

40-7580

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: August __, 2003 at 4:00 p.m.
(Hearing only if objections are filed)

STIPULATION AND AGREED ORDER FOR ADEQUATE PROTECTION

Fansteel Inc. ("Fansteel") and American Sintered Technolgies, Inc. ("AST"), debtors and debtors-in-possession in the above-captioned cases, and GB Capital Public Finance, Inc. ("GECPF") stipulate and agree (the "Stipulation") as follows:

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

B. Pursuant to a loan agreement and certain ancillary agreements dated as of April 1, 2001 by and among GECPF, as lender, Cameron County Industrial Development Authority, as

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 Technolgies, Inc. 9418739.6

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issuer, and AST, as borrower (collectively, the "GECPF Loan Agreement"), GECPF advanced AST \$1,510,000.

C. Fansteel executed and delivered to GECPF a Guaranty and Negative Pledge Agreement (the "Fansteel Guaranty") dated as of April 1, 2001 guarantying the obligations of AST pursuant to the GECPF Loan Agreement.

D. To secure the obligations of AST under the GECPF Loan Agreement, GECPF was granted and holds valid and perfected first in priority liens and security interests upon a 550 Ton Multi-Action Compaction Press manufactured by Gasbarre (the "Equipment") (ii) all general intangibles and other property relating to the Equipment, (iii) all accessories, attachments, parts, equipment and repairs now or hereafter attached or affixed or used in connection with the Equipment, (iv) all warehouse receipts, bills of lading and other documents of title now or hereafter covering the Equipment, (v) all accessions to the Equipment, (vi) all substitutions for the Equipment, and (vii) products and proceeds of any of the foregoing property (as more specifically defined in the GECPF Loan Agreement, the "Collateral").

E. Fansteel and AST are in default of their respective obligations to GECPF under the GECPF Loan Agreement and the Guaranty. The claims held by GECPF pursuant to the GECPF Loan Agreement and the Guaranty, including, principal, interest, fees, costs, charges and expenses, are due and owing, and are legal, binding and enforceable obligations of Fansteel and AST.

F. On or about September 23, 2002, General Electric Capital Corporation ("GECC"), on behalf of GECPF, filed a secured proof of claim against AST in the amount of \$1,088,875.22, together with post-petition interest fees and costs (Claim No. 790) and an unsecured claim against Fansteel in the amount of \$1,088,875.22 (Claim No. 789).

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G. The Equipment is located at AST's Emporium, Pennsylvania facility and has been in use since the Petition Date.

H. AST has agreed to provide GECPF with adequate protection payments as provided herein. Fansteel, AST and GECPF have further agreed to the terms and conditions for the treatment of GECPF's claims under the Joint Plan of Reorganization of Fansteel, Inc. and Subsidiaries filed on July 24, 2003 as such Plan may be modified or amended from time to time (the "Plan").

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, Fansteel, AST and GECPF stipulate and agree as follows:

1. Subject to entry of an order by this Court approving this Stipulation, commencing on May 1, 2003 and continuing on the first day of each successive month until the date the Plan becomes effective (the "Effective Date"), (i) AST shall make monthly payments to GECPF in the amount of \$5,027.23 which payments shall be applied to accrued and accruing debt service obligations as set forth in the GECPF Loan Agreement; and (ii) Fansteel and AST shall comply with all the covenants and obligations contained in the GECPF Loan Agreement and the Guaranty as modified by this Stipulation. Without limiting the generality of the foregoing, AST shall at all times maintain all property, liability and other insurance policies on the Collateral in the amounts and subject to the requirements set forth in the GECPF Loan Agreement. Any past due adequate protection payments shall be made by AST within (5) business days after approval of this Stipulation by this Court.

