

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.)

Objections Due: April 10, 2003 at 4:00 p.m. E.T.
Hearing Date: **NEGATIVE NOTICE**

**NOTICE OF MOTION
FOR ORDER UNDER 11 U.S.C. § 105(A) AND FED.R.BANKR.P. 9019
APPROVING COMPROMISE BETWEEN FANSTEEL INC.,
CELTIC LEASING CORP. AND BANC ONE LEASING CORPORATION**

**TO: ALL PARTIES REQUIRED TO RECEIVE NOTICE PURSUANT TO
DEL.BANKR.LR 2002-1(b):**

The captioned debtors and debtors-in-possession (the "Debtors") have filed the attached *Motion for Order Under 11 U.S.C. §105(a) and Fed.R.Bankr.P. 9019 Approving Compromise Between Fansteel Inc., Celtic Leasing Corp. and Banc One Leasing Corporation* (the "Motion"), by which the Debtors seek an order authorizing such relief.

Objections and other responses to the Motion, if any, must be in writing and be filed with the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, Wilmington, Delaware 19801, no later than 4:00 p.m., prevailing

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.

Eastern Time, on April 10, 2003.

At the same time, you must also serve a copy of the response upon the undersigned counsel to the Debtors at 919 North Market Street, 16th Floor, P.O. Box 8705, Wilmington, Delaware 19899-8705 (Courier 19801).

A HEARING ON THE MOTION WILL BE HELD AT THE CONVENIENCE OF THE COURT BEFORE THE HONORABLE JOSEPH J. FARNAN, AT THE UNITED STATES BANKRUPTCY COURT LOCATED AT 824 MARKET STREET, SIXTH FLOOR, WILMINGTON, DELAWARE 19801 -- ONLY IF TIMELY OBJECTIONS ARE RECEIVED BY APRIL 10, 2003 AT 4:00 P.M., E.T.

IF NO OBJECTIONS ARE TIMELY FILED AND SERVED IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE

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**RELIEF REQUESTED BY THE MOTION WITHOUT FURTHER NOTICE OR
HEARING.**

Dated: March 21, 2003

SCHULTE ROTH & ZABEL LLP
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and

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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
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FANSTEEL INC., *et al.*,¹) Case No. 02-10109 (JJF)
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Objections Due: April 10, 2003 at 4:00 p.m. E.T.
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**MOTION FOR ORDER
UNDER 11 U.S.C. § 105(A) AND FED.R.BANKR.P. 9019
APPROVING COMPROMISE BETWEEN FANSTEEL INC.,
CELTIC LEASING CORP. AND BANC ONE LEASING CORPORATION**

Fansteel Inc., et al., debtors and debtors-in-possession herein (collectively the “Debtors” or “Fansteel”), hereby move this Court for entry of an order under 11 U.S.C. §105(a) and Fed.R.Bankr.P. 9019 approving a compromise by and among Debtors, Celtic Leasing Corp. (“Celtic Leasing”) and Banc One Leasing Corporation (“Banc One”). In support of this motion (the “Motion”), the Debtors represent as follows:

**I.
INTRODUCTION**

1. The Debtors, Celtic Leasing and Banc One have reached a settlement of certain disputes and/or potential disputes between them. The settlement is in the best interest of the estate and its creditors; thus, the Debtors now seek the Court’s

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.

approval of that settlement. A copy of the proposed *Settlement Agreement* (the "Settlement Agreement") is attached hereto as Exhibit "1".

2. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. § 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (Q). The statutory predicates for the relief requested herein are 11 U.S.C. § 105(a) and Fed.R.Bankr.P. 9019.

3. On January 15, 2002 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). Since the Petition Date, the Debtors have continued in the possession of their respective properties and the management of their respective businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

4. These chapter 11 cases have been consolidated for procedural purposes only, and are being jointly administered pursuant to an order of this Court.

II. THE CONTRACT

5. On or about May 17, 1994, Fansteel and Celtic Leasing entered in Master Lease Number CML-01760A ("Master Lease") and various schedules thereto, including Lease Schedule No. 03, dated September 8, 1998, ("Lease Schedule No. 03"), as amended by letter agreement, dated September 8, 1998 ("Letter Agreement"). (The

Master Lease, Lease Schedule No. 03 and the Letter Agreement hereinafter shall be referred to collectively as the "Contract".) The Contract is attached hereto as Exhibit "B".

6. Pursuant to Lease Schedule No. 03, Fansteel contracted to lease from Celtic Leasing for a base term of thirty six months, to be billed quarterly. Fansteel also provided Celtic Leasing with a deposit of one month's rent (\$6,479.87).² Fansteel continued to lease the Equipment until the Petition Date.

7. Pursuant to an Assignment of Equipment Lease Without Recourse, dated September 17, 1998, between Celtic Leasing and NBD Equipment Finance, Inc. ("NBD") Celtic Leasing assigned to NBD its rights to the proceeds of the Contract for the period of October 1, 1998 to July 1, 2002. NBD and Banc One have since merged and also have entered into a 100% Participation and Assumption Agreement, wherein Banc One purchased all of the lease assets of NBD.

8. The parties disagree as to whether the Contract constitutes a true lease under the Illinois Uniform Commercial Code or is a disguised financing. The Debtors believe it to be a disguised financing. Conversely, Celtic Leasing believes it to be a true lease. Celtic Leasing has filed a secured claim, No. 333, for \$75,040.00 and Banc One has filed a secured claim, No. 888, for \$51,454.16.

² This deposit has been credited against the last quarter of Fansteel's payments owed to Banc One, as discussed more fully below.

9. The parties believe that the rejection and termination of the Contract, the purchase of the Equipment, and the settlement of the Claims 333 and 888, all as described herein and in the Settlement Agreement, is in the best interests of the Debtors' estates. Accordingly, the parties seek now to settle, compromise and resolve their potential disputes and other issues between them on the terms set forth herein. The parties agree and understand the effectiveness of the Settlement Agreement is conditioned upon approval of the Court.

III. TERMS³

10. Under the Settlement Agreement, Fansteel will purchase the Equipment from Celtic Leasing for \$60,000. Payment will be made according to the following schedule: (a) \$15,000, no later than ten days after the Effective Date of the Settlement Agreement, and (b) three payments of \$15,000 each, thirty days apart, beginning thirty days after the date of the first payment.

11. In addition, Fansteel will pay Banc One \$48,599.02 in two installments: (a) \$24,299.51 no later than ten days after the Effective Date⁴ of the Settlement Agreement, and (b) \$24,299.50, no later than thirty days after such payment.

12. Within five days after its receipt of the second payment, Banc One shall provide Fansteel with authority to terminate Banc One's UCC-1 (HS-00744) and

³ If there is any contradiction between the terms of the Settlement Agreement, as described in this Motion and the terms of the Settlement Agreement itself, the terms of the Settlement Agreement shall prevail.

⁴ Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Settlement Agreement.

withdraw Claim No. 888. Within five business days after its receipt of the fourth payment specified in above is made, Celtic Leasing shall deliver to Fansteel a completed copy of the Bill of Sale attached to the Settlement Agreement and withdraw Claim No. 333. Banc One also will waive its right, if any, to amend Claim No. 888 and covenant not to file other claims relating to the Contract.

13. Finally, Celtic Leasing will remit to Banc One the sum of \$10,000, in complete satisfaction of Banc One's pre-petition claim against Fansteel. This amount shall be paid out of the first purchase price proceeds described in Paragraph 10 above.

14. The parties have also agreed that the Contract shall be deemed rejected and terminated as of the Petition Date and that the Settlement Agreement is in full satisfaction of any damages under the Contract whatsoever.

15. Fansteel is to obtain ownership of the Equipment, while resolving all claims related to Lease Schedule No. 03.

16. The Settlement Agreement also provides for mutual releases between Fansteel, on the one hand, and Celtic Leasing and Banc One, on the other. The mutual releases (1) are limited to claims arising under Lease Schedule No. 3, (2) shall not affect in any matter whatsoever any other claims that Celtic Leasing and Banc One may have against Fansteel or which Fansteel may have against Banc One and Celtic Leasing, and (3) do not affect Banc One's asserted claim against Fansteel in the amount of \$1,756,666 with respect to certain letters of credit or Fansteel's defenses to such claim.

