

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

Objection Deadline: May 1, 2003 at 4:00 p.m.
(Hearing only if objections are filed)

NOTICE OF MOTION FOR ORDER AUTHORIZING THE SALE OF CERTAIN REAL ESTATE UNDER 11 U.S.C. §§ 105, 363 AND 1146(c) FREE AND CLEAR OF ALL LIENS, CLAIMS, INTERESTS, SET OFF RIGHTS AND ENCUMBRANCES

TO: ALL PARTIES ENTITLED TO NOTICE PURSUANT TO LOCAL BANKRUPTCY RULE 2002-1(B):

On April 11, 2003, Fansteel Inc. ("Fansteel") and Escast, Inc. ("Escast"), debtors and debtors-in-possession in the above-captioned cases, filed the attached Motion For Order Authorizing The Sale Of Certain Real Estate Under 11 U.S.C. §§ 105, 363 and 1146(c) Free And Clear Of All Liens, Claims, Interests, Set Off Rights and Encumbrances (the "Motion").

Objections or responses, if any, to the Motion, must be filed with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 on or before May 1, 2003 at 4:00 p.m. Eastern Time. At the same time, you must also serve a copy of the response or objection upon co-counsel for Fansteel and Escast: (i) Pachulski, Stang, Ziehl, Young & Jones P.C., 919 North Market Street, Suite 1600, P.O. Box 8705, Wilmington, Delaware 19899-8705 (courier 19801) (Attn: Laura Davis Jones, Esq.), and (ii) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022 (Attn: Jeffrey S. Sabin, Esq.); and (iii) the Office of the United States Trustee (Attn: David Buchbinder, Esq.),

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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844 King Street, Suite 2313, Lockbox 35, Wilmington, Delaware 19801.

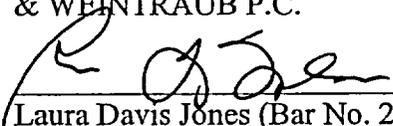
IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE
COURT MAY GRANT THE RELIEF REQUESTED BY THE MOTION WITHOUT
FURTHER NOTICE OR HEARING.

Dated: April 11, 2003

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
FANSTEEL INC., *et al.*,¹) Case No. 02-10109 (JJF)
) (Jointly Administered)
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Objection Deadline: May 1, 2003 at 4:00 p.m.
(Hearing only if objections are filed)

**MOTION FOR ORDER AUTHORIZING THE SALE OF CERTAIN REAL ESTATE
UNDER 11 U.S.C. §§ 105, 363 AND 1146(c) FREE AND CLEAR OF ALL LIENS,
CLAIMS, INTERESTS, SET OFF RIGHTS AND ENCUMBRANCES**

Fansteel Inc. ("Fansteel") and Escast, Inc. ("Escast") debtors and debtors-in-possession in the above-captioned cases hereby move this Court (the "Motion") for an Order Authorizing The Sale Of Certain Real Estate Under 11 U.S.C. §§ 105, 363 and 1146(c) Free And Clear Of All Liens, Claims, Interests, Set Off Rights And Encumbrances (the "Motion"). In support of this Motion, Fansteel and Escast respectfully represent as follows:

Background

1. On January 15, 2002 (the "Petition Date"), Fansteel and Escast each filed with this Court voluntary petitions for relief under 11 U.S.C. §§ 101 *et seq.*, as amended (the "Bankruptcy Code"). Fansteel and Escast continue to operate their business and manage their affairs as a debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in any of the chapter 11 cases (the "Cases"). A creditors' committee (the "Committee") was appointed in these Cases on January 28, 2002.

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.

Debtors' Structure And Operations

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

The Sarasota Operations

3. Escast historically operated an automatic equipment and tooling division in a 5,000 square foot production facility owned by Escast and located at 2080 Limbus Avenue, Sarasota, Florida (the "Sarasota Facility").² Prior to the October, 2002 cessation of operations at the site, the Sarasota Facility supplied investment casting foundries with automatic wax injection presses, pattern assembly machines, and custom pattern tooling.

Jurisdiction and Venue

4. This Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334. Venue is proper under 28 U.S.C. §§ 1408 and 1409. This is a core proceeding as defined in 28 U.S.C. § 157(b)(2). The statutory predicates for relief are 11 U.S.C. §§ 105, 363 and 1146(c) and Fed. R. Bankr. P. 6004(f).

² The Sarasota Facility includes the land, building and improvements thereon.

Relief Requested

5. By this Motion, Fansteel and Escast seek entry of an order approving Escast's sale of the Sarasota Facility, free and clear of all liens, claims, interests, set off rights and other encumbrances.

Basis For Relief

6. As described above, Escast no longer conducts any operations at the Sarasota Facility, and the machinery and the equipment located at that facility has been sold pursuant to a prior order of this Court [Docket No. 688]. Accordingly, Escast has determined, in an exercise of its sound business judgment, that the sale of the Sarasota Facility is the best means to maximize its value for the benefit of Escast's estate and creditors. The Sarasota Facility would be sold free and clear of all liens, claims, interests, set off rights and other encumbrances (collectively, the "Liens"), with all valid Liens, if any, to attach to the net proceeds of the sales (the "Net Proceeds") to the extent of such proceeds and in the order of their priority, with the same validity, force, and effect that they now have against the Sarasota Facility. To the best of Escast's knowledge, the only known Liens are the liens of Congress Financial Corporation, the Debtors' postpetition lender ("Congress"), which previously has consented to the sale of the Sarasota Facility pursuant to the "Amendment" described in paragraph 10 herein.

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

Other Relief To Congress Financial Corporation (Central)" entered May 21, 2002 by this Court (the "DIP Order").

8. Section 1(b) (viii) of the DIP Order provides in relevant part:

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

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

10. In the absence of any Liens other than the blanket Lien of Congress, the Net Proceeds are subject to the Third Amendment To Loan And Security Agreement, dated as of January 10, 2003 (the "Amendment"), a copy of which is attached hereto as Exhibit A. The Amendment provides in relevant part:

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 "Sales 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).

11. Fansteel and Escast believe that the sale of the Sarasota Facility will enable Escast to avoid unwarranted, future expenditures for insurance, maintenance upkeep and

security for the property, as well as safeguard against the decline in the value of the property if it is not used by Escast.

