ESTABLISHING PROCEDURES FOR, AND APPROVING,
SALE BY LIQUIDATOR OF CERTAIN MACHINERY AND EQUIPMENT FREE AND
CLEAR OF ALL LIENS, CLAIMS, INTERESTS, AND ENCUMBRANCES**

Fansteel Inc. ("Fansteel") and Escast, Inc. ("Escast") each debtors and debtors in possession in the above-captioned cases hereby move this Court (the "Motion") for an Order Establishing Procedures For, And Approving, Sale By Liquidator Of Certain Machinery and Equipment Free And Clear Of All Liens, Claims, Interests, And Encumbrances (the "Motion"). In support of this Motion, Fansteel and Escast respectfully represent as follows:

Background

1. On January 15, 2002 (the "Petition Date"), Fansteel and Escast each filed with this Court voluntary petitions for relief under 11 U.S.C. §§ 101 *et seq.*, as amended (the "Bankruptcy Code"). Fansteel and Escast continue to operate their businesses and manage their affairs as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in any of the Fansteel and Escast chapter 11 cases

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.; and American Sintered Technologies, Inc.

(together, the "Cases"). A creditors' committee (the "Committee") was appointed in these Cases on January 28, 2002.

Debtors' Structure And Operations

2. Fansteel and the other eight debtors (each a direct or indirect wholly-owned subsidiary of Fansteel) (collectively, the "Debtors") have been engaged for over 70 years in the business of manufacturing and marketing specialty metal products with today's operations being conducted at ten manufacturing facilities (five of which are owned by Fansteel) in nine states. Collectively, Fansteel and Escast have approximately 1,250 employees, substantially all on a full-time basis, including approximately 365 employees that are working under collective bargaining agreements with four different unions. Each Debtor is operated separately, with separate employees, separate operations and separately maintained books and records.

The Sarasota Operations

3. Escast historically operated an automatic equipment and tooling division in a 5,000 square foot production facility owned by Escast located at 2080 Limbus Avenue, Sarasota, Florida (the "Sarasota Facility"). In or about October 11, 2002, Escast ceased operations at the Sarasota Facility. Prior to its closure, the Sarasota Facility supplied investment casting foundries with automatic wax injection presses, pattern assembly machines, and custom pattern tooling to its customers.

Jurisdiction and Venue

4. This Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334. Venue is proper under 28 U.S.C. §§ 1408 and 1409. This is a core proceeding as defined in 28 U.S.C. § 157(b)(2). The statutory predicates for relief are 11 U.S.C. § 363 and Fed. R. Bankr. P. 6004(f).

Relief Requested

5. By this Motion, Fansteel and Escast seek entry of an order establishing procedures for, and approving, sale by Escast conducted by its agent, the liquidator, of certain machinery and equipment free and clear of all liens, claims, interests, set off rights and other encumbrances.

Basis For Relief

6. As described above, Escast no longer conducts any operations at the Sarasota Facility, and the machinery and the equipment currently located at that facility is not useful for any of Escast's ongoing operations. Accordingly, Escast has determined, in an exercise of its sound business judgment, that a liquidation of these assets is the best means to maximize their value for the benefit of all of Escast's creditors. Escast thus proposes to sell at auction, the machinery and equipment located at the Sarasota Facility (the "M&E"). The sale would be conducted by Escast's liquidator, Standard Industrial Machinery Co., Inc. ("Standard"),¹ free and clear of all liens, claims, interests, set off rights and other encumbrances (collectively, the "Liens"), at the highest price offered, with all valid Liens, if any, to attach to the net proceeds of the sales (the "Net Proceeds") to the extent of such proceeds and in the order of their priority, with the same validity, force, and effect that they now have against the M&E, without further order of the Court. To the best of Escast's knowledge, the only know Liens are the liens of Congress Financial Corporation, the Debtors' postpetition lender ("Congress") which

¹ By separate application filed contemporaneously with this Motion, Fansteel and Escast are seeking this Courts approval to engage Standard for the purpose of acting as Escast's agent to liquidate the M&E.

has agreed to the sale of the M&E as evidenced by the "Amendment" discussed and defined in paragraph 12 herein.

7. Escast would like the liquidation of the approximately 53 pieces of M&E to take place at the Sarasota Facility between February 10 and February 21, 2003 on an "as is" basis. In preparation for the sale, Standard will prepare a printed brochure that will contain a full listing of the M&E, with suggested minimum prices. The brochure will be distributed to potential purchasers within a four state area (Florida, Alabama, Georgia, and South Carolina), as well as to the 10,000 persons and entities on Standard's in-house mailing list. The sale also will be advertised on various websites, including Standard's website, the Used Equipment Network website and other locator websites. Finally, any M&E that is not sold at the Sarasota Facility will be moved by Standard to its Oxford, Alabama facility and be stored, for up to 6 months at no charge to Escast, until such time as the remaining M&E is sold. Escast will retain title to the M&E until such M&E is sold and any unsold M&E will be returned to Escast. All loading and freight charges in connection with the M&E transport to Standard's Oxford facility will be borne by Escast. Standard's fee for the foregoing services is 30% of the M&E net selling price for each piece of the M&E that is eventually sold. See engagement letter attached hereto as Exhibit A.

8. Standard recently appraised the M&E as having an aggregate liquidation value of approximately \$89,350. See Certification and Appraisal attached hereto as Exhibit B. Escast proposes to turn over the Net Proceeds of each sale of M&E to holders of valid and undisputed Liens on such M&E, if any, in appropriate order of priority. See 11 U.S.C. § 361. To the extent of any disputed Liens, the undisbursed Net Proceeds will be segregated by Escast,

pending further order of the Court. Further, in the absence of any Liens on any given M&E other than the blanket Lien of Congress, the Net Proceeds shall be subject to the terms of the Amendment described below.

