

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

40-7580

In re:)
FANSTEEL INC., *et al.*,¹)
Debtors.)
)
)
)
)

Case No. 02-10109(JJF)

Chapter 11

(Jointly Administered)

Objection Deadline: October 29, 2003 at 4:00 p.m. E.T.

Hearing Date: November 5, 2003 p.m. E.T.

**MOTION OF DEBTORS TO SHORTEN NOTICE OF
TIME PERIOD AND TO APPROVE FORM AND MANNER THEREOF**

The debtors and debtors-in-possession (the "Debtors") in the captioned cases, by and through their undersigned counsel, hereby move this Court pursuant to Rule 2002 of the Federal Rule of Bankruptcy Procedure (the "Bankruptcy Rules"), Section 102 of chapter 11 of title 11 of the United States Code ("Bankruptcy Code"), and Del. Bankr. L.R. 9006-1(e) for entry of an order providing that the notice period with respect to the attached *Motion for an Order Authorizing the Debtors to Enter into Insurance Premium Financing Agreement with Cananwill, Inc.* (the "Motion") be shortened as set forth below.

1. The Debtors seek Court approval to shorten the notice period for the attached Motion, which requests authorization to enter into an insurance premium financing agreement with Cananwill, Inc. that will cover the renewal of the general blanket property insurance policy and the boiler and machinery policy, each for a one-year term. Both policies are essential to the continuing operations of the Debtors and the premiums are due immediately.

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., American Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.

BKRP01

2. Fansteel is unable to pay the total of the premiums due on the policies at this time without impairing its cash flow or utilizing the DIP Financing. Therefore, in order to keep the insurance policies in force, it must immediately enter into the premium financing agreement.

3. The Debtors request prompt consideration of the Motion, because time is of the essence under the circumstances.

4. Debtors seek an order from this Court requiring that objections, if any, to the Motion be filed with the Court and served upon both undersigned counsel and co-counsel on or before October 30, 2003 at 4:00 p.m. Eastern Time, and providing that, if any objection is entered, hearing will be held on the Motion at the November 5, 2003 omnibus hearing at 2:00 p.m. If no objections are received, the Debtors request that the Order approving the Motion be entered with out further notice.

5. In addition to shortening the time period for the notice of the Motion, the Debtors also request that the Court approve the attached Notice that sets forth an objection period of approximately twelve days. Debtors believe that, under the circumstances, and the significant benefit to the estates of a rapid approval of the Motion, such a notice period is justified. Service of this Motion will be made on all parties required to receive notice pursuant to the Del. Bankr. L.R. 2002-1(b) and the parties in interest.

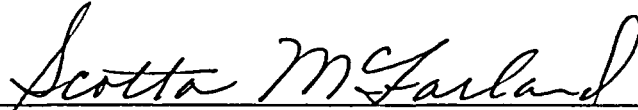
WHEREFORE, Debtors respectfully request the entry of an Order approving the timing and attached form of Notice on those parties required to receive service pursuant to Del. Bnkr.L.R. 2002(b).

Dated: October 15, 2003

SCHULTE ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS 7600)
919 Third Avenue
New York, NY 10022
Telephone: (212) 756-2000
Facsimile: (212) 593-5955

and

PACHULSKI, STANG, ZIEHL, YOUNG, JONES
& WEINTRAUB P.C.



Laura Davis Jones (Bar No. 2436)
Scotta E. McFarland (Bar No. 4184)
919 North Market Street, 16th Floor
P.O. Box 8705
Wilmington, DE 19899-8705 (Courier 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400

Co-Counsel for the Debtors and Debtors in Possession

SO ORDERED this ____ day
of _____, 2003

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

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

Objection Deadline: October 29 2003 at 4:00 p.m.
Hearing Date: November 5, 2003 at 2:00 p.m. E.T.

**NOTICE OF MOTION FOR AN ORDER AUTHORIZING
THE DEBTORS TO ENTER INTO INSURANCE PREMIUM
FINANCING AGREEMENT WITH CANANWILL, INC.**

TO: ALL PARTIES REQUIRED TO RECEIVE NOTICE PURSUANT TO DEL. BANKR.
LR 2002-1; CANANWILL, INC.; AON

PLEASE TAKE NOTICE that on or about October 17 2003, the debtors and debtors-in-possession (the "Debtors") filed with United States District Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 (the "Bankruptcy Court") the attached *motion for an Order Authorizing the Debtors to Enter into Insurance Premium Financing Agreement with Cananwill, Inc.* (the "Motion").

PLEASE TAKE FURTHER NOTICE that responses or objections, if any, to the relief requested in the Motion must be in writing, filed with the Bankruptcy Court, and served upon both undersigned counsel for Debtors so as to be received by 4:00 p.m., Eastern Time on October 29 2003.

PLEASE TAKE FURTHER NOTICE that, if any objections are timely filed and served, a hearing on the Motion will be held before the Honorable Joseph J. Farnan, Jr., United

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., American Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.

