

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 to Sale Motion: November 10, 2003 at 5:00 p.m. E.T.
Deadline to Submit Qualified Bids: November 12, 2003 at 11:00 a.m. E.T.
Auction Date: November 14, 2003, beginning at 11:00 a.m. E.T.
Sale Hearing Date: November 17, 2003 at 5:00 p.m. E.T.

**NOTICE OF MOTION FOR ORDERS UNDER 11 U.S.C. §§ 105, 363 AND 1146(c) AND
FED. R. BANKR. P. 6004: (I) (A) APPROVING BIDDING PROCEDURES AND
BREAK-UP FEE IN CONNECTION WITH THE PROPOSED SALE OF VR WESSON
ASSETS, (B) SCHEDULING A HEARING DATE, AUCTION DATE AND BIDDING
DEADLINE IN CONNECTION WITH THE SALE OF SUCH ASSETS, AND
(C) APPROVING FORM AND MANNER OF NOTICE THEREOF; AND (II) (A)
APPROVING THE ASSET PURCHASE AGREEMENT AMONG FANSTEEL INC. AND
PLANTSVILLE ACQUISITION, LLC, (B) APPROVING THE SALE OF CERTAIN VR
WESSON ASSETS, AND (C) DETERMINING THAT A POST-CONFIRMATION SALE
IS EXEMPT FROM ANY STAMP, TRANSFER, RECORDING OR SIMILAR TAXES**

TO: THOSE ENTITIES REQUIRED TO RECEIVE NOTICE PURSUANT TO
FEDERAL RULE OF CIVIL PROCEDURE 2002(i); TAXING AUTHORITIES;
SECURED CREDITORS; ALL ENTITIES REASONABLY KNOWN TO
HAVE AN INTEREST IN PURCHASING THE REMAINING PLANTSVILLE
ASSETS.

On May 9, 2003, the captioned debtors and debtors in possession (collectively,
the "Debtors") filed a Motion for entry of (I) an order under 11 U.S.C. §§ 105 and 363 and Fed.
R. Bankr. P. 6004(f) (A) approving bidding procedures (the "Bidding Procedures Order") and a
break-up fee in connection with the proposed sale by Fansteel (the "Seller") to Plantsville
Acquisition, LLC (the "Proposed Purchaser") of certain personal property of the division of

¹The 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.

BKRP 01

Fansteel known as VR/Wesson-Plantsville ("Plantsville Division") consisting of machinery, equipment, tooling, office and maintenance supplies, customer records, computers, telephones, telephone systems, vehicles, trademarks and trade names, and the real property and building located at 389 Marion Avenue, Plantsville Connecticut (collectively, the "Remaining Plantsville Assets"), (B) scheduling a hearing date, auction date, and bidding deadlines and procedures in connection with the sale of the Remaining Plantsville Assets, and (C) approving the form and manner of notice thereof (collectively, "Part I of the Motion"); and (II) an order (the "Sale Order") under 11 U.S.C. §§ 105, 363 and 1146(c) and Fed. R. Bankr. P. 2002(a)(2) and (c)(1) and 6004, (A) approving an Asset Purchase Agreement among Fansteel and the Proposed Purchaser annexed to the Motion as Exhibit "C" (the "Asset Purchase Agreement"), or a modification thereof if another party is the Successful Bidder, (B) approving the sale of the Remaining Plantsville Assets to the Proposed Purchaser or such other party making a higher and better offer therefor (the "Successful Bidder"), free and clear of liens, interests, claims, restrictions, encumbrances, encroachments and charges of every kind (except as otherwise provided in the Asset Purchase Agreement), and (C) determining that such sale, if closed post-confirmation, is exempt from any stamp, transfer, recording or similar taxes (collectively, "Part II of the Motion").

On October 29, 2003, the Court entered an order approving Part I of the Motion (the "Bidding Procedures Order") [Docket No. 1523]. A true and correct copy of the signed Bidding Procedures Order is attached hereto as Exhibit A. The Bidding Procedures Order

established procedures, times, dates, and locations associated with events in the sale of the
Remaining Plantsville Assets

Objections or responses, if any, to Part II of 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 November 10, 2003 at 5:00 p.m. Eastern Time. At the same time, you must also serve a copy of the response or objection upon co-counsel for the Debtors: (i) Pachulski, Stang, Ziehl, Young, Jones & Weintraub P.C., 919 North Market Street, Suite 1600, P.O. Box 8705, Wilmington, Delaware 19899-8705 (courier 19801) (Attn: Laura Davis Jones, Esq.); (ii) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022 (Attn: Jeffrey S. Sabin, Esq.); (iii) the Office of the United States Trustee, 844 King Street, Suite 2313, Lockbox 35, Wilmington, Delaware 19801 (Attn: David Buchbinder, Esq.); (iv) [proposed]counsel for the Official Committee of Unsecured Creditors, Neal Gerber & Eisenberg LLP, 2 North LaSalle Street, Chicago, IL 60602 (Attn. Frances Gecker, Esq.) and (v) counsel for the Proposed Purchaser, Cooley, Shrair P.C., 1380 Main Street, Springfield, MA 01103 (Attn. Peter Shrair, Esq.).

[Remainder of Page Intentionally Left Blank]

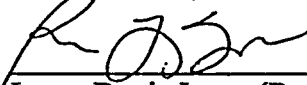
IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE
COURT MAY GRANT THE RELIEF REQUESTED BY THE APPLICATION WITHOUT
FURTHER NOTICE OR HEARING.

Dated: October 31, 2003

SCHULTE ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS-7600)
Lawrence V. Gelber (LVG-9384)
919 Third Avenue
New York, NY 10022
Telephone: (212) 756-2000
Facsimile: (212) 593-5955

and

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



Laura Davis Jones (Bar No. 2436)
Rosalie L. Spelman (Bar No. 4153)
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 Debtors and
Debtors-in-Possession

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 to Sale Motion: November 10, 2003 at 5:00 p.m. E.T.
Deadline to Submit Qualified Bids: November 12, 2003 at 11:00 a.m. E.T.
Auction Date: November 14, 2003, beginning at 11:00 a.m. E.T.
Sale Hearing Date: November 17, 2003 at 5:00 p.m. E.T.

MOTION FOR ORDERS UNDER 11 U.S.C. §§ 105, 363 AND 1146(c) AND FED. R. BANKR. P. 6004: (I) (A) APPROVING BIDDING PROCEDURES AND BREAK-UP FEE IN CONNECTION WITH THE PROPOSED SALE OF VR WESSON ASSETS, (B) SCHEDULING A HEARING DATE, AUCTION DATE AND BIDDING DEADLINE IN CONNECTION WITH THE SALE OF SUCH ASSETS, AND (C) APPROVING FORM AND MANNER OF NOTICE THEREOF; AND (II) (A) APPROVING THE ASSET PURCHASE AGREEMENT AMONG FANSTEEL INC. AND PLANTSVILLE ACQUISITION, LLC, (B) APPROVING THE SALE OF CERTAIN VR WESSON ASSETS, AND (C) DETERMINING THAT A POST-CONFIRMATION SALE IS EXEMPT FROM ANY STAMP, TRANSFER, RECORDING OR SIMILAR TAXES

Fansteel Inc. ("Fansteel") and its affiliated debtors and debtors-in-possession (collectively, the "Debtors"), move (the "Motion") for entry of (I) an order under 11 U.S.C. §§ 105 and 363 and Fed. R. Bankr. P. 6004(f) (A) approving bidding procedures (the "Bidding Procedures Order") and a break-up fee in connection with the proposed sale by Fansteel (the "Seller") to Plantsville Acquisition, LLC (the "Proposed Purchaser") of certain personal property of the division of Fansteel known as VR/Wesson-Plantsville ("Plantsville Division") consisting of machinery, equipment, tooling, office and maintenance supplies, customer records, computers, telephones, telephone systems, vehicles, trademarks and trade names, and the real property and

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.

building located at 389 Marion Avenue, Plantsville Connecticut (collectively, the "Remaining Plantsville Assets"), (B) scheduling a hearing date, auction date, and bidding deadlines and procedures in connection with the sale of the Remaining Plantsville Assets, and (C) approving the form and manner of notice thereof (collectively, "Part I of the Motion"); and (II) an order (the "Sale Order") under 11 U.S.C. §§ 105, 363 and 1146(c) and Fed. R. Bankr. P. 2002(a)(2) and (c)(1) and 6004, (A) approving an Asset Purchase Agreement among Fansteel and the Proposed Purchaser annexed to the Motion as Exhibit "C" (the "Asset Purchase Agreement"), or a modification thereof if another party is the Successful Bidder, (B) approving the sale of the Remaining Plantsville Assets to the Proposed Purchaser or such other party making a higher and better offer therefor (the "Successful Bidder"), free and clear of liens, interests, claims, restrictions, encumbrances, encroachments and charges of every kind (except as otherwise provided in the Asset Purchase Agreement), and (C) determining that such sale, if closed post-confirmation, is exempt from any stamp, transfer, recording or similar taxes (collectively, "Part II of the Motion"). In support of this Motion, the Debtors respectfully represent as follows:

JURISDICTION

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 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.

BACKGROUND

A. The Bankruptcy Filing

2. 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"). The Court has 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 "Cases") be procedurally consolidated and jointly administered by this Court.

3. 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.

4. 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 the Cases. No trustee or examiner has been appointed in any of the Cases.

B. The Debtors' Business Operations

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.

C. 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"). At the Muskogee Site, Fansteel, in accordance with a license obtained from the NRC in 1967, processed tantalum ore for further processing at Fansteel's plant in North

Chicago. Tantalum naturally occurs with other metals, including uranium and thorium, each of which is radioactive, and the processing of tantalum results in, among other things, radioactive residues and soils.

7. In 1989, Fansteel discontinued its operations at the Muskogee Site. The NRC requires, after a licensee ceases principal operations, that the licensee obtain approval of a decommissioning plan ("DP") and a decommissioning funding plan ("DFP"). Fansteel's original proposed DP, among other things, contemplated construction of a processing plant to reprocess and remediate the radioactive residues over at least a ten year period and the construction of an on-site containment cell to remediate the remaining contaminated soils. Fansteel's proposed DP (the reprocessing plant) was approved as an amendment to Fansteel's NRC license in 1997. 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.

8. Unfortunately, the construction and start up of the DP's reprocessing plant was plagued with numerous technical and operational difficulties significantly reducing the estimated processing capacity of the facility. In addition to the difficulties experienced from 1999 through 2001 in start-up operations of the reprocessing facility in processing adequate quantities of material, 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). Generally accepted accounting principles required Fansteel not only to write-off the costs that Fansteel had expended in designing and building the reprocessing plant (approximately \$32 million), but also

to take an immediate reserve for the reasonably anticipated costs of remediating (by off-site disposal) the radioactive residues and soils that remain on the Muskogee Site without regard to any reprocessing, an approximately \$57 million reserve.

9. 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.

D. Post-Petition Negotiations

10. 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. Accordingly, from the outset of these Chapter 11 Cases, the Debtors made every effort to maintain the continued cooperation and support of all key creditor constituents, including the Committee, the NRC, the Environmental Protection Agency ("EPA"), the Pension Benefit Guaranty Corporation ("PBGC"), the Department of the Navy, and the various state regulatory agencies in Illinois, Kentucky Iowa and Oklahoma, among others (collectively, the "Interested Parties").

11. Finally, in May 2002 – four months after the Petition Date – the Debtors were able to arrange for DIP financing from Congress Financial Corp. ("Congress"). In connection with the closing of that financing, the Debtors addressed certain concerns of the Committee regarding management of the companies. This Court's order approving the post-petition

financing facility with Congress [Docket No. 226] provided, as a condition to approval of the financing arrangement, for the engagement of a financial advisor acceptable to both the Debtors and the Committee. The Debtors agreed, as a concession to the Committee, to retain outside financial planners to (i) review and refine the Debtors' business plan, (ii) prepare projections based upon the business plan and (iii) prepare valuations of the Debtors' business and assets. By order of this Court entered on August 19, 2002 [Docket No. 411], the Debtors, with the Committee's support, were authorized to retain Executive Sounding Board Associates Inc. (the "Advisor") for these purposes.

12. From approximately July 2002 to October 2002, the Advisor worked closely with the Debtors to develop revised business plans, projections and valuations of the Debtors' assets. The Debtors and the Interested Parties recognized that the development of this financial information and preparation of the requisite reports and projections by the Advisor were essential to the formulation and negotiation of a consensual plan of reorganization in the Chapter 11 Cases. In addition, during the post-petition period, the Debtors addressed many critical operating and survival issues resulting from the severe economic downturn in many of the Debtors' end-user markets, including effectuating cost containment programs and proceeding with strategic decisions to close two non-performing operations, as well as the strategic sale of a profitable subsidiary.

13. At the same time, Fansteel worked to develop a revised decommissioning plan for the Muskogee Site, another step critical to serious plan negotiations with the various Interested Parties - in particular, the NRC. Recognizing that an amended decommissioning plan for the Muskogee Site was essential to the formulation of a feasible reorganization plan, the Debtors retained Earth Sciences Consultants, Inc. (the "Environmental Consultant") as environmental consultants to the Chapter 11 Debtors. In late November/early December 2002, the

Environmental Consultant completed its preliminary report for an amended plan for decommissioning at the Muskogee Site, thereby setting the stage for serious plan negotiations.

14. Following the execution of certain non-disclosure agreements, the Debtors proceeded to forward to the Interested Parties evaluation materials, including financial information developed by the Debtors and the Advisor, as well as an initial draft of a proposed plan term sheet for discussion. The terms of the plan formulated by the Debtors were based on the premise that the Debtors were separate entities and not subject to consolidation substantively. Accordingly the plan term sheet circulated by the Debtors treated the Debtors as separate entities, and focused on (a) the resolution of issues presented by environmental liabilities of the Debtors, and (b) the resolution of contingent, unliquidated claims asserted against the Debtors jointly and severally by the PBGC based upon estimated underfunded pension liabilities of approximately \$13 million.

15. Negotiations with the Interested Parties based on the Debtors' preliminary plan term sheet continued during the month of January 2003, and on January 14, 2003, the Debtors filed their final amended plan for decommissioning the Muskogee Site, thereby furthering the prospects for a consensual reorganization plan. In February 2003, the Debtors encountered a setback in the efforts to finalize their plan of reorganization. The Debtors learned that the gap in the underfunded pension obligations had increased by nearly 50% to \$19 million due the continued downturn in the markets. Since the Debtors' pension plan termination obligations had increased significantly, the Debtors were forced to reevaluate the plan treatment of the PBGC's claims, as well as a request by the Committee that certain assets of the Debtors be marshaled for sale.

16. On March 14, 2003, the Debtors arranged to meet with the Interested Parties in Washington to address these new obstacles in the context of a final plan term sheet. As a

consequence of that meeting, a determination was made that the most probable scenario for a successful resolution of the Chapter 11 Cases with the greatest realization for creditors involved a termination of the existing pension plan and the establishment of a new corporate entity to absorb certain aspects of the Debtors' environmental exposure and the PBGC obligations. Following the meeting, the Debtors immediately commenced settlement discussions with the PBGC, which were ultimately successfully concluded, bringing the Debtors another step closer to full resolution of the many issues on the negotiating table.