IV. DISCUSSION

A. The Standard of Review

17. Bankruptcy courts may, after the filing of a motion and a hearing with notice to the creditors, approve a compromise or settlement. Fed. R. Bankr. P. 9019(a). In reviewing a proposed settlement, the Court must determine that (a) it is “fair and equitable,” Protective Comm. for Ind. Stockholders of TMT Trailer Ferry, Inc. v. Anderson, 390 U.S. 414, 424, 88 S.Ct. 1157, 1163 (1968), and (b) in the best interests of the estate, In re Best Prods. Co., 168 B.R. 35, 50 (Bankr. S.D.N.Y. 1994). Rule 9019(a) commits the approval or rejection of a settlement to the sound discretion of the bankruptcy court. In re Michael, 183 B.R. 230, 232 (Bankr. D. Mont. 1995).

18. In determining whether the proposed settlement is fair and equitable, two principles should guide this Court. First, “[c]ompromises are favored in bankruptcy,” 10 Lawrence P. King, Collier on Bankruptcy, ¶ 9019.01, at 9019-2 (15th ed. rev. 1997) (citing Marandas v. Bishop (In re Sassales), 160 B.R. 646, 653 (D. Ore. 1993)), and are “a normal part of the reorganization process.” Anderson, 390 U.S. at 424, 88 S.Ct. at 1163 (quoting Case v. Los Angeles Lumber Prods. Co., 308 U.S. 106, 130, 60 S.Ct. 1, 14 (1939)); In re A & C Properties, 784 F.2d 1377, 1381 (9th Cir. 1986) (“The law favors compromise and not litigation for its own sake....”); Michael, 183 B.R. at 232 (Bankr. D. Mont. 1995) (“[I]t is also well established that the law favors compromise.”);

Best Products, 16 B.R. at 50; Nellis v. Shugrue, 165 B.R. 115, 123 (S.D.N.Y. 1994)

(Court recognizes “the general rule that settlements are favored....”).

19. Second, settlements should be approved if they fall above the lowest point on the continuum of reasonableness. “[The] responsibility of the bankruptcy judge . . . is not to decide the numerous questions of law and fact raised by the appellants but rather to canvass the issues and see whether the settlement fall[s] below the lowest point in the range of reasonableness.” Cosoff v. Rodman (In re W.T. Grant Co.), 699 F.2d 599, 608 (2d Cir. 1983); In re Planned Protective Servs., Inc., 130 B.R. 94, 99 n.7 (Bankr. C.D. Cal. 1991); *see generally* In re Blair, 538 F.2d 849, 851 (9th Cir. 1976) (Court should not conduct a “mini-trial” on the merits of a proposed settlement.) Thus, the question is not whether a better settlement might have been achieved, or a better result if litigation pursued. Instead, the court should approve settlements that meet a minimal threshold of reasonableness. Nellis, 165 B.R. at 123; In re Tech. for Energy Corp., 56 B.R. 307, 311-312 (Bankr. E.D. Tenn. 1985); In re Mobile Air Drilling Co., Inc., 53 B.R. 605, 608 (Bankr. N.D. Ohio 1985); 10 Collier on Bankruptcy, supra, ¶ 9019.02, at 9019-4.

20. The proposed settlement should be approved because it is supported by sound business justification, is fair and reasonable.

**B. The Proposed Settlement Satisfies The Standard Governing Approval Of
Compromise**

21. In determining the fairness, reasonableness, and adequacy of the proposed Settlement Agreement, the Court must consider four factors:

- a. The probability of success in litigation;
- b. The difficulty if any to be encountered in the matter of collection;
- c. The complexity of the litigation involved, and the expense, inconvenience, and delay necessarily attending it; and
- d. The paramount interests of creditors and a proper deference to their reasonable reviews in the premises.

See, e.g., In re Woodson, 839 F.2d 610, 620 (9th Cir. 1988); *A & C Properties*, 784 F.2d at 1381; 10 *Collier on Bankruptcy, supra*, ¶ 9019.02, at 9019-4.

22. As discussed below, these factors all support the approval by this Court of the proposed settlement.

- a. Probability of Success. This factor weighs in favor of settlement. The terms of the Contract are sufficiently complicated so that a trial on the merits of recharacterization would have an element of risk to the Debtors.
- b. Cost, Complexity and Delay. The second factor that must be considered in evaluating a settlement is the expense, complexity, inconvenience and

delay that litigation of the parties' claims would occasion. This factor also weighs in favor of the settlement. Again, the terms of the Contract are sufficiently complicated so that any trial would be costly, and the recovery not proportionate to the litigation costs.

c. Difficulty of Collection. This criterion is not applicable to Fansteel in the present situation. The Settlement Agreement does, however, permit Fansteel to purchase the Equipment, reject and terminate the Contract, while settling all claims under Lease Schedule No. 03.

d. The Interests of Creditors. This final factor weighs heavily in favor of approval of the proposed settlement. The goal of this bankruptcy is reorganization, and purchase of this Equipment is useful to the Debtors' on-going business. Moreover, comparing the costs and the benefits of the settlement to creditors of the estate weighs in favor of this settlement. The interests of creditors are aligned with Court approval of the proposed settlement, sparing the estate from having to expend time and assets engaged in any further litigation and the possible appeals following any ruling.

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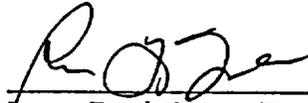
WHEREFORE, the Debtors respectfully request that the Court enter an order (i) approving the Settlement Agreement and (ii) granting the Debtors any other relief as is just and proper.

Dated: March 21, 2003

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and

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Facsimile: (302) 652-4400

Co-Counsel for Debtors and Debtors-in-Possession

EXHIBIT "1"
SETTLEMENT AGREEMENT

*In re FANSTEEL INC., et al.,¹ Chapter 11 - Case No. 02-10109 (JJF)
United States Bankruptcy Court for the District of Delaware*

SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement (this "Agreement") is entered into by and between Celtic Leasing Corp. a California corporation ("Celtic Leasing"), Banc One Leasing Corporation ("Banc One"), an Ohio corporation and Fansteel Inc., a Delaware corporation, one of the debtors and debtors in possession ("Debtors") in the captioned matter.

II. RECITALS

- A. On January 15, 2002 (the "Petition Date"), the Debtors filed petitions under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "Court"), which are currently pending (the "Bankruptcy Cases"). The Bankruptcy Cases are being jointly administered under Case No. 02-10109 (JJF).
- B. Prior to the Petition Date, on May 17, 1994, Fansteel and Celtic Leasing entered in Master Lease Number CML-01760A ("Master Lease") and Lease Schedule No. 03 ("Lease Schedule No. 03"), as amended by letter agreement, dated September 8, 1998 ("Letter Agreement"). (The Master Lease, Lease Schedule 03 and the Letter Agreement hereinafter collectively shall be referred to as the "Contract".)
- C. Lease Schedule No. 03 provided for a base term of thirty six months, to be billed quarterly. Fansteel made a deposit of one month's rent (\$6,479.87) This deposit has been credited against the last quarter of Fansteel's payments owed to Banc One.
- D. The Contract concerns an Alpha Press Company Inc. 125 ton Standard Hydraulic Dry Press, serial no. 125580 (the "Equipment").
- E. Pursuant to the terms of an Assignment of Equipment Lease Without Recourse, dated September 17, 1998, between NBD Equipment Finance, Inc. ("NBD") and Celtic Leasing, Celtic Leasing assigned its rights to the proceeds of the Contract to NBD for the period of October 1, 1998 to July 1, 2002. NBD and Banc One have since merged and also have entered into a 100% Participation and Assumption Agreement, wherein Banc One purchased all of the lease assets of NBD.

¹The 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.

- F. The parties have differed as to whether the Contract constitutes a true lease under the Illinois Uniform Commercial Code or is a disguised financing.
- G. Celtic Leasing has filed Secured Claim No. 333 for \$75,040.00.
- H. Banc One has filed Secured Claim No. 888 for \$51,454.16.
- I. The Debtors believe that the rejection and termination of the Contract, the purchase of the Equipment and the settlement of the Claims 333 and 888 is in the best interest of the Debtors' estates.
- J. The parties seek to settle, compromise and resolve their potential disputes and other issues between them on the terms set forth herein. The parties agree and understand that this Agreement is conditioned upon approval of the Court.