States District Court, 844 N. King Street, Wilmington Delaware. Any objections filed will be considered by the Court at the hearing.

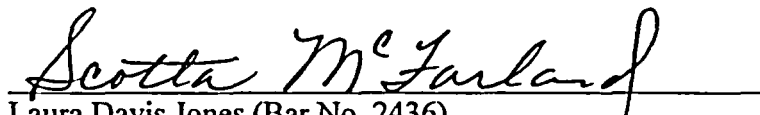
IF NO OBJECTIONS ARE TIMELY FILED AND SERVED IN
ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF
REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: October 17, 2003

SCHULTE ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS 7600)
919 Third Avenue
New York, NY 10022
Telephone: (212) 756-2000
Facsimile: (212) 593-5955

and

PACHULSKI, STANG, ZIEHL, YOUNG JONES
& WEINTRAUB P.C.

A handwritten signature in cursive script, reading "Scotta E. McFarland", is written over a horizontal line.

Laura Davis Jones (Bar No. 2436)
Scotta E. McFarland (Bar No. 4184)
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Facsimile: (302) 652-4400

Co-Counsel for the Debtors and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

Objection Deadline: October 30, 2003 at 4:00 p.m. E.T.
November 5, 2003 at 2:00 p.m. E. T.

**MOTION FOR AN ORDER AUTHORIZING THE DEBTORS TO ENTER INTO
INSURANCE PREMIUM FINANCING AGREEMENT WITH CANANWILL, INC.**

Pursuant to 11 U.S.C § 364, §§ 101 *et seq.* (the "Bankruptcy Code"), Fed. R. Bankr. P 4001(c) and Del.Bankr.LR 4001-2, the above-captioned debtors and debtors in possession (collectively the "Debtors") hereby move this Court (the "Motion") for the entry of an order authorizing the Debtors to enter into an insurance premium financing agreement (the "Premium Financing Agreement") with Cananwill, Inc., ("Cananwill"). The Premium Financing Agreement is secured by an assignment of the Debtors' interests in the insurance policies financed. In further support of this motion, the Debtors state as follows:

Jurisdiction

This court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory predicates for relief are section 364 of the Bankruptcy Code, Fed. R. Bankr. P 4001(c) and Del.Bankr.LR 4001-2.

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.

Background

1. On January 15, 2002 (the "Petition Date"), the Debtors filed voluntary petitions for relief under 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"). Thereafter, the Court entered an order pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), directing that the Debtors' separate chapter 11 cases (the "Chapter 11 Cases") be procedurally consolidated and jointly administered by this Court.

2. The Debtors continue to manage their respective properties and operate their respective businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. On January 29, 2002, the Office of the United States Trustee for the District of Delaware appointed an official committee of unsecured creditors (the "Committee") for these Chapter 11 Cases. No trustee or examiner has been appointed in any of the Chapter 11 Cases.

4. The Joint Reorganization Plan of Fansteel Inc and Subsidiaries was filed by the Debtors and the Committee with this Court, together with a proposed Disclosure Statement, on July 24, 2003. Thereafter and on September 18, 2003, the Amended Joint Reorganization Plan of Fansteel Inc and Subsidiaries (the "Plan") was filed with this Court, together with the First Amended Disclosure Statement for the Joint Reorganization Plan (the "Disclosure Statement"). On September 30, 2003, the Court entered an order approving the Disclosure Statement and scheduled the hearing on confirmation of the Debtors' Plan for November 17, 2003.

A. Business

5. Fansteel and the other seven Debtors (each a direct or indirect wholly-owned subsidiary of Fansteel) 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 962 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.

B. Events Leading to the Bankruptcy Filings

6. The operations of the Debtors' respective businesses have involved compliance with state and federal environmental laws, including the Atomic Energy Act. The Cases are an outgrowth of the discontinuation of one of Fansteel's operations that was conducted from the 1950s through 1989 at a site owned and operated by Fansteel in Muskogee, Oklahoma (the "Muskogee Site"). In 1989, Fansteel discontinued its operations at the Muskogee Site and was required, under its license and NRC regulations, to decommission and remediate the facility. Thereafter, Fansteel, with the approval of the NRC, spent in excess of \$30 million to construct a facility on its Muskogee property designed to reprocess radioactive residues and to extract valuable materials so as to make the facility economically feasible and to facilitate decommissioning.

7. Unfortunately, the construction and start up of the Muskogee reprocessing plant was plagued with numerous technical and operational difficulties significantly reducing the

estimated processing capacity of the facility. In addition, the economic and pricing assumptions underlying the construction and approval of the reprocessing plant were dramatically and adversely affected during the second half of 2001 as part of the fall out from the significant downturn in the electronics and telecommunications industries (which would have been the end-users of the reprocessed materials). As a result, Fansteel was required under GAAP to write-off the approximately \$32 million costs expended to design and build the reprocessing plant and to take an immediate reserve of \$57 million for the reasonably anticipated costs of remediating the radioactive residues and soils that remain on the Muskogee Facility without regard to any reprocessing.