The Proposed Transaction

12. By order entered February 14, 2003, this Court approved the retention of Michael Saunders and Company ("Saunders") as real estate broker for Escast in connection with the sale of the Sarasota Facility (the "Retention Order") [Docket No. 780]. As described more fully in the Debtors' motion for entry of the Retention Order, dated January 13, 2003 (the "Retention Motion") [Docket # 690], Saunders was employed to (a) identify prospective buyers, prepare information packages, and market the Sarasota Facility to prospective buyers; and (b) assist Escast with the negotiation of the terms, and consummation of the sale, of the Sarasota Facility. As compensation for its services, Saunders is entitled to 7% of the total purchase price of the Sarasota Facility. Motion ¶ 9-10.

13. The Retention Motion also provided that Escast would "seek approval of this Court for any sale transaction negotiated by Saunders by a motion approving the sale, but will not file a subsequent motion to auction of the property since the Listing Agreement serves that same purpose." Motion, n.4.

14. Since mid-February, 2003 Saunders has marketed the Sarasota Facility extensively by, among other things:

(a) Posting multiple "For Sale" signs on the property;

(b) Advertising the property in the Bradenton Herald, the Sarasota Herald-Tribune and local newspapers' classified and display sections, as well as various real estate publications;

(c) Circulating a property data sheet to all cooperating Realtors in each of the Manatee and Sarasota Board of Realtors and to likely prospects;

(d) Conducting a search through Saunders' prospect books to find possible buyers in the market for this type of property;

(e) Printing and distributing single sheet flyers showing the property and its features along with a floor plan and survey;

(f) Conducting a direct mailing campaign, using full-color marketing flyers, to the 4,100 Florida industries that are currently on Saunders' mailing lists (this list also includes the Fortune 500 and the top 200 privately-owned businesses in Florida);

(g) Circulating the property information to Brokers of the Society of Industrial and Office Realtors on a regional basis and to the membership of the National Association Of Industrial and Office Park;

(h) Conducting a formal presentation of the property to the Manatee and Sarasota Board of Realtors, Commercial Investment Divisions;

(i) Canvassing companies in the surrounding Tampa Bay area to offer the property to them; and

(j) Listing the property on the Sarasota-industrial.com web site as well as Saunders' web site.

15. To date, the best and highest offer received for the Sarasota Facility was from Mr. Rick Dring (the "Purchaser"), pursuant to a sale contract dated March 13, 2003 (the "Sale Contract"), a copy of which is attached hereto as Exhibit B. The Purchaser has agreed to purchase Escast's interest in the Sarasota Facility as specified in the Sale Contract for the aggregate price of \$265,000. In accordance with the terms of the Sale Contract, the Purchaser has deposited \$5,000 in Saunders' escrow account with an additional \$5,000 due April 18, 2003 to be paid to Escast at closing. In addition, the Sale Contract provides that the Purchaser will also pay Escast an additional \$30,000 in cash at closing. The remaining \$225,000.00 will be financed by Horizon Bancorporation, Inc. ("Horizon"). Attached as Exhibit C is a copy of the Purchaser's financing approval letter from Horizon.

16. The Purchaser has been advised that Escast is the subject of a case under Chapter 11 and that, accordingly, the Sale Contract is expressly subject to entry of an order of this Court authorizing and approving the proposed sale, free and clear of liens, claims, interests, set off rights and encumbrances. In the event the proposed sale is approved by the Court, the closing will occur not later than ten (10) days after the entry of a final order approving the sale, but in no event later than May 30, 2003.

17. The specific terms and conditions of the Purchaser's offer are contained in the Sale Contract, and the foregoing constitutes only a summary of the highlights thereof. The Purchaser has acknowledged that the sale may be subject to competitive bidding before this Court.

Applicable Authority

18. The Sale is Within Escast's Sound Business Judgment. Section 363(b) of the Bankruptcy Code provides that a debtor "after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate." To approve a use, sale or lease of property other than in the ordinary course of business, the Court must find "some articulated business justification." See In re Martin (Myers v. Martin), 91 F.3d 389, 395 (3d Cir. 1996); In re Abbotts Dairies of Penn., Inc., 788 F.2d 143 (3d Cir. 1986) (requiring good faith); In re Delaware and Hudson Ry. Co., 124 B.R. 169 (D. Del. 1991) (concluding that the requirements for a sale outside the ordinary course of business included 1) a sound business purpose, 2) adequate and reasonable notice, 3) a fair and reasonable price, and 4) a good faith purchaser).

19. Sound Business Purpose. Sound business reasons exist for Escast to sell the Sarasota Facility as outlined in this Motion. The Sarasota Facility is of no use or value to the

Escast's estate, except as an asset to be liquidated for the benefit of its estate and creditors.

Escast thus seeks authorization to sell the property in order to defray additional costs associated with the continued maintenance of the Sarasota Facility.

20. Adequate and Sufficient Notice. In view of the Debtors' previous marketing efforts with respect to the Sarasota Facility, and in accordance with Del. Bankr. L.R. 2002-1(b), the Debtors will serve notice of this Motion on the following parties-in-interest: (i) the Office of the United States Trustee; (ii) counsel to Congress; (iii) counsel to the Committee; (iv) all parties that have expressed a bona fide interest in acquiring the Sarasota Facility during the past 12 months; (v) each taxing authority known to the Debtors to have a potential interest in the Sarasota Facility, if any; (vi) Saunders (vii) the Purchaser; and (viii) all parties that have filed requests for notices in these cases pursuant to Fed. R. Bankr. P. 2002.

21. The Debtors believe that the foregoing notice is good and sufficient under the particular circumstances and reasonably calculated to provide timely and adequate notice to the Debtors' major creditor constituencies, those persons most interested in these cases and those persons potentially interested in bidding on the Sarasota Facility. Escast thus submits that such notice is sufficient for entry of an order granting the relief requested in this Motion.

22. Fair & Reasonable Consideration. Escast submits that the proposed sale of the Sarasota Facility will provide fair and reasonable consideration to Escast's estate. Prior to entering into the Sale Agreement, Escast, together with Saunders, marketed the Sarasota Facility since mid-February 2003 through the use of, among other things, printed brochures, directed mailings to Saunders' clients and area brokers, and advertisement of the property. The offer from the Purchaser is the highest and best offer received to date and Escast believes that it is

extremely unlikely that additional marketing would result in significantly greater net proceeds to Escast's estate.