III. TERMS

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and obligations set forth below, and for other good and valuable consideration as stated herein, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Fansteel will purchase the Equipment from Celtic Leasing for the option amount specified in Paragraph 3 of the Letter Agreement, as permitted; that is, \$60,000. Payment will be made according to the following schedule: (a) \$15,000, no later than ten days after the Effective Date of the Agreement, and (b) three payments of \$15,000, thirty days apart, beginning thirty days after Celtic Leasing's First Payment.
2. Fansteel will pay Banc One \$48,599.02 in two installments: (a) \$24,299.51 ("Banc One's First Payment"), no later than ten days after the Effective Date of the Agreement, and (b) \$24,299.50, no later than thirty days after Banc One's First Payment.
3. Within five business days after the last payment specified in Paragraph 2 is made, Banc One shall provide Fansteel with authority to terminate Banc One's UCC-1 (MS-00744). Within five business days after the last payment specified in Paragraph 1 is made, Celtic Leasing shall deliver to Fansteel a completed copy of the attached Bill of Sale (Exhibit 1).
4. Celtic Leasing hereby agrees, and is hereby bound, to remit \$10,000 to Banc One, in complete satisfaction of Banc One's pre-petition claim against Fansteel. This amount shall be paid out of the first purchase price proceeds described in Paragraph 1 and upon Court approval of this Agreement. Celtic Leasing's obligations under this Paragraph shall survive any breach of this Agreement by Fansteel.
5. Within five business days of the last payment in subparagraph 2 is made, Banc One will withdraw its Secured Claim Number 888. Banc One waives its right, if

any, to amend its Secured Claim No. 888 and hereby covenants not to file other claims relating to the Contract.

6. Within five business days after the last payment specified in paragraph 1 is made, Celtic Leasing will withdraw its Secured Claim No. 333. Celtic Leasing waives its right, if any, to amend its Secured Claim No. 333 and hereby covenants not to file any other claims relating to the Contract.

7. Mutual Releases:

(a) Upon satisfaction of Fansteel's obligations under this Agreement, and the Bankruptcy Court's Order approving this Agreement becoming final and no longer subject to appeal, solely with respect to the Contract, Celtic Leasing and Banc One each release and discharge the Debtors' estates of and from any and all claims, debts, demands, damages, liabilities, contracts, offsets, obligations, suits, counterclaims, cross claims, claims for attorney's fees, and of all causes of action whatsoever, whether now known or unknown, whether statutory, contractual, common law, legal or equitable, whether in tort or contract, in any manner claimed, or that could be claimed whether or not previously expressed, owned, held or possessed by Celtic Leasing or Banc One against Fansteel with respect to the Contract, including, without limitation, those that arise out of or result from any cause of action raised or which could have been asserted against the Debtors in any of the Bankruptcy Cases or based upon the filing of any of the Bankruptcy Cases. This release specifically includes Fansteel's agents, affiliates, successors, predecessors, employees, officers, directors, and attorneys. This release specifically includes, without limitation, any claims against Fansteel arising out of, or as a result of the Contract. This release specifically excludes only these obligations arising under this Agreement, is solely with respect to the Contract, and shall not affect in any manner whatsoever any other claims that Celtic Leasing or Banc One may have against Fansteel, and, in particular, it shall not affect Banc One's asserted claim in the amount of \$1,756,666 with respect to certain letters of credit issued by Banc One.

(b) Upon satisfaction of Celtic Leasing and Banc One's obligations under this Agreement and the Court's Order approving this Agreement becoming final and no longer subject to appeal, Fansteel on behalf of itself and the other Debtors and their respective estates and affiliates hereby releases and discharges Celtic Leasing and Banc One of and from any and all claims, debts, demands, damages, liabilities, contracts, obligations, offsets, suits, counterclaims, cross claims, claims for attorney's fees, and of all causes of action whatsoever, whether now known or unknown, whether statutory, contractual, common law, legal or equitable, whether in tort or contract, in any manner claimed, or that could be claimed whether or not previously expressed, owned, held or possessed by any Debtor or its estate with respect to the Contract, including, without limitation, those that arise out of or result from any cause of action raised or which could have been asserted by any of the Debtors or their respective estates in any of the Bankruptcy cases or based upon the filing of any of the Bankruptcy cases. This release specifically includes each of

Celtic Leasing's and Banc One's agents, successors, predecessors, employees, officers, directors, and attorneys. This release specifically excludes those obligations arising under this Agreement, is solely with respect to the Contract, and shall not affect in any manner whatsoever and shall not affect in any manner whatsoever any claims or rights to set-off that are not related to the Contract that Fansteel may have against Celtic Leasing or Banc One.

8. Rejection as of the Petition Date: The parties agree that the Contract is rejected and terminated as of the Petition Date and that this Agreement is in full satisfaction of any damages under the Contract whatsoever.
9. Preemption of Other Agreements: To the extent inconsistent, this Agreement shall supercede any other prior agreements between the parties with respect to the Contract.
10. Alteration of Agreement: The Debtors shall not alter, modify or amend in any way any of the terms of this Agreement through a plan of reorganization or otherwise in the Bankruptcy Cases.
11. Binding Effect: The provisions of this Agreement shall be binding upon the parties to it including, without limitation, the Debtors' respective estates and the Parties' respective successors and assigns. No breach of this Agreement by any one party shall excuse performance by the non-breeching parties vis-à-vis each other.
12. Attorneys' Fees and Costs: Each party to this Agreement agrees to bear its own legal and other costs incurred to date.
13. Governing Law: This Agreement shall be governed by the laws of the State of Delaware. Any action arising from or in connection with the enforcement of this Agreement shall be filed and maintained before the Bankruptcy Court for the District of Delaware.
14. Entire Agreement: This Agreement constitutes the complete agreement between the parties, and cannot be amended, except in writing, signed by all signatories to this Agreement and approved by the Court.
15. Authorized Representatives: The persons signing this Agreement represent that they are duly authorized to execute the Agreement on behalf of the parties listed.
16. Counterparts and Facsimile Signatures: This Agreement may be executed in counterparts, each of which shall constitute an original and all of which shall constitute one and the same agreement. Facsimile signatures shall be deemed to have the full force and effect of ink signatures.
17. Notices: All notices, requests, waivers, consents, and other communications hereunder shall be in writing and shall be mailed first class certified mail or by

nationally recognized overnight courier service, or by personal delivery, with postage or other applicable delivery fees prepaid and addressed as set forth below.

18. No Admission of Liability: Fansteel and Celtic Leasing and Banc One each assert that this Agreement is not an admission of liability or evidence thereof.
19. Effective Date: This agreement shall become effective ten days after an Order approving it is entered.

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date and year first above written.

CELTIC LEASING CORP.

By: 

Conrad Hohener, Esquire
Counsel for Celtic Leasing Corp.

Dated: 3/21, 2003

BANC ONE LEASING CORPORATION

By: _____

Joseph Brown, Esquire
Counsel for Banc One, N.A.

Dated: _____, 2003

FANSTEEL INC.

By: _____

Co-Counsel for Fansteel Inc.

Dated: _____, 2003

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date and year first above written.

CELTIC LEASING CORP.

By:
Conrad Hohener, Esquire
Counsel for Celtic Leasing Corp.

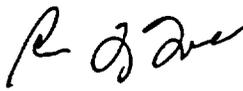
Dated: _____, 2003

BANC ONE LEASING CORPORATION

By: 
Joseph Brown, Esquire
Counsel for Banc One, N.A.
Banc One, NA

Dated: Nov 7, 2003

FANSTEEL INC.

By: 
Co-Counsel for Fansteel Inc.

Dated: Aug 21, 2003

EXHIBIT 1

BILL OF SALE FOR PERSONAL PROPERTY

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, Celtic Leasing Corporation, a California corporation ("Seller"), does hereby grant, bargain, sell, and deliver to Fansteel Inc., a Delaware corporation ("Buyer"), all of Seller's right, title, and interest in and to the items of personal property listed on Exhibit A attached hereto and by this reference incorporated herein (the "Property"), "as is" and "where is," and without any representation, warranty or recourse whatsoever, express or implied, for \$60,000.00. Risk of loss shall pass to Buyer, to the extent it previously has not passed, upon delivery of this Bill of Sale.