8. The resulting \$80+ million write-off, together with the effects of the recessionary US economy, particularly in the manufacturing sectors serviced by the Debtors, caused defaults under then existing credit lines and eliminated most trade credit. Although the Debtors expended much time and effort in seeking an out of court resolution to their financial difficulties, the inability to obtain financing for its businesses required the commencement of these Chapter 11 Cases.

C. Post-Petition Financing

9. The Debtors filed for relief under Chapter 11 on January 15, 2002; yet, the Debtors were unable to obtain DIP financing until May 2002. From November 19, 2001 through May 2002, the Debtors operated with no access to external financing, while contending with a severe recession in the industries served by many of its businesses and a catastrophic downturn in aerospace business following September 11, 2001. Finally, in May 2002 – four months after the Petition Date – the Debtors were able to arrange for DIP financing from Congress (the "DIP

Facility"), which DIP Facility, as amended, provided Fansteel with a maximum credit limit of \$13,100,000.

10. Pursuant to the DIP Order, Congress has a first priority lien (subject to limited carveouts and limited liens outlined in the DIP Order) on substantially all of the Debtors' assets including without limitation all accounts and inventory and proceeds thereof. Congress was granted a superpriority lien under section 364(c)(1) of the Bankruptcy Code, giving it priority over any and all administrative expenses of the kind specified in sections 503(b), 507(a)(1) and 507(b) of the Bankruptcy Code, and any other superpriority claims.

11. Congress, as the DIP Lender, has consented to this Premium Financing Arrangement and has agreed to subordinate any liens or claims it may have pertaining to the insurance policies covered by the DIP Facility, to Cananwill's claims pursuant to the Premium Financing Agreement.

Insurance Policies

12. In connection with the day-to-day operations of their businesses, the Debtors maintain a wide variety of insurance policies because such policies are either required by law or are in the best interest of the Debtors' operations.

13. The Premium Financing Agreement covers the renewal of the general blanket property insurance policy and the boiler and machinery policy, each for a one-year term from October 1, 2003 through October 1, 2004, (the "Insurance Coverage"). Each of these policies are part of an insurance program that has been in place with the Debtors for many years. The Insurance Coverage insures each of the Debtors against any loss to property and is essential to the ongoing operations of the Debtors, as well as, their reorganization efforts.

14. The Insurance Coverage will be provided through Lexington Insurance Co., Eastern Risk Specialists, Inc., Allied World Assurance Co., and Zurich American Insurance. The premiums for the Insurance Coverage, which total \$407,134.86, will be allocated among the Debtors as set forth on Exhibit "A" hereto.

15. Fansteel is unable to pay the total of the Premiums due at this time without impairing its cash flow or utilizing the DIP Financing. Accordingly, by this motion, the Debtors seek authority to finance payment of the insurance premiums through Cananwill in accordance with the terms of a Premium Finance Agreement, a copy of which is attached hereto as Exhibit "B", and pursuant to an order of this Court to be entered substantially in the form annexed hereto as Exhibit "C".

16. The Debtors are unable to finance the premium pre-payments on an unsecured basis. Although the Debtors could borrow under the DIP Financing to pay the Premiums for the Insurance Program, the Premium Financing Agreement provides better financial terms because the interest rate under the Premium Financing Agreement is substantially lower than that of the DIP Financing.

17. The Premium Financing Agreement does not contain any of the provisions or terms described in Delaware Local Bankruptcy Rule 4001-2(a)(i).

18. Under the proposed Premium Financing Agreement with Cananwill, the Debtors, upon approval of the Court, are required to make a down payment of \$142,497.20 towards the total Premiums of \$407,134.86. The balance of the Premiums, \$264,637.66, will be financed by Cananwill at an annual percentage rate of 4.67%. The Debtors will be obligated to repay Cananwill the amount financed, with interest at 4.67% per annum, in seven monthly

installments commencing on November 1, 2003.² The total interest paid under the Premium Financing Agreement will be approximately \$4,135.53.

19. The Premium Financing Agreement provides that the Debtors grant Cananwill a power of attorney, which allows Cananwill to cancel the insurance policies financed under the Premium Financing Agreement in the event of a default in payment by Fansteel. To secure payment of amounts due to Cananwill under the Premium Financing Agreement, Fansteel grants to Cananwill a security interest in unearned or returned premiums and other amounts due to the Debtors under the Insurance Program that result from the cancellation of the policies.