9. The Debtors have not incurred, nor do they anticipate incurring, any post-petition debt under the DIP loan agreement (the "DIP Agreement") during this sale process. However, the Debtors are required to apply the Net Proceeds as set forth in the "Final Order Authorizing Debtors To Incur Post-Petition Debt, Grant Liens And Provide Other Security And Other Relief To Congress Financial Corporation (Central)" entered May 21, 2002 by this Court (the "DIP Order").

10. Section 1(b) (viii) of the DIP Order provides in relevant part:
Sale of Assets. Notwithstanding anything to the contrary in Section 9.7 of the Loan Agreement, the Debtors may seek to sell substantially all of the assets or all of the outstanding and issued capital stock of any Borrower or operating unit of any Borrower upon motion under Code §363. The Debtors shall apply the proceeds of any such sale to the outstanding amounts under the Loan Agreement, and the Debtors shall deposit into an escrow account any amounts in excess of the outstanding amounts under the Loan Agreement, pending further order of this Court or agreement of the Committee with respect to the use of such amounts.

11. Further, section 4(b) of the Dip Order provides that Congress must consent to any order that authorizes the Debtors' use of cash collateral, such as the Net Proceeds.

12. By Third Amendment To Loan And Security Agreement (the "Amendment")² attached hereto as Exhibit C, Congress, the Debtors have agreed that all Net Proceeds will be deposited in an account controlled by Congress. Although the Net Proceeds

² By separate motion filed contemporaneously with this Motion, the Debtors are seeking this Court's approval of the Amendment.

belong to Escast, they will be applied to settle a post petition payable due Fansteel by Escast and thus deposited into a Fansteel account controlled by Congress.

13. As long as the Debtors are not in Default under the DIP Agreement, Fansteel may use the Net Proceeds as provided in the Amendment. The Debtors and the Committee have agreed that the Net Proceeds may be used to pay any of the following: (i) any court approved professional fees pursuant to Order Under 11 U.S.C. §§ 105(a) And 331 Establishing Procedures For Interim Compensation And Reimbursement Of Expenses For Professionals And Committee Members entered February 20, 2002 and Order Authorizing Debtors To Employ And Compensate Certain Professionals Utilized In The Ordinary Course Of Business entered February 21, 2002; (ii) claims of critical vendors pursuant to that Stipulated And Agreed Order Modifying Order Authorizing Payment of Pre-Petition Critical Vendors Claims And Establishing Procedures For Future Arrangements entered March 14, 2002; and (iii) allowed administrative expenses under 11 U.S.C. § 503(b) as the Debtors and the Committee may agree from time to time.

14. Fansteel and Escast believe that the above-described procedures will enable Escast to sell the M&E without incurring the time and expense of filing multiple, repetitive sale motions with this Court, and thus will result in significant savings to the Escast estates. In addition, a quick sale will enable Escast to avoid expenditures for insurance and security for the M&E as well as safeguard against the decline in the value of the M&E if it is not utilize.

Applicable Authority

15. Section 363(b) of the Bankruptcy Code provides that a debtor "after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate." To approve a use, sale or lease of property other than in the ordinary course of business, the Court must find "some articulated business justification." See In re Martin (Myers v. Martin), 91 F.3d 389, 395 (3d Cir. 1996); In re Abbotts Dairies of Penn., Inc., 788 F.2d 143 (3d Cir. 1986) (requiring good faith); In re Delaware and Hudson Ry. Co., 124 B.R. 169 (D. Del. 1991) (concluding that the requirements for a sale outside the ordinary course of business included a sound business purpose, adequate and reasonable notice, a fair and reasonable price, and a good faith purchaser).

16. Sound business reasons exist for Escast to sell the M&E as outlined in this Motion. Escast has ceased operations at the Sarasota Facility and cannot use the M&E in any of its other businesses. As a result, the only way to maximize the value of the M&E to Escast's estate is through its sale, with the Net Proceeds inuring to the benefit of Escast's estates and creditors. Rather than incur the costs inherent in preparing and filing numerous motions and seeking this Court's approval of individual sales of M&E, Escast seeks authorization to sell the M&E pursuant to the procedures outlined herein, thus resulting in time and cost savings to Escast and its estate.

17. Authorization of the sales of the M&E as outlined herein free and clear of Liens also is appropriate because any such Liens will attach to the Net Proceeds of sale in the same order of priority as the Liens previously attached to the M&E. Accordingly, each lienholder, even the holder of a Lien with respect to which no Net Proceeds will be available

because of the existence of prior liens, will realize the indubitable equivalent of its claim in accordance with section 363(f) of the Bankruptcy Code.

18. The sale of the M&E thus is in the best interests of Escast's estate and creditors and should be approved by the Court.

Notice

19. Notice of this Motion has been given to all parties entitled to notice under Local Bankruptcy Rule 2002-1(b). Escast submits that in light of the nature of the relief requested, no other or further notice need be given.

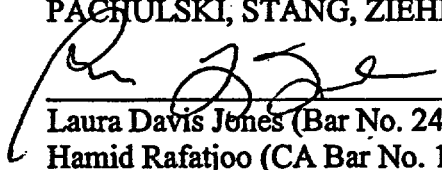
WHEREFORE, Fansteel and Escast respectfully request that the Court enter (a) an order establishing procedures for, and approving, sale by liquidator of certain machinery and equipment free and clear of all liens, claims, interests, rights of set off and other encumbrances and (b) granting Fansteel and Escast such other and further relief as is just and proper.

Dated: January 13, 2003

SCHULTE, ROTH & ZABEL LLP
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919 Third Avenue
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Co-Counsel for the Debtors and
Debtors-in-Possession

Exhibit A

**STANDARD
INDUSTRIAL
MACHINERY CO., INC.**

**P.O. BOX 3301 • OXFORD, ALABAMA 36203
PHONE (256) 831-1211 • FAX (256) 831-2207**

January 7, 2003

Mike McEntee, CFO
Fansteel, Inc.
Number One Tantalum Place
North Chicago, IL 60064

RE: Sarasota Plant Machinery

Dear Mr. McEntee,

Our plan to liquidate the plant will be to attempt to sell the machinery on location if possible. We will prepare a printed brochure with all the machinery listed with prices and distribute it within a four(4) state area(FL,AL,GA,SC). In addition we will mail to our in house mailing list with a total of approximately 10,000 being mailed. We will also post it on our website and the UEN and Locator websites.