E. The Proposed Sale of Assets to Stoutheart and WPC

17. Notwithstanding the Debtors' continued efforts to reach a consensual plan of reorganization with all interested parties, on or about May 7, 2003, the Committee forwarded a draft of a reorganization plan that it had prepared for the Debtors which contemplated, among other things, a sale of certain assets of the Debtors to Stoutheart East Corporation ("Stoutheart"), WPC III Inc. ("WPC") and Richard Burkhart ("Burkhart") and a distribution of the proceeds of the sale under the plan. The Debtors urged the Committee to reconsider the proposed plan term sheet that was being circulated among the parties at that time rather than filing a plan without the support of the Debtors or any of the other essential parties in interest. The Committee believed, however, that the filing of its proposed plan would, if nothing else, serve as a catalyst to accelerate the plan negotiation process while preserving the interests of the Committee's constituency.

18. On May 9, 2003, the Committee filed a motion seeking, among other things, authorization to file its proposed plan of reorganization in advance of filing a disclosure statement and certain additional information from the Debtors necessary to further the Committee's evaluation of either plan proposal. On May 12, 2003, the Debtors, concerned that the Committee's proposed plan and the relief sought in the Committee's motion could severely

jeopardize the efforts to finalize terms for a consensual and feasible plan of reorganization, filed a request for a continuance of the Committee's motion. Following an emergency hearing on May 16, 2003, the Court denied the Committee's motion in part, ordering that the Committee not take any action to file a plan until at least July 11, 2003.

19. Following the emergency hearing on May 16, 2003, the Debtors and the Committee revisited discussions regarding a consensual plan of reorganization and ultimately agreed that a sale of assets based on the offer made by, and negotiated by the Committee with, Stouheart and WPC (hereafter collectively, "Stouheart") and a distribution of the sale proceeds, in large part, to the constituency represented by the Committee was a feasible and prudent element to be incorporated into the Debtors' reorganization plan.

20. Although the Committee's negotiations with Stouheart contemplated that the sale of assets would occur only upon plan confirmation, the Debtors determined that it would be prudent to proceed with an immediate asset sale under section 363 of the Bankruptcy Code so that the proceeds of the sale would be available to fund distributions under the Debtors' plan by the time of confirmation. As a result, the Debtors entered into negotiations and subsequently executed an Asset Purchase Agreement (the "Fansteel/Phoenix APA") with Stouheart and thereafter with affiliates of HBD Industries, Inc. (the "HBD Affiliates") providing for the sale of substantially all of the assets, property and businesses of Phoenix Aerospace Corporation and the divisions of Fansteel known as California Drop Forge, Hydro Carbide-Gulfport and Hydro Carbide-Latrobe ("Fansteel Cal Drop and Hydro Carbide Divisions"), the accounts receivable and inventory of the Plantsville Division, and the equipment and inventory located at Fansteel's facility in Lexington, Kentucky, subject to higher and better offers (the "Fansteel/Phoenix Sale"). By Order dated September 5, 2003, this Court approved bidding procedures and a break-up fee in connection with the Fansteel/Phoenix Sale.

21. Since Stoutheart and thereafter the HBD Affiliates offered to purchase only the accounts receivable and inventory of the Plantsville Division, at the time the Fansteel/Phoenix APA was negotiated, it was contemplated that other parties might be interested in purchasing the remaining assets utilized in connection with the business of the Plantsville Division. Accordingly, both the Joint Plan of Reorganization filed with this Court on July 24, 2003 and the Amended Joint Plan of Reorganization (the "Amended Plan") filed with the Court on September 18, 2003, provided for a "sale or combination of sales" by Fansteel of, *inter alia*, assets of the Plantsville Division, "whether consummated prior to or after the Effective Date." Subsequently, the Debtors reached agreement with the Proposed Purchaser on the terms and provisions of the Asset Purchase Agreement relating to the Plantsville Division, a copy of which is annexed hereto as Exhibit "D." The Asset Purchase Agreement provides for the sale of all of Fansteel's right, title and interest in and to certain real and personal property relating to the Plantsville Division for a purchase price of \$1,000,000, subject to higher and better offers.

F. Use of Sale Proceeds

22. The Amended Plan of the Debtors contemplates the sale of the Remaining Plantsville Assets and reflects the agreements reached with the Committee regarding the escrow of the net cash proceeds of the sale for distribution to general unsecured creditors. The Debtors and the Committee have agreed, and the Plan provides that, the net cash proceeds of the Sale, together with the net cash proceeds of the Fansteel/Phoenix Sale and interest earned thereon, will be held in an escrow account pending the Plan's Effective Date. Thereafter, 100% of the first \$11,500,000 of net cash sales proceeds and 50% of the proceeds in excess of \$11,500,000² will be will be available for distribution to holders of general unsecured claims in accordance with the provisions of the Amended Plan.

² The remaining 50% of any net cash proceeds in excess of \$11,500,000 will be available as working capital to Reorganized Fansteel once the Plan becomes effective.

RELIEF REQUESTED

23. By Part I of the Motion, Fansteel seeks entry of (i) an order, substantially in the form attached as Exhibit "A," scheduling a hearing on approval of the bidding procedures and break-up fee, and (ii) an order, substantially in the form attached as Exhibit "B," approving the bidding procedures and a break-up fee in connection with the proposed sale of the Remaining Plantsville Assets (the "Sale"), scheduling a hearing on the Sale ("Sale Hearing") and approving the form and manner of notice thereof.

24. By Part II of the Motion, the Debtors seeks entry of an order substantially in the form attached as Exhibit "C" (i) approving the Asset Purchase Agreement with the Proposed Purchaser, or a modification thereof if another party is the Successful Bidder at the Auction, and (ii) approving the sale of the Remaining Plantsville Assets to the Proposed Purchaser or such other party making a higher and better offer therefore (the "Successful Bidder"), free and clear of liens, interests, claims, restrictions, encumbrances, encroachments and charges of every kind (except as otherwise provided in the Asset Purchase Agreement), and (iii) determining that such sale, if closed post-confirmation, is exempt from any stamp, transfer, recording or similar taxes (collectively, "Part II of the Motion").

The Proposed Asset Purchase Agreement

25. In connection with the consummation of the Amended Plan, the Debtors have negotiated the Asset Purchase Agreement for the Plantsville Division with the Proposed Purchaser that, among other things, provides for the sale of the Remaining Plantsville Assets. Fansteel has determined, in the exercise of its sound business judgment, that entering into the Asset Purchase Agreement is in the best interests of the Debtors, their estates and their creditors.

26. The material terms of the Asset Purchase Agreement include:³

Purchase Price: In consideration for the Remaining Plantsville Assets, as of the Closing Date, the Proposed Purchaser will pay to the Debtors \$1,000,000 (the "Purchase Price").

Assets: On the terms and subject to the conditions precedent set forth in the Asset Purchase Agreement, at the Closing, Fansteel shall sell to the Proposed Purchaser all of its right, title and interest in and to certain assets of the Plantsville Division, including the VR/Wesson name and related trademarks, machinery, equipment, tooling, office and maintenance supplies, customer records, computers, telephones, telephone systems, vehicles, and the real property and building located at 389 Marion Avenue, Plantsville Connecticut (the "Plantsville Facility"), free from all security interests or other rights or interests of third parties.

Excluded Assets: Assets of the Seller that are not specifically listed in the asset Purchase Agreement are excluded from the Remaining Plantsville Assets. Excluded Assets include, but are not limited to, all assets and properties of Fansteel other than assets related to the Plantsville Division; accounts receivable and inventory related to the Plantsville Division; the right to receive any refunds of taxes paid by the Debtors prior to the Closing; equity securities of the Seller; the corporate and trade name "Fansteel" and all variations thereof that include the "Fansteel" name; all contracts and leases of the Plantsville Division; all bank accounts, cash (including, but not limited to, cash in bank accounts), cash equivalents and short term investments; and all claims and causes of action, including, but not limited to, preference or avoidance claims and actions of Seller arising under sections 544 through 553, inclusive, of the Bankruptcy Code.

Sale Free and Clear: With the exception of Permitted Liens, the Remaining Plantsville Assets are to be transferred free and clear of all liens, claims, encumbrances and interests pursuant to section 363(f) of the Bankruptcy Code, including all known and unknown Environmental Claims associated with the Remaining Plantsville Assets, except that the Proposed Purchaser has expressly agreed to (i) assume responsibility for investigation and remediation of any releases of Hazardous Materials at the Plantsville Facility, (ii) comply at its sole expense with the requirements of the Connecticut Transfer Act, and (iii) upon and after the closing, comply with all Environmental Laws applicable to the operation of the Plantsville Facility. By this Motion, the Debtors request that

³ This summary is provided for convenience only and is qualified in its entirety by the Asset Purchase Agreement. The Asset Purchase Agreement should be reviewed in its entirety by an interested party and, to the extent that there is any discrepancy, the terms and conditions of the Asset Purchase Agreement shall control.

the Court authorize the sale and order that all valid and enforceable liens, claims, encumbrances and security interests existing on the Remaining Plantsville Assets as of the Closing Date, if any, with the exception of Permitted Liens, shall be transferred and attach to the net proceeds that the Debtors receive from the sale.

Escrow Agreement: Upon execution of the Asset Purchase Agreement, the Proposed Purchaser shall make a cash deposit of \$100,000 with the escrow agent as set forth in a Deposit Escrow Agreement.

Bidding Procedures and Break-Up Fee: As a condition to the Proposed Purchaser's obligation to close under the Asset Purchase Agreement, the Proposed Purchaser has required that Fansteel apply for an order approving certain bidding procedures for the acceptance of competing bids, as set forth in the Asset Purchase Agreement, and requested that Fansteel be authorized to pay to the Proposed Purchaser a Break-Up Fee of \$33,000 in accordance with the Asset Purchase Agreement if the Proposed Purchaser is not the Successful Bidder at the Auction.

Timing: The Sale must be approved by the Court on or before December 15, 2003, and the closing of the Sale must occur on or before January 23, 2004..

BIDDING PROCEDURES

27. The Proposed Purchaser has expended, and likely will continue to expend, considerable time, money and energy pursuing the purchase of the Remaining Plantsville Assets and has engaged in extended arm's-length and good faith negotiations. In recognition of this expenditure of time, energy and resources, and the benefits of securing a stalking horse or minimum bid, the Debtors have agreed to seek an order of this Court approving the Bidding Procedures defined below.

28. The Bidding Procedures are a material inducement for, and a condition of, the Proposed Purchaser's entry into the Asset Purchase Agreement. The Debtors believe that the Bidding Procedures are fair and reasonable in view of (a) the intensive analysis, due diligence investigation, and negotiation undertaken by the Proposed Purchaser in connection with the Sale, (b) the extensive resources and expenditure to be undertaken by the Proposed Purchaser in

moving toward consummation of the Sale and (c) the fact that the Proposed Purchaser's efforts have served as a catalyst for other proposed bidders and have increased the chances that the Debtors will receive the highest and best offer for the Remaining Plantsville Assets, to the benefit of the Debtors, their estates, their creditors and all other parties-in-interest.

29. The Proposed Purchaser is unwilling to commit to hold open its offer to purchase the Remaining Plantsville Assets under the terms of an Asset Purchase Agreement unless the Bidding Procedures Order authorizes payment of the Break-Up Fee. Absent entry of the Bidding Procedures Order and approval of the Bidding Procedures, the Debtors may lose the opportunity to obtain what they believe to be the highest and best available offer for the Remaining Plantsville Assets. The Debtors thus request that the Court authorize payment of the Break-Up Fee pursuant to the terms and conditions set forth in the proposed Asset Purchase Agreement.

30. The Debtors believe that the Bidding Procedures are fair and reasonable, and combined with the Proposed Purchaser's offer to acquire the Remaining Plantsville Assets, will work to maximize the value realized by the Debtors' estates.

31. Set forth below are the bidding procedures (the "Bidding Procedures") to be employed with respect to the Asset Purchase Agreement among the Proposed Purchase and Fansteel concerning the prospective sale (the "Sale") of the Remaining Plantsville Assets. The Seller will seek entry of an order from the Court authorizing and approving the Sale to a Qualified Bidder (as defined below) which the Seller may determine to have made the highest or otherwise best offer (the "Successful Bidder"). The following overbid provisions and related bid protections are designed to reimburse the Proposed Purchaser for its efforts to date and to facilitate a full and fair process designed to maximize the value of the Remaining Plantsville Assets for the benefit of the the Debtors' estates and creditors. These Bidding Procedures shall not be subject to material changes without approval of the Court.

Assets To Be Sold

32. The Seller is offering for sale all of Fansteel's right, title and interest in and to certain assets of the Plantsville Division, including the VR/Wesson name and related trademarks, machinery, equipment, tooling, office and maintenance supplies, customer records, computers, telephones, telephone systems, vehicles, and the real property and building located at 389 Marion Avenue, Plantsville Connecticut (the "Plantsville Facility"), but excluding all other assets of Fansteel not specifically delineated in the Asset Purchase Agreement, free from all security interests or other rights or interests of third parties.

The Bidding Process

33. The Seller shall (i) determine whether any person is a Qualified Bidder (as defined below), (ii) coordinate the efforts of Qualified Bidders in conducting their due diligence investigations, (iii) receive offers from Qualified Bidders, and (iv) negotiate any offers made to purchase the Remaining Plantsville Assets (collectively, the "Bidding Process"). Any person who wishes to participate in the Bidding Process must be a Qualified Bidder. Neither the Seller nor its representatives shall be obligated to furnish any information of any kind whatsoever to any person who is not determined to be a Qualified Bidder. Qualified Bidders shall be given all relevant information pertaining to the Sale. The Seller shall have the right to adopt such other rules for the Bidding Process, which rules will better promote the goals of the Bidding Process and that are not inconsistent with any of the other provisions hereof or of any Court order.

Participation Requirements

34. Unless otherwise ordered by the Court for cause shown or as otherwise determined by the Seller, in order to participate in the Bidding Process each person (a "Proposed Bidder") must deliver (unless previously delivered) to the Seller:

- (i) An executed confidentiality agreement in form and substance satisfactory to the Seller; and

- (ii) Current audited financial statements of the Proposed Bidder, or, if the Proposed Bidder is an entity formed for the purpose of acquiring the Remaining Plantsville Assets, current audited financial statements of the equity holder(s) of the Proposed Bidder, or such other form of financial disclosure acceptable to the Seller and its advisors demonstrating such Proposed Bidder's ability to close a proposed transaction.

35. A "Qualified Bidder" is any Proposed Bidder or multiple Proposed Bidders participating in the Bidding process together that delivers the documents described in subparagraphs (i) and (ii), whose financial information demonstrates the financial capability of the Proposed Bidders, either jointly or separately, to consummate the Sale, and that the Seller determines is reasonably likely (based on availability of financing, experience and other considerations) to submit a bona fide offer and to be able to consummate the Sale if selected as the Successful Bidder.

36. Within two business days after a Proposed Bidder delivers all of the materials required by subparagraphs (i) and (ii) above, the Seller shall determine, and shall notify the Proposed Bidder, if such Proposed Bidder is a Qualified Bidder.

Due Diligence

37. The Seller may afford any Qualified Bidder the opportunity to conduct a due diligence review. The Seller will designate an employee or other representative to coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders. The Seller shall not be obligated to furnish any due diligence information after the Bid Deadline (as hereinafter defined) or to any person who has not executed an appropriate confidentiality agreement. Bidders are advised to exercise their own discretion before relying on any information provided by anyone other than the Seller or its representatives.