2. GECPF's claims under the GECPF Loan Agreement and the Guaranty shall be treated as follows in a modified Plan, and subject to and only effective upon Court approval of a

Disclosure Statement, GECPF agrees to accept a modified Plan that provides the following treatment of such claims:

i. GECPF's secured claim (Claim No. 790) shall be an allowed secured claim under the AST Plan in the amount of \$1,164,271.41 (the "GECPF Secured Claim"). However, upon the occurrence of an Event of Default as described in paragraphs 4 and 5 herein, the allowed amount of the GECPF Secured Claim shall be adjusted to include all unpaid interest, fees and costs accruing from and after April 1, 2003 through and including the date of such Event of Default.

ii. To secure repayment of the GECPF Secured Claim, GECPF shall retain the liens and security interests upon the Collateral to the same extent and with the same priority as existed prior to the commencement of the Cases.

iii. On the Effective Date, the GECPF Secured Claim shall be reamortized at the interest rate set forth in the GECPF Loan Agreement to provide for equal monthly payments over a term that will fully amortize the GECPF Secured Claim on or before May 1, 2008.

iv. On the Effective Date, Fansteel, as a result of the merger of AST with and into Fansteel pursuant to the Plan, shall be obligated on the GECPF Secured Claim as set forth herein and GECPF's unsecured claim against Fansteel (Claim No. 789) shall be deemed withdrawn and expunged.

v. All other terms and conditions of the GECPF Loan Agreement shall remain in full force and effect without alteration or modification, except as modified by this Stipulation.

3. The adequate protection obligations shall have priority equal to all administrative expenses of the kind specified in sections 503(b) and 507(a) of the Bankruptcy Code.

4. The occurrence and continuance of any of the following events shall be considered an event of default under this Stipulation ("Event of Default"):

- (a) failure of AST to make the adequate protection payments as provided in this Stipulation;
- (b) conversion of AST's chapter 11 case to a case under chapter 7 of the Bankruptcy Code;
- (c) the appointment of a trustee or an examiner with expanded powers in AST's chapter 11 case; or
- (d) failure of AST to maintain insurance on the Collateral as provided in the GECPF Loan Agreement.

5. Upon the occurrence of an Event of Default, GECPF shall provide notice of such Event of Default by fax or hand-delivery to AST, the Committee and to the United States Trustee. If AST, the Committee or the United States Trustee have not obtained an order of this Court continuing the automatic stay within five (5) business days after receipt of the notice from GECPF provided herein, the automatic stay of section 362(a) of the Bankruptcy Code shall be deemed terminated and GECPF shall have the right, without further order of court, to exercise the rights granted under the GECPF Loan Agreement and hereunder as to all or any part of the Collateral as GECPF in its sole discretion may elect, including the right to take possession of and sell the Collateral in accordance with the terms of the GECPF Loan Agreement to satisfy the GECPF Secured Claim. Upon the occurrence of an Event of Default, the principal of and accrued interest and fees and all other amounts owed to GECPF hereunder or under the GECPF

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Loan Agreement shall be immediately due and payable and GECPF shall have all other rights and remedies provided in the GECPF Loan Agreement.

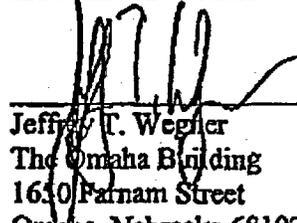
6. This Stipulation constitutes the entire agreement among the parties hereto and may not be modified, vacated or amended except in writing executed by Fansteel, AST and GECPF.

7. This Stipulation is subject to and conditioned upon the approval of this Court and shall not be effective until "So Ordered" by this Court. In the event this Stipulation is not approved by this Court, it shall be null and void and shall have no force or effect.

8. This Stipulation may be executed in any number of counterparts.

Dated this __ day of August, 2003.

KUTAK ROCK LLP

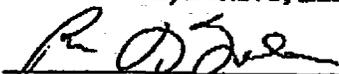


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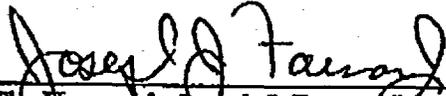
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Co-Counsel for the Debtors and
Debtors-in-Possession

SO ORDERED this 10 day of
September, 2003



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