

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.)

40-7580

**AMENDMENT TO MOTION FOR ORDER AUTHORIZING DEBTORS
TO ENTER INTO THIRD AMENDMENT TO DEBTOR IN POSSESSION
LOAN AND SECURITY AGREEMENT WITH AND TO PAY
AMENDMENT FEE TO CONGRESS FINANCIAL CORPORATION**

PLEASE TAKE NOTICE that the captioned debtors and debtors in possession (the “Debtors”) hereby amend their Motion For Order Authorizing Debtors To Enter Into Third Amendment To Debtor In Possession Loan And Security Agreement With And To Pay Congress Financial Corporation (“Motion”) (Docket No. 689), filed on January 13, 2003, in the following respects:

(1) Exhibit A to the Motion, as originally filed (“Original Exhibit A”), is hereby superceded and replaced by the attached “Amended Exhibit A”. Amended Exhibit A differs from Original Exhibit A, as originally filed, only insofar as Paragraph 3, “Consent Regarding Use of Proceeds from Escast Fixed Asset Sales” is concerned. In all other respects, Amended Exhibit A is identical to Original Exhibit A. Attached is a true and correct copy of Amended

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.

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Exhibit A, as well as a black-lined version of Amended Exhibit A, marked to show changes from Original Exhibit A

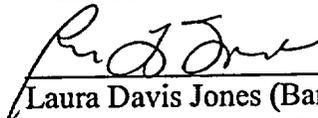
(2) The Motion insofar as it describes "Consent Regarding Use Of Proceeds From Escast Fixed Asset Sales" (*see* paragraph 8, p. 5) is amended to reflect Amended Exhibit A.

Dated: February 11, 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 &
WEINTRAUB P.C.



Laura Davis Jones (Bar No. 2436)
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 Debtors and
Debtors-in-Possession

Amended Exhibit A
Consent and Third Amendment
to Loan and Security
Agreement

**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 in a manner agreed to by Borrowers and the committee of unsecured creditors appointed in the Bankruptcy Case and consented to by Lender (with such proceeds remaining in such account that is controlled by the Lender if an Event of Default has occurred and is continuing).

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.

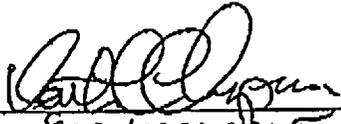
IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be executed by their respective officers thereunto duly authorized and delivered at Chicago, Illinois as of the date first above written.

LENDER

BORROWERS

CONGRESS FINANCIAL CORPORATION
(CENTRAL)

FANSTEEL INC.

By 
Title FIRST VICE PRESIDENT

By _____
Title _____

FANSTEEL HOLDINGS, INC.

By _____
Title _____

CUSTOM TECHNOLOGIES CORP.

By _____
Title _____

ESCAST, INC.

By _____
Title _____

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

CONGRESS FINANCIAL CORPORATION
(CENTRAL)

By _____
Title _____

BORROWERS

FANSTEEL INC.

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

FANSTEEL HOLDINGS, INC.

By R.M.M. Lee
Title Treasurer

CUSTOM TECHNOLOGIES CORP.

By R.M.M. Lee
Title Treasurer

BSCAST, INC.

By R.M.M. Lee
Title Vice President

WELLMAN DYNAMICS CORP.

By R.M.M. Ltee
Title Vice President

WASHINGTON MANUFACTURING
COMPANY, INC.

By R.M.M. Ltee
Title Vice President

PHOENIX AEROSPACE CORP.

By R.M.M. Ltee
Title Treasurer

AMERICAN SINTERED
TECHNOLOGIES, INC.

By R.M.M. Ltee
Title Vice President

Exhibit A

See attached

July 3, 2002

Fansteel Intercast
3600 Formosa
Suite 13
McAllen, TX 78503

Attn: Ray Chapman

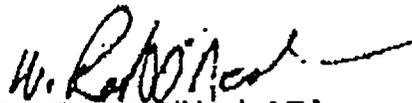
Re: Appraisal of Machinery & Equipment

Dear Mr. Chapman,

Pursuant to your request I, as a certified AEA 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

FANSTEEL INTERCAST
 2080 LIMBUS AVENUE
 SARASOTA, FL 34243

JUNE 21, 2002

APPRAISAL

MACHINE	LIQUIDATION	FAIR MARKET
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, 9X42, 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

<u>MACHINE</u>	<u>LIQUIDATION</u>	<u>FAIR</u>
		<u>MARKET</u>
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 227689, ANILAM DRG	\$ 3,600	\$ 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

<u>MACHINE</u>	LIQUIDATION	FAIR MARKET
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, MILLS, CALIPERS, HEIGHT GAGES, ETC.	\$ 1,500	\$ 9,000
TOTALS:	\$94,850 89,350	\$149,400 140,400

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

Black-lined Amended Exhibit A
Consent and Third Amendment
to Loan and Security
Agreement
(marked to show changes from
Original Exhibit A)

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**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)>~~ committee of unsecured creditors appointed in the Bankruptcy Case 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
(CENTRAL)

FANSTEEL INC.

By _____
Title _____

By _____
Title _____

FANSTEEL HOLDINGS, INC.

By _____
Title _____

CUSTOM TECHNOLOGIES CORP.

By _____
Title _____

ESCAST, INC.

By _____
Title _____

WELLMAN DYNAMICS CORP.

By _____
Title _____

WASHINGTON MANUFACTURING
COMPANY, INC.

By _____
Title _____

PHOENIX AEROSPACE CORP.

By _____
Title _____

AMERICAN SINTERED
TECHNOLOGIES, INC.

By _____
Title _____

Exhibit A

See attached

Document comparison done by DeltaView on Thursday, February 06, 2003 11:54:47

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Total changes	