We can attempt to sell the machinery by our normal methods and would look toward having an on-site liquidation sale February 10 thru February 21. This is based on a go ahead from you by January 10. The machinery that does not sell during that period could be moved to our warehouse in Oxford, Alabama. Fansteel would be responsible for loading and freight to Oxford. Standard Industrial will unload and store at no charge for up to 6 months. Any expenses for repairing to prepare for selling of machinery will be deducted from sales price before commissions are applied. Standard Industrial will receive a 30% commission on net sales price of all sales. We would establish a minimum recommended price, but will attempt to get all the market will bear.

Another option would be to have an auction sale. However, auctions for this type of machinery have not done well lately.

Sincerely,



W. Robert O'Neal
President

WRO/po



**MACHINE TOOLS
TOOL ROOM AND PRODUCTION**



Exhibit B

7

July 3, 2002

Fansteel Intercast
3600 Formosa
Suite 13
McAllen, TX 78503

Attn: Ray Chapman

Re: Appraisal of Machinery & Equipment

Dear Mr. Chapman,

Pursuant to your request I, as a certified AMEA appraiser, have prepared an appraisal on the equipment located at Fansteel Intercast in Sarasota, Florida. I personally viewed the machinery on June 21, 2002, after which I conducted an investigation into the market conditions for this type of equipment in order to make an impartial report. After a thorough analysis of the machinery and current market condition, it is my opinion that the fair market value of the machinery and equipment is \$149,400.00 and the liquidation value is \$94,850.00.

I certify that I do not have any present or future interest in the appraised property. The fee charged for this appraisal is not contingent on the values reported nor were any undisclosed fees, commissions or other compensation received.

Respectfully Submitted,


W. Robert O'Neal, AEA

WRO/po

STANDARD INDUSTRIAL MACHINERY

**P. O. BOX 3301
OXFORD, AL 36202**

CERTIFICATION

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analysis opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, unbiased professional analysis, opinions and conclusions.

I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.

My compensation is not contingent on an action or event resulting from the analysis, opinions or conclusions in, or the use of, this report.

My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Association of Machinery and Equipment Appraisers Standards and Procedures of Professional Appraisal Ethics and Practice and Uniform Standard of Professional Appraisal Practice.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant professional assistance to the person signing this report.


W. Robert O'Neal

STANDARD INDUSTRIAL MACHINERY CO., INC.
P. O. BOX 3301
OXFORD, AL 36203

QUALIFICATIONS

I have been in the business of buying, selling and liquidating metalworking machinery since 1977. I have been a member of Machinery Dealers National Association(MDNA) since 1987. I have been appraising machinery since 1980. I have been an accredited member of Association of Machinery and Equipment Appraisers(AMEA) since 1993.

**FANSTEEL INTERCAST
2080 LIMBUS AVENUE
SARASOTA, FLORIDA 34243**

APPRAISAL

JUNE 21, 2002

**FANSTEEL INTERCAST
2080 LIMBUS AVENUE
SARASOTA, FL 34243**

JUNE 21, 2002

APPRAISAL

<u>MACHINE</u>	<u>LIQUIDATION</u>	<u>FAIR MARKET</u>
1. KODAK 14" COMPARATOR, MDL 14-24	\$ 1,000	\$ 1,500
2. 24" X 36" X 3" GRANITE SURFACE PLATE ON STAND	\$ 250	\$ 400
3. ROCKWELL HARDNESS TESTER, MDL 2-1/2-A, OLD	\$ 500	\$ 1,000
4. NIKON MICROSCOPE COMPARATOR, S/N 55111	\$ 200	\$ 350
5. ELOX EDM SINKER, TYPE 8-2012, S/N 011804	\$ 3,000	\$ 5,000
6. XLO EDM SINKER, 6 X 12, 25 AMP	\$ 1,500	\$ 3,000
7. BRIDGEPORT MILL, 9X 42, S/N 221696, ACCURITE DRO, TROYKE CROSS SLIDE ROTARY TABLE	\$ 3,000	\$ 4,500
8. BRIDGEPORT MILL, 9X42, MITS DRO, S/N 229547,] TROYKE CROSS SLIDE ROTARY TABLE	\$ 3,000	\$ 4,500
9. BRIDGEPORT MILL, 9X42, ACCURITE DRO, S/N 221678	\$ 3,000	\$ 4,500
10. MILLTRONICS PARTNER, CNC, 12"X40" TABLE, S/N 3113	\$15,000	\$25,000
11. 24" X 24" X 4" SURFACE PLATE ON STAND	\$ 250	\$ 400
12. 18" X 24" X 3" SURFACE PLATE	\$ 100	\$ 200
13. 15" X 54" LEBLOND REGAL SERVO SHIFT LATHE, 8" 3-JAW, S/N 12C241	\$ 5,000	\$ 7,500
14. HARDING TOOL ROOM LATHE, OLD	\$ 500	\$ 1,000
15. POWERMATIC DRILL, 2 HEAD ON 24" X 80" TABLE, V.S., MODEL 1200	\$ 600	\$ 1,000
16. BRIDGEPORT MILL, 2J, TROYKE CROSS SLIDE TABLE, S/N 198597	\$ 3,000	\$ 4,500
17. BRIDGEPORT w/2 AXIS CNC PROTO TRAK CONTROL, S/N 274967, 1997	\$12,000	\$15,000