23. In addition, the sale of the Sarasota Facility has been, and continues to be, subject to competing bids, since this Motion will be served upon all parties that have expressed an interest in the Sarasota Facility, ensuring that Escast will receive the highest or best value for the property. Thus, the fairness and reasonableness of the consideration to be received by Escast ultimately will be demonstrated by a "market check" and auction process -- the best means for establishing whether a fair and reasonable price is being paid.

24. Good Faith Under Section 363(m). Section 363(m) of the Bankruptcy Code provides that:

[t]he reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.

11 U.S.C. § 363(m).

25. While the Bankruptcy Code does not define "good faith", the Third Circuit in In re Abbotts Dairies of Pennsylvania, Inc., 788 F.2d 143 (3d Cir. 1986) has held that:

[t]he requirement that a purchaser act in good faith . . . speaks to the integrity of his conduct in the course of the sale proceedings. Typically, the misconduct that would destroy a purchaser's good faith status at a judicial sale involves fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders.

788 F.2d at 147 (citations omitted). Fansteel and Escast submit that (i) the proposed sale is the subject of arm's length negotiations between the Purchaser and Escast and Saunders; (ii) the Purchaser has no affiliation with Escast or the other Debtors; (iii) to the best of Escast's

knowledge, the Purchaser has taken no action to chill or otherwise collude with any other party to restrict bidding on the Sarasota Facility; and (iv) the auction process ensured that the Purchaser has not exerted undue influence over Escast or any other Debtors. Escast thus requests that the Court make a finding that the Purchaser acted in good faith within the meaning of section 363(m) of the Bankruptcy Code.

26. The Sale Satisfies The Requirements Of Section 363(f) For A Sale Free And Clear Of Liens, Claims, Interests, And Encumbrances. Escast seeks to sell the Sarasota Facility free and clear of all liens, encumbrances and interests (other than the Lien of Congress). Section 363(f) of the Bankruptcy Code provides:

The trustee may sell property under subsection (b) or (c) of this section free and clear of any interest in such property of an entity other than the estate, only if --

- (1) applicable nonbankruptcy law permits sale of such property free and clear of such interest;
- (2) such entity consents;
- (3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
- (4) such interest is in bona fide dispute; or
- (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f). Because section 363(f) is drafted in the disjunctive, satisfaction of any one of its five requirements will suffice to approve Escast's sale of the Sarasota Facility free and clear of liens, claims, interests, and other encumbrances (collectively, the "Liens"). See 11 U.S.C. § 363(f); Citicorp Homeowners Servs., Inc. v. Elliot (In re Elliot), 94 B.R. 343 (E.D. Pa. 1988) (Bankruptcy Code section 363(f) written in disjunctive; court may approve sale "free and clear" provided at least one of the subsections is met).

27. With the exception of the Congress' Lien, Fansteel and Escast do not believe that any parties hold an interest in the Sarasota Facility. If and to the extent Escast identifies any parties that do hold such an interest, Escast will obtain any necessary consent of such parties prior to or at the sale hearing, thereby satisfying subsection 363(f)(2). Moreover, to the extent there exist other possible holders of interests, Escast submits that one of the subsections of section 363(f) applies, and that any such interest will be adequately protected by having it attach to the net proceeds of the sale, subject to any claims and defenses Escast may possess with respect thereto.

28. Authorization of the sale of the Sarasota Facility as outlined herein free and clear of Liens also is appropriate because any such Liens will attach to the Net Proceeds of sale in the same order of priority as the Liens previously attached to the Sarasota Facility. Accordingly, each lienholder, even the holder of a Lien with respect to which no Net Proceeds will be available because of the existence of prior liens, will realize the indubitable equivalent of its claim in accordance with section 363(f) of the Bankruptcy Code. Accordingly, the sale should be approved under section 363(f) of the Bankruptcy Code.

29. The Debtor's Request For Relief From Transfer Taxes Under Section 1146(c) Should be Granted. Section 1146(c) of the Bankruptcy Code provides that "the making or delivery of an instrument of transfer under a plan confirmed under section 1129 of this title may not be taxed under any law imposing a stamp or similar tax." The Third Circuit has construed this provision to include transfers under a sale outside of, but in furtherance of effectuating, a plan of reorganization. See Director of Revenue, State of Delaware v. CCA Partnership (In re CCA Partnership), 70 B.R. 696 (Bankr. D. Del.), aff'd 72 B.R. 765 (D. Del.), aff'd 833 F.2d 304 (3d Cir. 1987).

30. Fansteel and Escast are seeking Court approval of the sale of the Sarasota Facility to, among other things, facilitate the formulation and ultimate confirmation of a plan of reorganization that will yield the highest possible return to Escast's creditors. In light of the foregoing, Fansteel and Escast respectfully submit that the proposed sale of the Sarasota Facility is a necessary step toward a reorganization plan and, accordingly, should be exempt from any stamp tax or similar taxes under section 1146(c) of the Bankruptcy Code.

31. In light of the foregoing, the sale of the Sarasota Facility is in the best interests of the Escast estate and creditors and should be approved by this Court.

Notice

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

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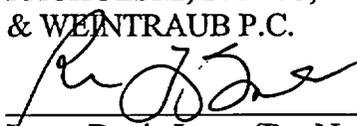
WHEREFORE, Fansteel and Escast respectfully request that the Court (a) enter an order authorizing the sale of the Sarasota Facility free and clear of all Liens, and (b) grant Fansteel and Escast such other and further relief as is just and proper.