20. Cananwill has agreed to finance the payment of the insurance Premiums under the Premium Financing Agreement provided that this Court enters an order containing the following provisions:

- (a) Fansteel's entering into and performing under the Premium Financing Agreement is approved and the security interest granted to Cananwill by Fansteel in the Premium Financing Agreement is approved and recognized;
- (b) If the Debtors defaults on any payment due and owing under the Premium Financing Agreement, Cananwill may cancel the insurance policies financed after giving any notice required by applicable state law, and may apply any unearned or return premiums due under the policies to any amount owing by Debtors to Cananwill without further application to the bankruptcy court; and
- (c) In the event that upon cancellation of the insurance policies financed by Cananwill, the unearned or return premiums are insufficient to pay Debtors' total amount due to Cananwill under the Premium Financing Agreement, then any remaining amount owing to Cananwill, including reasonable attorneys fees, shall be given priority as an administrative expense under 11 U.S.C. §503 in any distribution of assets of the estate.

² The Debtors are in the process of obtaining an extension of the initial payment date, as they do not anticipate approval of this Motion prior to November 1, 2003. The Debtors will not make any such payments absent Court approval.

21. The Debtors must maintain continued coverage on their property and believe that renewal of the policies and the financing of the Premiums by Cananwill as presented herein are in the best interests of the estates.

Relief Requested

22. To ensure that (a) the Debtors' insurance coverage is not interrupted and (b) the Debtors are not forced to utilize the DIP Financing to maintain insurance coverage on less favorable terms and conditions, the Debtors request authority to enter into the Premium Financing Agreement.

Basis for Relief

23. The Insurance Coverage is essential to the Debtors' ongoing operations and to protect the Debtors' assets for the benefit of their respective estates. Any interruption in the Insurance Coverage would expose the Debtors to serious risks associated with lapses in coverage, including (a) potential risk of loss for valuable assets owned by the estates and (b) a breach of the DIP Facility for failing to maintain such coverage that might result in its termination. The Debtors therefore submit that maintaining continued and uninterrupted insurance coverage under the favorable terms and conditions provided by the Premium Financing Agreement is in the best interest of the Debtors, their estates and their creditors.

24. As outlined above, one of the conditions of the Premium Financing Agreement is that, in the event of a post-petition default by the Debtors, Cananwill is authorized to receive and apply any unearned or return Premiums. The Debtors believe that these terms are reasonable given the financing provided by Cananwill.

25. The Debtors, in their business judgment, submit that the terms of the Premium Financing Agreement are reasonable. Because the Premium Financing Agreement will allow the Debtors to maintain the Insurance Program without requiring that the Debtors pay the entire amount of the Premiums now, the Debtors submit that the Premium Financing Agreement is in the best interest of the Debtors' respective estates.

26. The Debtors will serve notice of this motion on all interested parties pursuant to Del.Bankr.LR 2002-1.

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WHEREFORE, the Debtors respectfully request that this Court enter an Order:

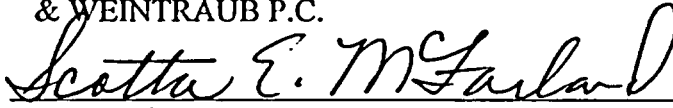
(i) authorizing the Debtors to enter into the Premium Financing Agreement and to comply with the terms of the Premium Financing Agreement, including the obligation to make the required down payment; and (ii) granting the Debtors such other and further relief as the Court deems just and proper.

Dated: October 17, 2003

SCHULTE ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS-7600)
919 Third Avenue
New York, NY 10022
Telephone: (212) 756-2000
Facsimile: (212) 593-5955

And

PACHULSKI, STANG, ZIEHL, YOUNG, JONES
& WEINTRAUB P.C.



Laura Davis Jones (Bar No. 2436)
Scotta E. McFarland (Bar No. 4184)
919 North Market Street, 16th Floor, P.O. Box 8705
Wilmington, DE 19899-8705 (Courier 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400

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

Exhibit A

Allocation of Premiums

<u>Debtor</u>	<u>Allocable Premium Amount</u> (rounded to the nearest dollar)
Fansteel Inc.	\$217,779
American Sintered Technologies, Inc.	\$ 38,526
Escast, Inc.	\$ 525
Washington Mfg. Co.	\$ 49,286
Wellman Dynamics Corp.	<u>\$101,019</u>
Total	\$407,135

Exhibit B
The Premium Financing Agreement

CANANWILL, INC.
1234 MARKET STREET, SUITE 340, PHILADELPHIA, PA 19107 • (800) 892-8809
COMMERCIAL INSURANCE PREMIUM FINANCE AND SECURITY AGREEMENT

Pg 1 of 2

NC LIC. #B-116, SC LIC. #99		Agent Number AG857	Contract Number BJC101003001A-1
Name and address of Insured(s) (as shown in the policy) and co-obligor if any FANSTEEL, INC (DEBTOR-IN-POSSESSION) ATTN: JOE RIGGS 1 TANTALUM PLACE CHICAGO IL 60064		Name and Address of Insured's Agent ("Agent") AON RISK SERVICES, INC. OF PA CNG TOWER - 10TH FLOOR 625 LIBERTY AVENUE PITTSBURGH PA 15222	
Telephone Number: (847) 689-4900		Telephone Number: (412) 594-7500	
Policyholder Designation (Check One): <input type="checkbox"/> Partnership <input type="checkbox"/> Proprietorship <input checked="" type="checkbox"/> Corporation		Type of Agreement (Check One): <input type="checkbox"/> New <input checked="" type="checkbox"/> Additional Premium Indicate contract number of current policy being financed: 0148240109	