Bid Deadline

38. A Qualified Bidder who desires to make a bid shall deliver a written copy of its

Attn: Jeffrey Sabin, Esq., not later than 11:00 a.m. (EST) on the date which is three business days prior to the date scheduled by the Court for the Sale Hearing (the "Bid Deadline"). The Seller will immediately distribute by facsimile transmission, personal delivery or reliable overnight courier service in accordance with the Asset Purchase Agreement, a copy of each bid upon receipt to counsel for the Proposed Purchaser. The Seller may, in its discretion, extend the Bid Deadline once or successively, but is not obligated to do so. The Seller shall announce the terms of the highest and best Qualified Bids received by the Bid Deadline by 5:00 p.m. (EST) on that day.

Bid Requirements

39. For the purposes of determining the existence of a bid for the Remaining Plantsville Assets, a bid may be in the form of a joint bid from more than one Qualified Bidder, or may be in the form of separate bids from more than one Qualified Bidder, with each such separate bid being for a portion of the Remaining Plantsville Assets, but all of such separate bids collectively aggregating a bid price having a value greater than or equal to the sum of (x) the value, as reasonably determined by the independent financial advisor of the Seller, of the Proposed Purchaser's offer plus (y) other than where the Proposed Purchaser makes a bid, the amount of the Break-Up Fee (as defined below) plus (z) (A) in the case of the initial Qualified Bid, \$15,000, and (B) in the case of any subsequent Qualified Bids, \$10,000 plus the amount by which the preceding Qualified Bid exceeds the sum of (x) plus (y) above. All bids must include the following documents (the "Required Bid Documents"):

- A letter stating that one or more Qualified Bidders offer to purchase all or a portion of the Remaining Plantsville Assets and that such offer is irrevocable until two (2) business days after the Remaining Plantsville Assets have been disposed of pursuant to these Bidding Procedures.

- A statement by each Qualified Bidder that it is prepared to enter into and consummate the Sale as soon as practicable but in no event more than thirty-one (31) days after entry by the Court of the Sale Order.
- An executed copy of the Asset Purchase Agreement, together with all Exhibits and Schedules thereto (the "Definitive Sale Documentation") marked and initialed to show those amendments and modifications to such agreement that the Qualified Bidder proposes, including, but not limited to, price and the time of closing.
- A good faith deposit (the "Good Faith Deposit") in the form of a certified check or other form acceptable to the Seller in its sole discretion payable to the order of the Seller (or such other party as the Seller may determine) in an amount equal to \$100,000. All Qualified Bidders shall enter into an escrow agreement as directed by the Seller.
- Written evidence of a commitment for financing or other evidence of ability to consummate the proposed transaction satisfactory to the Seller.

40. The Seller will consider a bid only if the bid is on terms that are not conditioned on obtaining financing or on the outcome of unperformed due diligence by the bidder. A bid received from a Qualified Bidder that includes all of the Required Bid Documents and meets all of the above requirements is a "Qualified Bid."

41. If the Seller does not receive any Qualified Bids, the Seller will report the same to the Court and will proceed with a sale and assignment of the Remaining Plantsville Assets to the Proposed Purchaser pursuant on terms set forth in an Asset Purchase Agreement substantially in the form of the Agreement annexed hereto as Exhibit "D.". The Asset Purchase Agreement shall constitute a Qualified Bid for all purposes.

Bid Protection

42. Recognizing the Proposed Purchaser's expenditure of time, energy and resources, the Seller has agreed to provide certain bidding protections to the Proposed Purchaser. Specifically, the Seller has determined that the Asset Purchase Agreement will further the goals of the Bidding Procedures by setting a floor for which all other Proposed Bids must exceed and,

therefore, is entitled to be selected as a "Stalking Horse Bid." As a result, the Seller has agreed to pay, in certain limited circumstances, to the Proposed Purchaser a break-up fee equal to \$33,000 (the "Break-Up Fee"). The payment of the Break-Up Fee shall be governed solely by the provisions of the Asset Purchase Agreement.

Auction

43. If the Seller receives a Qualified Bid, the Seller will conduct an auction (the "Auction") at the offices of Schulte, Roth & Zabel LLP, 919 Third Avenue, New York, NY 10022, on the date that is one Business Day prior to the date scheduled by the Court for the Sale Hearing, beginning at 11:00 a.m. (EST) or such later time or other place as the Seller shall notify all Qualified Bidders who have submitted Qualified Bids. Only the Proposed Purchaser, the Seller, the Committee and any Qualified Bidders who have timely submitted Qualified Bids shall be entitled to attend the Auction, and only the Proposed Purchaser and Qualified Bidders will be entitled to make any subsequent Qualified Bids at the Auction. During the Auction, bidding shall begin initially with the highest Qualified Bid and continue in minimum increments of at least \$10,000 higher than the previous Qualified Bid. Bidding at the Auction will continue until such time as the highest and best Qualified Bid is determined. The Seller may announce at the Auction additional procedural rules that are reasonable under the circumstances (e.g., the amount of time allotted to make subsequent overbids) for conducting the Auction so long as such rules are not inconsistent with these Bidding Procedures.

44. Upon conclusion of the Auction, the Seller, in consultation with its financial and legal advisors shall (i) review each Qualified Bid or bids on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the certainty of consummating the Sale, and (ii) identify the highest and otherwise best offer for the Remaining Plantsville Assets (the "Successful Bid"), which highest and best offer will provide

the largest amount of net value to the Seller after payment of, among other things, the Break-Up Fee, if necessary. The Seller may adopt rules for the bidding process at the Auction that will better promote the goals of the bidding process and that are not inconsistent with any of the provisions of the Bankruptcy Code, any Court order or these Bidding Procedures.

Acceptance Of Qualified Bids

45. The Seller shall sell the Remaining Plantsville Assets for the highest or otherwise best Qualified Bid received at the Auction upon the approval of such Qualified Bid by the Court after the hearing (the "Sale Hearing"). The Seller's presentation of a particular Qualified Bid to the Court for approval does not constitute the Seller's acceptance of the bid. The Seller will be deemed to have accepted a bid only when the bid has been approved by the Court at the Sale Hearing.

Sale Hearing

46. The Sellers request a hearing at the earliest convenience of the Court at the United States Bankruptcy Court for the District of Delaware, located in Wilmington, Delaware. Such hearing may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Hearing.

47. Following the Sale Hearing approving the sale of the Remaining Plantsville Assets to a Successful Bidder, if such Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the next highest or otherwise best Qualified Bid, as disclosed at the Sale Hearing, shall be deemed to be the Successful Bid and the Seller shall be authorized, but not required, to consummate the sale with the Qualified Bidder submitting such bid without further order of the Court.

Return Of Good Faith Deposit

48. Good Faith Deposits of all Qualified Bidders (except for the Successful Bidder) shall be held in an interest-bearing escrow account until two (2) days following the Auction. If a

Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Seller will not have any obligation to return the Good Faith Deposit deposited by such Successful Bidder.

Modifications

49. The Seller may (a) determine, which Qualified Bid, if any, is the highest or otherwise best offer; and (b) reject at any time before entry of an order of the Court approving a Qualified Bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of the Seller, its estates and creditors. At or before the Sale Hearing, the Seller may impose such other terms and conditions as it may determine to be in the best interests of the Seller's estate, its creditors and other parties in interest.

Applicable Authority

A. The Sale of the Assets Is Within The Debtors' Sound Business Judgment

50. Bankruptcy Code section 363 provides that the debtor "after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363 (b)(1).

51. Courts have approved sales of debtors' assets outside the ordinary course of business. *See, e.g. In re Tempo Technology Corp.*, 202, B.R. 363 (Del. D. 1996) (debtor and purchaser consummated sale outside ordinary course of business in good faith; notice of auction was published in national addition of Wall Street Journal, purchaser was sole bidder, purchaser was not affiliated with debtor's management or board of directors, and sale price was reasonable).

52. The Debtors' sale or use of assets outside the ordinary course of business should be approved by the court if the Debtors can demonstrate a sound business justification for the

proposed transaction. *See, e.g., Meyers v. Martin*, 91 F. 3d 389, 395 (3d Cir. 1996) (citing *Fulton State Bank v. Schipter (In re Schipter)*, 933 F.2d 513, 515 (7th Cir. 1991) ("under normal circumstances the Court would defer to the trustee's judgment so long as there is a legitimate business justification"); *In re Montgomery Ward Holding Corp.*, 242 B.R. 147 (Bankr. D. Del. 1999) (held, in determining whether to authorize the use, sale or lease of estate property other than in the ordinary course of business, bankruptcy courts require the debtor to show that a sound business purpose justify such actions); *In re Delaware & Hudson Ry. Co.*, 124 B.R. 169 (D. Del. 1991) (approved sale under business purpose rule). *See In re Indus. Valley Refrigeration and Air Conditioning Supplies, Inc.*, 77 B.R. 15, 20 (Bankr. E.D. Pa. 1987) (adopted the sound business purpose rule). Here, the "sound business justification" test is easily met.

53. Courts have applied four factors in determining whether a sound business justification exists: (i) whether a sound business reason exists for the proposed transaction; (ii) whether fair and reasonable consideration is provided; (iii) whether the transaction has been proposed and negotiated in good faith; and (iv) whether adequate and reasonable notice is provided. *In re Montgomery* 242 B.R. at 153 (citing *Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*), 722 F.2d 1063, 1071 (2d Cir. 1983) (setting forth the "sound business purpose" test); *see also In re Abbott's Dairies of Pennsylvania, Inc.*, 788 F.2d 143 149-150 (3d Cir. 1986) (implicitly adopting the articulated business justification test of *Lionel*, and adding the "good faith" requirement); *In re Delaware & Hudson Ry. Co.*, 124 B.R. at 176 ("Once a court is satisfied that there is a sound business reason or an emergency justifying the pre-confirmation sale, the court must also determine that the trustee has provided the interested parties with adequate and reasonable notice, that the sale price is fair and reasonable and that the purchaser is proceeding in good faith."). The sale of the Remaining Plantsville Assets pursuant to the Asset Purchase Agreement meets each of these requirements.

**The Sale Satisfies
The Sound Business Purpose Test**

54. The Debtors will shortly close the business of the Plantsville Division and will incur unnecessary expenses to insure and maintain the Remaining Plantsville assets if they are not sold expeditiously. The Proposed Purchaser has offered the Debtors substantial value for the Remaining Plantsville Assets and is willing to close the Sale as soon as possible. In fact, the Asset Purchase Agreement may be terminated if the Sale is not approved by the Court on or before December 15, 2003. The Debtors thus fear that any delay of the Sale creates a significant risk that sales proceeds which will be utilized to provide additional distributions to creditors under a confirmed plan may be lost.

55. Accordingly, well-articulated business reasons exist for approving the Sale, such that the "business purpose" test under Bankruptcy Code section 363 is met. *See Lionel*, 722 F.2d at 1071 ("most important [] perhaps, [is] whether the asset is increasing or decreasing in value").

**The Consideration Offered By
Purchaser Is Fair And Reasonable**

56. The Debtors submit that the sale of the Remaining Plantsville Assets will provide fair and reasonable consideration to the Debtors' estates. Specifically, the Debtors only began negotiating an asset purchase agreement with the Proposed Purchaser after the accounts receivable and inventory of the Plantsville Division had been included in the Fansteel/Phoenix Sale and notice under the WARN Act of the impending closure of the Plantsville Division had been provided to employees at the Plantsville Division. Moreover, the Plantsville Division had been shopped by the Committee and the Debtors in connection with the Fansteel/Phoenix Sale. Under those circumstances, the Debtors have determined that the offer of the Proposed Purchaser is the highest and best offer submitted for the Remaining Plantsville Assets. Moreover, the Debtors respectfully submit that the consideration they will receive from the Proposed Purchaser

in exchange for the Remaining Plantsville Assets is both fair and reasonable. *See e.g. In re China Resource Prod. Ltd. v. Fayda Int'l Inc.*, 856 F. Supp. 856, 865 (Del. D. 1994) (*quoting* Del. Code Ann. tit. 6 § 1303, which states "Fair consideration is defined as: (1) When in exchange for such property, or obligation, as a fair equivalent therefore, and in good faith, property is conveyed . . . or (2) When such property, or obligation is received in good faith . . . in amount not disproportionately small as compared with the value of the property . . ."); *Geyer v. Ingersoll Publications Co.*, 621 A.2d 784, 792 (Del. Ch. 1992) (held, fair consideration means "a fair equivalent to the property given up.") Accordingly, the consideration to be paid by the Proposed Purchaser or other Successful Bidder is both fair and reasonable, and the ultimate purchaser of the Remaining Plantsville Assets is entitled to all of the protection of Bankruptcy Code section 363(m).

**The Asset Purchase Agreement
Was Negotiated In Good Faith**

57. The proposed Asset Purchase Agreement is the product of arm's-length negotiations between the Proposed Purchaser and Fansteel. These negotiations have involved the expenditure of substantial time and energy by the parties and their counsel, and the final agreement reflects compromises by both sides.

58. Moreover, the Auction procedure ensures that the Proposed Purchaser will not exert any undue influence over the Debtors. Furthermore, the Proposed Purchaser is neither an "affiliate" nor an "insider" of the Debtors as defined under Bankruptcy Code section 101. Under the circumstances, this Court should therefore find that (i) the sale of the Remaining Plantsville Assets is the result of good faith arm's-length negotiations and (ii) the Proposed Purchaser or the Successful Bidder is entitled to all of the protections of Bankruptcy Code section 363 (m).

59. In sum, the Debtors have articulated a sound business justification for the sale of the Remaining Plantsville Assets, and the Sale satisfies the requirements of Bankruptcy Code section 363(b), (m) and (n).

B. The Sale Satisfies the Requirements of Bankruptcy Code Section 363(f) for a Sale Free and Clear of Liens, Claims, Encumbrances, and Interests

60. Under Bankruptcy Code Section 363(f), a debtor-in-possession may sell property free and clear of any lien, claim, encumbrance or interest in such property if, among other things:

- (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 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. (emphasis added)

11 U.S.C. § 363(f). Because Bankruptcy Code Section 363(f) is drafted in the disjunctive, satisfaction of any one of its five requirements will suffice to approve the sale and assignment by Fansteel of the Remaining Plantsville Assets free and clear of all security interests, conditional sale or other title retention agreements, pledges, liens, judgments, demands, encumbrances, rights of first refusal or charges of any kind or nature, if any, including, but not limited to, any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership. See 11 U.S.C. § 363 (f); *Citicorp Homeowners Servs., Inc. v. Elliot (In re Elliot)*, 94 B.R. 343, 344 (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). Accordingly, the Sale should be approved under Bankruptcy Code section 363(f).

C. The Sale is Exempt from Stamp, Transfer, Recording or Similar Taxes

61. 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." 11 U.S.C. § 1146(c). Here, the Debtors' Amended Plan expressly contemplates and authorizes the Sale of the Remaining Plantsville Assets. Moreover, the funds realized from the Sale will be utilized to consummate the Plan and it is anticipated that the transfer of the Remaining Plantsville Assets will occur post confirmation. Assuming a post-confirmation closing of the Sale, the Debtors submit that, under applicable Third Circuit precedent, the Sale is within the exemption from the imposition of a stamp, transfer, recording or similar taxes provided under Code section 1146(c). *In re Hechinger Investment Company of Delaware, Inc.*, No. 02-1917 (3d Cir., filed July 18, 2003).