PAGE 2

FANSTEEL INTERCAST APPRAISAL-CONTINUED

MACHINE	LIQUIDATION	FAIR MARKET
18. BRIDGEPORT MILL, 2I, ACCURITE, TROYKE CROSS SLIDE TABLE, S/N 229542	\$ 3,000	\$ 4,500
19. BRIDGEPORT MILL, TROYKE CROSS SLIDE TABLE, VISE, S/N 229540, HEAD NEEDS REBUILDING	\$ 2,000	\$ 3,000
20. BRIDGEPORT MILL, TROYKE CROSS SLIDE, VISE, S/N 221639, ANILAM DRO	\$ 3,000	\$ 4,500
21. POWERMATIC 2 SPINDLE DRILL, MODEL 1200 ON 24X80 TABLE	\$ 800	\$ 1,500
22. JOHANSSON SWING HEAD DRILL	\$ 500	\$ 1,000
23. BOYAR-SCHULTZ 6 X 12 SURFACE GRINDER, S/N 21772	\$ 1,500	\$ 2,500
24. BOYAR-SCHULTZ, 612 H SURFACE GRINDER, S/N 28300	\$ 1,500	\$ 2,500
25. BOYAR-SCHULTZ 612 SURFACE GRINDER, S/N 17556	\$ 1,500	\$ 2,500
26. TORIT DUST COLLECTOR, MDL 90-81, S/N B6939	\$ 300	\$ 600
27. 6" GRINDER FOR CARBIDE	\$ 50	\$ 100
28. 8" CENTRAL GRINDER	\$ 100	\$ 150
29. COSA CARBIDE DRILL GRINDER	\$ 200	\$ 500
30. 18" X 24" X 3" SURFACE PLATE, (5) @ 200 AND \$300 EACH	\$ 1,000	\$ 1,500
31. DECKEL ENGRAVER, GK12-4500-2038	\$ 500	\$ 1,500
32. GALLMEYER LIVINGSTON SURFACE GRINDER, MDL 370, S/N 370188, 1966	\$ 5,000	\$ 7,500
33. TORIT DUST COLLECTOR, MDL 75	\$ 200	\$ 400
34. DELTA TABLE TOP VERTICAL BAND SAW, 7/8" BLADE	\$ 50	\$ 100
35. FAMCO ARBOR PRESS, #3	\$ 100	\$ 200
36. POWERMATIC 1 SPINDLE DRILL, MDL 100, 18X18 TABLE	\$ 400	\$ 700
37. 4" BELT SANDER	\$ 100	\$ 150

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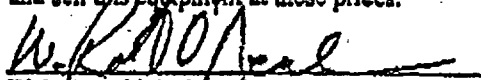
PAGE 3
FANSTEEL INTERCAST APPRAISAL - CONTINUED

<u>MACHINE</u>	<u>LIQUIDATION</u>	<u>FAIR MARKET</u>
38. 1" BELT SANDER	\$ 50	\$ 100
39. BRIDGEPORT MILL, 2I, ACCURITE DRO, VISE	\$ 2,500	\$ 3,500
40. MAXIMAT LATHE, EMCO, S/N 147869	\$ 1,000	\$ 2,500
41. MILLER SYNCHRO WAVE WELDER, S/N KH531243	\$ 800	\$ 1,200
42. MILLER MATIC 185, 100 AMP	\$ 600	\$ 900
43. DEWALT 12" ABRASIVE SAW	\$ 500	\$ 100
44. DATSUN FORKLIFT, 5,000 LB. CUSHION TIRES, PROPANE, S/N FG105-00755	\$ 1,500	\$ 2,500
45. ROL-LIFT PALLET LIFT	\$ 100	\$ 200
46. WELLSAW MDL 8 HORIZONTAL BANDSAW	\$ 400	\$ 700
47. POWERMATIC MDL 87 VERTICAL BANDSAW, S/N 8187001	\$ 1,000	\$ 2,200
48. 16" DOALL VERTICAL BANDSAW	\$ 500	\$ 1,200
49. BRIDGEPORT MILL, 2I, POWER FEED RISER, S/N 219803	\$ 3,000	\$ 4,000
50. 5 HP SPEEDAIR AIR COMPRESSOR	\$ 500	\$ 750
51. 1 HP SPEEDAIR AIR COMPRESSOR	\$ 200	\$ 300
52. MISCELLANEOUS COMPUTERS AND OFFICE EQUIPMENT	\$ 5,000	\$ 8,000
53. MISCELLANEOUS TOOLS, DRILLS, TOOLING, ETC.	\$ 1,000	\$ 2,000
54. WORK BENCHES	\$ 1,000	\$ 1,500
55. MISCELLANEOUS INSPECTION EQUIPMENT, MIKS, CALIPERS, HEIGHT GAGES, ETC.	\$ 1,500	\$ 5,000

TOTALS:

~~\$94,850~~ ~~\$149,700~~
89,350 140,400

The above listed prices and at liquidation and fair market values. This does not constitute and offer to buy and sell this equipment at these prices.


W. Robert O'Neal

**STANDARD INDUSTRIAL MACHINERY
P. O. BOX 3301
OXFORD, AL 36203**

STATEMENT OF CONDITIONS

All facts and data set forth in this report are based upon an estimate of value only and are true and accurate to the best of the appraiser's knowledge and belief.

No investigation has been made into the title to the property and all items listed are assumed to be the property of the subject company.

No consideration has been given to liens or encumbrances which may be against the property other than those discussed in this report.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

The appraised property has been personally inspected unless otherwise stated.

This appraisal has been made in accordance with accepted appraisal practices and in accordance with the Association of Machinery and Equipment Appraisers *Standards and Procedures of Professional Appraisal Ethics and Practice* and the *Uniform Standards of Professional Appraisal Practice* and reflects the best judgement of the appraiser. When appropriate, new and used equipment dealers have been consulted for comparable prices; and catalogs, trade publications and comparative results of auction sales have been utilized.

Information provided by others has been assumed to be correct for the purposes of this report and no responsibility is taken for the accuracy of same.

