

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
FANSTEEL, INC. et al.,¹) Case Nos. 02-10109 (JJF),
Debtors.)

**STIPULATION AND ORDER RESOLVING
MOTION OF TAMA STATE BANK d/b/a TSB LEASING, INC. TO
COMPEL PAYMENT OF POST-PETITION RENT UNDER PERSONAL
PROPERTY LEASE PURSUANT TO 11 U.S.C. §§ 365(d) and 503(b)(1)(A)
OR PAYMENT OF ADEQUATE PROTECTION PURSUANT TO 11 U.S.C. § 363(e)**

WHEREAS, Tama State Bank d/b/a TSB Leasing, Inc. ("TSB"), a creditor and party in interest in the above-styled case, moved, pursuant to Sections 365(d)(10) and 503(b)(1)(A) of Title 11 of the United States Code (the "Bankruptcy Code"), and Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for an order compelling Washington Manufacturing Company, as one of the debtors in this case ("Washington" or the "Debtor", and together with the affiliated debtors, the "Debtors"), to immediately pay its post-petition rent obligations with respect to certain equipment leased by the Debtor or to provide adequate protection of TSB's interest in such equipment, or in the alternative, granting TSB relief from the automatic stay to pursue its state law remedies against the Debtor (the "Motion to Compel"); and

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

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WHEREAS, the Debtor opposed the Motion to Compel on the ground, *Inter alia*, that the alleged lease (the "Lease") was not, in fact, a true lease but was a disguised financing subject only to a security interest held by TSB (the "Objection");

WHEREAS, TSB has filed a (1) Claim No. 795 against Washington for damages claimed pursuant to the Lease and (2) Claim No 794 for damages claimed pursuant to a guaranty by Fansteel Inc. for Washington's payment obligations under the Lease (the "Fansteel Guaranty");

WHEREAS, after substantial negotiation, TSB and the Debtors (collectively, the "Parties") Parties have agreed, pursuant to the terms expressed in this Stipulation and Agreed Order (The "Stipulation and Agreed Order"), (i) to resolve the Motion to Compel and the Objection and (ii) upon the treatment to be afforded TSB's claim pursuant to the Debtors' Joint Plan of Reorganization;

IT IS HEREBY STIPULATED AND AGREED AS FOLLOWS:

1. This Stipulation and Agreed Order is entered by the Parties solely to resolve the disputes set forth herein, and, except as necessary by a party hereto to enforce the terms of this Stipulation and Agreed Order against the other, neither this Stipulation and Agreed Order or any evidence of this compromise shall be construed as an admission of liability or concession of any claim or defense by either party hereto, and this resolution shall not be admissible by anyone, including any third Parties, to establish or challenge any liability, claim or defense on the part of any Party hereto.

2. The Parties agree that the value of the equipment identified in the Motion to Compel (the "Equipment") was \$105,937.00 (the "Opening Balance") on the date that the Debtor filed its Chapter 11 Petition in the United States Bankruptcy Court for the District of Delaware (the "Petition Date").

3. As a condition to this Stipulation and Agreed order, TSB hereby covenants not to file any other claims related to the Lease or the Fansteel Guaranty or to seek to amend Claims No. 795 and 794.

4. Within 10 days of the Effective Date (as defined in Paragraph 19, below) of this Stipulation and Agreed Order, the Debtor shall pay to TSB, in fully negotiable and good funds, by wire transfer pursuant to the instructions included herein, one-half of the total of all depreciation payments as listed on the schedule annexed hereto as Exhibit A beginning with the payment due February 15, 2002 through the Effective Date (the "First Catch-up Payment").

5. Within 35 days of the Effective Date of this Stipulation and Agreed Order, the Debtor shall pay to TSB, in fully negotiable and good funds, by wire transfer pursuant to the instructions included herein, the second half of the total of all depreciation payments as listed on the schedule attached hereto as Exhibit A beginning with the payment due February 15, 2002 through the Effective Date (the "Second Catch-up Payment").

6. In addition to the First and Second Catch-up Payments, the Debtor shall pay TSB \$2000 per month, beginning on the fifteenth day of the first full month after the Effective Date and continuing on the fifteenth day of each and every month thereafter, until August 15, 2004.

7. On August 15, 2004, the Debtor shall pay TSB the full remaining amount due on the Equipment calculated as follows: The Opening Balance less the sum of (a) First Catch-up Payment, plus (b) the Second Catch-up payment, plus (c) the sum of all monthly payments in the amount of \$2000 actually received by TSB prior to August 15, 2004 (the "Full Remaining Amount").

8. Within 10 business days after TSB's receipt of the last payment specified in paragraph 7, TSB shall provide Washington with (a) authority to terminate TSB's UCC-I (Iowa No. PI 27950) concerning the Equipment, and (b) an executed copy of the attached Bill of Sale (Exhibit 1).

9. Upon receipt of the First Catch-up Payment and the Second Catch-up Payment, TSB shall waive any rights under the Fansteel Guaranty and TSB shall withdraw Claim No. 794, filed in connection therewith.