62. In *Hechinger*, the Third Circuit Court of Appeals held that a real estate sale transaction was made "under a plan" only where the sale is authorized by the terms of a previously confirmed Chapter 11 plan, and that sale transactions made under authority of other Bankruptcy Code provisions which occur before plan confirmation are not entitled to the section 1146(c) exemption. In this case, the Debtors' Plan provides for "a sale or combination of sales by Fansteel, whether consummated prior to or after the Effective Date, of ...substantially all of the Assets of Fansteel's Hydro Carbide and California Drop Forge, and Plantsville operating divisions ..." [Emphasis supplied]. The Plan further provides for the net cash proceeds from such sale or sales, less the costs incurred to wind-up and close the Plantsville division, to be deposited into a "Fansteel Asset Sale Proceeds Escrow." Although consummation of the Fansteel/Phoenix Sale and establishment of the Fansteel Asset Sale Proceeds Escrow are conditions to confirmation of the Plan, consummation of the Sale of the Remaining Plantsville Assets is not a condition precedent for the simple reason that this Sale is not anticipated to close

until after Plan confirmation has occurred. Accordingly, the Debtors submit that, under the *Hechinger* ruling, the section 1146(c) exemption is appropriate to the Sale of the Remaining Plantsville Assets and should be granted here.

D. The Bidding Procedures and Break-up Fee Should Be Approved

63. The Bidding Procedures, as described above, are fair, reasonable and the best means to ensure that the Debtors obtain the highest and best offer for the Remaining Plantsville Assets.

64. To compensate the Proposed Purchaser for serving as a "stalking horse" whose bid will be subject to higher or better offers, the Debtors and the Proposed Purchaser seek approval of the Break-Up Fee in the event the Proposed Purchaser is not the Successful Bidder and/or the Remaining Plantsville Assets are sold to a third party. The Debtors and the Proposed Purchaser believe that the Break-Up Fee is reasonable, given the benefits to the estates of having a definitive asset purchase agreement and the risk to the Proposed Purchaser that a third-party offer may ultimately be accepted. Accordingly, the Break-Up Fee is necessary to preserve and enhance the value of the Debtors' estates and to promote competitive bidding.

65. Bidding incentives encouraged the Proposed Purchaser to invest the requisite time, money and effort to negotiate with a debtor and perform the necessary due diligence attendant to the acquisition of a debtor's assets, despite the inherent risks and uncertainties of the chapter 11 process. Historically, bankruptcy courts have approved bidding incentives similar to the Bidding Procedures under the "business judgment rule," which proscribes judicial second-guessing of the actions of a corporation's board of directors taken in good faith and in the exercise of honest judgment. *See, e.g., In re Integrated Resources, Inc.*, 147 B.R. 650, 659 (S.D.N.Y. 1992) ("Break-up fees are important tools to encourage bidding and to maximize the value of the debtor's assets. The usual rule is that if break-up fees encourage bidding, they are

enforceable; if they stifle bidding they are not enforceable."), *appeal dismissed*, 3 F.3d 49 (2d Cir. 1993); *995 Fifth Ave. Associates. L.P.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1992) (bidding incentives may "be legitimately necessary to convince a white knight to enter the bidding by providing some form of compensation for the risks it is undertaking") (citation omitted).

66. *In Calpine Corp. v. O'Brien Environ Energy, Inc. (In re O'Brien Environ Energy, Inc.)*, 181 F.3d 527 (3d Cir. 1999), the Third Circuit held that the administrative expense provisions of Bankruptcy Code section 503(b) govern in the bankruptcy context and, accordingly, bidding incentives must provide some benefit to the debtor's estate. *See id.* at 533.

67. The *O'Brien* court identified at least two instances where bidding incentives may provide benefit to the estate. First, a benefit may be found if "assurance of a break-up fee promoted more competitive bidding, such as by inducing a bid that otherwise would not have been made and without which bidding would have been limited." *Id.* at 537. Second, where the availability of bidding incentives induces a bidder to research the value of the debtor and submit a bid that serves as a minimum or floor bid on which other bidders can rely, "the bidder may have provided a benefit to the estate by increasing the likelihood that the price at which the debtor is sold will reflect its true worth." *Id.*

68. Whether evaluated under the "business judgment rule" or the Third Circuit's "administrative expenses standard," the Break-Up Fee passes muster. The Asset Purchase Agreement and the Break-Up Fee are the product of extended good faith, arm's-length negotiations between the Debtors and the Proposed Purchaser. The Break-up Fee fair and reasonable in amount, particularly in view of the Proposed Purchaser's efforts to date, and the risk to the Proposed Purchaser of being used as a "stalking horse."

69. Further, the Bidding Procedures already have encouraged competitive bidding, in that the Proposed Purchaser would not enter into the Asset Purchase Agreement without these

provisions. The Bidding Procedures thus will have "induc[ed] a bid that otherwise would not have been made and without which bidding would [be] limited." *O'Brien*, 181 F.3d at 537. Similarly, the Proposed Purchaser's offer provides a minimum bid on which other bidders can rely, thereby "increasing the likelihood that the price at which the [businesses of the Plantsville Division] will be sold will reflect its true worth." *Id.* at 537. Finally, the mere existence of the Bidding Procedures permits the Debtors to insist that competing bids for the Remaining Plantsville Assets be materially higher or otherwise better than the offer of the Proposed Purchaser, a clear benefit to the Debtors' estates.

70. In sum, the Bidding Procedures enable the Debtors to ensure the sale of the Remaining Plantsville Assets to a contractually-committed bidder at a price it believes to be fair while providing the opportunity for potential bids of even greater benefit to the estate. Thus, the Bidding Procedures should be approved.

E. The Court Should Approve the Debtors' Proposed Notice Procedures With Respect to the Proposed Sale Hearing and Auction

71. As soon as practicable after the Court's entry of the Bidding Procedures Order, the Debtors proposes to publish notice of the Auction and Sale Hearing, which form of notice shall be substantially in the form attached as an Exhibit 1 to the Bidding Procedures Order (the "Auction and Sale Notice"), once in *The Wall Street Journal* (national edition), pursuant to Bankruptcy Rule 2002(l). The Debtors propose to serve a copy of the Auction and Sale Notice upon (1) all entities who have filed claims in the chapter 11 cases; (2) all entities reasonably known by the Debtors to have an interest in purchasing some or all of the Remaining Plantsville Assets; and (3) taxing authorities. The Debtors request that such notice be deemed proper and adequate under the circumstances.

72. The Debtors submit that the foregoing notice is reasonably calculated to provide timely and adequate notice to the Debtors' creditor constituencies and those persons who have expressed an interest in the Remaining Plantsville Assets.

WHEREFORE, the Debtors respectfully request that the Court (i) enter an order, substantially in the form attached as Exhibit "A," approving the Bidding Procedures and Break-Up Fee in connection with the sale of the Remaining Plantsville Assets, and approving the form and manner of notice of the Motion and the Sale, and (ii) enter an order substantially in the form attached as Exhibit "B," (i) approving the Asset Purchase Agreement annexed hereto as Exhibit "C," or a modification thereof if another party is the Successful Bidder at the Auction, (ii) approving the sale of the

[Remainder of Page Intentionally Left Blank]

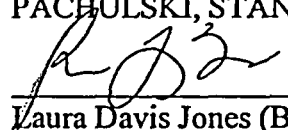
Remaining Plantsville Assets to the Proposed Purchaser or such other party or parties making a higher and better offer therefor, (iii) determining that such sale, if closed post-confirmation, is exempt from any stamp, transfer, recording or similar tax and (iv) granting the Debtors such other relief as may be appropriate.

Dated: New York, New York
October 31, 2003

SCHULTE ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS-7600)
Lawrence V. Gelber (LG-9384)
Michael R. Mitchell (MRM-9279)
919 Third Avenue
New York, NY 10022
Telephone: (212) 756-2000
Facsimile: (212) 593-5955

and

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



Laura Davis Jones (Bar No. 2436)
Rosalie L. Spelman (Bar No. 4153)
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"

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

RE: DOCKET NO. 1493

**ORDER UNDER 11 U.S.C. §§ 105 AND 363 AND FED. R. BANKR. P. 6004
(I) APPROVING BIDDING PROCEDURES AND BREAK-UP FEE IN CONNECTION
WITH PROPOSED SALE OF VR WESSON ASSETS, (II) SCHEDULING A HEARING
DATE, AUCTION DATE AND BIDDING DEADLINE IN CONNECTION WITH SUCH
SALE AND (III) APPROVING FORM AND MANNER OF NOTICE THEREOF**

Upon the motion (the "Motion") of Fansteel Inc. ("Fansteel") and its affiliated debtors and debtors-in-possession (the "Debtors") for entry of (I) an order under 11 U.S.C. §§ 105 and 363 and Fed. R. Bankr. P. 6004(f) (A) approving bidding procedures (this "Bidding Procedures Order") and a break-up fee in connection with the proposed sale by Fansteel (the "Seller") to Plantsville Acquisition, LLC (the "Proposed Purchaser") of certain personal property of the division of Fansteel known as VR/Wesson-Plantsville ("Plantsville Division") consisting of machinery, equipment, tooling, office and maintenance supplies, customer records, computers, telephones, telephone systems, vehicles, trademarks and trade names, and the real property and building located at 389 Marion Avenue, Plantsville Connecticut (collectively, the "Remaining Plantsville Assets"), (B) scheduling a hearing date, auction date, and bidding deadlines and procedures in connection with the sale of the Remaining Plantsville Assets, and (C) approving the form and manner of notice thereof (collectively, "Part I of the Motion"); and (II) an order (the "Sale Order") under 11 U.S.C. §§ 105, 363 and 1146(c) and Fed. R. Bankr. P. 2002(a)(2) and

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.

(c)(1) and 6004, (A) approving an Asset Purchase Agreement among Fansteel and the Proposed Purchaser annexed to the Motion as Exhibit "D" (the "Asset Purchase Agreement"), or a modification thereof if another party is the Successful Bidder, (B) approving the sale of the Remaining Plantsville Assets to the Proposed Purchaser or such other party making a higher and better offer therefore (the "Successful Bidder"), free and clear of liens, interests, claims, restrictions, encumbrances, encroachments and charges of every kind (except as otherwise provided in the Asset Purchase Agreement), and (C) determining that such sale, if closed post-confirmation, is exempt from any stamp, transfer, recording or similar taxes (collectively, "Part II of the Motion"); and sufficient notice of the Motion having been given; and good and sufficient notice of the relief sought in Part I of the Motion having been given, and no objection to the relief requested in Part I of the Motion having been interposed; and after due deliberation and good cause having been shown, the Court finds as follows:

A. Fansteel has negotiated an Asset Purchase Agreement attached as Exhibit "D" to the Motion, wherein Fansteel has agreed to sell the Remaining Plantsville Assets to the Proposed Purchaser for the sum of \$1,000,000 (the "Purchase Price").

B. Proposed Purchaser is prepared to purchase the Remaining Plantsville Assets as described in the Asset Purchase Agreement. The Proposed Purchaser has committed substantial time and money to the transaction contemplated in the Asset Purchase Agreement.

C. The Asset Purchase Agreement contains a conditional requirement to pay a Break-Up Fee if a Qualified Bid prevails and is approved. The Break-Up Fee is the product of extensive negotiations between the Proposed Purchaser and the Debtors. The Break-Up Fee is a condition precedent to the effectiveness of the Asset Purchase Agreement. In the absence of such fee, the Proposed Purchaser, as an initial offeror, would be discouraged from making an

offer, due to the fear that its initial offer would be "shopped around" and outbid by an entity that would rely upon the due diligence, time, and effort expended by the Proposed Purchaser. The payment of the Break-Up Fee, if payable under the Asset Purchase Agreement, will not have an adverse impact upon Fansteel, its estate or its creditors. The Break-Up Fee is necessary to convince the Proposed Purchaser to proceed with the transactions contemplated by the Asset Purchase Agreement and thus, commence the bidding process for the sale of the Remaining Plantsville Assets. The Break-Up Fee is reasonable in relation to the Proposed Purchaser's costs, efforts and risks, and the magnitude of the transactions contemplated in the Asset Purchase Agreement.

D. Good and sufficient notice of the relief sought in Part I of the Motion has been given and no other or further notice is required.

E. The Debtors' proposed notice of the sale of the Remaining Plantsville Assets and bidding procedures announcing the Sale and the approval of the bidding procedures is appropriate and reasonably calculated to provide all interested parties with timely and proper notice of the sale of the Remaining Plantsville Assets and the overbid procedures to be employed in connection therewith.

F. The Debtors have demonstrated a sound business justification for authorizing the payment of the Break-Up Fee to the Proposed Purchaser under the circumstances, timing and procedures set forth in the Motion.

G. The Break-up Fee is fair and reasonable, and was negotiated by the parties in good faith.

H. The payment to the Proposed Purchaser of the Break-up Fee, in the event the Proposed Purchaser is not the Successful Bidder, is (i) an actual and necessary cost of

preserving the Debtors' estates, within the meaning of 11 U.S.C. § 503(b), (ii) of substantial benefit to the Debtors' estates, (iii) reasonable and appropriate, in light of the size and nature of the Sale and the efforts that have been and will be expended by the Proposed Purchaser notwithstanding that the proposed Sale is subject to higher or better offers, and (iv) necessary to ensure that the Proposed Purchaser will continue to pursue its proposed acquisition of the Remaining Plantsville Assets.

I. The entry of this Order ("Bidding Procedures Order") is in the best interests of the Debtors, their estates or their creditors. Accordingly, it is

ORDERED and ADJUDGED as follows:

1. The Motion is GRANTED to the extent provided herein.

2. The Debtors shall provide notice by publication of the Sale Hearing date established by this Bidding Procedures Order, substantially in the form of notice which is annexed as Exhibit "1" (the "Notice"). The Debtors shall place the Notice in *The Wall Street Journal* following the date of this Bidding Procedures Order. The Notice shall also be served by regular U.S. mail on all parties entitled to notice under Local Bankruptcy Rule 2002-1.

3. At the Sale Hearing, the Court will consider the Motion to sell the Remaining Plantsville Assets to the Proposed Purchaser (or any prevailing Qualified Bidder(s)), pursuant to the Asset Purchase Agreement, and any timely objections thereto, in accordance with the procedures approved herein below ("Bidding Procedures"), such that no Qualified Bid(s) will be considered for approval unless it satisfies, at a minimum, each of the following conditions.

The Bidding Process

4. The Seller shall (i) determine whether any person is a Qualified Bidder (as defined below), (ii) coordinate the efforts of Qualified Bidders in conducting their due diligence investigations, (iii) receive offers from Qualified Bidders and (iv) negotiate any offers made to

purchase the Remaining Plantsville Assets (collectively, the "Bidding Process"). Any person who wishes to participate in the Bidding Process must be a Qualified Bidder. Neither the Seller nor its representatives shall be obligated to furnish any information of any kind whatsoever to any person who is not determined to be a Qualified Bidder. Qualified Bidders shall be given all relevant information pertaining to the Sale. The Seller shall have the right to adopt such other rules for the Bidding Process, which rules will better promote the goals of the Bidding Process and that are not inconsistent with any of the other provisions hereof or of any Court order.

Participation Requirements

5. Unless otherwise ordered by the Court for cause shown or as otherwise determined by the Seller, in order to participate in the Bidding Process each person (a "Proposed Bidder") must deliver (unless previously delivered) to the Seller:

- (i) An executed confidentiality agreement in form and substance satisfactory to the Seller; and
- (ii) Current audited financial statements of the Proposed Bidder, or, if the Proposed Bidder is an entity formed for the purpose of acquiring the Remaining Plantsville Assets, current audited financial statements of the equity holder(s) of the Proposed Bidder, or such other form of financial disclosure acceptable to the Seller and its advisors demonstrating such Proposed Bidder's ability to close a proposed transaction.