Since conclusions by the appraiser are based upon judgements, isolation of any single element as the sole basis of comparison to the whole appraisal may be inaccurate.

The fees for this appraisal are not contingent upon values reported.

Consideration for possible environmental hazards from any source goes beyond the scope of this appraisal.

It is assumed that there are no hidden or unapparent conditions of the equipment which would render it more or less valuable.

Other limitations or assumptions, if any, are clearly defined and individually set out at that point relating to the subject.

The appraiser is not required to give testimony, be present in any court of law, or appear before any commission or board by reason of this appraisal, unless prior arrangements have been made.

Exhibit C

CONSENT AND THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT

This Consent and Third Amendment to Loan and Security Agreement (the "Third Amendment") is made as of January 10, 2003, between Congress Financial Corporation (Central) ("Lender") and Fansteel Inc., CHAPTER 11 DEBTOR-IN-POSSESSION, a Delaware corporation ("Fansteel"), Fansteel Holdings, Inc., CHAPTER 11 DEBTOR-IN-POSSESSION, a Delaware corporation ("Holding Sub"), Custom Technologies Corp., CHAPTER 11 DEBTOR-IN-POSSESSION, a Delaware corporation ("Custom"), Escast, Inc., CHAPTER 11 DEBTOR-IN-POSSESSION, an Illinois corporation ("Escast"), Wellman Dynamics Corp., CHAPTER 11 DEBTOR-IN-POSSESSION, a Delaware corporation ("Wellman"), Washington Manufacturing Company, Inc., CHAPTER 11 DEBTOR-IN-POSSESSION, a Delaware corporation ("Washington"), Phoenix Aerospace Corp., CHAPTER 11 DEBTOR-IN-POSSESSION, a Delaware corporation ("Phoenix"), American Sintered Technologies, Inc., CHAPTER 11 DEBTOR-IN-POSSESSION, a Delaware corporation ("American"; American, Fansteel, Holding Sub, Custom, Escast, Wellman, Washington and Phoenix are collectively "Borrowers" and individually a "Borrower").

RECITALS

WHEREAS, Borrowers and Lender are parties to that certain Loan and Security Agreement dated May 2, 2002 (as the same has been amended, supplemented or otherwise modified, the "Loan Agreement") and various other documents, instruments and agreements (as amended, supplemented or otherwise modified from time to time, the "Financing Agreements");

WHEREAS, Escast has proposed to sell (i) its real estate located at 2080 Limbus Avenue in Sarasota, Florida (the "Sarasota Premises") (the "Escast Real Estate Sale") and (ii) the Equipment of Escast that is located at the Sarasota Premises and identified in the July 3, 2002 Appraisal prepared by Standard Industrial Machinery Co., Inc., a copy of which is attached hereto as Exhibit A (the "Escast Equipment Sale" and, together with the Escast Real Estate Sale, the "Escast Fixed Asset Sales"); and

WHEREAS, Lender and Borrowers have agreed to amend the EBITDA covenant set forth in Loan Agreement as set forth herein;

NOW THEREFORE, in consideration of the provisions set forth herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the same meanings herein as given to such terms in the Loan Agreement.

2. Consent to Escast Fixed Asset Sales. Subject to the terms and conditions hereof, Lender hereby consents to the consummation of the Escast Fixed Asset

Sales. The foregoing consent shall not constitute (a) a modification or alteration of the terms, conditions or covenants of the Loan Agreement or any document entered into in connection therewith, or (b) a waiver of any Events of Default that may exist, or a waiver, release or limitation upon the exercise by Lender of any of its rights, legal or equitable, hereunder, except as to the matters to which Lender herein expressly consents. Except as set forth herein, Lender reserves any and all rights and remedies which it has had, has or may have under the Loan Agreement.

3. Consent Regarding Use of Proceeds from Escast Fixed Asset Sales.

Subject to the terms and conditions hereof, Borrowers and Lender hereby agree that all of the proceeds from the consummation of the Escast Fixed Asset Sales (the "Sale Proceeds") shall be deposited in an account controlled by the Lender pursuant to a control agreement satisfactory to Lender. So long as no Event of Default has occurred and is continuing, the Sale Proceeds may be withdrawn from such account by Borrowers and used (i) as provided for in the next sentence, with respect to the Sale Proceeds of the Escast Equipment Sale and (ii) in a manner agreed to by Borrowers and the Committee (as hereinafter defined) and consented to by Lender, with respect to the Sale Proceeds of the Escast Real Estate Sale (in each case, with such proceeds remaining in such account that is controlled by the Lender if an Event of Default has occurred and is continuing). Borrowers and the committee of unsecured creditors appointed in the Bankruptcy Case (the "Committee") have agreed that the Sale Proceeds of the Escast Equipment Sale may be used to pay any of the following: (i) any court approved professional fees pursuant to Order Under 11 U.S.C. § § 105(a) and 331 Establishing Procedures For Interim Compensation and Reimbursement of Expenses For Professionals and Committee Members entered February 20, 2002 and Order Authorizing Debtors To Employ And Compensate Certain Professionals Utilized In The Ordinary Course of Business entered February 21, 2002; (ii) claims of critical vendors pursuant to that Stipulated And Agreed Order Modifying Order Authorizing Payment of Pre-Petition Critical Vendors Claims And Establishing Procedures For Future Arrangements entered March 14, 2002; and (iii) allowed administrative expenses under 11 U.S.C. § 503(b) as the Borrowers and the Committee may agree from time to time.

4. Amendment to Loan Agreement. Subject to the terms and conditions hereof, effective as of December 31, 2002, Section 9.17 of the Loan Agreement is amended and restated in its entirety, as follows:

" 9.17 EBITDA Covenant.