Dated: April 11, 2003

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Co-Counsel for the Debtors and
Debtors-in-Possession

Exhibit A

1

**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

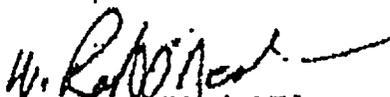
Re: Appraisal of Machinery & Equipment

Dear Mr. Chapman,

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

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

Respectfully Submitted,


W. Robert O'Neal, AEA

WRO/po

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

TOTALS:

~~\$94,650~~
 89,350

~~\$149,400~~
 140,400

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

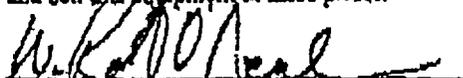

 W. Robert O'Neal

Exhibit B

/

Commercial Contract
FLORIDA ASSOCIATION OF REALTORS®

1st 1. PURCHASE AND SALE: Rick Dring ("Buyer")

2nd agrees to buy and Escort, Inc. ("Seller")

3rd agrees to sell the property described as: Street Address: 2080 Limbos Avenue

4th _____

5th Legal Description: _____

6th _____

7th and the following Personal Property: None

8th _____

9 (all collectively referred to as the "Property") on the terms and conditions set forth below. The "Effective Date" of this Contract is
 10 the date on which the last of the Parties signs the latest offer. Time is of the essence in this Contract. Time periods of 5 days or
 11 less will be computed without including Saturday, Sunday, or national legal holidays and any time period ending on a Saturday,
 12 Sunday or national legal holiday will be extended until 5:00 p.m. of the next business day.

13th 1. PURCHASE PRICE: \$ 265,000.00

14th (a) Deposit held in escrow by Michael Saunders & Company \$ 5,000.00

15th (b) Additional deposit to be made within 35 days from Effective Date \$ 5,000.00

16th (c) Total mortgages (as referenced in Paragraph 3) \$ 225,000.00

17th (d) Other: _____ \$ _____

18th (e) Balance to close, subject to adjustments and provisions, to be made with cash, locally drawn
 19 certified or cashier's check or wire transfer. \$ 30,000.00

20th 3. THIRD PARTY FINANCING: Within 3 days from Effective Date ("Application Period"), Buyer will, at Buyer's expense,
 21 apply for
 22nd third party financing in the amount of \$ 225,000.00 or _____ % of the purchase price to be amortized over a period of _____
 23rd years and due in no less than _____ years and with a fixed interest rate not to exceed _____ % per year or variable interest rate not
 24th to exceed _____ % at origination with a lifetime cap not to exceed _____ % from initial rate, with additional terms as follows: _____
 25th Upon interest rate and terms acceptable to Buyer

26 Buyer will pay for the mortgagee title insurance policy and for all loan expenses. Buyer will timely provide any and all credit,
 27 employment, financial and other information reasonably required by any lender. Buyer will notify Seller immediately upon obtaining
 28th financing or being rejected by a lender. If Buyer, after diligent effort, fails to obtain a written commitment within 30 days from
 29 Effective Date ("Financing Period"), Buyer may cancel the Contract by giving prompt notice to Seller and Buyer's deposit(s) will be
 30 returned to Buyer in accordance with Paragraph 9.

31st Buyer ([Signature]) and Seller (_____) (_____) acknowledge receipt of a copy of this page, which is page 1 of 5 Pages.

32° 4. TITLE: Seller has the legal capacity to and will convey marketable title to the Property by statutory warranty deed
33° other _____, free of liens, easements and encumbrances of record or known to
34° Seller, but subject to property taxes for the year of closing; covenants, restrictions and public utility easements of record; and (list any
35° other matters to which title will be subject) _____
36° _____

37° provided there exists at closing no violation of the foregoing and none of them prevents Buyer's intended use of the Property as
38° _____

40° (a) Evidence of Title: Seller will, at (check one) Seller's Buyer's expense and within _____ days from Effective Date
41° prior to Closing Date from date Buyer meets or waives financing contingency in Paragraph 3, deliver to Buyer (check
42° one)
43° a title insurance commitment by a Florida licensed title insurer and, upon Buyer recording the deed, an owner's policy in the
44° amount of the purchase price for fee simple title subject only to exceptions stated above.
45° an abstract of title, prepared or brought current by an existing abstract firm or certified as correct by an existing firm.
46° However, if such an abstract is not available to Seller, then a prior owner's title policy acceptable to the proposed insurer as a
47° base for issuance of coverage. The prior policy will include copies of all policy exceptions and an update in a format
48° acceptable to Buyer from the policy effective date and certified to Buyer or Buyer's closing agent together with copies of all
49° documents received in the prior policy and in the update.

50° (b) Title Examination: Buyer will, within 15 days from receipt of the evidence of title deliver written notice to Seller of title
51° defects. Title will be deemed acceptable to Buyer if (1) Buyer fails to deliver proper notice of defects or (2) Buyer delivers proper
52° written notice and Seller cures the defects within 15 days from receipt of the notice ("Cure Period"). If the defects are cured
53° within the Cure Period, closing will occur within 10 days from receipt by Buyer of notice of such curing. Seller may elect not
54° to cure defects if Seller reasonably believes any defect cannot be cured within the Cure Period. If the defects are not cured
55° within the Cure Period, Buyer will have 10 days from receipt of notice of Seller's inability to cure the defects to elect whether
56° to terminate this Contract or accept title subject to existing defects and close the transaction without reduction in purchase price.
57° The party who pays for the evidence of title will also pay related title service fees including title and abstract charges and title
58° examination.

59° (c) Survey: (check applicable provisions below)
60° Seller will, within 5 days from Effective Date, deliver to Buyer copies of prior surveys, plans, specifications, and
61° engineering documents, if any, and the following documents relevant to this transaction: _____
62° _____, prepared for Seller or in Seller's
63° possession, which show all currently existing structures.
64° Buyer will, at Seller's Buyer's expense and within the time period allowed to deliver and examine title evidence,
65° obtain a current certified survey of the Property from a registered surveyor. If the survey reveals encroachments on the Property
66° or that the improvements encroach on the lands of another, Buyer will accept the Property with existing encroachments
67° such encroachments will constitute a title defect to be cured within the Cure Period.

68° (d) Ingress and Egress: Seller warrants that the Property presently has ingress and egress.

69° (e) Possession: Seller will deliver possession and keys for all locks and alarms to Buyer at closing.

70° 5. CLOSING DATE AND PROCEDURE: This transaction will be closed in _____ County, Florida on
71° or before the _____, _____ or within 45 days from Effective Date ("Closing Date"), unless otherwise extended
72° herein. Seller Buyer will designate the closing agent. Buyer and Seller will, within _____ days from Effective Date, deliver
73° to Escrow Agent signed instructions which provide for closing procedure. If an institutional lender is providing purchase funds, lender
74° requirements as to place, time of day, and closing procedure will control over any contrary provisions in this Contract.