6. A "Qualified Bidder" is any Proposed Bidder or multiple Proposed Bidders participating in the Bidding process together that delivers the documents described in subparagraphs (i) and (ii) above, whose financial information demonstrates the financial capability of the Proposed Bidders, either jointly or separately, to consummate the Sale, and that the Seller determines are reasonably likely (based on availability of financing, experience and other considerations) to submit a bona fide offer and to be able to consummate the Sale if selected as the Successful Bidder.

7. Within two business days after a Proposed Bidder delivers all of the materials required by subparagraphs (i) and (ii) above, the Seller shall determine, and shall notify the Proposed Bidder, if such Proposed Bidder is a Qualified Bidder.

Due Diligence

8. The Seller may afford any Qualified Bidder the opportunity to conduct a due diligence review. The Seller will designate an employee or other representative to coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders. The Seller shall not be obligated to furnish any due diligence information after the Bid Deadline (as hereinafter defined). Neither the Seller nor any of its representatives are obligated to furnish any information to any person without prior execution by any party requesting such diligence of an appropriate confidentiality agreement. Bidders are advised to exercise their own discretion before relying on any information provided by anyone other than the Seller or its representatives.

Bid Deadline

9. A Qualified Bidder who desires to make a bid shall deliver a written copy of its bid to the Seller, c/o Schulte, Roth & Zabel LLP, 919 Third Avenue, New York, NY 10022, Attn.: Jeffrey Sabin, Esq., not later than 11:00 a.m. (EST) on the date which is three Business Days prior to the date scheduled by the Court for the Sale Hearing (the "Bid Deadline"). The Seller may, in its discretion, extend the Bid Deadline once or successively, but is not obligated to do so. The Seller shall announce the terms of the highest and best Qualified Bids received by the Bid Deadline by 5:00 p.m. (prevailing eastern time) on that date.

Bid Requirements

10. For the purposes of determining the existence of a bid, a bid may be in the form of a joint bid from more than one Qualified Bidder, or may be in the form of separate bids

from more than one Qualified Bidder, with each such separate bid being for a portion of the Remaining Plantsville Assets, but all of such separate bids collectively aggregating a bid price having a value greater than or equal to the sum of (x) the value, as reasonably determined by the independent financial advisor of the Seller, of the Proposed Purchaser's offer plus (y) other than where the Proposed Purchaser makes a bid, the amount of the Break-Up Fee plus (z) (A) in the case of the initial Qualified Bid, \$15,000, and (B) in the case of any subsequent Qualified Bids, \$10,000 plus the amount by which the preceding Qualified Bid exceeds the sum of (x) plus (y) above. All bids must include the following documents (the "Required Bid Documents"):

- a letter stating that one or more Qualified Bidders offer to purchase all or a portion of the Remaining Plantsville Assets and that such offer is irrevocable until two (2) business days after the Remaining Plantsville Assets have been disposed of pursuant to these Bidding Procedures;
- a statement by each Qualified Bidder that it is prepared to enter into and consummate the Sale as soon as practicable but in no event more than thirty-one (31) days after entry by the Court of the Sale Order;
- an executed copy of the Asset Purchase Agreement, together with all Exhibits and Schedules thereto (the "Definitive Sale Documentation") marked and initialed to show those amendments and modifications to such agreement that the Qualified Bidder proposes, including, but not limited to, price and the time of closing;
- a good faith deposit (the "Good Faith Deposit") in the form of a certified check or other form acceptable to the Seller in its sole discretion payable to the order of the Seller (or such other party as the Seller may determine) in an amount equal to \$100,000. All Qualified Bidders shall enter into an escrow agreement as directed by the Seller; and
- written evidence of a commitment for financing or other evidence of ability to consummate the proposed transaction satisfactory to the Seller.

11. The Seller will consider a bid only if the bid is on terms that are not conditioned on obtaining financing or on the outcome of unperformed due diligence by the

bidder. A bid received from a Qualified Bidder that includes all of the Required Bid Documents and meets all of the above requirements is a "Qualified Bid."

12. If the Seller does not receive any Qualified Bids, the Seller will report the same to the Court and will proceed with a sale and assignment of the Remaining Plantsville Assets to the Proposed Purchaser pursuant to the terms of the Asset Purchase Agreement. The Asset Purchase Agreement executed by the Proposed Purchaser shall constitute a Qualified Bid for all purposes.

Bid Protection

13. The payment of the Break-Up Fee is hereby approved.

Auction

14. If the Seller receives a Qualified Bid, the Seller will conduct an auction (the "Auction") at the offices of Schulte, Roth & Zabel LLP, 919 Third Avenue, New York, NY 10022, on the date that is one Business Day prior to the date scheduled by the Court for the Sale Hearing, beginning at 11:00 a.m. (EST) or such later time or other place as the Seller shall notify all Qualified Bidders who have submitted Qualified Bids. Only the Proposed Purchaser, the Seller, the Committee and any Qualified Bidders who have timely submitted Qualified Bids shall be entitled to attend the Auction, and only the Proposed Purchaser and Qualified Bidders will be entitled to make any subsequent Qualified Bids at the Auction. During the Auction, bidding shall begin initially with the highest Qualified Bid and continue in minimum increments of at least \$10,000 higher than the previous Qualified Bid. Bidding at the Auction will continue until such time as the highest and best Qualified Bid is determined. The Seller may announce at the Auction additional procedural rules that are reasonable under the circumstances (e.g., the amount of time allotted to make subsequent overbids) for conducting the Auction so long as such rules are not inconsistent with these Bidding Procedures.

15. Upon conclusion of the Auction, the Seller, in consultation with its financial and business advisors shall (i) review each Qualified Bid or bids on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the certainty of consummating the Sale, and (ii) identify the highest and otherwise best offer for the Remaining Plantsville Assets (the "Successful Bid"), which highest and best offer will provide the largest amount of net value to the Seller after payment of, among other things, the Break-Up Fee, if necessary. The Seller may adopt rules for the bidding process at the Auction that will better promote the goals of the bidding process and that are not inconsistent with any of the provisions of the Bankruptcy Code, any Court order, or these Bidding Procedures.

Acceptance Of Qualified Bids

16. The Seller shall sell the Remaining Plantsville Assets for the highest or otherwise best Qualified Bid received at the Auction upon the approval of such Qualified Bid by the Court after the hearing (the "Sale Hearing"). The Seller's presentation of a particular Qualified Bid to the Court for approval does not constitute the Sellers' acceptance of the bid. The Seller will be deemed to have accepted a bid only when the bid has been approved by the Court at the Sale Hearing.

Sale Hearing

17. A hearing to consider that part of the Motion seeking an order (a) approving the Asset Purchase Agreement among Fansteel and the Proposed Purchaser (the "Asset Purchase Agreement") or a modification thereof if another party is the Successful Bidder, (b) approving the sale of the Remaining Plantsville Assets to the Proposed Purchaser or such other party making a higher and better offer therefore, free and clear of liens, interests, claims, restrictions, encumbrances, encroachments and charges of every kind (except as otherwise

provided in the Asset Purchase Agreement), and (c) determining that a post-confirmation closing of such sale is exempt from any stamp, transfer, recording or similar taxes, shall be held before the Honorable Joseph J. Farnan on November 17, 2003, at 5:00 p.m. (EST), at the United States Bankruptcy Court for the District of Delaware, located in Wilmington, Delaware or as soon thereafter as counsel may be heard. Such hearing may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Hearing.

18. Following the Sale Hearing approving the sale of the Remaining Plantsville Assets to the Successful Bidder, if such Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the next highest or otherwise best Qualified Bid, as disclosed at the Sale Hearing, shall be deemed to be the Successful Bid and the Seller shall be authorized, but not required, to consummate the sale with the Qualified Bidder submitting such bid without further order of the Court.

Return Of Good Faith Deposit

19. Good Faith Deposits of all Qualified Bidders (except for the Successful Bidder) shall be held in an interest-bearing escrow account until two (2) days following the Auction. If a Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Seller will not have any obligation to return the Good Faith Deposit deposited by such Successful Bidder.

Modifications

20. The Seller may (a) determine, which Qualified Bid, if any, is the highest or otherwise best offer; and (b) reject at any time before entry of an order of the Court approving a Qualified Bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of the Seller, its estates and creditors. At or before the

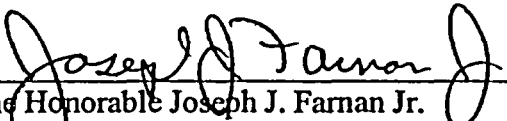
Sale Hearing, the Seller may impose such other terms and conditions as it may determine to be in the best interests of the Seller's estate, its creditors and other parties-in-interest.

Objections

21. All objections to the Sale Motion must be in writing, must state the name of the objecting party, must state the particularity of the reasons and basis for the objection, and must be filed with the Court (with a copy hand delivered to Chambers) and served upon (i) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attn.: Jeffrey S. Sabin, Esq., attorney for the Debtors, (ii) Cooley, Shrair P.C., 1380 Main Street, 5th Floor, Springfield, Massachusetts 01103, Attn: Peter Shrair, Esq., attorneys for the Proposed Purchaser, (iii) the Office of the United States Trustee, 844 King Street, Ste. 2207, Wilmington, DE 19801, Attn.: David Buchbinder, and (iv) Neal, Gerber & Eisenberg LLP, 2 North LaSalle Street, Chicago, Illinois 60602, Attn.: Frances Gecker, Esq., counsel for the Creditors' Committee, so that objections are actually received by such persons no later than November 10, 2003, at 5:00 p.m. (EST).

22. The Bankruptcy Court shall retain jurisdiction over any matters related to or arising from the implementation of this Bidding Procedures Order, including, but not limited to, the right to amend this Bidding Procedures Order.

Dated: Wilmington, Delaware
October 21, 2003


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

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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

**NOTICE OF: (I) SALE OF CERTAIN ASSETS OF FANSTEEL, INC.,
(II) BIDDING AND SALE PROCEDURES AND FINAL
SALE HEARING AND (III) APPROVED BREAK-UP FEE**

NOTICE IS HEREBY GIVEN pursuant to Fed. R. Bankr. P. 2002(a)(2) and (c)(1) and 6004, that on October , 2003, the Debtors filed a Motion for Orders under 11 U.S.C. §§ 105, 363, and 1146(c) and Fed. R. Bankr. P. 6004: (I) Scheduling Hearing on Approval of Bidding Procedures and Break-up Fee, (II) (A) Approving Bidding Procedures and Break-up Fee in Connection with the Proposed Sale of VR Wesson Assets, (B) Scheduling a Hearing Date, Auction Date and Bidding Deadline in Connection with the Sale of Such Assets, and (C) Approving Form and Manner of Notice Thereof; and (III) (A) Approving the Asset Purchase Agreement Among Fansteel Inc and Plantsville Acquisition LLC, (B) Approving the Sale of the VR Wesson Assets, and (C) Determining That A Post-Confirmation Closing of Such Sale is Exempt From Any Stamp, Transfer, Recording or Similar Taxes (the "Motion").

PLEASE TAKE FURTHER NOTICE that the Debtors seek the following relief, among other things, in the Motion:

(a) authority to, among other things, sell certain personal property of the division of Fansteel known as VR Wesson-Plantsville ("Plantsville Division") consisting of machinery, equipment, tooling, office and maintenance supplies, customer records, computers, telephones, telephone systems, vehicles, trademarks and trade names, and the real property and building located at 389 Marion Avenue, Plantsville Connecticut (collectively, the "Remaining Plantsville Assets") to Plantsville Acquisition LLC (the "Proposed Purchaser") for the sum of \$1,000,000 (the "Purchase Price"), subject to higher and better offers;

(b) authority, pursuant to 11 U.S.C. §§ 363(b) and (f), to sell the Remaining Plantsville Assets free and clear of any claims, liens and encumbrances; and

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.

(c) a finding of the Bankruptcy Court that Proposed Purchaser (or such other purchaser of the Remaining Plantsville Assets pursuant to the Motion) is a good-faith purchaser entitled to the protections of 11 U.S.C. § 363(m).

PLEASE TAKE FURTHER NOTICE that:

(a) By order dated October , 2003 (the "Bidding Procedures Order"), the Bankruptcy Court has approved bidding procedures governing the sale of the Remaining Plantsville Assets, and has scheduled a hearing to consider approval of the Sale (the "Sale Hearing") to be held on November , 2003 at [] a.m. (EST) before the Honorable Joseph J. Farnan, United States District Judge, in the United States Bankruptcy Court for the District of Delaware. Any objection to the proposed sale shall be filed with the Court and served on counsel identified below;

(b) all objections to the Motion must be in writing, must state the name of the objecting party, must state the particularity of the reasons and basis for the objection, and must be filed with the Court (with a copy hand delivered to Chambers) and served upon (i) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attn.: Jeffrey S. Sabin, Esq., attorney for the Debtors, (ii) Cooley, Shrair P.C., 1380 Main Street, 5th Floor, Springfield, Massachusetts 01103, Attn: Peter Shrair, Esq., attorneys for the Proposed Purchaser, (iii) the Office of the United States Trustee, 844 King Street, Ste. 2207, Wilmington, DE 19801, Attn.: David Buchbinder, Esq. and (iv) Freeborn & Peters, 311 South Wacker Drive, Ste. 3000, Chicago, IL 60606-6677, Attn.: Frances Gecker, Esq., counsel for the Creditors' Committee, so that objections are actually received by such person no later than November __, 2003, at 5:00 p.m.;

(c) the Bankruptcy Court approved a Break-Up Fee in favor of Proposed Purchaser in the amount of \$33,000 as set forth in the Asset Purchase Agreement, that will be payable at the Closing from the sale proceeds of any higher Qualified Bids as a pre-condition to the sale closing and before any application of the sale proceeds; and

(d) the Debtors will either seek to approve the proposed sale of the Remaining Plantsville Assets to the Proposed Purchaser pursuant to an Asset Purchase Agreement, or will entertain any Qualified Bids for the purchase of the Remaining Plantsville Assets. Pursuant to the Bidding Procedures Order, to be a Qualified Bid, the Bid must equal the sum of (x) the value, as reasonably determined by the independent financial advisor of the Seller, of the Proposed Purchaser's offer plus (y) the amount of the Break-Up Fee plus (z) (A) in the case of the initial Qualified Bid, \$15,000, and (B) in the case of any subsequent Qualified Bids, \$10,000 plus the amount by which the preceding Qualified Bid exceeds the sum of (x) plus (y) above and meet certain other conditions. Any Qualified Bid must be submitted in writing to (i) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attn.: Jeffrey S. Sabin, Esq., attorney for the Debtors, (ii) Cooley, Shrair P.C., 1380 Main Street, 5th Floor, Springfield, Massachusetts 01103, Attn: Peter Shrair, Esq., attorneys for the Proposed Purchaser, (iii) the Office of the United States Trustee, 844 King Street, Ste. 2207, Wilmington, DE 19801, Attn.: David Buchbinder, and (iv) Freeborn & Peters, 311 South Wacker Drive, Ste. 3000, Chicago, IL 60606-6677, Attn.: Frances Gecker, Esq., counsel for the Creditors' Committee, not later than 11:00 a.m. (EST), on November __, 2003, along with evidence of financial responsibility (as

provided in the Bidding Procedures Order), and must satisfy all conditions set forth in the Bidding Procedures Order. No Qualified Bid will be considered unless it satisfies, at a minimum, the terms and conditions set forth in the Bidding Procedures Order. Prospective Qualified Bidders also may conduct due diligence as provided in the Bidding Procedures Order.