Borrowers shall not permit EBITDA to be less than (a) (\$950,000), for the three month period ending on March 31, 2003, (b) (\$1,300,000) for the six (6) month period ending on June 30, 2003, (c) (\$1,750,000), for the nine (9) month period ending on September 30, 2003, (d) (\$1,700,000), for the twelve (12) month period ending on December 31, 2003 or (e) \$3,000,000, for any twelve (12) month period ending on any March 31, June 30, September 30 or December 31 thereafter; provided, that the foregoing covenant shall not become applicable until the date upon which either (i) the outstanding balance of the Loans and Letter of Credit Accommodations is equal to or greater than \$2,500,000 or (ii) Excess Availability is equal to or

less than \$2,500,000 (and the foregoing covenant shall be applicable at all times on and after any date upon which either (i) the outstanding balance of the Loans and Letter of Credit Accommodations is equal to or greater than \$2,500,000 or (ii) Excess Availability is equal to or less than \$2,500,000). "

5. Condition. This Third Amendment shall be effective upon (i) its execution and delivery by all parties hereto, (ii) the Bankruptcy Court's approval of the terms of this Third Amendment and (iii) the payment by Borrowers of an amendment fee of \$25,000 to Lender, which amendment fee shall be (a) in consideration and the terms of this Third Amendment and in consideration of the Lender's November 25, 2002 letter waiving Borrowers' violation of Section 9.17 of the Loan Agreement for the period ended September 30, 2002, (b) non-refundable and fully earned as of the date hereof and (c) in addition to, and not in lieu of, all other fees charged to Borrowers under the Financing Agreements.

6. Miscellaneous.

(a) Expenses. Borrowers agree to pay, on demand, all costs and expenses of Lender (including the fees and expenses of outside counsel for Lender) in connection with the preparation, negotiation, execution, delivery and administration of this Third Amendment and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided in this Section 6(a) shall survive any termination of the Loan Agreement as amended hereby.

(b) No Default; Accuracy of Representations and Warranties. Borrowers represent and warrant that (i) no Default or Event of Default has occurred and is continuing and (ii) the representations and warranties contained in the Loan Agreement and the other Financing Agreements are true and accurate in all material respects as of the date hereof with the same force and effect as if such had been made on and as of the date hereof (other than those which, by their terms, specifically are made as of certain date prior to the date hereof).

(c) Governing Law. This Third Amendment shall be a contract made under and governed by the internal laws of the State of Illinois.

(d) Counterparts. This Third Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same amendment.

(e) Successors. This Third Amendment shall be binding upon Borrowers and Lender and their respective successors and assigns, and shall inure to the benefit of Borrowers, Lender and their respective successors and assigns.


(f) Ratification. Except as herein amended, the Loan Agreement shall remain unchanged and in full force and effect, and is hereby ratified in all respects.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be executed by their respective officers thereunto duly authorized and delivered at Chicago, Illinois as of the date first above written.

LENDER

BORROWERS

CONGRESS FINANCIAL CORPORATION FANSTEEL INC.
(CENTRAL)

By 
Title FIRST VICE PRESIDENT

By _____
Title _____

FANSTEEL HOLDINGS, INC.

By _____
Title _____

CUSTOM TECHNOLOGIES CORP.

By _____
Title _____

ESCAST, INC.

By _____
Title _____

FANSTEEL, INC.

Fax:847-689-1816

Jan 10 2003 13:48

P.05

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be executed by their respective officers thereunto duly authorized and delivered at Chicago, Illinois as of the date first above written.

LENDER

BORROWERS

CONGRESS FINANCIAL CORPORATION FANSTEEL INC.
(CENTRAL)

By _____
Title _____

By R.M.M. Ltee
Title Vice President & CFO

FANSTEEL HOLDINGS, INC.

By R.M.M. Ltee
Title Treasurer

CUSTOM TECHNOLOGIES CORP.

By R.M.M. Ltee
Title Treasurer

ESCAST, INC.

By R.M.M. Ltee
Title Vice President

FANSTEEL, INC.

Fax:847-689-1816

Jan 10 2003 13:48

P.06

WELLMAN DYNAMICS CORP.

By R.M.M-Lite
Title Vice President

WASHINGTON MANUFACTURING
COMPANY, INC.

By R.M.M-Lite
Title Vice President

PHOENIX AEROSPACE CORP.

By R.M.M-Lite
Title Treasurer

AMERICAN SINTERED
TECHNOLOGIES, INC.

By R.M.M-Lite
Title Vice President

Exhibit A

See attached

July 3, 2002

Fansteel Intercast
3600 Formosa
Suite 13
McAllen, TX 78503

Attn: Ray Chapman

Re: Appraisal of Machinery & Equipment

Dear Mr. Chapman,

Pursuant to your request I, as a certified AMEA appraiser, have prepared an appraisal on the equipment located at Fansteel Intercast in Sarasota, Florida. I personally viewed the machinery on June 21, 2002, after which I conducted an investigation into the market conditions for this type of equipment in order to make an impartial report. After a thorough analysis of the machinery and current market condition, it is my opinion that the fair market value of the machinery and equipment is \$149,400.00 and the liquidation value is \$94,850.00.

I certify that I do not have any present or future interest in the appraised property. The fee charged for this appraisal is not contingent on the values reported nor were any undisclosed fees, commissions or other compensation received.

Respectfully Submitted,


W. Robert O'Neal, AEA

WRO/po

**STANDARD INDUSTRIAL MACHINERY
P. O. BOX 3301
OXFORD, AL 36202**

CERTIFICATION

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analysis opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, unbiased professional analysis, opinions and conclusions.

I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.

My compensation is not contingent on an action or event resulting from the analysis, opinions or conclusions in, or the use of, this report.

My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Association of Machinery and Equipment Appraisers Standards and Procedures of Professional Appraisal Ethics and Practice and Uniform Standard of Professional Appraisal Practice.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant professional assistance to the person signing this report.