TO HAVE AND TO HOLD the same unto said Buyer and Buyer's successors and assigns forever.

DATED: _____ 2003

Seller:
CELTIC LEASING CORPORATION
By its:

By: _____

Exhibit A

Vendor: Alpha...1 Skid, 125 Ton Standard Hydraulic Dry Press with 1 Box (mounted onto Press Skid) containing 12 ft. FF 41-002 Gum Tubing (1-1/2" x 5/32" wall), 5 hose clamps (Serial Number 125581). 1 green touch up paint (12 oz Spray Can)#H61G20-5C.

EXHIBIT "2"
CONTRACT

CELTIC

MASTER LEASE Number **CML-0176-A**

CELTIC LEASING CORP — Lessor

2061 BUSINESS CENTER DRIVE SUITE 212 • IRVINE CALIFORNIA 92715 • (714) 263-3880 • FAX (714) 263-1331

Lessee FANSTEEL INC.

Corporate Address Number One Tantalum Place, North Chicago, IL 60064

This is a MASTER LEASE AGREEMENT (herein called "Lease") Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, the items of personal property (collectively called "Equipment" and individually called an "Item") described on any Lease Schedule(s) ("Schedule") now or in the future annexed hereto and made a part hereof, subject to the terms and conditions set forth herein

1 QUIET ENJOYMENT So long as Lessee is not in default hereunder, Lessor shall not disturb Lessee's quiet enjoyment of the Equipment subject to the terms and conditions of this Lease

2 NO WARRANTIES BY LESSOR Lessee acknowledges that Lessor is not the manufacturer, developer, distributor, publisher or licensor (for purposes of this Lease, all of which are called "Manufacturer", both collectively and individually) of any of the Equipment Lessee further acknowledges and agrees that LESSOR MAKES NO WARRANTY OR REPRESENTATION EXPRESS OR IMPLIED, AS TO THE MERCHANTABILITY, FITNESS FOR ANY PURPOSE, CONDITION, DESIGN CAPACITY, SUITABILITY OR PERFORMANCE OF ANY OF THE EQUIPMENT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT THERETO, IT BEING AGREED THAT THE EQUIPMENT IS LEASED "AS IS" LESSEE FURTHER REPRESENTS THAT ALL ITEMS OF EQUIPMENT ARE OF A SIZE, DESIGN AND CAPACITY SELECTED BY IT, AND THAT IT IS SATISFIED THE SAME IS SUITABLE FOR LESSEE'S PURPOSES

3 ASSIGNMENT OF WARRANTIES Lessor assigns to Lessee any and all Manufacturer/vendor warranties, to the extent assignable, for the term of the Lease with respect to any and all Items of Equipment Lessor shall have no liability to Lessee or anyone claiming through Lessee for the breach of any such warranty or for any claim, loss, damage or expense of any kind or nature resulting, directly or indirectly, from the delivery, installation, use, operation, performance, or lack or inadequacy thereof, of any Items of Equipment Lessee acknowledges that Lessor has hereby notified Lessee that Lessee may have rights and warranties under any applicable Equipment supply contracts and that Lessee may contact the vendor for a description of those rights and warranties if any Lessor, at its sole option, may choose the vendor for any Items of Equipment provided Lessor so notifies Lessee of the vendor's name and address and provided the Item(s), whether new or used, meet the exact specifications delineated on the Schedule For vendors not chosen by Lessor, Lessee acknowledges it has their names and addresses

4 TERM The lease term for each Item of Equipment shall commence on the day the Manufacturer or vendor certifies that the Item has been delivered to and is usable by Lessee ("Commencement Date") The "Base Term" as indicated on any Schedule shall mean the period beginning on the first day of the calendar month following the final Commencement Date ("Final Commencement Date") of the respective Schedule, or, if the Final Commencement Date falls on the first day of a calendar month then that day, or continuing for the number of months specified therein This Lease with respect to any Schedule may be terminated as of the last day of the Base Term by either party giving the other party at least six months but not more than twelve months prior written notice of such termination Otherwise, the term with respect to any Schedule shall automatically be extended in successive one year intervals ("Extension Term(s)") at the rental amount in effect as of the last billing cycle of the Base Term During any such extension period, the applicable Schedule may be terminated as of the last day of any one year Extension Term by either party giving the other party at least six months but not more than twelve months prior written notice of such termination Each Schedule now or in the future annexed hereto shall be deemed to incorporate therein these specific terms and conditions and shall have an independent Base Term and Extension Term(s)

5 RENT The monthly rent as shown on each Schedule shall be due and payable by Lessee in the amount of the monthly rent multiplied by the number of months in the billing cycle indicated on the respective Schedule (one month in a monthly billing cycle, three in a quarterly cycle, six in a biannual cycle, etc) on the first day of the Base Term and on the first day of each billing cycle (if the billing cycle is monthly, then the first day of each month, if quarterly, then the first day of every third month, etc) thereafter for the remainder of the Base Term and any Extension Term(s) For Items of Equipment having a Commencement Date prior to the first day of the Base Term, rent shall be due on a pro rata basis only in the amount of one-thirtieth of the Item's proportionate monthly rent for each day from the Item's Commencement Date until, but not including, the first day of the Base Term and shall be payable by Lessee five days after receipt of invoice from Lessor If any rental or other amounts payable hereunder are not paid within five days of their due date then Lessee shall pay to Lessor upon demand the "Delinquency Charges" which shall equal interest compounded monthly at the rate of eighteen percent per annum on the delinquent balance from the date due until the date paid, plus a monthly administrative fee of five percent of the cumulative delinquent balance to offset Lessor's collection and accounting costs Unless otherwise delineated on the respective Schedule, any deposit paid by Lessee to Lessor shall be refundable if the Schedule is not accepted by Lessor, less, at Lessor's sole discretion, a credit processing fee not to exceed one percent of the anticipated cost of the proposed Equipment This is a net lease and Lessee's obligation to pay all rental charges and other amounts due hereunder shall be absolute and unconditional under all circumstances and shall not be subject to any abatement, defense, counterclaim, setoff, recoupment or reduction for any reason whatsoever except as otherwise provided herein, it being the express intention of Lessor and Lessee that all rental and other amounts payable by Lessee hereunder shall be and continue to be payable in all events Lessee hereby waives any and all rights it may have to reject or cancel this Lease, to revoke acceptance of any of the Equipment, and/or to grant a security interest in any of the Equipment for any reason except as required herein

6 USE, MAINTENANCE AND LOCATION Lessee, at its own cost and expense, shall at all times properly use the Equipment shall keep all Equipment in good working order, repair and condition, shall not alter the Equipment without Lessor's prior written consent, and shall use the Equipment for business purposes only Lessee shall comply with any and all Manufacturers/vendors instructions (including, in the event any of the Equipment is software, any software license terms, conditions and restrictions relating to the Equipment, and with any and all applicable laws, rules, regulations or orders of any governmental agency with respect to the Equipment or the use, maintenance or storage thereof Without limiting the foregoing, Lessee, without expense to Lessor, shall enter into and keep in force during the entire lease term a standard maintenance agreement with the Manufacturer of the Equipment, or such other party as is reasonably acceptable to Lessor, that will cause the Manufacturer, or such other acceptable party, to make all necessary repairs, adjustments and replacements, and will entitle Lessee to obtain enhancements, updates and changes in accordance with and available under the maintenance agreement Lessee shall comply with all its obligations under such maintenance agreement and shall take all actions necessary to ensure that the Equipment will be eligible for a standard fi

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service maintenance contract with the Manufacturer, or such other acceptable party, if such is customarily available, at the termination or expiration of the lease term. Any fees or charges at the termination or expiration of the lease term for maintenance certification or recertification by the Manufacturer, or such other acceptable party, shall be paid by Lessee. Throughout the lease term, Lessee shall keep the Equipment at the location set forth on the Schedule and shall retain uninterrupted possession, control and use of the Equipment. Lessee shall not relocate any of the Equipment without Lessor's prior written consent. Lessee shall pay all costs and expenses associated with the delivery, installation, use, relocation, deinstallation, and return of the Equipment. If Lessor supplies Lessee with labels or tags stating that the Equipment is owned by Lessor, Lessee shall affix such labels or tags to and keep them in a prominent place on the Equipment. Subject to Lessee's reasonable security requirements, Lessee shall permit Lessor to enter the premises where any of the Equipment is located in order to inspect such Equipment.