75° (a) Costs: Buyer will pay taxes and recording fees on notes, mortgages and financing statements and recording fees for the deed.
76° Seller will pay taxes on the deed and recording fees for documents needed to cure title defects. If Seller is obligated to discharge
77° any encumbrance at or prior to closing and fails to do so, Buyer may use purchase proceeds to satisfy the encumbrance.

78° (b) Documents: Seller will provide the deed, bill of sale, mechanic's lien affidavit, assignments of leases, updated rent roll, tenant
79° and lender estoppel letters, assignments of permits and licenses, corrective instruments and letters notifying tenants of the change in
80° ownership/rental agent. If any tenant refuses to execute an estoppel letter, Seller will certify that information regarding the tenant's
81° lease is correct. If Seller is a corporation, Seller will deliver a resolution of its Board of Directors authorizing the sale and delivery
82° of the deed and certification by the corporate Secretary certifying the resolution and setting forth facts showing the conveyance
83° conforms with the requirements of local law. Seller will transfer security deposits to Buyer. Buyer will provide the closing
84° statement, mortgages and notes, security agreements and financing statements.

85° Buyer  and Seller _____ (_____) acknowledge receipt of a copy of this page, which is page 2 of 5 Pages.

86* (c) Taxes, Assessments, and Prorations: The following items will be made current and prorated as of Closing Date
87* as of _____; real estate taxes, bond and assessment payments assumed by Buyer, interest,
88* rents, association dues, insurance premiums acceptable to Buyer, operational expenses and _____
89 If the amount of taxes and assessments for the current year cannot be ascertained, rates for the previous year will be used with due
90 allowance being made for improvements and exemptions. Seller is aware of the following assessments affecting or potentially
91* affecting the Property: _____
92 Buyer will be responsible for all assessments of any kind which become due and owing on or after Effective Date, unless the
93 improvement is substantially completed as of Closing Date, in which case Seller will be obligated to pay the entire assessment.

94 (d) FIRPTA Tax Withholding: The Foreign Investment in Real Property Act ("FIRPTA") requires Buyer to withhold at closing a
95 portion of the purchase proceeds for remission to the Internal Revenue Service ("I.R.S.") if Seller is a "foreign person" as defined
96 by the Internal Revenue Code. The parties agree to comply with the provisions of FIRPTA and to provide, at or prior to closing,
97 appropriate documentation to establish any applicable exemption from the withholding requirement. If withholding is required and
98 Buyer does not have cash sufficient at closing to meet the withholding requirement, Seller will provide the necessary funds and
99 Buyer will provide proof to Seller that such funds were properly remitted to the I.R.S.

100* 6. ESCROW: Buyer and Seller authorize Michael Saunders & Company
101* Telephone: 941-957-3730 Facsimile: 941-954-3830 Address: 32 N. Osceola Avenue to act as "Escrow Agent"
102* Sarasota, Florida 34236
103 to receive funds and other items and, subject to clearance, disburse them in accordance with the terms of this Contract. Escrow Agent
104* will deposit all funds received in a non-interest bearing escrow account an interest bearing escrow account with interest accruing
105* to _____ with interest disbursed (check one) at closing at _____
106 intervals. If Escrow Agent receives conflicting demands or has a good faith doubt as to Escrow Agent's duties or liabilities under this
107 Contract, he/she may (a) hold the subject matter of the escrow until the parties mutually agree to its disbursement or until issuance of a
108 court order or decision of arbitrator determining the parties' rights regarding the escrow or (b) deposit the subject matter of the escrow
109 with the clerk of the circuit court having jurisdiction over the dispute. Upon notifying the parties of such action, Escrow Agent will be
110 released from all liability except for the duty to account for items previously delivered out of escrow. If a licensed real estate broker,
111 Escrow Agent will comply with applicable provisions of Chapter 475, Florida Statutes. In any suit or arbitration in which Escrow
112 Agent is made a party because of acting as agent hereunder or interpleads the subject matter of the escrow, Escrow Agent will recover
113 reasonable attorneys' fees and costs at all levels, with such fees and costs to be paid from the escrowed funds or equivalent and charged
114 and awarded as court or other costs in favor of the prevailing party. The parties agree that Escrow Agent will not be liable to any
115 person for misdelivery to Buyer or Seller of escrowed items, unless the misdelivery is due to Escrow Agent's willful breach of this
116 Contract or gross negligence.

117 7. PROPERTY CONDITION: Seller will deliver the Property to Buyer at the time agreed in its present "as is" condition, ordinary
118 wear and tear excepted, and will maintain the landscaping and grounds in a comparable condition. Seller makes no warranties other
119 than marketability of title. By accepting the Property "as is," Buyer waives all claims against Seller for any defects in the property.
120 (Check (a) or (b))

121* (a) As Is: Buyer has inspected the Property or waives any right to inspect and accepts the Property in its "as is" condition.
122* (b) Due Diligence Period: Buyer will, at Buyer's expense and within 30 days from Effective Date ("Due Diligence
123 Period"), determine whether the Property is suitable, in Buyer's sole and absolute discretion, for Buyer's intended use and
124 development of the Property as specified in Paragraph 4. During the Due Diligence Period, Buyer may conduct any tests, analyses,
125 surveys and investigations ("Inspections") which Buyer deems necessary to determine to Buyer's satisfaction the Property's
126 engineering, architectural, environmental properties; zoning and zoning restrictions; flood zone designation and restrictions;
127 subdivision regulations; soil and grade; availability of access to public roads, water, and other utilities; consistency with local, state
128 and regional growth management and comprehensive land use plans; availability of permits, government approvals and licenses;
129 compliance with American with Disabilities Act; absence of asbestos, soil and ground water contamination; and other inspections
130 that Buyer deems appropriate to determine the suitability of the Property for Buyer's intended use and development. Buyer shall
131 deliver written notice to Seller prior to the expiration of the Due Diligence Period of Buyer's determination of whether or not the
132 Property is acceptable. Buyer's failure to comply with this notice requirement shall constitute acceptance of the Property in its
133 present "as is" condition. Seller grants to Buyer, its agents, contractors and assigns, the right to enter the Property at any time
134 during the Due Diligence Period for the purpose of conducting Inspections; provided, however, that Buyer, its agents, contractors
135 and assigns enter the Property and conduct inspections at their own risk. Buyer shall indemnify and hold Seller harmless from
136 losses, damages, costs, claims and expenses of any nature, including attorneys' fees at all levels, and from liability to any person,
137 arising from the conduct of any and all inspections or any work authorized by Buyer. Buyer will not engage in any activity that
138 could result in a mechanic's lien being filed against the Property without Seller's prior written consent. In the event this transaction
139 does not close, (1) Buyer shall repair all damages to the Property resulting from the Inspections and return the Property to the
140 condition it was in prior to conduct of the Inspections, and (2) Buyer shall, at Buyer's expense, release to Seller all reports and
141 other work generated as a result of the Inspections. Should Buyer deliver timely notice that the Property is not acceptable, Seller
142 agrees that Buyer's deposit shall be immediately returned to Buyer and the Contract terminated.