Copies of the Bidding Procedures Order, the Motion and Sale Order, and other related items may be obtained from: Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attn.: Jeffrey S. Sabin, Esq., attorney for Debtors.

Dated: Wilmington, Delaware
October __, 2003

BY ORDER OF THE COURT

EXHIBIT "B"

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 UNDER 11 U.S.C. §§ 105, 363 AND 1146(c) AND
FED. R. BANKR. P. 2002(a)(2) AND (c)(1) AND 6004: (A) APPROVING
THE ASSET PURCHASE AGREEMENT AMONG FANSTEEL INC. AND
PLANTSVILLE ACQUISITION LLC, (B) APPROVING THE SALE
OF CERTAIN VR WESSON ASSETS, AND (C) DETERMINING
THAT A POST-CONFIRMATION SALE IS EXEMPT FROM
ANY STAMP, TRANSFER, RECORDING OR SIMILAR TAXES**

Upon the motion (the "Motion") of Fansteel Inc. ("Fansteel") and its affiliated debtors and debtors-in-possession (the "Debtors") for entry of (I) an order under 11 U.S.C. §§ 105 and 363 and Fed. R. Bankr. P. 6004(f) (A) approving bidding procedures (the "Bidding Procedures Order") and a break-up fee in connection with the proposed sale by Fansteel (the "Seller") to Plantsville Acquisition, LLC (the "Proposed Purchaser") of certain personal property of the division of Fansteel known as VR/Wesson-Plantsville ("Plantsville Division") consisting of machinery, equipment, tooling, office and maintenance supplies, customer records, computers, telephones, telephone systems, vehicles, trademarks and trade names, and the real property and building located at 389 Marion Avenue, Plantsville Connecticut (collectively, the "Remaining Plantsville Assets"), (B) scheduling a hearing date, auction date, and bidding deadlines and procedures in connection with the sale of the Remaining Plantsville Assets, and (C) approving the form and manner of notice thereof (collectively, "Part I of the Motion"); and (II) an order

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.

(this "Sale Order") under 11 U.S.C. §§ 105, 363 and 1146(c) and Fed. R. Bankr. P. 2002(a)(2) and (c)(1) and 6004, (A) approving an Asset Purchase Agreement among Fansteel and the Proposed Purchaser annexed to the Motion as Exhibit "D" (the "Asset Purchase Agreement"), or a modification thereof if another party is the Successful Bidder, (B) approving the sale of the Remaining Plantsville Assets to the Proposed Purchaser or such other party making a higher and better offer therefor (the "Successful Bidder"), free and clear of liens, interests, claims, restrictions, encumbrances, encroachments and charges of every kind (except as otherwise provided in the Asset Purchase Agreement), and (C) determining that such sale, if closed post-confirmation, is exempt from any stamp, transfer, recording or similar taxes (collectively, "Part II of the Motion"); and sufficient notice of the Motion having been given; and it appearing that no other or further notice need be given; and after due deliberation and sufficient cause appearing therefor

IT IS HEREBY FOUND AND DETERMINED THAT:²

A. Fansteel received no offers for the Remaining Plantsville Assets other than the offer of the Proposed Purchaser, and Proposed Purchaser is declared the highest and best bidder for the Remaining Plantsville Assets.

B. The Purchase Price for the Remaining Plantsville Assets under the Asset Purchase Agreement is the sum of \$1,000,000, subject to higher and better offers.

C. The Purchase Price for the Remaining Plantsville Assets is fair and reasonable, and constitutes reasonable consideration and reasonably equivalent value under the Bankruptcy Code and applicable state law. Approval of the Asset Purchase Agreement and the sale of the

² Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Bankruptcy Rule 7052.

Remaining Plantsville Assets in accordance therewith at this time are in the best interests of the Debtors and their respective creditors and estates.

D. A valid and sound business purpose exists for approval of the transactions contemplated by Part II of the Motion pursuant to section 363(b) of the Bankruptcy Code. The terms of the Asset Purchase Agreement were negotiated at arms length and are fair and reasonable.

E. Proper, timely, adequate and sufficient notice of the Motion, the proposed sale, the hearings, and sale of the Remaining Plantsville Assets has been provided in accordance with sections 102(1) and 363(b) of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 9007 and 9008, and no other or further notice of the Motion, the hearings, or the entry of this Sale Order is required.

F. A reasonable opportunity to object or to be heard regarding the relief requested in the Motion has been afforded to all interested persons and entities.

G. The Debtors have demonstrated good, sufficient and sound business purposes for the sale of the Remaining Plantsville Assets pursuant to section 363(b) of the Bankruptcy Code and the Amended Joint Plan of Reorganization (the "Amended Plan") for the Debtors in that, among other things: (i) an expeditious sale of the Remaining Plantsville Assets will provide monies necessary to the consummation of the Amended Plan; (ii) absent a prompt sale, it is likely that the value of the Remaining Plantsville Assets would precipitously decline; and (iii) the Purchase Price is the highest and best offer that the Debtors have received for the Remaining Plantsville Assets.

H. The sale of the Remaining Plantsville Assets pursuant to the Asset Purchase Agreement does not impermissibly restructure the rights of creditors of Fansteel.

I. The Debtors may sell and transfer the Remaining Plantsville Assets free and clear of all liens, claims, interests, and encumbrances because, as required by section 363(f) of the Bankruptcy Code, all parties holding a lien on the Remaining Plantsville Assets could be compelled to accept a money satisfaction of such liens in a legal or equitable proceeding pertaining thereto and such liens will attach to the proceeds of the sale of the Remaining Plantsville Assets consistent with the requirements of section 363(e) of the Bankruptcy Code.

J. The Asset Purchase Agreement was negotiated, proposed and entered into by the parties in good faith, at arms' length bargaining positions and without collusion. The Proposed Purchaser is not an "insider" or "affiliate" of the Debtors (as each such term is defined in the Bankruptcy Code). Neither the Debtors nor the Proposed Purchaser has engaged in any conduct that would prevent the application of section 363(m) of the Bankruptcy Code or cause the application of section 363(n) of the Bankruptcy Code to the proposed sale and the transactions contemplated by the Agreement. The Proposed Purchaser is a good faith buyer under section 363(m) of the Bankruptcy Code and, as such, is entitled to the protections afforded thereby.

K. The Debtors have extensively marketed the sale of the Remaining Plantsville Assets and conducted the auction process in compliance with the Bidding Procedures Order and the requirements of applicable law.

L. Effective as of the Closing (as defined in the Asset Purchase Agreement), the transfer of the Remaining Plantsville Assets (i) is a legal, valid and effective transfer of property of the estates herein to the Proposed Purchaser, as more particularly set forth in the Asset Purchase Agreement and (ii) vests the Proposed Purchaser with all right, title, and interest of Fansteel in and to the Remaining Plantsville Assets free and clear of all liens, claims and encumbrances under sections 363(f) and 105 of the Bankruptcy Code, except as otherwise

provided with respect to Permitted Liens and Environmental Liabilities in the Asset purchase Agreement.

M. The post-confirmation closing of the sale and transfer of the Remaining Plantsville Assets is an important component of, and is authorized by the terms of the Amended Plan, and, accordingly, constitutes a transfer pursuant to 11 U.S.C. § 1146(c), which shall not be taxed under any law imposing a stamp tax or similar tax.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. Part II of the Motion is granted.
2. All objections to the Motion or the relief requested therein that have not been withdrawn, waived, or settled, including all reservations of rights included therein that are not otherwise provided for by this Sale Order are overruled on the merits.
3. The terms and conditions of the Asset Purchase Agreement are hereby approved.
4. The sale of the Remaining Plantsville Assets to the Proposed Purchaser pursuant to the Asset Purchase Agreement is hereby authorized under section 363(b) of the Bankruptcy Code and the entry of Fansteel into the Asset Purchase Agreement is hereby approved.
5. The Debtors are authorized and directed to execute and deliver, and empowered to fully perform under, consummate and implement, the Asset Purchase Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to implement such agreements, and to take all further actions as may be reasonably requested by the Proposed Purchaser for the purpose of assigning, transferring, granting, conveying and conferring to the Proposed Purchaser, or reducing to possession, any or all of the Remaining Plantsville Assets, or as may be necessary or appropriate to the performance of the obligations of the Debtors under the Asset Purchase Agreement.

6. Pursuant to sections 105(a), 363(b) and 363(f) of the Bankruptcy Code, the Remaining Plantsville Assets shall be transferred to the Proposed Purchaser, in accordance with the Asset Purchase Agreement, free and clear of all liens, claims, interests and encumbrances, except as otherwise expressly set forth in the Asset Purchase Agreement, with all such liens, claims, interests and encumbrances released, terminated and discharged as to the Remaining Plantsville Assets and with all such liens, claims, interests and encumbrances attaching to the proceeds of the sale of the Remaining Plantsville Assets, in the order of their priority, with the same validity, force and effect which they now have as against the Remaining Plantsville Assets. If the proposed sale fails to close for any reason, then such liens, claims, obligations, demands, guaranties, options, rights, contractual commitments, restrictions, interests, encumbrances and matters of any kind and nature shall continue against the Remaining Plantsville Assets unaffected by this order.

7. The Asset Purchase Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of the Court, provided that any such modification, amendment or supplement is not material.

8. The post-confirmation transfer of the Remaining Plantsville Assets to the Proposed Purchaser, and the making, execution, delivery or recordation of any deed, termination or modification of any lease or other instrument of transfer or assignment executed post-confirmation in connection with any of the transactions contemplated in connection with the Asset Purchase Agreement or to its schedules is not subject to taxation under any law imposing a stamp tax or similar tax in accordance with section 1146(c) of the Bankruptcy Code.

9. Fansteel and the Proposed Purchaser and/or any agent or representative of either of them, are each hereby authorized and empowered to serve upon all filing and recording officers a notice when filing or recording any instruments of transfer (including, without limitation, deeds, leases, and assignments, modifications and terminations of leases) in accordance with this order and the Asset Purchase Agreement to evidence and implement this paragraph of the order. All filing and recording officers are hereby directed to accept, file and record all instruments of transfer including, without limitation, deeds, leases, and assignments, modifications and terminations of leases (if any) to be filed and recorded pursuant to and in accordance with this order or the Asset Purchase Agreement and the various documents related thereto, without the payment of any such taxes.

10. This Court retains exclusive jurisdiction (i) to enforce and implement the terms and provisions of the Asset Purchase Agreement, all amendments thereto, and any waivers and consents thereunder, and of each of the agreements executed in connection therewith, (ii) to compel delivery of the Remaining Plantsville Assets to the Proposed Purchaser, (iii) to resolve any disputes arising under or related to the Asset Purchase Agreement and related agreements, except as otherwise provided therein, and (iv) to interpret, implement and enforce the provisions of this Order.

Dated: Wilmington, Delaware
November __, 2003

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

EXHIBIT "C"

ASSET PURCHASE AGREEMENT

by and among

FANSTEEL INC.,

as Seller,

and

PLANTSVILLE ACQUISITION, LLC,

as Purchaser

Dated as of October 1, 2003

TABLE OF CONTENTS

Page

ARTICLE I DEFINED TERMS	1
1.1 Defined Terms	1
1.2 Other Definitional and Interpretive Matters	2
ARTICLE II PURCHASE AND SALE OF THE ASSETS	2
2.1 Purchased Assets.....	2
2.2 Excluded Assets.....	3
2.3 Purchaser Cooperation.....	3
ARTICLE III PURCHASE PRICE	3
3.1 Closing Payment	3
3.2 Deposit.....	3
3.3 Liabilities	4
3.4 Allocation of the Purchase Price among the Purchased Assets	4
3.5 Taxes.....	4
3.6 Insured Casualties	4
ARTICLE IV CLOSING; CLOSING CONDITIONS; PRE-CLOSING COVENANTS	5
4.1 Time and Place of the Closing.....	5
4.2 Closing Transactions.....	5
4.3 The Seller's Closing Deliveries.....	5
4.4 The Purchaser's Closing Deliveries	6
4.5 Conditions to the Purchaser's Obligations	6
4.6 Conditions to the Seller's Obligation	7
4.7 Affirmative Covenants of the Seller	8
4.8 Negative Covenant of the Seller	8
4.9 Covenants of the Purchaser.....	8
4.10 Bankruptcy Actions	8
ARTICLE V REPRESENTATIONS AND WARRANTIES OF THE SELLER	9
5.1 Organization, Power and Authority	9
5.2 Ownership of Purchased Assets.....	9
5.3 Trademark and Trade Names.....	9
5.4 Power, Authority, Execution and Delivery.....	9
5.5 Governmental Authorization; Consents.....	10
5.6 Due Authorization; Binding Obligation; No Conflicts.....	10
5.7 Purchased Assets and Related Matters	10
5.8 Condemnation; Violations	10
5.9 Disclaimer of Other Representations and Warranties.....	10
ARTICLE VI REPRESENTATIONS AND WARRANTIES OF THE PURCHASER	11

6.1	Organization, Power and Authority	11
6.2	Due Authorization; Binding Obligation; No Conflicts	11
6.3	Litigation	12
6.4	Financial Performance	12
6.5	WARN	12
6.6	No Post-Closing Insurance	12
6.7	Environmental Compliance and Release	12
ARTICLE VII CERTAIN ACTIONS AFTER THE CLOSING		13
7.1	Books and Records	13
ARTICLE VIII TERMINATION		13
8.1	Termination	13
8.2	Effect of Termination	13
ARTICLE IX ACCESS TO INFORMATION		14
9.1	Access to Information	14
9.2	Confidentiality	14
9.3	Tax Shelter Disclosure	14
ARTICLE X MISCELLANEOUS		15
10.1	Non-Survival of Representations and Warranties	15
10.2	Transaction Expenses	15
10.3	Amendment and Modification	15
10.4	Entire Agreement	15
10.5	Execution in Counterpart	15
10.6	Notices	16
10.7	Governing Law	17
10.8	Severability	17
10.9	Assignment	17
10.10	Binding Effect; No Third-Party Beneficiaries	17
10.11	Negotiation Representations	17
10.12	Cumulative Remedies	17
10.13	Bulk Transfer	17

DISCLOSURE SCHEDULES

- Schedule 2.1(a) - Purchased Machinery and Equipment
- Schedule 2.1(g) - Purchased Vehicles
- Schedule 3.4 - Purchase Price Allocation
- Schedule 5.3 - Trademarks and Trade Names

EXHIBITS

- Exhibit A - Bidding Procedures
- Exhibit B - Form of Deposit Escrow Agreement
- Exhibit C - Form of Access Agreement

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT ("Agreement") is made and entered into this 1st day of October 2003 by and among Fansteel Inc., a Delaware corporation ("FSI" the "Seller") and Plantsville Acquisition, LLC, a Connecticut limited liability company (the "Purchaser").

RECITALS

A. WHEREAS, on January 15, 2002 (the "Filing Date"), FSI and certain of its domestic wholly-owned subsidiaries (collectively, the "Debtors"), each filed a voluntary petition for relief under chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware under case number 01-10109, which chapter 11 case was transferred to the United States District Court for the District Court of Delaware (the "Bankruptcy Court") on January 22, 2002 and assigned Civil Action No.: 02-44, and the Debtors continue to manage their properties as debtors and debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code;

B. WHEREAS, the Plan of Reorganization provides for, among other things, the escrow of the cash proceeds from the sale so as to provide a cash distribution to general unsecured creditors of the Debtors;

C. WHEREAS, FSI, among other things, operates a certain division known as VR Wesson in Plantsville, Connecticut (the "Division").