W. Robert O'Neal

STANDARD INDUSTRIAL MACHINERY CO. , INC.
P. O. BOX 3301
OXFORD, AL 36203

QUALIFICATIONS

I have been in the business of buying, selling and liquidating metalworking machinery since 1977. I have been a member of Machinery Dealers National Association(MDNA) since 1987. I have been appraising machinery since 1980. I have been an accredited member of Association of Machinery and Equipment Appraisers(AMEA) since 1993.

**FANSTEEL INTERCAST
2080 LIMBUS AVENUE
SARASOTA, FLORIDA 34243**

APPRAISAL

JUNE 21, 2002

**FANSTEEL INTERCAST
2080 LIMBUS AVENUE
SARASOTA, FL 34243**

JUNE 21, 2002

APPRAISAL

<u>MACHINE</u>	<u>LIQUIDATION</u>	<u>FAIR MARKET</u>
1. KODAK 14" COMPARATOR, MDL 14-24	\$ 1,000	\$ 1,500
2. 24" X 36" X 3" GRANITE SURFACE PLATE ON STAND	\$ 250	\$ 400
3. ROCKWELL HARDNESS TESTER, MDL 2-1/2-A, OLD	\$ 500	\$ 1,000
4. NIKON MICROSCOPE COMPARATOR, S/N 55111	\$ 200	\$ 350
5. ELOX EDM SINKER, TYPE 8-2012, S/N 011804	\$ 3,000	\$ 5,000
6. XLO EDM SINKER, 6 X 12, 25 AMP	\$ 1,500	\$ 3,000
7. BRIDGEPORT MILL, 9X 42, S/N 221696, ACCURITE DRO, TROYKE CROSS SLIDE ROTARY TABLE	\$ 3,000	\$ 4,500
8. BRIDGEPORT MILL, 9X42, MITS DRO, S/N 229547,] TROYKE CROSS SLIDE ROTARY TABLE	\$ 3,000	\$ 4,500
9. BRIDGEPORT MILL, 9X42, ACCURITE DRO, S/N 221678	\$ 3,000	\$ 4,500
10. MILLTRONICS PARTNER, CNC, 12"X40" TABLE, S/N 3113	\$15,000	\$25,000
11. 24" X 24" X 4" SURFACE PLATE ON STAND	\$ 250	\$ 400
12. 18" X 24" X 3" SURFACE PLATE	\$ 100	\$ 200
13. 15" X 54" LEBLOND REGAL SERVO SHIFT LATHE, 8" 3-JAW, S/N 12C241	\$ 5,000	\$ 7,500
14. HARDING TOOL ROOM LATHE, OLD	\$ 500	\$ 1,000
15. POWERMATIC DRILL, 2 HEAD ON 24" X 80" TABLE, V.S., MODEL 1200	\$ 600	\$ 1,000
16. BRIDGEPORT MILL, 2J, TROYKE CROSS SLIDE TABLE, S/N 198597	\$ 3,000	\$ 4,500
17. BRIDGEPORT w/2 AXIS CNC PROTO TRAK CONTROL, S/N 274967, 1997	\$12,000	\$15,000

PAGE 2

FANSTEEL INTERCAST APPRAISAL-CONTINUED

MACHINE	LIQUIDATION	FAIR MARKET
18. BRIDGEPORT MILL, 2J, ACCURITE, TROYKE CROSS SLIDE TABLE, S/N 229542	\$ 3,000	\$ 4,500
19. BRIDGEPORT MILL, TROYKE CROSS SLIDE TABLE, VISE, S/N 229540, HEAD NEEDS REBUILDING	\$ 2,000	\$ 3,000
20. BRIDGEPORT MILL, TROYKE CROSS SLIDE, VISE, S/N 221689, ANILAM DRG.	\$ 3,000	\$ 4,500
21. POWERMATIC 2 SPINDLE DRILL, MODEL 1200 ON 24X80 TABLE	\$ 800	\$ 1,500
22. JOHANSSON SWING HEAD DRILL	\$ 500	\$ 1,000
23. BOYAR-SCHULTZ 6 X 12 SURFACE GRINDER, S/N 21772	\$ 1,500	\$ 2,500
24. BOYAR-SCHULTZ, 612 H SURFACE GRINDER, S/N 28300	\$ 1,500	\$ 2,500
25. BOYAR-SCHULTZ 612 SURFACE GRINDER, S/N 17556	\$ 1,500	\$ 2,500
26. TORIT DUST COLLECTOR, MDL 90-81, S/N B6939	\$ 300	\$ 600
27. 6" GRINDER FOR CARBIDE	\$ 50	\$ 100
28. 8" CENTRAL GRINDER	\$ 100	\$ 150
29. COSA CARBIDE DRILL GRINDER	\$ 200	\$ 500
30. 18" X 24" X 3" SURFACE PLATE, (5) @ 200 AND \$300 EACH	\$ 1,000	\$ 1,500
31. DECKEL ENGRAVER, GK12-4500-2038	\$ 500	\$ 1,500
32. GALLMEYER LIVINGSTON SURFACE GRINDER, MDL 370, S/N 370188, 1966	\$ 5,000	\$ 7,500
33. TORIT DUST COLLECTOR, MDL 75	\$ 200	\$ 400
34. DELTA TABLE TOP VERTICAL BAND SAW, 7/8" BLADE	\$ 50	\$ 100
35. FAMCO ARBOR PRESS, #3	\$ 100	\$ 200
36. POWERMATIC 1 SPINDLE DRILL, MDL 100, 18X18 TABLE	\$ 400	\$ 700
37. 4" BELT SANDER	\$ 100	\$ 150