SCHEDULE OF POLICIES COVERED BY THIS AGREEMENT

FOR COMPANY USE ONLY	POLICY NUMBER Prefix Number	FULL NAME OF INSURANCE COMPANY AND ADDRESS OF BRANCH REPORTING OFFICE AND FULL NAME AND ADDRESS OF GENERAL AGENT	TYPE OF INSURANCE	TERM IN MONTHS	POLICY EFFECTIVE DATE Mo. Day Year	POLICY PREMIUM
C0001			TAXES			8,110.17
			FEES			300.69
			PROP	12	10 01 03	208,890.00
61051	7215657	LEXINGTON INSURANCE CO				
B4076		EASTERN RISK SPECIALISTS, IN				
15065	AW7215657	ALLIED WORLD ASSURANCE CO.	PROP	12	10 01 03	62,630.00
B4076		EASTERN RISK SPECIALISTS, IN				
61051	7215672	LEXINGTON INSURANCE CO	PROP	12	10 01 03	88,480.00
B4076		EASTERN RISK SPECIALISTS, IN				
76201	BH9376607-00	ZURICH AMERICAN INSURANCE	BH	12	10 01 03	38,724.00
NY: Charge under §2119 of New York Insurance Law for obtaining and servicing these policies. If none, state "None", \$						FLORIDA DOCUMENTARY STAMP TAX \$ 0.00



DISCLOSURE STATEMENT - PAYMENT SCHEDULE

Payment Plan: ☒ Monthly ☐ Quarterly ☐ Annually
 Number of Payments 7

First Payment Due **November 01, 2003**

Subsequent payments are due on the same day of each succeeding period.

CASH PRICE (Total Premiums) 407,134.86

CASH PRICE	CASH DOWN PAYMENT	AMOUNT FINANCED The amount of credit provided on your behalf.	FINANCE CHARGE The dollar amount the credit will cost you.	TOTAL OF PAYMENTS The amount you will have paid when you have made all scheduled payments.	AMOUNT OF EACH PAYMENT	ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate
407,134.86	142,497.20	264,637.66	4,135.53	268,773.19	38,396.17	4.67 %

CANANWILL, INC. (HEREIN AFTER CALLED CANANWILL)

1234 Market Street, Suite 340, Philadelphia, PA 19107 • (800) 892-8809
 Prepayment: The Insured may prepay in full at any time and receive a refund of the unearned finance charge, calculated according to the Rule of 78's (actuarial method in AR, AZ, CA, MA, MO, NJ, OR, PA, VT; short rate method in SC), and subject to a nonrefundable charge stated on page two. Minimum refund is \$1.00 (except AK, where there is no minimum refund).

Security Interest: The Insured assigns to Cananwill as security for payment of this agreement all sums payable to the Insured with reference to the policies listed above, including, among other things, any gross return premiums and any payment on account of loss which results in reduction of unearned premium in accordance with the term of said policies.

Delinquency charge: The Insured agrees that upon default in payment of any installment five days or more (more than 5 days in IL, MS, OH) to pay a

Delinquency Charge of 5% of the delinquent installment. In AK, CA, DE, MI, MN, ND, NJ, OR, TN, TX, the Delinquency Charge is not due until installment is in default for ten days or more, more than 10 days in MA, NM 7 days in VA. Maximum delinquency charge is \$5 in DE, MT, ND; \$100 in MD; \$500 in NM; 1 1/2% of the installment in NJ with a minimum of \$25. In AK, OR: for delinquent payments of less than \$250, the delinquency charge is the lesser of 5% of the payment or \$5, otherwise the delinquency charge is 2% of the payment. KS: Delinquency charge is \$5 plus 2% of the installment in default.

Cancellation Charge: The Insured agrees that if a default results in cancellation of the policy(ies) to pay a Cancellation Charge in the amount stated on page two. (Not applicable in AK, KY, TX, NC.)

See the provisions on page two for additional information about nonpayment, default, and any repayment in full before the scheduled date and any prepayment refunds or penalties.

NOTICE TO INSURED: 1. DO NOT SIGN THIS AGREEMENT BEFORE YOU READ IT, INCLUDING THE WRITING ON PAGE TWO, OR IF IT CONTAINS ANY BLANKS. 2. YOU ARE ENTITLED TO A COMPLETELY FILLED IN COPY OF THIS AGREEMENT AT THE TIME YOU SIGN IT. 3. YOU UNDERSTAND AND HAVE RECEIVED A COPY OF THIS AGREEMENT. KEEP IT TO PROTECT YOUR LEGAL RIGHTS. 4. UNDER THE LAW YOU HAVE THE RIGHT TO PAY OFF IN ADVANCE THE FULL AMOUNT DUE AND UNDER CERTAIN CONDITIONS TO OBTAIN A PARTIAL REFUND OF THE FINANCE CHARGE. 5. SEE PAGE TWO FOR IMPORTANT INFORMATION.

