

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

Related Docket No. 1072

**ORDER AUTHORIZING DEBTORS TO ENTER INTO
INSURANCE PREMIUM FINANCING AGREEMENT WITH CANANWILL, INC.
FOR INSURANCE COVERAGE FROM JUNE 30, 2003 TO JUNE 30, 2004**

This matter having come before this Court on the "Debtors' Motion for an Order Authorizing the Debtors to Enter into an Insurance Premium Financing Agreement with Cananwill, Inc." (the "Motion")², pursuant to 11 U.S.C. 364, §§ 101 *et seq.* (the "Bankruptcy Code"), Federal Rule of Bankruptcy Procedure 4001(c) and Delaware Local Rule of Bankruptcy Procedure 4001-2; and this Court having reviewed the Motion and the relief requested in the Motion at a hearing before the Court (the "Hearing"); and this Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and this court having determined that notice of the Motion was sufficient under the circumstances.

IT IS HEREBY ORDERED AS FOLLOWS:

i) the Motion is granted in its entirety and the Debtors may enter into and perform under an the Premium Financing Agreement, substantially in the form attached to the Motion;

BKRP01
DOCKET # 1146
DATE 7.30.03

ii) in the event Debtors default in the timely repayment of any monies due to Cananwill under the terms of the Premium Financing Agreement, Cananwill may cancel the insurance policies ("Insurance Coverage") financed under the Premium Financing Agreement, after giving ten (10) days' prior written notice by hand-delivery or by fax, to the Debtors, their counsel and the Debtors' post-petition lender, Congress Financial Corp., and Cananwill may apply any unearned or return premiums or other amounts due to Debtors upon cancellation of the Insurance Coverage to any amount owing by Debtors to Cananwill, all without further application to or order of this Court;

iii) in the event that Insurance Coverage financed by Cananwill is cancelled, the unearned or return premiums received by Cananwill are insufficient to pay the Debtors' total amount due to Cananwill, any remaining amount owing to Cananwill, including reasonable attorneys fees, shall be allowed and given priority as an administrative expense under section 503 of the Bankruptcy Code in any distribution of assets of the estate;

iv) the Debtors are authorized and directed to execute and deliver such documents and amendments to the Premium Financing Agreement, as Debtors may deem necessary or desirable to carry out this Order;

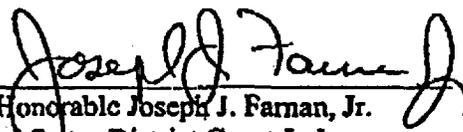
v) the reversal or modification on appeal of the authorization under this Order and Section 364 of the Bankruptcy Code shall not effect the validity of the debt, priority, or lien granted to Cananwill under this Order, as provided by section 364(e) of the Bankruptcy Code;

vi) upon occurrence of a default by the Debtors under the terms and conditions of the Premium Financing Agreement and applicable law, no action shall be taken to hinder, impede, or delay exercise by Cananwill of its rights and remedies under the Premium Financing Agreement and applicable law, including but not limited to an action under the Bankruptcy Code or otherwise to enjoin exercise by Cananwill of such rights; and

vii) notwithstanding Cananwill's rights and remedies under the Premium Financing Agreement, any security interest granted to Cananwill under the Premium Financing Agreement shall be subject to GE Capital's interest as loss payee on account of any damage, loss or destruction of certain forklifts under any lease agreements entered into between GE Capital and Debtors;

viii) this Order shall be binding on the Debtors and their estates, and all successors and assigns of the Debtors and their estates, including but not limited to any trustee appointed in the Debtors' bankruptcy case under chapter 7 or chapter 11 of the Bankruptcy Code. Cananwill's rights under the Premium Financing Agreement and applicable state law shall not be impaired by this chapter 11 case, the appointment of a trustee, the conversion of this case to one under chapter 7 of the Bankruptcy Code, or any other provision of the Bankruptcy Code.

Dated: July 30, 2003
Wilmington, Delaware


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