7 TITLE, PERSONAL PROPERTY Except as otherwise provided in this Lease or any Schedule hereto, title to the Equipment shall at all times remain in Lessor. In the event any of the Equipment is software governed by a software license, Lessee shall keep said license current for the entire lease term and, to the extent the license allows title to the software to pass to licensee, such title shall vest and remain in Lessor. To the extent that such vesting requires a written conveyance from Lessee, Lessee hereby conveys to Lessor any title it has or may hereafter acquire in the software and forgoes any future claim to the software including any right to purchase and/or use the software beyond the lease term except as otherwise provided in this Lease or the related Schedule. If the software license restricts any provision of this Lease without the licensor's consent, then Lessee shall assist Lessor, if so requested, in obtaining such consent. Lessee shall at all times keep the Equipment free and clear of all liens, claims, levies, and legal processes, except those inherent to this Lease, and shall at its expense protect and defend Lessor's title and/or license rights in the Equipment against all persons claiming against or through Lessee. Lessee hereby authorizes Lessor to cause this Lease or other instruments necessary, in Lessor's determination, to be filed or recorded at Lessee's expense in order to protect Lessor's interest in the Equipment, and grants Lessor the right to execute and deliver such instruments for and on behalf of Lessee. If requested by Lessor, then Lessee agrees to execute and deliver any such instruments and agrees to pay or reimburse Lessor for any searches, filings, recordings, or stamp fees or taxes incurred as necessary to protect Lessor's interest in the Equipment. Lessee also authorizes Lessor to insert on any Schedule and on related supplemental lease documentation information commonly determined after execution by Lessee such as serial numbers and other Equipment identification data, Equipment locations, and Commencement Dates. Lessee shall take all steps necessary to ensure that the Equipment is and remains personal property. Unless otherwise provided in writing, immediately upon the termination or expiration of the term of this Lease with respect to any Schedule, Lessee shall discontinue its use of the Equipment including any Items constituting software, return the Equipment, including any Items constituting tangible software, to Lessor at such place as Lessor shall designate within the continental United States, destroy any Items constituting intangible software or records thereof, not retain any Items constituting software in any form, and grant Lessor the right (which shall survive termination), at Lessor's request and subject to Lessee's reasonable security requirements, to inspect all of Lessee's locations to insure compliance with the provisions of this sentence. In the event Lessee fails to comply with any of the foregoing upon the termination or expiration of the lease term with respect to any Schedule, then rent for said Schedule shall continue to be due and payable in full by Lessee for each month until Lessee has complied with all of the foregoing.

8 ALTERATIONS Lessee shall make no alterations, modifications, attachments, improvements, enhancements, revisions or additions to any of the Equipment (collectively called "Alterations"), without Lessor's prior written consent. All Alterations that are made shall become part of the Equipment and shall be the property of Lessor. Lessor may, at its sole option and subject to the then prevailing interest rates and the Lessee's credit standing, lease to Lessee any Alterations desired by Lessee during the lease term. If requested in writing by Lessor, Alterations not leased hereunder shall be removed and the Equipment shall be restored to its original condition, normal wear and tear excepted, at Lessee's sole expense, prior to the return of the Equipment.

9 TAXES Lessee shall pay all taxes (except those based solely on Lessor's net income), fees and assessments accrued or imposed on the purchase, ownership, possession or use of the Equipment during the lease term, or imposed on Lessor or Lessee with respect to the rental payments hereunder, including but not limited to sales, use, personal property, excise, stamp and documentary taxes, license and registration fees, and any other similar charges, together with any penalties, interest or fines relating thereto. **LESSEE SHALL FILE ALL REQUIRED PERSONAL PROPERTY TAX RETURNS RELATING TO THE EQUIPMENT**

10 LOSS OR DAMAGE Lessee shall bear the entire risk of loss, damage, theft, destruction, confiscation, requisition, inoperability, erasure, or incapacity, for or from any cause whatsoever (except Lessor's gross negligence), of any or all Items of Equipment during the period the Equipment is in transit to or from, or in the possession of, Lessee ("Event of Loss") and shall hold Lessor harmless against same. Immediately upon its discovery, Lessee shall fully inform Lessor of an Event of Loss. Except as herein provided, no Event of Loss shall relieve Lessee of any obligation hereunder, and all Schedules shall remain in full force and effect without any abatement or interruption of rent. In an Event of Loss, Lessee, at its option provided no event of default has occurred hereunder otherwise at Lessor's option, shall, within a commercially expedient time frame: (a) place the Equipment in good working order, repair and condition, and/or (b) replace the effected Equipment with identical equipment or, upon consent of Lessor, with similar equipment of equal or greater value and utility, in good working order, repair and condition, and with documentation creating clear title thereto in Lessor, or (c) terminate the term of the Lease with respect to the affected Schedule by paying to Lessor within sixty days the "Casualty Value" which is defined as the sum of: (i) the present value of the unpaid balance of the aggregate rent reserved under the related Schedule calculated using a discount rate of six percent per annum, plus (ii) all accrued but unpaid taxes, Delinquency Charges, penalties, interest and all or any other sums then due and owing under the related Schedule, plus (iii) the amount of any applicable end of term purchase option or other end of term payment or, in the absence thereof, the fair market value of the Equipment as reasonably determined by Lessor, and plus (iv) an amount reasonably determined by Lessor to make Lessor whole on an after tax basis for any loss, recapture, or unavailability of any tax credit and/or deduction. Upon Lessor's receipt of the Casualty Value payment, Lessee shall be entitled to any and all of Lessor's right, title and interest in the related Equipment for salvage purposes, in its then condition and location, as is, without any warranties, express or implied.

11 INSURANCE Lessee, at its expense, shall provide and maintain in full force and effect at all times that this Lease is in force and effect such casualty, property damage, comprehensive public liability and other insurance in such form and amounts as is customarily secured by prudent entities engaged in a business similar to Lessee's, or using equipment of a character similar to the Equipment leased hereunder, and as is reasonably acceptable to Lessor. All such insurance shall provide that it may not be cancelled or materially altered without at least thirty days prior written notice to Lessor, shall name Lessor as additional insured and loss payee, and shall not be rescinded, impaired or invalidated by any act or neglect of Lessee.

12 INDEMNITY Lessee shall indemnify, defend, protect, save and hold harmless Lessor, its employees, officers, directors, agents, assigns and successors from and against any and all claims, actions, costs, expenses (including reasonable attorneys' fees), damages (including any interruption of service, loss of business or other consequential damages), liabilities, penalties, losses, obligations, injuries, demands and liens (including any of the foregoing arising or imposed under the doctrines of "strict liability" or "product liability") of any kind or nature arising out of, connected with, relating to or resulting from the manufacture, purchase, sale, lease, ownership, installation, location, maintenance, operation, condition (including latent and other defects, whether or not discoverable), selection, delivery, return, or any accident in connection therewith, of any Item or Items of Equipment, or by

operated, excluding however, any of the foregoing resulting from the gross negligence or willful misconduct of Lessor. The provisions of this paragraph shall survive the termination or expiration of this Lease.

13 AUTHORITY OF LESSEE TO ENTER LEASE With respect to this Lease and each Schedule now or in the future annexed hereto, Lessee hereby represents, warrants and covenants that (i) the execution, delivery and performance thereof have been duly authorized by Lessee, (ii) the individuals executing such have been duly authorized to do so, (iii) the execution and/or performance thereof will not result in any default under, or breach of, any judgment, order, law or regulation applicable to Lessee, or of any provision of Lessee's articles of incorporation, bylaws, or any agreement to which Lessee is a party, and (iv) all financial statements and other information submitted by Lessee herewith or at any other time is true and correct without any misleading omissions.