When used in this Agreement, "Insured" means the insured and any co-obligor named above and all insureds covered by the Policies listed in the Schedule of Policies. Each Insured jointly and severally agrees to make all payments required by this Agreement and to be bound by all of its provisions including those on page two. The person signing represents and warrants that he or she is authorized to enter into this Agreement on behalf of each Insured and to bind each Insured to this Agreement. Each Insured agrees that Cananwill may send all notices under this Agreement to the Insured's address shown above. You are not required to enter into an insurance premium financing arrangement as a condition to the purchase of any insurance policy.

By _____ Date _____
 (Signature of Insured)

(Typed Name and Title)

AGENT'S REPRESENTATIONS AND WARRANTIES

The undersigned Agent has read the Insurance Agent's Representations and Warranties on page two and makes all such representations and warranties recited therein and agrees to be bound by the terms of this Agreement.

By _____ Date _____
 (Signature of Agent)

(Typed Name and Title)

The Insured (jointly and severally if more than one) agrees as follows:

(pg. 2 of 2)

1. In consideration of the payment by Cananwill of the Amount Financed, Insured agrees to pay the Cash Down Payment to the insurance company(ies) listed in the Schedule of Policies, and to pay Cananwill the Total of Payments in accordance with the terms of this Agreement. Interest is computed on an annual basis of 12 months of 30 days each.
2. Insured assigns to Cananwill as security for the total amount payable hereunder all sums payable to the Insured under the listed Policies, including, among other things, any gross unearned premiums and any payment on account of loss which results in a reduction of unearned premium in accordance with the terms of said policies.
3. Insured hereby irrevocably appoints Cananwill as its Attorney-in-Fact upon the occurrence of an Event of Default (defined below) and, after proper notice has been mailed as required by law, grants to Cananwill authority to effect cancellation of policy(ies) listed in the Schedule of Policies ("Policies"), and to receive any unearned premium or other amounts with respect to the Policies assigned as security herein, and to sign any check or draft issued therefor in Insured's name and to direct the insurance companies to make said check or draft payable to Cananwill. Insured agrees that proof of mailing any notice hereunder constitutes proof of receipt of such notice.
4. Insured agrees that any payments made and accepted after Policy cancellation shall not constitute reinstatement or obligate Cananwill to request reinstatement of such insurance Policy(ies), and Insured acknowledges that Cananwill has no authority to reinstate coverage, and that such payments may be applied to Insured's indebtedness hereunder.
5. Insured agrees not to assign the Policy(ies) except for the interest of mortgagees or loss payees, without the written consent of Cananwill. Cananwill may assign this Agreement without Insured's consent, and all rights conferred upon Cananwill shall inure to Cananwill's successors and assigns.
6. Except in KY and VT, Insured agrees to pay a fee of \$15.00 in the event of a dishonored check. (\$5.00 in CA; \$10 in AZ, MA, MD, OH, VI; \$7.50 in NV, not to exceed Cananwill's cost in NJ).
7. An Event of Default occurs when the Insured does not pay any installment according to the terms of this Agreement or (except in MD) fails to comply with any of the terms of the Agreement or (except in MD) if any of the Policies are cancelled for any reason. If an Event of Default occurs and after giving notice as required by law, all amounts due under this Agreement become immediately due and payable and the Insured is liable for all amounts described herein, including any unpaid balance remaining after application of the unearned premiums. If an Event of Default occurs, Cananwill may at its option pursue the following remedies:
 - After proper notice has been given as required by law, Cananwill may immediately cancel the Policy(ies) and collect any unearned premiums or other amounts payable under said Policies. Unearned premiums shall be payable to Cananwill only.
 - Cananwill may take all necessary actions to enforce payment of this debt. To the extent not prohibited or limited by applicable law, Cananwill is entitled to collection costs and expenses incurred while enforcing its rights under this Agreement and to reasonable attorney's fees if this Agreement is referred to an attorney who is not a salaried employee of Cananwill for collection or enforcement (not permitted in KY, NC; total of collection costs and attorney's fees is limited to 20% of the unpaid balance in AZ, FL, MO, MS, NH, NV, NY, VI; 15% of unpaid balance in TN; 25% of unpaid balance in VT).
 - Except in AK, KY, MI, NC, VT and the other states listed herein, after cancellation, Insured agrees to pay interest on the unpaid balance (calculated according to the Rule of 78's (actuarial method in AR, AZ, CA, NJ, OR, PA; short rate method in SC) as of the scheduled due date of the first delinquent payment leading to cancellation of the Policies) at the rate of 1% per month (in AR, NM, TX, at the Annual Percentage Rate stated on the front), or at the highest rate permitted by law, whichever is less, until the entire balance of this loan is paid in full. In MA, Insured agrees to pay interest at the rate of 1% per month on the difference between the unpaid balance on the date of cancellation (computed according to the actuarial method) and the unearned premiums received by Cananwill on the cancelled Policies, for the period from the date of cancellation until the balance is paid in full.
 - In AL, DC, DE, IL, KS, NY and WA, after cancellation, Insured agrees that Cananwill may recompute the total finance charge due under this Agreement on the original amount financed, at the rate and in the manner described in this paragraph from the first effective date of the Policies through the last originally scheduled installment date, and Insured agrees to pay this amount, subject to the provisions on prepayment in full. That rate, stated as a dollar amount per year for each \$100 of amount financed is as follows: \$9 in AL, DE; \$10 in DC, IL, WA; \$12 in KS; \$14 in NY.
 - Cananwill may offset and deduct from any amounts Cananwill owes to Insured with respect to any Policies financed hereunder, any amounts which Insured owes to Cananwill under this or (except in KY, MD, NC and TX) any other agreement.
8. Insured agrees to pay a non-refundable service fee of \$10 in AK, AZ, CT, DE, KS, LA, MO, NY, PA, WA, WI; \$12 in NJ; \$12.50 in MT; \$15 in AL, KY, NC, RI, SC, TN, VA; \$16 in MA; \$18 in MI; \$20 in DC, FL, GA, MD, MN, OH; \$25 in CO, HI, IA, ID, IN, ME, NE, ND, NV, OK, SD, UT, VI, WV, WY; the lesser of \$50 or 10% of the amount financed in OR. In CA, the minimum finance charge is \$25. In IL, the non-refundable service charge is \$20 if the amount financed is less than \$500, \$30 if the amount financed is \$500 or more but less than \$1,000, or \$40 if the amount financed is over \$1,000. In NJ, if this loan is prepaid in full, Insured agrees to pay an additional charge of \$20 for any loan of \$2,000 or less, 1% of the loan for loans over \$2,000 up to and including \$5,000 and \$100 on loans over \$5,000.