D. WHEREAS, the Division is engaged primarily in the business of manufacturing, distribution and sales of tungsten carbide cutting tools and tool-holding devices.

E. WHEREAS, the Seller desires to sell, transfer and assign to the Purchaser and the Purchaser desire to purchase from the Seller, pursuant to and in accordance with the Bankruptcy Code, the Purchased Assets (as defined below), other than the Excluded Assets (as defined below), for an amount in cash as herein provided and on the terms and conditions hereinafter set forth; and

F. WHEREAS, the foregoing sale would be effected pursuant to the terms of this Agreement and an order of the Bankruptcy Court under sections 363 of the Bankruptcy Code (the "Sale Order").

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants, and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

DEFINED TERMS

1.1 **Defined Terms.** For the purposes of this Agreement, defined terms shall have meanings set forth or referenced in Appendix I.

1.2 **Other Definitional and Interpretive Matters.** Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

1.2.1 **Gender and Number.** Any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

1.2.2 **Headings.** The provisions of the Table of Contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement. All references in this Agreement to any "Section" are to the corresponding Section of this Agreement unless otherwise specified.

1.2.3 **Herein.** The words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

1.2.4 **Including.** The word "including" or any variation thereof means "including, without limitation" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

1.2.5 **Knowledge.** The phrase "Knowledge of Seller" (or words of similar import) shall mean the actual knowledge, without independent investigation, of the Chief Executive Officer and/or Chief Financial Officer of FSL.

1.2.6 **Schedules and Exhibits.** The Schedules and Exhibits attached to this Agreement shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein. While Seller has attempted in good faith to cross reference between Schedules and Exhibits as applicable, the parties hereto agree that any item disclosed in any particular Schedule or Exhibit shall be deemed disclosed for purposes of any other Schedule or Exhibit with respect to which it is reasonably apparent from a reading of such information on such first Schedule or Exhibit that such information is applicable to such other Schedule or Exhibit.

ARTICLE II

PURCHASE AND SALE OF THE ASSETS

2.1 **Purchased Assets.** At the Closing, the Seller shall sell, convey, transfer, assign and deliver to the Purchaser and the Purchaser shall purchase from the Seller, free and clear of all Liens, other than the Permitted Liens, on the terms and subject to the conditions set forth in this Agreement, all of its right, title and interest in and to the following assets (collectively, the "Purchased Assets"):

(a) all machinery and equipment of the Division currently used primarily in the Business as more fully described on Schedule 2.1(a) attached hereto;

(b) all tooling, office supplies and maintenance supplies of the Division currently used primarily in the Business;

(c) all Customer Records of the Division; provided, however, that the Seller shall have the right to retain copies of all such Customer Records or shall have access during reasonable business hours to such Customer Records;

(d) all computers, telephones and telephone systems of the Division and currently used primarily in the Business;

(e) all rights and interest in the telephone numbers of the Division and currently used primarily in the Business;

(f) all Seller's right, title and interest in and to the real property located at 389 Marion Avenue, Plantsville, Connecticut and buildings located thereon;

(g) all vehicles of the Division currently used primarily in the Business and as set forth on Schedule 2.1(g) attached hereto; and

(h) all trademarks and trade names of the Division currently used primarily in the Business set forth on Schedule 5.3 and any intellectual property rights associated with such trademarks and tradenames as well as goodwill associated therewith, but specifically excluding the corporate and trade name "Fansteel" and all variations thereof that include the "Fansteel" name.

2.2 **Excluded Assets.** All assets not specifically listed in Section 2.1 shall be "Excluded Assets."

2.3 **Purchaser Cooperation.** Pursuant to and in accordance with section 363 of the Bankruptcy Code, Purchaser shall cooperate with Seller as necessary to transfer the Purchased Assets to Purchaser, including the provision of such information of Purchaser as may be reasonably required.

ARTICLE III

PURCHASE PRICE

3.1 **Closing Payment.** In consideration for the Purchased Assets, at the Closing, the Purchaser shall pay an aggregate amount (the "Purchase Price") equal to \$1,000,000, and shall pay by wire transfer of immediately available funds in an amount (the "Closing Payment") equal to the Purchase Price less the amount of the Deposit, to the Purchase Price Escrow.

3.2 **Deposit.** On or prior to October 1, 2003, Purchaser shall deposit \$100,000 in immediately available funds (the "Deposit") with the Deposit Escrow Agent pursuant to the Deposit Escrow Agreement. Upon the Closing, the Deposit will be paid to Seller. The Deposit shall be non-refundable unless this Agreement is terminated (i) by the Purchaser pursuant to Section 8.1(b), or (ii) by either party pursuant to Section 8.1(c) (each event, a "Terminating Event") in which case the Deposit shall be immediately refunded to Purchaser. The Deposit

shall be non-refundable and become the property of the Seller upon the termination of the Agreement for any reason other than a Terminating Event.

3.3 Liabilities. Except as expressly provided under Sections 6.7(b) and (c), Purchaser shall not assume any Liabilities of Seller arising from any act or omission of Seller on or prior to the Closing.

3.4 Allocation of the Purchase Price among the Purchased Assets. The Purchase Price shall be allocated among each item or class of the Purchased Assets as specifically agreed to by the parties and set forth on Schedule 3.4 (which schedule will be attached hereto on or prior to the Closing Date); provided, that the allocation with respect to the real property shall in no event be greater than \$300,000. The Seller and the Purchaser agree that this allocation will be used on Form 8594 and any other notice or filing required pursuant to Section 1060 of the Code.

3.5 Taxes. (a) The Seller agrees that it shall pay all sales, transfer and other taxes, if any, required to be paid by reason of the sale of the Purchased Assets to the Seller hereunder, based upon the allocation provided for in Section 3.4. If Seller fails to pay such sales, transfer or other similar taxes referred to in this section, Seller shall indemnify Purchaser and its agents, heirs, successors and assigns for all expenses, losses, costs, deficiencies, liabilities and damages (including reasonable legal fees and expenses) incurred or suffered by Purchaser on a pre-tax basis.

(b) All personal property taxes or similar ad valorem obligations levied with respect to the Purchased Assets, if any, for any taxable period that includes the day before the Closing Date and ends after the Closing Date, whether imposed or assessed before or after the Closing Date, shall be prorated between the Seller and the Purchaser as of 12:01 A.M. on the Closing Date. If any Taxes subject to proration pursuant to this paragraph are paid by the Seller, on the one hand, or the Purchaser, on the other hand, the proportionate amount of such Taxes paid (or in the event a refund of any portion of such Taxes, the portion of such Taxes previously paid is received, such refund) shall be paid promptly by (or to) the other after payment of such Taxes (or promptly following receipt of any such refund).

3.6 Insured Casualties. Upon the occurrence of any insured casualty in excess of Fifty Thousand and 00/100 Dollars (\$50,000.00) of value with respect to the Purchased Assets at any time prior to the Closing, the Purchaser shall, within three (3) days of receiving notice thereof, make the following election: (a) Purchaser shall have the right to (i) terminate this Agreement and Seller shall return the Deposit; or (ii) accept conveyance of the Purchased Assets in their damaged condition and Seller shall assign all rights in the insurance claim including rights in any rental value insurance. With respect to any casualty which is less than Fifty Thousand and 00/100 Dollars (\$50,000.00) in value, Purchaser shall accept the Purchased Assets in their damaged condition and Seller shall assign to Purchaser all amounts recovered or recoverable on account of such insurance less any amounts reasonably expended by Seller for any partial restorations. This provision shall apply only with respect to an insured casualty and not with respect to any wear and tear or other noninsured or uninsurable casualties with respect to the Purchased Assets. Seller covenants that it will use its reasonable best efforts to maintain the current insurance coverage with respect to the Purchased Assets.

ARTICLE IV

CLOSING; CLOSING CONDITIONS; PRE-CLOSING COVENANTS

4.1 **Time and Place of the Closing.** The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, or such other place as agreed upon by the parties. The Closing shall be held on such date as agreed upon by the Purchaser and Seller, but in no event later than the first Business Day after the Sale Order entered by the Bankruptcy Court has become a Final Order (the "Closing Date").

4.2 **Closing Transactions.** Subject to the conditions set forth in this Agreement, the parties shall consummate the following transactions (the "Closing Transactions") on the Closing Date:

(a) the Seller shall deliver to the Purchaser a quitclaim deed for the Plantsville Facility, bills of sale for the Purchased Assets to be sold by Seller hereunder reasonably satisfactory to Purchaser;

(b) the Purchaser shall deliver the Closing Payment by wire transfer of immediately available funds in accordance with Section 3.1.

(c) the Seller and the Purchaser shall execute and deliver to the Deposit Escrow Agent a Joint Written Direction (as defined in the Deposit Escrow Agreement), to immediately disburse the entire amount of the Deposit to the Seller pursuant to the terms of the Deposit Escrow Agreement.

(d) the Seller and the Purchaser, as applicable, shall deliver the certificates and other documents and instruments required to be delivered by or on behalf of such Party under Article IV.

4.3 **The Seller's Closing Deliveries.** Subject to and conditioned upon the Closing, on or prior to the Closing Date, the Seller shall have delivered to Purchaser all of the following:

(a) for FSI, a certificate of the Secretary of State of its state of incorporation providing that FSI is in good standing;

(b) copies of all third-party and governmental consents, approvals, filings, releases and terminations that are required by the terms of this Agreement, if any;

(c) a certificate of the Seller certifying that the conditions to Closing set forth in Sections 4.5(a) and 4.5(b) have been satisfied; and

(d) bills of sale, quitclaim deed, assignments of patents, trademarks and other intellectual property rights and such other documents or instruments as the Purchaser may reasonably request (in form and substance reasonably acceptable to Purchaser) to effect the transactions contemplated hereby (including without limitation a certified copy of the Sale Order).

4.4 The Purchaser's Closing Deliveries. Subject to and conditioned upon the Closing, on or prior to the Closing Date, the Purchaser shall have delivered to the Seller all of the following:

(a) an amount equal to the Closing Payment, by wire transfer of immediately available same day funds to the Purchase Price Escrow;

(b) all consents, waivers and approvals obtained by Purchaser or its Affiliates that are required by the terms of this Agreement, if any;

(c) for each Purchaser, a certificate of each such entity's Secretary of State (and each other state in which each Purchaser is qualified to conduct business) providing that each such Purchaser is in good standing;

(d) certified copies of the resolutions of each Purchaser's board of directors approving the transactions contemplated by this Agreement;

(e) a certificate of each Purchaser certifying that the conditions to Closing set forth in Sections 4.6(a) and 4.6(b) have been satisfied;

(f) a Joint Written Direction addressed to the Deposit Escrow Agent and executed by the Purchasers authorizing the Deposit Escrow Agent to immediately disburse the entire amount of the Deposit to the Seller pursuant to the terms of the Deposit Escrow Agreement;

(g) CTA Form III ("Form III") executed by Seller as "certifying party" along with required Environmental Condition Assessment Form ("ECAF"); and

(h) such other documents or instruments as the Seller may reasonably request to effect the transactions contemplated hereby.

4.5 Conditions to the Purchaser's Obligations. The obligation of the Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions as of the Closing Date:

(a) The representations and warranties set forth in Article V hereof shall be true and correct at and as of the Closing Date as though then made and as though the Closing Date were substituted for the date of this Agreement throughout such representations and warranties except where the failure of such representations and warranties to be so true and correct does not have, individually or in the aggregate, a Material Adverse Effect.

(b) The Seller shall have performed and complied in all material respects with all of the covenants and agreements required to be performed by it under this Agreement on or prior to the Closing.

(c) The purchase of Purchased Assets by the parties hereunder shall not be prohibited by any applicable Law or Governmental Body.

(d) No preliminary or permanent injunction issued by any court of competent jurisdiction restraining or prohibiting the transactions hereby shall be in effect.

(e) The Bankruptcy Court shall have entered a Sale Order which shall have become a Final Order, in form and substance reasonably satisfactory to the Purchaser.

(f) The Seller shall have delivered evidence, reasonably satisfactory to Purchaser, showing that the Liens related to the Post-Petition Funded Indebtedness have been released with respect to the Purchased Assets.

(g) The Plantsville Facility is delivered to the Purchaser free of all tenants and occupants and the Purchaser shall be entitled to an inspection of said Premises prior to the Closing in order to determine whether the condition thereof complies with the terms of this subsection.

Any condition specified in this Section 4.5 may be waived by the Purchaser; provided that no such waiver shall be effective against the Purchaser unless it is set forth in a writing executed by the Purchaser.

4.6 Conditions to the Seller's Obligation. The obligation of the Seller to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions as of the Closing Date:

(a) The representations and warranties set forth in Article VI shall be true and correct in all material respects at and as of the Closing Date as though then made and as though the Closing Date were substituted for the date of this Agreement throughout such representations and warranties except where the failure of such representations and warranties to be so true and correct does not have, individually or in the aggregate, a Material Adverse Effect.

(b) The Purchaser shall have performed and complied in all material respects with all of the covenants and agreements required to be performed by it under this Agreement on or prior to the Closing.

(c) The sale of the Purchased Assets by the parties hereunder shall not be prohibited by any applicable Law or Governmental Body.

(d) No action, suit, or proceeding shall be pending before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable judgment, decree, injunction, order or ruling would prevent the performance of this Agreement or any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement, cause such transactions to be rescinded or materially and adversely affect the right of the Seller to retain the Purchase Price, and no judgment, decree, injunction, order or ruling shall have been entered which has any of the foregoing effects.

Any condition specified in this Section 4.6 may be waived by the Seller; provided that no such waiver shall be effective against the Seller unless it is set forth in a writing executed by the Seller.

4.7 Affirmative Covenants of the Seller. Prior to the Closing, unless the Purchaser otherwise agrees in writing and except as expressly contemplated by this Agreement, the Seller shall:

(a) promptly (once it obtains knowledge thereof) inform the Purchaser in writing of any material variances from the representations and warranties contained in Article V hereof or any breach of any covenant hereunder by the Seller;

(b) cooperate with the Purchaser and use commercially reasonable best efforts to cause the conditions to the Purchaser's obligation to close to be satisfied; and

(c) as promptly as practicable, but in no event more than five Business Days prior to the Bid Procedures Hearing Date, deliver the Schedules under this Agreement to the Purchaser.

4.8 Negative Covenant of the Seller. Prior to the Closing, unless the Purchaser otherwise agrees in writing and except as expressly contemplated by this Agreement, the Seller shall not enter into any contract, agreement or transaction with respect to any Purchased Asset, other than in the ordinary course of business consistent with past practice with Third Parties.

4.9 Covenants of the Purchaser.

(a) Prior to the Closing, the Purchaser shall promptly (once it obtains knowledge thereof) inform the Seller in writing of any variances from the representations and warranties contained in Article VI or any breach of any covenant hereunder by the Purchaser;

(b) Prior to the Closing, the Purchaser shall cooperate with Seller and use its reasonable best efforts to cause the conditions to the Seller's obligation to close to be satisfied, including, without limitation, the execution and delivery of all agreements contemplated hereunder to be so executed and delivered (including, without limitation, the making and obtaining of all Third Party and governmental filings, authorizations, approvals, consents, releases and terminations); and

(c) Within ten days after the Closing, the Purchaser shall promptly make all filings and submissions as necessary and advisable to consummate the transactions contemplated by this Agreement, including execution of CTA "Form III" as "certifying party" and promptly provide the Seller with copies of all subsequent correspondence, filings, or communications between Purchaser or its representatives and any governmental agency or authority or members of their staffs with respect to such filings and submissions.