14 ASSIGNMENT Lessee hereby agrees and acknowledges that Lessor may without notice to Lessee assign all or any part of Lessor's rights, title and interest in and to this Lease, any Schedule, the Equipment, and any of the rentals or other sums payable hereunder, to any assignee ("Assignee") provided any such assignment shall be made subject to the rights of Lessee herein and shall not relieve Lessor of any of its obligations hereunder. Lessee hereby acknowledges that any such assignment would not materially change the duties of, nor the burden of risk imposed on the Lessee and that Lessee shall not look to Assignee to perform any of Lessor's obligations hereunder and shall not assert against Assignee any defense, counterclaim or setoff it may have against Lessor. Lessee agrees that after receipt of written notice from Lessor of any such assignment Lessee shall pay, if directed by Lessor, any assigned rental and other sums payable hereunder directly to Assignee and will execute and deliver to Assignee such documents as Assignee may reasonably request in order to confirm the interest of Assignee in this Lease. **WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, LESSEE SHALL NOT ASSIGN, TRANSFER, ENCUMBER, SUBLET OR SELL THIS LEASE OR ANY SCHEDULE, ANY OF THE EQUIPMENT, OR ANY OF ITS INTEREST THEREIN, IN ANY FORM OR MANNER.**

15 FURTHER ASSURANCES Upon Lessor's request, Lessee, promptly and at its expense, shall execute and/or deliver such documents, instruments and/or assurances, and shall take such further action, as Lessor deems prudent in order to establish and/or protect the rights, interests and remedies of Lessor, and for the confirmation, assignment and/or perfection of this Lease and any Schedule hereto, and for the assurance of performance of Lessee's obligations hereunder, such as (but not limited to) a secretary's certificate certifying the authority of the person(s) signing, and/or the resolutions authorizing, this Lease and/or any Schedule; delivery and/or acceptance certificates, insurance certificates, an opinion of Lessee's counsel, financial statements and other credit information as reasonably requested by Lessor, and a landlord/mortgagee waiver of rights and interests in the Equipment. If Lessee fails to complete when due any such requested item, Lessor, in its sole discretion and notwithstanding the provisions of Section 4 (Term) herein, may elect to delay the Final Commencement Date of the affected Schedule until any or all such requested items are completed. Until duly executed by an authorized officer of Lessor, Lessee agrees that this Lease and any Schedule executed by Lessee shall constitute an offer by Lessee to enter into the Lease with Lessor and that Lessee shall not withdraw its offer for a period of at least twenty business days after Lessor's receipt of such offer and that, during such time, Lessee shall assist Lessor in obtaining any financial and/or other information prudently requested for use in its review of the proposed transaction.

16 DEFAULT The occurrence of any of the following shall constitute an event of default hereunder ("Event of Default") (a) Lessee fails to pay when due any installment of rent or any other amount due hereunder and such failure continues for a period of ten days after receipt of written notice thereof, (b) any financial or other information or any other representation or warranty given to Lessor herein or in connection herewith proves to be false or misleading in any material respect, (c) Lessee assigns, transfers, encumbers, sublets or sells this Lease, any Schedule, any of the Equipment, or any of its interest therein, in any form or manner without Lessor's prior written consent, (d) Lessee fails to observe or perform any other covenant, condition or obligation to be observed or performed by it under this Lease and such failure continues for a period of fifteen days after receipt of written notice thereof, (e) Lessee's credit worthiness materially deteriorates as a result of a leveraged buyout, sale, merger, leveraged equity dilution, leveraged acquisition, or any other substantial change in ownership, without Lessor's prior written consent, (f) Lessee ceases doing business as a going concern, makes an assignment for the benefit of creditors, admits in writing its insolvency, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files a petition seeking for itself any reorganization, liquidation, dissolution or similar arrangement under any present or future statute, law or regulation, or files an answer admitting the material allegations of a petition filed against it in any such proceeding, consents to or acquiesces in the appointment of a trustee, receiver, or liquidator of it or of any substantial part of its assets, or it or its shareholders take any action looking to its dissolution or liquidation, or (g) within sixty days after the commencement of any proceedings against Lessee seeking reorganization, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceedings shall not have been dismissed, or if within sixty days after the appointment without Lessee's consent or acquiescence of any trustee, receiver or liquidator of it or of any substantial part of its assets, such appointment shall not be vacated.

17 REMEDIES If an Event of Default shall occur and be continuing, Lessor may, at its option but not limited thereto, do any or all of the following: (a) proceed, by appropriate court action either at law or in equity, to enforce performance by Lessee of the applicable covenants of this Lease and to recover damages for the breach thereof, (b) by written notice to Lessee, terminate this Lease and/or all or any Schedules hereto and Lessee's rights hereunder and/or thereunder, (c) personally or by its agents enter the premises where any of the Equipment is located and take immediate possession of the Equipment without court order or other process of law and free from all claims by Lessee, and (d) by written notice to Lessee, recover all amounts then due and owing plus, and liquidated damages for loss of a bargain and not as a penalty, accelerate and declare to be immediately due and payable the present value calculated using a discount rate of six percent per annum of the unpaid balance of the aggregate rent and other sums payable reserved hereunder, without any presentment, demand, protest or further notice (all of which are expressly waived by Lessee) in the event Lessor repossesses any of the Equipment, Lessor may sell, lease or otherwise dispose of said Equipment in such manner at such times, and upon such terms as Lessor may reasonably determine, and apply to the account of Lessee (to the extent of Lessee's obligations with respect to the Event of Default), or reimburse to Lessee (to the extent of liquidated damages paid to Lessee with respect to the Event of Default) if all of Lessee's obligations have been fulfilled, after deducting all costs and expense including attorneys' fees, in connection with such disposition. (i) in the case of a sale, the sale proceeds less the fair market value of said Equipment when the Event of Default occurred, as reasonably determined by Lessor, or (ii) in the case of a re-lease, the proceeds from the re-lease rental charges which are applicable for the remainder of the lease term in effect under this Lease when said Equipment was repossessed. In addition to the remedies set forth herein, Lessor may pursue any other remedy available at law or in equity. The exercise of any of the foregoing remedies by Lessor shall not constitute a termination of this Lease or of any Schedule unless Lessor so notifies Lessee in writing. All remedies of Lessor shall be deemed cumulative and may be exercised concurrently or separately. The waiver by Lessor of any breach of any obligation of Lessee shall not be deemed a waiver of a breach of any other obligation or of any future breach of the same obligation. The subsequent acceptance of rental payments hereunder by Lessee shall not be deemed a waiver of any prior or existing breach by Lessee regardless of Lessor's knowledge of such breach.

18 PERFORMANCE OF LESSEE'S OBLIGATIONS BY LESSOR If Lessee fails to perform any of its obligations hereunder then, upon ten days prior written notice to Lessee, Lessor shall have the right, but shall not be obligated, to perform the same for the account of Lessee without thereby waiving Lessee's default. Any amount paid and any expense, penalty or other liability incurred by Lessor in such performance shall become due and payable by Lessee to Lessor upon demand.

19 PURCHASE AGREEMENTS In the event any of the Equipment is subject to any "Acquisition Agreement" between Lessor

and the Manufacturer and/or vendor, then Lessee as part of this Lease and upon approval by Lessor of the applicable Schedule transfers and assigns to Lessor any and all Lessee's rights, title and interest (excepting that which is inherent to or granted by the Lease), but none of its obligations (except Lessee's obligation to pay for the Equipment which Lessor shall do within thirty days, longer if allowed by the Acquisition Agreement, of Lessee's acceptance of the Equipment provided all documentation required by Lessor has been completed and that Lessor's approval remains valid), in and to the Acquisition Agreement(s) and the subject Equipment. In the event Lessee issues a purchase order to Lessor with respect to this Lease, any Schedule, or any of the Equipment, it is agreed that any such purchase order is issued for Lessee's internal purposes only and that none of its terms or conditions shall modify this Lease or any related documentation, or affect either parties' responsibilities as defined in this Lease.