9. Insured agrees to pay a cancellation charge of \$5 in TN, VI; \$10 in MN, ND, OH; \$15 in AL, AZ, GA, MO, MS, RI, WI; \$25 in CO, HI, IA, ID, IN, LA, ME, NE, OK, SD, UT, WV, WY; the greater of 2% of the unpaid balance or \$5 in MA; the difference between the delinquency charge assessed and; \$5 in DE, MI, MT, NJ, NY, OR, WA; \$10 in DC; \$15 in NH; \$100 in MD.
10. Insured agrees to pay promptly to the insurer any additional premiums due on the Policies.
11. The Agent is not the agent of Cananwill and the Agent cannot bind Cananwill. Cananwill is not the Agent of any insurer and is not liable for any acts or omissions of any insurer. Insured acknowledges that it has chosen to do business with the Agent and the insurance companies issuing the Policies, and that the insolvency, fraud, defalcation or other action or failure to act by any of them shall not relieve or diminish Insured's obligations to Cananwill hereunder.
12. Except in MD, and if not prohibited by applicable law, Cananwill may insert the name of the insurer, policy numbers and first installment due date if omitted and if policy has not been issued at the time of signature.
13. This Agreement shall have no force or effect until accepted by Cananwill. All rights and remedies in this Agreement are cumulative and not exclusive. If any part of this Agreement is determined to be invalid or unenforceable, the remaining provisions of this Agreement shall continue to be in full force and effect. Neither Cananwill nor its assignee shall be liable for any loss or damage to the Insured by reason of failure of any insurance company to issue or maintain in force any of the Policies or by reason of the exercise by Cananwill or its assignee of the rights conferred herein. This Agreement constitutes the entire Agreement between Cananwill and Insured and may not be modified except as agreed upon in writing. Cananwill's acceptance of late or partial payments shall not be deemed a waiver by Cananwill of any provisions of this Agreement, and Cananwill is entitled to require Insured to strictly comply with the terms hereof. Except in AR, this Agreement is governed by the law of the state of the Insured's address shown on the front of this Agreement. In AR, this Agreement is governed by the law of the state where this Agreement is accepted by Cananwill. If any amount contracted for or received by Cananwill is determined to violate any law or regulation Cananwill may return such prohibited amount to Insured without any further liability therefor (waiver of liability not applicable in KY).
14. Insured represents and warrants that the proceeds of this loan are to be used to purchase insurance for other than personal, family or household purposes and that all information provided herein or in connection with this Agreement is true, correct, complete and not misleading.
15. **CALIFORNIA RESIDENTS ONLY:**
FOR INFORMATION CONTACT THE DEPARTMENT OF FINANCIAL INSTITUTIONS, STATE OF CALIFORNIA
Insured agrees that, in accordance with Section 18608 of the California Financial Code, Cananwill's liability to Insured upon the exercise of Cananwill's authority to cancel the Policies shall be limited to the amount of the principal balance of this loan, except in the event of Cananwill's willful failure to mail the notice of cancellation required under California law.
In connection with the Policies scheduled on page one, the Agent represents and warrants to Cananwill, its successors and assigns that:
 1. Deposit premiums are not less than the anticipated premiums to be earned for the full terms of the Policies.
 2. All of the scheduled Policies or bonds in this Agreement are cancellable by standard short rate or pro-rata tables.
 3. When cancellation is requested by Insured or by Cananwill, none of the Policies require advance notice of cancellation to any party, other than any notice required to be given by Cananwill, and there are no audit or reporting form policies, Policies subject to retrospective rating or to minimum earned premiums except as indicated in the Schedule of Policies.
 4. We are the authorized policy issuing Agent of the insurance companies or the broker placing the coverage directly with the insurance company on all Policies except as indicated in the Schedule of Policies.
 5. The Insured(s) signature(s) on both pages one and two hereof are genuine, the Insured has not paid for the scheduled Policies other than as described herein, the Insured(s) have received a copy of this Agreement, this Agreement is valid and enforceable and there are no defenses to it. The scheduled Policies are in full force and effect and the premiums indicated are correct for the term of the Policies, and all other information relating to the Policies and the Insured is complete and correct. None of the Policies have been financed on an installment payment plan provided by the insurance company(ies), or are noncancellable policy(ies), or policies written for a term of less than one year. The Agent recognizes the Insured's assignment of the unearned premiums, and upon cancellation of any of the scheduled Policies agrees to pay promptly any unearned commissions to Cananwill and to pay to Cananwill the unearned premiums immediately upon receipt. Agent shall not deduct any amounts which Insured owes to Agent from any amounts owing to Cananwill hereunder. The Policies are not for personal, family or household purposes.
 6. A proceeding in bankruptcy, receivership or insolvency has not been instituted by or against the Insured or if the Insured is the subject of such a proceeding, it is noted on the Agreement in the space in which the Insured's name and address is placed.
 7. If the Agreement has been signed by the Agent on behalf of the Insured, the Agent has the authority to act in this capacity and the Agent has provided the Insured with a complete copy of this Agreement.
 8. There are no exceptions to the Policies financed other than those indicated, and the Policy(ies) comply with Cananwill's eligibility requirements.
 9. The Cash Down Payment, and any installments due from the Insured which Agent has agreed to collect, have been collected from the Insured.
 10. Agent is not an agent of Cananwill and is not authorized to bind Cananwill and has not made any representation to the contrary.The Agent agrees to promptly remit all funds received from Cananwill and the Insured for the financed Policies and due to the insurance company(ies) issuing such Policies. Agent shall be liable to Cananwill for any losses, costs, damages or other expenses (including attorney's fees) incurred by Cananwill or its assignee as a result of or in connection with any untrue or misleading representation or warranty made by Agent hereunder, or otherwise arising out of the breach by Agent of this Agreement. Agent shall promptly notify Cananwill of any unpaid increased premiums for the Policies.