10. The terms of this Stipulation and Agreed Order shall be fully enforceable after confirmation and consummation of the Debtors' Joint Plan of Reorganization (the "Plan") as if this Stipulation and Agreed Order survives confirmation of such a Plan and shall be enforceable against each of the Parties' respective successors and assigns.

11. In the event the Court enters an order confirming the Debtors' Joint Plan of Reorganization, TSB's Claim No. 795 filed in this bankruptcy case shall be deemed to be (i) an allowed TSB Secured Claim (Class WMC-2.01), in the amount of \$105,937.00, which shall be reduced by any payments paid by the Debtor hereunder prior to the effective date of a plan of reorganization in the Debtors' cases and (ii) a Class WMC-3 general unsecured claim ("Unsecured TSB Claim") in the amount of \$23,694.46. The TSB Secured Claim shall be payable pursuant to the terms contained herein. The Unsecured TSB Claim shall be paid in accordance with the terms of the confirmed Plan.

12. TSB shall receive payments described herein until terminated in accordance with paragraph 7 hereof, or until the Parties agree that the Equipment shall be returned to TSB. In the event the Debtors default in the making of any of the payments described herein and fail to cure

said default within fifteen (15) business days of receiving written notice (by fax) from TSB of said default, then the Lift Stay Motion shall be deemed granted upon TSB certifying the Debtors' non-payment and failure to cure with the Bankruptcy Court under a Certification of Counsel and, thereupon, TSB shall automatically be entitled to exercise its state law rights with respect to the Equipment.

13. Except as otherwise provided herein, the automatic stay shall remain in effect in all other respects with respect to the Equipment until the earlier of (a) the effective date of the Plan or (b) the Parties agree that the Equipment shall be returned to TSB or its designee.

14. The Parties hereto represent and warrant to each other that they are authorized to execute this Stipulation and Agreed Order; that each has full power and authority to enter into and perform in accordance with the terms of this Stipulation and Agreed Order (subject only to Bankruptcy Court approval) and that this Stipulation and Agreed Order is duly executed and delivered and constitutes a valid and binding agreement in accordance with its terms (subject only to Bankruptcy Court approval).

15. This Stipulation and Agreed Order shall not be modified, altered, amended or vacated without the prior written consent of all Parties hereto, except that the statements made on the record in these bankruptcy cases are incorporated herein. Except as set forth above, no statements made or actions taken in the negotiation of this Stipulation and Agreed Order may be used by any party for any purpose whatsoever.

16. This Stipulation and Agreed Order may be executed and delivered in any number of original or facsimile counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

17. The Bankruptcy Court shall retain jurisdiction over the Parties hereto and this Stipulation and Agreed Order, including, without limitation, for the purpose of interpreting, implementing and enforcing its terms and conditions.

18. This Stipulation shall be governed by the laws of the State of Delaware without regard to any conflicts of laws principles.

19. The "Effective Date" of this Stipulation and Agreed Order shall be ten days after the Order approving it is docketed and no appeal has been lodged against it.

20. Each party to this Agreement agrees to bear its own legal and other costs incurred to date.

21. All notices, requests, waivers, consents, and other communications hereunder shall be in writing and shall be mailed first class certified mail or by nationally recognized overnight courier service, or by personal delivery, with postage or other applicable delivery fees pre paid and addressed to the counsel as set forth below.

22. Payments to be made to Tama State Bank hereunder shall be made pursuant to the following wire instructions:

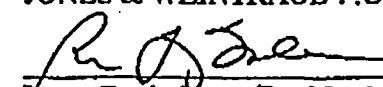
Bankers Bank,
Madison, Wisconsin 07591-2479
Credit TSB Bank #207779
Further Credit for Loan Payment at TSB Bank

Dated: September 10, 2003

SCHULTE ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS 7600)
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Michael R. Mitchell (MRM 9279)
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and

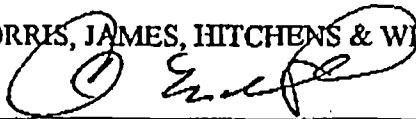
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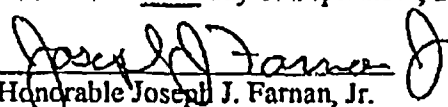
and

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Attorneys for Tama State Bank