20 FAIR MARKET VALUE PURCHASE OR RENEWAL OPTION Unless otherwise provided in writing, Lessee may purchase or renew this Lease for all but not less than all of the Equipment subject to any Schedule as of the expiration of the Base Term or any Extension Term at its then fair market value, as mutually agreed by Lessee and Lessor, provided Lessee is not in default hereunder and upon at least six months but not more than twelve months advance written notice to Lessor of Lessee's election. In the event Lessee elects to purchase the Equipment, the fair market value purchase price shall be due upon the expiration of the respective lease term and, upon receipt, Lessor shall transfer to Lessee any and all of its rights, title and interest in the subject Equipment, as is, where is, without any warranties, express or implied. In the event Lessee elects to renew the Lease with respect to any Schedule, the renewal shall be based upon the fair market value of the Equipment and shall be subject to the then prevailing interest rates, Lessee's credit standing, and such other terms and conditions to be mutually agreed upon by Lessee and Lessor. In the event Lessee and Lessor cannot agree on a fair market value, then the fair market value shall be determined by the average appraisal of three appraisers, the cost of which shall be borne by Lessee, with one chosen by Lessee, one by Lessor, or one mutually agreed upon by Lessee and Lessor, and all of whom shall be independent with respect to Lessee and Lessor, instructed to determine the fair market value of the Equipment based upon the price that would be obtained in an arm's length, retail transaction between informed and willing parties under no compulsion to buy or sell including taxes, transportation, installation and any other services required to render such Equipment fully acceptable for use by an end-user.

21 NOTICES All notices hereunder shall be in writing and shall be given by personal delivery or sent by certified mail, return receipt requested, or reputable overnight courier service, postage/expense prepaid, to the address of the other party as set forth herein or to any later address last known to the sender. All notices to Lessor shall be addressed to the attention of Vice President Contracts. Notice shall be effective upon signed receipt or other evidence of delivery.

22 TERMINATION BY LESSOR Time is of the essence of this Lease. If the Commencement Date for any Item of Equipment does not occur for any reason within sixty days of the date of Lessor's approval of the respective Schedule, then Lessor, anytime thereafter until the Final Commencement Date with respect to said Schedule, may elect, in its sole discretion, and upon ten days prior written notice to Lessee, to terminate this Lease and its obligations to Lessee with respect to any or all Items of Equipment subject to said Schedule wherein the Commencement Date has not yet occurred, in which event the rental amount shall be adjusted accordingly in order to reflect only those Items still subject to said Schedule.

23 APPLICABLE LAW This Lease shall be construed in accordance with and shall be governed by the laws of the State of California. The prevailing party in any legal action to enforce any of the terms of this Lease or to recover for any breach of this Lease shall be entitled to recover all attorneys' fees and costs of suit from the other party. The Lessee agrees that any litigation arising out of this Lease or any breach thereof shall be filed and conducted in the California Superior Court for the County of Orange unless Lessor or its Assignee selects an alternative venue of litigation. If any provision of this Lease or any Schedule is held to be inapplicable jurisdiction to be invalid, illegal, unenforceable or otherwise prohibited, then such provision, as to such jurisdiction, shall be (a) ineffective to the extent of such prohibition without invalidating the remaining provisions hereof, and (b) replaced with the most applicable, valid, legal and enforceable provision which comes closest to the intention of the parties. Any such prohibition in any jurisdiction shall not invalidate such provision in any other jurisdiction, and, where the provisions of any such applicable law may be waived, they are hereby waived by Lessee and Lessor to the full extent permitted to the end that this Lease and any Schedule shall be deemed a valid and binding agreement in accordance with its terms. No rental, delinquency, liquidated damages or any other charges herein or with respect to any Schedule are intended to exceed the maximum amount permitted by applicable law. If any such charges exceed such maximum, then such charges shall be reduced to the legally permitted maximum charge and Lessee will not be obligated to pay any amount in excess of that permitted by law or, if already paid, such excess shall be refunded.

24 GENERAL Neither this Lease nor any Schedule shall bind Lessor in any manner, and no obligations of Lessor shall arise, until the respective instrument is duly executed by an authorized officer of Lessor. If more than one Lessee is named in this Lease, the liability of each shall be joint and several. This Lease and each Schedule shall inure to the benefit of and be binding upon Lessor, Lessee and their respective successors except as expressly provided for herein. All representations, warranties, indemnities and covenants contained herein, or in any document now or at any other time delivered in connection herewith, which by their nature would continue beyond the termination or expiration of this Lease, shall continue in full force and effect and shall survive the termination or expiration of this Lease.

25 ENTIRE AGREEMENT This Lease, together with all duly executed Schedules, constitutes the entire agreement between Lessee and Lessor with respect to the Equipment and shall supersede any and all prior proposals, negotiations and/or other communications, oral or written, with respect to the Equipment. NO MODIFICATION TO THIS AGREEMENT SHALL BE EFFECTIVE UNLESS MADE IN WRITING AND DULY EXECUTED BY LESSEE AND AN AUTHORIZED OFFICER OF LESSOR. No oral or written guaranty, promise, condition, representation or warranty shall be binding unless made a part of this Lease by duly executed addendum. Unless specified otherwise, in the event any such duly executed modification is attached to and made a part of any specific Schedule, the terms and conditions of such modification shall apply only to that specific Schedule and shall not apply to any other Schedule.

Lessee FANSTEEL INC.
Signature R. Michael McEntee
Name R. Michael McEntee
Title Vice President & C.F.O.
Date Offered May 17, 1994

Lessor CELTIC LEASING CORP
Signature Todd R Meyer
Name Todd R Meyer
Title Vice President
Date Accepted May 17, 1994

PLEASE INITIAL BELOW TO CERTIFY YOUR ACKNOWLEDGMENT AND AGREEMENT THAT NO MODIFICATION TO THIS LEASE SHALL BE EFFECTIVE UNLESS IN WRITING AND SIGNED BY LESSEE AND AN AUTHORIZED OFFICER OF LESSOR

Lessee Initials MM

Lessor Initials TM

CELTIC

LEASE SCHEDULE No. 03

ANNEXED TO AND MADE A PART OF MASTER LEASE NO. CML-0176-A DATED 05/17/94

CELTIC LEASING CORP.—Lessor

2061 BUSINESS CENTER DRIVE, SUITE 200 • IRVINE, CALIFORNIA 92612 • (714)263-3880 • FAX: (714)263-1331

Lessee: FANSTEEL INC.

Corporate Address: Number One Tantalum Place, North Chicago, IL 60064-3388

Contact: R. Michael McEntee Title: Vice President Phone No. 847-689-4900

Equipment Location: 14115 Seaway Road, Gulfport, Mississippi, 39503

Contact: Bob Lehman Title: Plant Manager Phone No. 228-868-1478

This Schedule is issued pursuant to the Master Lease referenced above between Lessee and Lessor. All of the terms and conditions of the Master Lease are incorporated herein and made a part hereof as if such terms and conditions were set forth in this Schedule. By their execution and delivery of this Schedule, the parties hereby reaffirm all of the terms and conditions of the Master Lease.

Equipment Leased:

ITEM QTY SERIAL NO. DESCRIPTION

VENDOR: Alpha Press Company, Inc.

- 1. ALL 125581 Alpha...1 Skid, 125 Ton Standard Hydraulic Dry Press with 1 Box (mounted onto Press Skid) containing 12 ft. FF41-002 Gum Tubing (1-1/2" x 5/32" wall), 5 Hose Clamps 5416K17, 1 Filter Element CC10, 1 Green Touch-up Paint (12 OZ Spray Can) #H61G20-SC

MONTHLY RENT	BASE TERM IN MONTHS	DEPOSIT APPLIED TO LAST BILLING CYCLE	BILLING CYCLE	FINAL COMMENCEMENT DATE
\$ 6,479.87	thirty six (36)	ONE MONTH'S RENT	<input type="checkbox"/> MONTHLY <input checked="" type="checkbox"/> QUARTERLY	September 02, 1998
(APPLICABLE TAXES TO BE BILLED)			<input type="checkbox"/> BIANNUALLY <input type="checkbox"/> ANNUALLY	

By execution hereof, the parties hereby reaffirm their acknowledgment and agreement that no modification to this Lease shall be effective unless in writing and signed by Lessee and an authorized officer of Lessor.

OFFER

ACCEPTANCE

Lessee: FANSTEEL INC.

Lessor: CELTIC LEASING CORP.

Signature: *R. Michael McEntee*

Signature: *Todd R. Meyer*

Name: R. Michael McEntee

Name: Todd R. Meyer

Title: Vice President Date: 9/8/98

Title: Vice President Date: 9/08/98



CELTIC LEASING CORP.