143* Buyer (Signature) and Seller () () acknowledge receipt of a copy of this page, which is page 3 of 5 Pages.

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(c) Walk-through Inspection: Buyer may, on the day prior to closing or any other time mutually agreeable to the parties, conduct a final "walk-through" inspection of the Property to determine compliance with this paragraph and to ensure that all Property is on the premises.

(d) Disclosures:

1. Radon Gas: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

2. Energy Efficiency: Buyer may have determined the energy efficiency rating of the building, if any is located on the Real Property.

8. OPERATION OF PROPERTY DURING CONTRACT PERIOD: Seller will continue to operate the Property and any business conducted on the Property in the manner operated prior to Contract and will take no action that would adversely impact the Property, tenants, lenders or business, if any. Any changes, such as renting vacant space, that materially affect the Property or Buyer's intended use of the Property will be permitted only with Buyer's consent without Buyer's consent.

9. RETURN OF DEPOSIT: Unless otherwise specified in the Contract, in the event any condition of this Contract is not met and Buyer has timely given any required notice regarding the condition having not been met, Buyer's deposit will be returned in accordance with applicable Florida laws and regulations.

10. DEFAULT:

(a) In the event the sale is not closed due to any default or failure on the part of Seller other than failure to make the title marketable after diligent effort, Buyer may either (1) receive a refund of Buyer's deposit(s) or (2) seek specific performance. If Buyer elects a deposit refund, Seller will be liable to Broker for the full amount of the brokerage fee.

(b) In the event the sale is not closed due to any default or failure on the part of Buyer, Seller may either (1) retain all deposit(s) paid or agreed to be paid by Buyer as agreed upon liquidated damages, consideration for the execution of this Contract, and in full settlement of any claims, upon which this Contract will terminate or (2) seek specific performance. If Seller retains the deposit, Seller will pay the Listing and Cooperating Brokers named in Paragraph 12 fifty percent of all forfeited deposits retained by Seller (to be split equally among the Brokers) up to the full amount of the brokerage fee.

11. ATTORNEY'S FEES AND COSTS: In any claim or controversy arising out of or relating to this Contract, the prevailing party, which for purposes of this provision will include Buyer, Seller and Broker, will be awarded reasonable attorneys' fees, costs and expenses.

12. BROKERS: Neither Buyer nor Seller has utilized the services of, or for any other reason owes compensation to, a licensed real estate Broker other than:

(a) Listing Broker: Robert Kollon
who is an agent of Michael Saunders & Company a transaction broker a nonrepresentative and who will be compensated by Seller Buyer both parties pursuant to a listing agreement other (specify) _____
per Employment Authorization EFD # HANKE # 2014 Dated January 13, 2003. Seven Percent (7%) Commission

(b) Cooperating Broker: NONE
who is an agent of _____ a transaction broker a nonrepresentative and who will be compensated by Buyer Seller both parties pursuant to an MLS or other offer of compensation to a cooperating broker other (specify) _____

(collectively referred to as "Broker") in connection with any act relating to the Property, including but not limited to inquiries, introductions, consultations and negotiations resulting in this transaction. Seller and Buyer agree to indemnify and hold Broker harmless from and against losses, damages, costs and expenses of any kind, including reasonable attorneys' fees at all levels, and from liability to any person, arising from (1) compensation claimed which is inconsistent with the representation in this Paragraph, (2) enforcement action to collect a brokerage fee pursuant to Paragraph 10, (3) any duty accepted by Broker at the request of Buyer or Seller, which duty is beyond the scope of services regulated by Chapter 475, F.S., as amended, or (4) recommendations of or services provided and expenses incurred by any third party whom Broker refers, recommends or retains for or on behalf of Buyer or Seller.

13. ASSIGNABILITY; PERSONS BOUND. This Contract may be assigned to a related entity, and otherwise is not assignable is assignable. The terms "Buyer," "Seller" and "Broker" may be singular or plural. This Contract is binding upon Buyer, Seller and their heirs, personal representatives, successors and assigns (if assignment is permitted).

Buyer (Signature) and Seller () () acknowledge receipt of a copy of this page, which is page 4 of 5 Pages.

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14. OPTIONAL CLAUSES: (Check if any of the following clauses are applicable and are attached as an addendum to this Contract):

- Arbitration
- Section 1031 Exchange
- Property Inspection and Repair
- Seller Representations
- Seller Warranty
- Coastal Construction Control Line
- Flood Area Hazard Zone
- Seller Financing
- Existing Mortgage
- Other Bankruptcy Court Approval
- Other
- Other

15. MISCELLANEOUS: The terms of this Contract constitute the entire agreement between Buyer and Seller. Modifications of this Contract will not be binding unless in writing, signed and delivered by the party to be bound. Signatures, initials, documents referenced in this Contract, counterparts and written modifications communicated electronically or on paper will be acceptable for all purposes, including delivery, and will be binding. Handwritten or typewritten terms inserted in or attached to this Contract prevail over preprinted terms. If any provision of this Contract is or becomes invalid or unenforceable, all remaining provisions will continue to be fully effective. This Contract will be construed under Florida law and will not be recorded in any public records. Delivery of any written notice to any party's agent will be deemed delivery to that party.