So Ordered this 21 day of ^{October} ~~September~~, 2003



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

EXHIBIT A

<u>DATE</u>	<u>BEGINNING COST</u>	<u>PERCENT OF COST</u>	<u>DEPRECIATION</u>
08/15/00	\$130,000.00		
09/15/00	\$128,661.00	98.97%	\$1,339.00
10/15/00	\$127,361.00	97.97%	\$1,300.00
11/15/00	\$126,048.00	96.96%	\$1,313.00
12/15/00	\$124,722.00	95.94%	\$1,326.00
01/15/01	\$123,370.00	94.90%	\$1,352.00
02/15/01	\$122,005.00	93.85%	\$1,365.00
03/15/01	\$120,627.00	92.79%	\$1,378.00
04/15/01	\$119,236.00	91.72%	\$1,391.00
05/15/01	\$117,819.00	90.63%	\$1,417.00
06/15/01	\$116,389.00	89.53%	\$1,430.00
07/15/01	\$114,946.00	88.42%	\$1,443.00
08/15/01	\$113,477.00	87.29%	\$1,469.00
09/15/01	\$112,008.00	86.16%	\$1,469.00
10/15/01	\$110,513.00	85.01%	\$1,495.00
11/15/01	\$109,005.00	83.85%	\$1,508.00
12/15/01	\$107,484.00	82.68%	\$1,521.00
01/15/02	\$105,937.00	81.49%	\$1,547.00
02/15/02	\$104,377.00	80.29%	\$1,560.00
03/15/02	\$102,804.00	79.08%	\$1,573.00
04/15/02	\$101,205.00	77.85%	\$1,599.00
05/15/02	\$99,606.00	76.62%	\$1,599.00
06/15/02	\$97,994.00	75.38%	\$1,612.00
07/15/02	\$96,358.00	74.12%	\$1,638.00
08/15/02	\$94,718.00	72.86%	\$1,638.00
09/15/02	\$93,054.00	71.58%	\$1,664.00
10/15/02	\$91,377.00	70.29%	\$1,677.00
11/15/02	\$89,687.00	68.99%	\$1,690.00
12/15/02	\$87,984.00	67.68%	\$1,703.00
01/15/03	\$86,255.00	66.35%	\$1,729.00
02/15/03	\$84,526.00	65.02%	\$1,729.00
03/15/03	\$82,771.00	63.67%	\$1,755.00
04/15/03	\$81,003.00	62.31%	\$1,768.00
05/15/03	\$79,222.00	60.94%	\$1,781.00
06/15/03	\$77,428.00	59.56%	\$1,794.00
07/15/03	\$75,634.00	58.18%	\$1,794.00
08/15/03	\$73,814.00	56.78%	\$1,820.00
09/15/03	\$71,981.00	55.37%	\$1,833.00
10/15/03	\$70,135.00	53.95%	\$1,848.00
11/15/03	\$68,276.00	52.52%	\$1,859.00
12/15/03	\$66,404.00	51.08%	\$1,872.00
01/15/04	\$64,519.00	49.63%	\$1,885.00



02/15/04	\$62,608.00	48.16%	\$1,911.00
03/15/04	\$60,697.00	46.69%	\$1,911.00
04/15/04	\$58,760.00	45.20%	\$1,937.00
05/15/04	\$56,810.00	43.70%	\$1,950.00
06/15/04	\$54,847.00	42.19%	\$1,963.00
07/15/04	\$52,884.00	40.68%	\$1,963.00
08/15/04	\$50,908.00	39.18%	\$1,976.00
09/15/04	\$48,906.00	37.62%	\$2,002.00
10/15/04	\$46,904.00	36.08%	\$2,002.00
11/15/04	\$44,876.00	34.52%	\$2,028.00
12/15/04	\$42,835.00	32.95%	\$2,041.00
01/15/04	\$40,781.00	31.37%	\$2,054.00
02/15/04	\$38,714.00	29.78%	\$2,067.00
03/15/04	\$36,634.00	28.18%	\$2,080.00
04/15/04	\$34,450.00	26.50%	\$2,184.00
05/15/04	\$32,422.00	24.94%	\$2,028.00
06/15/04	\$30,290.00	23.30%	\$2,132.00
07/15/04	\$28,158.00	21.66%	\$2,132.00
08/15/04	\$26,000.00	20.00%	\$2,158.00
			\$104,000.00

EXHIBIT B

BILL OF SALE FOR PERSONAL PROPERTY

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, Tama State Bank d/b/a TSB Leasing, Inc. a corporation ("Seller"), does hereby grant, bargain, sell, and deliver to _____ ("Buyer"), all of Seller's right, title, and interest in and to the items of personal property listed on Exhibit 1 attached hereto and by this reference incorporated herein (the "Property"), "as is" and "where is," and without any representation, warranty or recourse whatsoever, express or implied, for \$105,937.00. Risk of loss shall pass to Buyer, to the extent it previously has not passed, upon delivery of this Bill of Sale.

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

DATED: _____ 2003

Seller:
Tama State Bank d/b/a TSB Leasing Inc.
By its:

By: _____

Exhibit 1

Vendor: AIDA
7660 Center Point 70 Blvd.
Dayton, Ohio 45425-6380

Product: Press
Qty: 1
Description: Single Point Gap Frame Press
NC1-200(2)/CO420-0066

Vendor: CJ Smith Machinery Company
1664 Larkin Williams Road
Fenton, Missouri 63026

Product: Monitor
Qty.: 1
Description: Tonnage Monitor 101432