Equipment Financing Specialist

Date: September 08, 1998

Fansteel, Inc.
 Number One Tantalum Place
 North Chicago, IL 60064-3388

RE: Lease Schedule No. 03, dated 09/08/98 (the "Schedule"), to Master Lease Agreement No. CML-0176-A, dated 5/17/94 (the "Lease"), by and between Celtic Leasing Corp., as Lessor, and Fansteel, Inc., as Lessee, and all duly executed supplemental documentation relating to said Lease and Schedule (collectively, the Lease, the Schedule, and all related supplemental documentation is herein referred to as the "Transaction").

Ladies/Gentlemen:

Notwithstanding anything to the contrary contained in the above referenced Transaction, and to the limited extent hereof, this Letter Agreement amends and supersedes said Transaction and is hereby incorporated by reference therein.

It is hereby acknowledged that, provided Lessee gives Lessor not less than thirty (30) days prior written notice and no event of Default has occurred or is continuing, Lessee may terminate the above referenced schedule prior to the expiration of the eighth (08) quarter Base Term in accordance with the following terms and conditions: (i) After Lessee has made eight (08) Base Term quarterly rental payments, Lessee may terminate the Schedule by paying to Lessor an amount equal to fifty four and 50/100 percent (54.50%) of the total Equipment cost, plus any accrued but unpaid late charges, taxes, penalties or any other sums due under the Lease.

If early termination is not elected by the Lessee as provided above, it is then further acknowledged that Lessee has irrevocably elected to exercise its option to purchase or renew the Lease for the Equipment subject to the above referenced Schedule as of the expiration of the Base Term of said Schedule at its then fair market value ("FMV"). At least six months prior to the expiration of the Base Term, Lessee shall provide Lessor with written notice of its decision to: (a) purchase the Equipment; or (b) renew the Schedule. Lessee and Lessor hereby mutually agree that: (i) if Lessee chooses (a), above, then the FMV purchase price shall be 28% of the Equipment's original cost; and (ii) if Lessee chooses (b), above, then the FMV renewal of the Schedule shall consist of a one year extension at the rental amount in effect as of the last billing cycle of the Base Term. In the event Lessee fails to give Lessor written notice of its decision between (a) and (b), above, at least six months prior to the expiration of the Base Term, then the Schedule shall automatically be extended in successive six month intervals at the rental amount in effect as of the last billing cycle of the Base Term until such time that Lessor has received at least six months advance written notice from Lessee of its decision. In this situation, the Lessee's election of (a) or (b), above, shall become effective as of the expiration of the last six month extension.

Please acknowledge your acceptance by signing below and returning this Letter Agreement to Celtic Leasing Corp. within ten days from the date hereof.

Sincerely,
 CELTIC LEASING CORP.


 Todd R. Meyer
 Vice President

READ, ACKNOWLEDGED AND AGREED:

Fansteel, Inc.

By : R. Michael M. EnteeName : R. Michael McEnteeTitle : Vice President Date: 9/8/98

TRM/cja

L:\LAPRO000

2061 Business Center Drive, Suite 200 • Irvine, California 92612 • Tel: 949-263-3880 • FAX: 949-263-1331



UCC-01

State of Mississippi UCC-1 Financing Statement

1 Debtors (Last Name first for individuals)

Book & Page

Filed with

Fansteel, Inc					
Last Name	First Name	Middle Name	Last Name	First Name	Middle Name
Number One Tantalum Place					
Mailing Address			Mailing Address		
North Chicago	I L	60064-3388			
City	State	Cty Cd	ZIP		
<input type="checkbox"/> Transmitting Utility					
Tax ID/SSN			Tax ID/SSN		

2 Secured Party (Last Name first for individuals)			3 Assignee (Last Name first for individuals)				
Celtic Leasing Corp.			NBD Equipment Finance, Inc.				
Business Name			Business Name				
2061 Business Center Drive			660 Woodward Ave., #200				
Mailing Address			Mailing Address				
Irvine	C A	O R	92612	Detroit	M I 48226		
City	State	Cty Cd	ZIP	City	State	Cty Cd	ZIP
Tax ID/SSN			Tax ID/SSN				

4 This financing statement covers the following types (or items) of property

Leased property more fully described on Exhibit "A" attached hereto and made a part hereof.

(Ref.: CML-0176-A/3)

5 Check if this statement is filed without the Debtor's signature to perfect a security interest in collateral

<input type="checkbox"/> already subject to a security interest in another jurisdiction when it was brought into this state or when Debtor's location was changed to this state	<input type="checkbox"/> where the original filing has lapsed
<input type="checkbox"/> which is proceeds if the security interest in the original collateral was perfected	<input type="checkbox"/> if lien to secure payment of royalty proceeds (effective 1 year)
<input type="checkbox"/> acquired after a change of name identity, or corporate structure of the Debtor	

6 Check if covered Products of Collateral

7 Number of additional sheets attached

Signature of Debtor: *R. Machal M-Lter*

Signature of Secured Party

Signature of Debtor

Signature of Secured Party (Required only when filed without Debtor Signature)

00744
 1998 SEP 18 A 10 00
 JOINTLY: DAV
 CHANCERY CLERK
 HARRISON COUNTY
 1ST JUDICIAL DISTRICT
 Official Use Only

Exhibit "A"

to

UNIFORM COMMERCIAL CODE - FINANCING STATEMENT - FORM UCC-1

Debtor Corporate Address Number One Tantalum Place, North Chicago, IL 60064-3388

Property Location 14115 Seaway Road, Gulfport, Mississippi, 39503

Description of Property Covered

<u>ITEM</u>	<u>QTY</u>	<u>SERIAL NO</u>	<u>DESCRIPTION</u>
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All equipment and other personal property and all modifications and additions thereto and replacements and substitutions therefor, whole or in part, now or hereafter covered by that certain Lease Schedule No 03, dated 2/02/98, to Master Lease Agreement No CML-0176-A, dated 05/17/94, between Celtic Leasing Corp, as Lessor, and Debtor, as Lessee Said equipment is expected to include, but is not limited to, the items listed below, as follows

VENDOR Alpha Press Company, Inc.

1	ALL	125581	Alpha 1 Skid, 125 Ton Standard Hydraulic Dry Press with 1 Box (mounted onto Press Skid) containing 12 ft FF41-002 Gum Tubing (1-1/2" x 5/32" wall), 5 Hose Clamps 5416K17, 1 Filter Element CC10, 1 Green Touch-up Paint (12 OZ Spray Can) #H61G20-SC
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Including all attachments and accessories thereto, and all proceeds thereof, including proceeds in the form of goods, accounts, chattel paper, documents, instruments, contract rights and general intangibles

This filing is for precautionary purposes in connection with a leasing transaction and is not to be construed as indicating that the transaction is other than a true lease

Debtor FANSTEEL INC.

Signature *R. Michael McEntee*

Name R Michael McEntee

Title Vice President

Secured Party CELTIC LEASING CORP

Signature *Carl G Agamata*

Name ~~Fodd R Meyer~~ CARL G AGAMATA

Title ~~Assistant~~ Vice President

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.)

**ORDER UNDER 11 U.S.C. § 105(A) AND FED.R.BANKR.P. 9019
APPROVING COMPROMISE BETWEEN FANSTEEL INC.,
CELTIC LEASING CORP. AND BANC ONE LEASING CORPORATION**

Upon consideration of the *Motion for Order Under 11 U.S.C. §105(a) and Fed.R.Bankr.P. 9019 Approving Compromise Between Fansteel Inc., Celtic Leasing Corp. and Banc One Leasing Corporation* (the "Motion"), filed by the debtors and debtors-in-possession herein (the "Debtors"); and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, creditors, other parties in interest, and the public welfare, and may be authorized pursuant to Fed.R.Bankr.P. 9019(a); and notice of the Motion having been provided to the Office of the United States Trustee, the Official Committee of Unsecured Creditors, the remaining secured creditors, and those parties who have requested special notice pursuant to Fed.R.Bankr.P. 2002 (i); and it appearing that no other or further notice need be given; and after due deliberation

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.

and sufficient cause appearing therefor, it is hereby

ORDERED that the *Motion for Order Under 11 U.S.C. §105(a) and Fed.R.Bankr.P. 9019 Approving Compromise Between Fansteel Inc., Celtic Leasing Corp. and Banc One Leasing Corporation* is granted, and it is further

ORDERED that this Court retains jurisdiction with respect to all matters arising from or related to the implementation of the Settlement Agreement or this Order.

Dated: _____, 2003

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