THIS IS INTENDED TO BE A LEGALLY BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, SEEK THE ADVICE OF AN ATTORNEY PRIOR TO SIGNING. BROKER ADVISES BUYER AND SELLER TO VERIFY ALL FACTS AND REPRESENTATIONS THAT ARE IMPORTANT TO THEM AND TO CONSULT AN APPROPRIATE PROFESSIONAL FOR LEGAL ADVICE (FOR EXAMPLE, INTERPRETING CONTRACTS, DETERMINING THE EFFECT OF LAWS ON THE PROPERTY AND TRANSACTION, STATUS OF TITLE, FOREIGN INVESTOR REPORTING REQUIREMENTS, ETC.) AND FOR TAX, PROPERTY CONDITION, ENVIRONMENTAL AND OTHER SPECIALIZED ADVICE. BUYER ACKNOWLEDGES THAT BROKER DOES NOT OCCUPY THE PROPERTY AND THAT ALL REPRESENTATIONS (ORAL, WRITTEN OR OTHERWISE) BY BROKER ARE BASED ON SELLER REPRESENTATIONS OR PUBLIC RECORDS UNLESS BROKER INDICATES PERSONAL VERIFICATION OF THE REPRESENTATION. BUYER AGREES TO RELY SOLELY ON SELLER, PROFESSIONAL INSPECTORS AND GOVERNMENTAL AGENCIES FOR VERIFICATION OF THE PROPERTY CONDITIONS SQUARE FOOTAGE AND FACTS THAT MATERIALLY AFFECT PROPERTY VALUE.

223* DEPOSIT RECEIPT: Deposit of \$ 5,000.00 by check other received on
224* March 17, 2003 by Robert Kaffa
Signature of Escrow Agent

225 OFFER: Buyer offers to purchase the Property on the above terms and conditions. Unless acceptance is signed by Seller and a signed
226 copy delivered to Buyer or Buyer's agent no later than 5:00 a.m. p.m. on Open For Bankruptcy Clause
227* Buyer may revoke this offer and receive a refund of all deposits.
228

229* Date: 13 MAR 03 BUYER: _____ Tax ID No: _____

230* Title: _____ Telephone: 941-755-4389 Facsimile: 941-756-2916
231* Address: P. O. Box 1525 Ocean FL 34264-1525

232* Date: _____ BUYER: _____ Tax ID No: _____

233* Title: _____ Telephone: _____ Facsimile: _____
234* Address: _____

235* ACCEPTANCE: Seller accepts Buyer's offer and agrees to sell the Property on the above terms and conditions (subject to the
236 attached counter offer).

237* Date: _____ SELLER: _____ Tax ID No: _____

238* Title: _____ Telephone: 956-688-6406 Facsimile: 956-688-6106
239* Address: 3600 Enclave Suite 13, McAllen, Tx 78503

240* Date: _____ SELLER: _____ Tax ID No: _____

241* Title: _____ Telephone: _____ Facsimile: _____
242* Address: _____

243* Buyer ([Signature]) and Seller () () acknowledge receipt of a copy of this page, which is page 5 of 5 pages.

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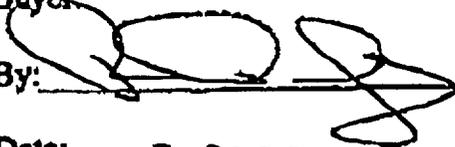
FIRST ADDENDUM

This addendum is hereby made a part of the Purchase and Sale Agreement by and between Rick Dring, (Buyer) and Fansteel, Inc. (Seller), pertaining to the property known as 2080 Limbus Avenue, Manatee County, Florida

PROPERTY INSPECTION AND REPAIR: The buyer herein has inspected the property and is aware that many items are in the need of repair, to the building and parking lot. Buyer is purchasing the property in an "AS-IS" condition. Buyer will make additional inspections per the due diligence in Paragraph 7 (b).

BANKRUPTCY COURT APPROVAL: It is understood by the Buyer that this agreement is subject to the approval from the Bankruptcy Court and such approval will be diligently pursued as time is of the essence.

Buyer:

By: 

Date: 13 Mar, 2003

Seller: FANSTEEL, INC.

By: _____

Date: _____, 2003

Exhibit C

Horizon Bancorporation, Inc.



March 31, 2003

Rick L. Dring and Nancy E. Dring
P.O. Box 1525
Oneco, FL 34264

Re: \$225,000 Commercial Real Estate Mortgage

Dear Mr. & Mrs. Dring:

Horizon Bank (hereinafter "Lender") is pleased to inform you that it has approved a loan in the amount of \$225,000.00 (the "Loan") to be made to Rick and Nancy Dring (hereinafter "Borrower"), subject to the following terms and conditions.

LENDER: Horizon Bank

BORROWER: Rick L. Dring and Nancy E. Dring

GUARANTORS: Systematic Services, Inc.

LOAN AMOUNT: \$225,000.00

INTEREST RATE: 6.50% initial rate, then adjusting after 36 months to 2.75% over the FHLB fixed credit rate every 36th month.

LOAN FEE: \$500 doc prep, Related closing costs

EXPIRATION: 10 years, with a 20 year amortization

REPAYMENT: Principal and Interest monthly

LOAN PURPOSE: To purchase a commercial property to house Systematic Services, Inc.

COLLATERAL: First Real Estate Mortgage and Assignment of Rents Leases and Profits on the subject property at 2080 Limbus Ave., Manatee Co., FL. LTC is 85%. The properties are subject to an appraisal that yields a maximum LTV of 85%

(941) 753-BANK (2265)

900 53rd Avenue East
Bradenton, FL 34203

Fax (941) 753-6235

Member FDIC

Rick and Nancy Dring
March 31, 2003
Page 2

**OTHER
CONDITIONS:**

This commitment letter has been issued to inform you of the major features of the loan in advance of closing. It is not intended to be inclusive of all the details of the loan or all of Horizon's requirements concerning administration of the loan. The details of the loan will be contained in Loan Documents, which you may review prior to closing. However, the terms and conditions of this commitment not incorporated into the loan documents, to the extent applicable, survive the loan closing and remain binding on the parties hereto unless otherwise agreed to in writing signed by all parties hereto. Accordingly, a default under this Commitment or any other covenant hereof shall constitute a default under each of the loan documents.