Signatures: Insured _____ Date _____ Agent _____ Date _____
CW-1 QMS (Ed. 01-03)

Exhibit C
Proposed Order

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**ORDER AUTHORIZING DEBTORS TO ENTER INTO
INSURANCE PREMIUM FINANCING AGREEMENT WITH CANANWILL, INC.**

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"), Fed. R. Bankr. P 4001(c) and Del.Bankr.LR 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;

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 All terms not defined herein are defined in the Motion.

(ii) Cananwill shall be granted a first priority security interest as set forth in the Premium Financing Agreement;

(iii) 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 regular mail or by fax, to the Debtors at Fansteel Inc., Number One Tantulum Place, North Chicago, Illinois 60064, (Facsimile (847) 689-0307), Attn: Gary L. Tessitore, President and Chief Executive Officer with copies to Co-Counsel to the Debtors, (i) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, (Facsimile (212) 593-5955), Attn: Jeffrey S. Sabin and (ii) Pachulski, Stang, Ziehl, Young, Jones, & Weintraub P.C., 919 North Market Street, 16th Floor, Wilmington, Delaware, 19899-8705, (Facsimile (302) 652-4400), Attn: Laura Davis Jones, and to the Debtors' post-petition lender, Congress Financial Corp., Goldberg, Kohn, Bell, Black, Rosenbloom & Moritz, Ltd., 55 East Monroe Street, Suite 3700, Chicago, IL 60603-5802 (Facsimile (312) 332-2196), Attn: Michael C. Hainen.

(iv) 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;

(v) 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;

(vi) 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;

(vii) 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;

(viii) 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

(ix) 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 these chapter 11 cases, 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: _____, 2003
Wilmington, Delaware

United States District Judge