CONTINUED

PAGE 3
FANSTEEL INTERCAST APPRAISAL - CONTINUED

MACHINE	LIQUIDATION	FAIR MARKET
38. 1" BELT SANDER	\$ 50	\$ 100
39. BRIDGEPORT MILL, 2J, ACCURITE DRO, VISE	\$ 2,500	\$ 3,500
40. MAXIMAT LATHE, EMCO, S/N 147869	\$ 1,000	\$ 2,500
41. MILLER SYNCHRO WAVE WELDER, S/N KH531243	\$ 800	\$ 1,200
42. MILLER MATIC 185, 100 AMP	\$ 600	\$ 900
43. DEWALT 12" ABRASIVE SAW	\$ 500	\$ 100
44. DATSUN FORKLIFT, 5,000 LB, CUSHION TIRES, PROPANE, S/N FG105-00755	\$ 1,500	\$ 2,500
45. ROL-LIFT PALLET LIFT	\$ 100	\$ 200
46. WELLSAW MDL 8 HORIZONTAL BANDSAW	\$ 400	\$ 700
47. POWERMATIC MDL 87 VERTICAL BANDSAW, S/N 8187001	\$ 1,000	\$ 2,200
48. 16" DOALL VERTICAL BANDSAW	\$ 500	\$ 1,200
49. BRIDGEPORT MILL, 2J, POWER FEED RISER, S/N 219803	\$ 3,000	\$ 4,000
50. 5 HP SPEEDAIR AIR COMPRESSOR	\$ 500	\$ 750
51. 1 HP SPEEDAIR AIR COMPRESSOR	\$ 200	\$ 300
52. MISCELLANEOUS COMPUTERS AND OFFICE EQUIPMENT	\$ 5,000	\$ 8,000
53. MISCELLANEOUS TOOLS, DRILLS, TOOLING, ETC.	\$ 1,000	\$ 2,000
54. WORK BENCHES	\$ 1,000	\$ 1,500
55. MISCELLANEOUS INSPECTION EQUIPMENT, MIKS, CALIPERS, HEIGHT GAGES, ETC.	\$ 1,500	\$ 5,000

TOTALS:

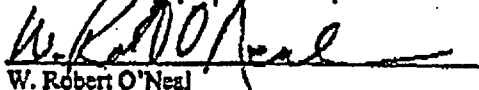
~~\$94,850~~

~~\$149,400~~

89,350

140,460

The above listed prices are at liquidation and fair market values. This does not constitute an offer to buy and sell this equipment at these prices.


W. Robert O'Neal

**STANDARD INDUSTRIAL MACHINERY
P. O. BOX 3301
OXFORD, AL 36203**

STATEMENT OF CONDITIONS

All facts and data set forth in this report are based upon an estimate of value only and are true and accurate to the best of the appraiser's knowledge and belief.

No investigation has been made into the title to the property and all items listed are assumed to be the property of the subject company.

No consideration has been given to liens or encumbrances which may be against the property other than those discussed in this report.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

The appraised property has been personally inspected unless otherwise stated.

This appraisal has been made in accordance with accepted appraisal practices and in accordance with the Association of Machinery and Equipment Appraisers *Standards and Procedures of Professional Appraisal Ethics and Practice* and the *Uniform Standards of Professional Appraisal Practice* and reflects the best judgement of the appraiser. When appropriate, new and used equipment dealers have been consulted for comparable prices; and catalogs, trade publications and comparative results of auction sales have been utilized.

Information provided by others has been assumed to be correct for the purposes of this report and no responsibility is taken for the accuracy of same.

Since conclusions by the appraiser are based upon judgements, isolation of any single element as the sole basis of comparison to the whole appraisal may be inaccurate.

The fees for this appraisal are not contingent upon values reported.

Consideration for possible environmental hazards from any source goes beyond the scope of this appraisal.

It is assumed that there are no hidden or unapparent conditions of the equipment which would render it more or less valuable.

Other limitations or assumptions, if any, are clearly defined and individually set out at that point relating to the subject.

The appraiser is not required to give testimony, be present in any court of law, or appear before any commission or board by reason of this appraisal, unless prior arrangements have been made.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**ORDER ESTABLISHING PROCEDURES FOR, AND APPROVING, SALE BY
LIQUIDATOR OF CERTAIN MACHINERY
AND EQUIPMENT FREE AND CLEAR OF ALL LIENS, CLAIMS,
INTERESTS, AND ENCUMBRANCES**

Fansteel Inc. ("Fansteel") and Escast, Inc. ("Escast") each a debtor and debtor-in-possession in the above-captioned case having filed their motion (the "Motion")² for an order establishing procedures for, and approving, sale by liquidator of certain machinery and equipment free and clear of all liens, claims, interests, set off rights and other encumbrances without further order of this Court; and the Court having determined that the proposed sale is supported by, and is in the exercise of, the sound business judgment of Fansteel and Escast; and the Court having further determined that the relief requested in the Motion is in the best interests of Fansteel and Escast, their estates, their creditors and other parties-in-interest; and it appearing that notice of the Motion, given as set forth in the Motion, was good and sufficient under the particular circumstances and no other or further notice need be given; and upon the record herein; and after due deliberation thereon; for cause appearing therefor; it is hereby

ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is granted.

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.; and American Sintered Technologies, Inc.

² Unless otherwise defined, capitalized terms used herein shall have the meanings ascribed to them in the Motion.

2. Escast is authorized, under section 363(b) of the Bankruptcy Code and without further order of this Court, to sell the M&E free and clear of all Liens, with such Liens to attach to the Net Proceeds in the order of their priority, with the same validity, force, and effect that such Liens now have against the M&E, subject to any claims and defenses Escast may have with respect thereto.

3. Escast shall remit the Net Proceeds of each sale of M&E to any holder or holders of valid and undisputed Liens on the M&E that was the subject of the sale. In the absence of any Lien other than the blanket Lien held by Congress, Escast shall deposit the Net Proceeds in an account controlled by Congress for use by Fansteel as described in the Motion. If and to the extent any Liens on M&E sold by Escast are disputed Liens, the undisbursed Net Proceeds shall be segregated by Escast pending further order of this Court.

4. This court retains jurisdiction to enforce and implement the terms and provisions of this order.

Dated: February __, 2003

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