The borrower and guarantors agree to pay all of the Bank's out-of-pocket costs relating to this transaction whether or not the loan documents are ever executed and whether or not any disbursements are made under the loan. Such costs include, but are not limited to, the fees and costs of the Bank's attorneys, consultants and appraisers.

If the terms and conditions of this Commitment are satisfactory, please indicate your acceptance below and return the original of this Commitment to my attention at: Horizon Bank, 900 53rd Avenue East, Bradenton, Florida 34203.

This Commitment will expire 5 days from the date hereof unless extended in writing by the Lender.

Sincerely,



Jeff Chapin
Vice President/Commercial Lender

Accepted this 31st day of March, 2003.

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 AUTHORIZING THE SALE OF CERTAIN REAL ESTATE UNDER 11 U.S.C.
§§ 105, 363 AND 1146(c) FREE AND CLEAR OF ALL LIENS, CLAIMS, INTERESTS,
SET OFF RIGHTS AND ENCUMBRANCES**

Fansteel Inc. ("Fansteel") and Escast, Inc. ("Escast") each a debtor and debtor-in-possession in the above-captioned case having filed their motion (the "Motion")² for an order authorizing the sale of certain real estate under §§ 105, 363 and 1146 free and clear of all liens, claims, interests, set off rights and other encumbrances; and the Court having determined that the proposed sale is supported by, and is in the exercise of, the sound business judgment of Fansteel and Escast; and the Court having further determined that the relief requested in the Motion is in the best interests of Fansteel and Escast, their estates, their creditors and other parties-in-interest; and it appearing that notice of the Motion, given as set forth in the Motion, was good and sufficient under the particular circumstances and no other or further notice need be given; and upon the record herein; and after due deliberation thereon; for cause appearing therefor; it is hereby

ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is granted.

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

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

2. All objections to the Motion or the relief requested therein that have not been withdrawn, waived, or settled, and all reservations of rights included therein, are overruled on the merits.

3. The Sale Agreement and all of the terms and conditions thereof are hereby approved and, pursuant to 11 U.S.C. § 363(b), Escast is authorized to consummate the sale of the Sarasota Facility in accordance with the terms and conditions of the Sale Agreement.

4. Pursuant to 11 U.S.C. §§ 105(a) and 363(f), the Sarasota Facility shall be transferred to the Purchaser, and upon consummation of the sale (the "Closing") shall be, free and clear of all Liens, with all such Liens to attach to the Net Proceeds of the sale in the order of their priority, with the same validity, force and effect which they now have as against the Sarasota Facility, subject to any claims and defenses Escast may possess with respect thereto. All persons and entities holding Liens of any nature with respect to the Sarasota Facility hereby are barred from asserting such Liens against the Purchaser, its successors or assigns, or the Sarasota Facility.

5. The transfer of the Sarasota Facility to the Purchaser shall be a legal, valid, and effective transfer of the Sarasota Facility and shall vest the Purchaser with all right, title, and interest of Escast in and to the Sarasota Facility, free and clear of all Liens.

6. The transfer of the Sarasota Facility to the Purchaser is a transfer pursuant to 11 U.S.C. § 1146(c) and, accordingly the making, delivery, filing or recording of any deeds, assignments or other transfer documents (the "Transfer Instruments") with respect to the Sarasota Facility, shall not be taxed under any law imposing a recording tax, stamp tax, transfer tax, sales tax, excise tax, or similar tax including, without limitation, any transfer or recordation tax applicable to deeds and/or security interests. All filing and recording officers are hereby

authorized to accept for filing or recording, and to file or record immediately upon presentation thereof, the Transfer Instruments without payment of any such taxes.

7. The consideration provided by the Purchaser for the Sarasota Facility shall be deemed to constitute reasonably equivalent value and fair consideration under the Bankruptcy Code and applicable non-bankruptcy law, and may not be avoided under 11 U.S.C. § 363(n).

8. Nothing contained in any plan or plans of reorganization in these Cases or the order of this Court confirming any such plan or plans shall conflict with or derogate from the provisions of the Sale Agreement or the terms of this order.

9. The transactions contemplated by the Sale Agreement are undertaken by the Purchaser in good faith, as that term is used in section 363(m) of the Bankruptcy Code. Accordingly, the reversal or modification on appeal of the authorization to consummate the sale of the Sarasota Facility shall not affect the validity of the sale to the Purchaser, unless such authorization is duly stayed pending such appeal. The Purchaser is a purchaser in good faith of the Sarasota Facility and is entitled to all of the protections afforded by section 363(m) of the Bankruptcy Code.

10. The terms and provisions of the Sale Agreement and this order shall be binding in all respects upon, and shall inure to the benefit of, Escast, its estates and creditors, the Purchaser, and their respective affiliates, successors and assigns, and any affected third parties including, but not limited to, all persons asserting a valid Lien in the Sarasota Facility and any trustee, responsible person, estate administrator, representative or similar person subsequently appointed for or in connection with Escast's estates or affairs.

11. The failure to specifically include any particular provision of the Sale Agreement in this order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Sale Agreement be authorized and approved in its entirety.

12. In the event that Escast and the Purchaser are for any reason unable to consummate the sale of the Sarasota Facility in accordance with the terms and conditions of the Sale Agreement, Escast shall be authorized, without the need for further notice, hearing or order of this Court, to sell the Sarasota Facility to the bidder having previously submitted the next highest or best offer, pursuant to the terms and conditions of the sale agreement that accompanied such bidder's offer (in the case of the Purchaser) or competing offer (in the case of a competing bidder).

13. Notwithstanding Fed.R.Bankr. P. 6004(g), this order shall take effect immediately upon entry.

14. Escast shall remit the Net Proceeds from the sale of the Sarasota Facility to any holder or holders of valid and undisputed Liens that was the subject of the sale. In the absence of any Lien, Escast shall deposit the Net Proceeds in an account controlled by Congress as described in the Motion. If and to the extent any Liens from the sale of the Sarasota Facility are disputed Liens, the undisbursed Net Proceeds shall be segregated by Escast pending further order of this Court.

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

Dated: _____, 2003

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