4.10 Bankruptcy Actions.

(a) Submission For Bankruptcy Court Approval. As promptly as practicable, but in no event later than five Business Days after the date hereof, the Seller shall file with the Bankruptcy Court, and seek a hearing on, a motion (i) seeking the approval of the Bidding Procedures (as defined below) and (ii) authorizing the observance and performance of such terms by the Seller and the Purchaser.

(b) Competitive Bidding. The Seller acknowledges that this Agreement is the culmination of an extensive process to identify and negotiate a transaction with a bidder who is prepared to pay the highest and best purchase price for the Purchased Assets. Set forth on Exhibit A hereto are the bidding procedures (the "Bidding Procedures") to be employed with respect to this Agreement concerning the sale of the Purchased Assets to the Purchaser; provided, that the Purchaser reserves the right to further comment on the form of the order of the Court approving the Bidding Procedures (the "Bidding Procedures Order"). The Sale is subject to competitive bidding only as set forth herein and approval by the Court at a hearing under section 363 of the Bankruptcy Code (the "Sale Hearing").

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE SELLER

To induce the Purchaser to enter into this Agreement and to consummate the transactions contemplated hereunder, FSI makes the following representations and warranties.

5.1 **Organization, Power and Authority.** FSI is validly existing and in good standing in its jurisdiction of incorporation. FSI is legally qualified to transact business in each of the jurisdictions in which its businesses or properties are located such as to require that it be thus qualified other than if such failure to be so qualified would not have a Material Adverse Effect, and it is in good standing in each of the jurisdictions in which it is so qualified.

5.2 **Ownership of Purchased Assets.** At the Closing, FSI will own the applicable Purchased Assets free and clear of all Liens except Permitted Liens. Subject to the Sale Order, Seller on the Closing Date will have, the completed and unrestricted power to sell, transfer, convey and deliver to Purchaser the Purchased Assets, free and clear of any Liens, except Permitted Liens.

5.3 **Trademark and Trade Names.** Schedule 5.3 contains an accurate and complete list of all of the material trademarks and trade names relating solely to the products or business of the Business. To Knowledge of Seller, (i) the Seller is the sole and exclusive owners of such trademarks and trade names and (ii) there are no claims, demands or proceedings pending or threatened in writing to the Seller that challenge the Seller's rights with regard thereto.

5.4 **Power, Authority, Execution and Delivery.** The Seller has all requisite corporate power and authority to enter into this Agreement and all other agreements contemplated hereby and to perform its obligations hereunder and thereunder, subject to the approval of the Bankruptcy Court. The Seller has duly executed and delivered this Agreement.

This Agreement is valid and binding upon the Seller, enforceable against it in accordance with its terms, subject to the approval of the Bankruptcy Court.

5.5 Governmental Authorization; Consents. Except for consents, approvals, authorizations, or declarations of, or filings with, the Bankruptcy Court (all of which will be obtained prior to Closing), the execution, delivery and performance by the Seller of this Agreement require no action by or in respect of, or filing with, any Governmental Body. No consent, approval, waiver or other action by any private party under any contract, agreement, indenture, lease, instrument or other document to which the Seller or the Business is a party or by which the Seller or the Business is bound is required for the execution, delivery and performance of this Agreement by the Seller or the consummation of the transactions contemplated hereby.

5.6 Due Authorization; Binding Obligation; No Conflicts. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action of the Seller. Assuming this Agreement has been duly executed and delivered by the Purchaser and, subject to the approval of the Bankruptcy Court, this Agreement is a valid and binding obligation of the Seller, enforceable in accordance with its terms. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will, in any material respect: (i) contravene any provision of the certificate of incorporation or by-laws of the Seller; (ii) violate or conflict with any federal, state or local law, statute, ordinance, rule, regulation or any decree, writ, injunction, judgment or order of any court or administrative or other governmental body or of any arbitration award which is either applicable to, binding upon or enforceable against the Seller; or (iii) conflict with, result in any breach of or default (or an event which would, with the passage of time or the giving of notice or both, constitute a default) under any material mortgage, contract, agreement, lease, license, indenture, will, trust or other instrument that is either binding upon or enforceable against the Seller.

5.7 Purchased Assets and Related Matters. There are no contractual rights of first refusal with respect to the sale of the Purchased Assets hereunder.

5.8 Condemnation; Violations. To the Seller's knowledge, there is no pending or threatened condemnation or similar proceedings affecting the Plantsville Facility or any portion thereof, nor has Seller acknowledged that any such action is presently contemplated. The Seller has not received any written notice of zoning or building code violations.

5.9 Disclaimer of Other Representations and Warranties.

(a) Seller does not make, and has not made, any representations or warranties relating to the Seller, the Purchased Assets or the Business, or the operations of Seller or the Business or otherwise in connection with the transactions contemplated hereby other than those expressly set forth herein. No Person has been authorized by the Seller or the Business to make any representation or warranty relating to the Seller or the Business or otherwise in connection with the transactions contemplated hereby and, if

made, such representation or warranty must not be relied upon as having been authorized by the Seller.

(b) Notwithstanding anything to the contrary contained in this Agreement or in any of the Schedules attached hereto, any information disclosed in one Schedule shall be deemed to be disclosed in all Schedules. Certain information set forth in the Schedules is included solely for informational purposes and may not be required to be disclosed pursuant to this Agreement. The disclosure of any information shall not be deemed to constitute an acknowledgment that such information is required to be disclosed in connection with the representations and warranties made by Seller in this Agreement or that it is material, nor shall such information be deemed to establish a standard of materiality.

(c) Seller does not and has not made any representations or warranties regarding compliance or noncompliance with Environmental Laws, the absence or existence of known or unknown Environmental Liabilities associated with the Purchased Assets, and Releases of Hazardous Substances.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

To induce the Seller to enter into this Agreement and to consummate the transactions contemplated hereunder, each Purchaser, jointly and severally, makes the following representations and warranties.

6.1 Organization, Power and Authority. Each Purchaser is a [corporation] validly existing and in good standing under the laws of its state of incorporation, and has all requisite corporate power and authority to enter into this Agreement and all other agreements contemplated hereby and to perform its obligations hereunder and thereunder. Each Purchaser has delivered true and correct copies of its Articles of Incorporation and Bylaws to the Seller. Such Articles of Incorporation and Bylaws will be in full force and effect as of the Closing without amendment.

6.2 Due Authorization; Binding Obligation; No Conflicts. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action of each Purchaser. This Agreement has been duly executed and delivered by each Purchaser and is a valid and binding obligation of such Purchaser, enforceable in accordance with its terms. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will, in any material respect: (i) contravene any provision of the certificate of incorporation or by-laws of any Purchaser; (ii) violate or conflict with any federal, state or local law, statute, ordinance, rule, regulation or any decree, writ, injunction, judgment or order of any court or administrative or other governmental body or of any arbitration award which is either applicable to, binding upon or enforceable against any Purchaser; or (iii) conflict with, result in any breach of or default (or an event which would, with the passage of time or the giving of notice or both, constitute a default) under any

material mortgage, contract, agreement, lease, license, indenture, will, trust or other instrument which is either binding upon or enforceable against any Purchaser.

6.3 Litigation. There are no actions, suits, claims, governmental investigations or arbitration proceedings pending or, to the best of the Purchaser's actual knowledge, threatened against or affecting the Purchaser, or which question the validity or enforceability of this Agreement or any action contemplated herein, and there is no basis for any of the foregoing. There are no outstanding orders, decrees or stipulations issued by any federal, state, local or foreign judicial or administrative authority in any proceeding to which the Purchaser is or was a party.

6.4 Financial Performance. Purchaser has sufficient financial resources to perform in a timely manner all of its obligations under this Agreement.

6.5 WARN. Purchaser hereby acknowledges that the Division has discontinued most of its operations and has delivered all required notices under WARN in connection therewith.

6.6 No Post-Closing Insurance. Purchaser hereby acknowledges that the Seller shall not, and shall have no obligation to, maintain insurance on any of the Purchased Assets from and after the Closing Date.

6.7 Environmental Compliance and Release.

(a) Purchaser acknowledges that it is taking the Purchased Assets in an "as is" condition. Except as set forth in Sections 6.7(b)-(d) herein, Purchaser further agrees to release and hold harmless Seller from any claims that may be asserted by Purchaser against Seller associated with the Purchased Assets, and waives any and all claims that Purchaser might have against the Seller under statutory or common law for any known or unknown Release of Hazardous Materials with the Purchased Assets.

(b) Purchaser will assume all responsibility for investigation and remediation of any Releases of Hazardous Materials at or from the Plantsville Facility and will perform any Remedial Actions that are required under Environmental Laws to address Releases of Hazardous Materials at or from the Plantsville Facility.

(c) Purchaser agrees that it shall be responsible at its sole cost and expense to comply with the requirements of the Connecticut Transfer Act ("CTA"), C.G.S. 22a-134 et. seq. including but not limited to performing any investigation or remediation of any Release of Hazardous Materials at or from the Plantsville Facility that may be required under the CTA, preparing the ECAF, executing the CTA Form III as "certifying party" and any fees under the CTA.

(d) Upon and after the Closing, Purchaser shall be responsible for complying with all Environmental Laws applicable to the operation of the Plantsville Facility; provided, however, that in no event shall Purchaser be responsible in any way except as provided in sections 6.7(b) and (c) herein for any known or unknown Environmental Claims by third-parties, including governmental authorities, for the acts or

omissions of Seller with respect to compliance with Environmental Laws that occurred prior to the Closing.

ARTICLE VII

CERTAIN ACTIONS AFTER THE CLOSING

7.1 **Books and Records.** Unless otherwise consented to in writing by the Seller, the Purchaser will not, for a period of seven years following the date hereof, destroy, alter or otherwise dispose of any of the Customer Records without first using commercially reasonable efforts to offer to surrender to the Seller such Customer Records or any portion thereof of which the Purchaser may intend to destroy, alter or dispose. The Purchaser will allow the Seller and its representatives, attorneys and accountants reasonable access to such Customer Records, upon reasonable request for access during such party's normal business hours, for the purpose of examining and copying the same in connection with any matter whether or not related to or arising out of this Agreement or the transactions contemplated hereby.

ARTICLE VIII

TERMINATION

8.1 **Termination.** This Agreement may be terminated at any time prior to the Closing:

- (a) by mutual written consent of the Seller and the Purchaser;
- (b) by the Seller or the Purchaser if there has been a material misrepresentation or breach on the part of the other Party of the representations, warranties or covenants set forth in this Agreement and a failure to cure after reasonable notice thereof is provided or if events have occurred which have made it impossible to satisfy a condition precedent to the terminating Party's obligations to consummate the transactions contemplated hereby unless such terminating Party's willful or knowing breach of this Agreement has caused the condition to be unsatisfied;
- (c) by the Seller or the Purchaser if the Bankruptcy Court approves a Successful Bid (as defined in the Bid Procedures Order) that is submitted by a party other than the Purchaser and such sale is consummated;
- (d) automatically if the Closing has not occurred on or prior to January 23, 2004, unless a party's willful or knowing breach of this Agreement has prevented the consummation of the transactions contemplated hereby at or prior to such time, in which case the nonbreaching party may elect to extend or terminate this Agreement; or
- (e) by the Purchaser if the Bankruptcy Court has not approved the Sale Order by December 15, 2003.

8.2 **Effect of Termination.**

(a) In the event (i) this Agreement is terminated pursuant to Section 8.1(c) and (ii) the sale of all or substantially all of the Purchased Assets are consummated within 6 months after the date of the Sale Hearing, then Seller shall be obligated to pay the Purchaser an amount equal to \$33,000 (the "Termination Payment"). Any Termination Payment payable upon termination of this Agreement shall be immediately earned and payable by the Seller to the Purchaser upon such termination.

(b) In the event of termination of this Agreement as provided in Section 8.1, this Agreement shall forthwith become void and there shall be no Liability on the part of any Party to any other Party under this Agreement, other than (i) the return of the Deposit to the Purchaser, to the extent required under Section 3.2, above, and (ii) the payment of the Termination Payment (if applicable) to the extent required under Section 8.2(a) above.

ARTICLE IX

ACCESS TO INFORMATION

9.1 **Access to Information.** Seller shall permit Purchaser and its representatives after the date of execution of this Agreement to have reasonable access, during regular business hours and upon reasonable advance notice, to the Purchased Assets as well as the officers and employees of Seller (and Seller shall use its commercially reasonable efforts to cause Seller's outside independent accountants to be available to Purchaser on the same basis), and shall furnish, or use their commercially reasonable efforts to cause to be furnished, to Purchaser any financial and operating data, tax information, books and records, contracts and documents and other information that is available with respect to the Purchased Assets as Purchaser shall from time to time reasonably request, provided that such access does not materially interfere with the normal business operations of the Seller, and provided further that Purchaser agrees not to collect any soil or ground water samples on any of the Seller's properties except as necessary (in the reasonable discretion of Purchaser's environmental consultant) to prepare the ECAF and execute the CTA Form III and in compliance with the terms of the Access Agreement between Purchaser and Seller in the form attached hereto as Exhibit C. For purposes of clarification, access to any information and the results of such access shall in no event be a condition to the Purchaser's obligations under this Agreement.

9.2 **Confidentiality.** All information provided or obtained pursuant to Section 9.1 shall be held by Purchaser in accordance with and subject to the terms of the Confidentiality Agreement, all of the terms of which shall remain in full force and effect notwithstanding the execution and delivery of this Agreement or the termination hereof, and Purchaser agrees to be bound by the terms of the Confidentiality Agreement to the same extent as if it were party thereto.

9.3 **Tax Shelter Disclosure.** Notwithstanding the foregoing, since the commencement of discussions between the parties hereto and continuing, the parties (and each of their respective employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax

analyses) that are provided to such persons relating to such tax treatment or tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws. The preceding sentence is intended to cause the transactions contemplated by this Agreement not to have been offered under conditions of confidentiality for purposes of Section 1.6011-4(b)(3) (or any successor provision) of the Treasury Regulations (the "Confidentiality Regulation") promulgated under Section 6011 of the Code.

ARTICLE X

MISCELLANEOUS

10.1 Non-Survival of Representations and Warranties. The representations, warranties, covenants and agreements of Seller contained in this Agreement or in any instrument delivered pursuant to this Agreement, including any rights arising out of any breach of such representations, warranties, covenants and agreements, shall terminate as of the Closing Date and shall thereafter have no force or effect, except for those covenants and agreements contained herein and therein that by their terms are required to be performed after the Closing Date.

10.2 Transaction Expenses. The Purchaser will indemnify and hold harmless the Seller from the commission, fee or claim of any person, firm or corporation employed or retained or claiming to be employed or retained by the Purchaser to bring about, or to represent it in, the transactions contemplated hereby. The Seller will indemnify and hold harmless the Purchaser from the commission, fee or claim of any person, firm or corporation employed or retained or claiming to be employed or retained by the Seller to bring about, or to represent any of them in, the transactions contemplated hereby. In addition, each party shall pay its own expenses (including legal and accounting fees) incident to the negotiation and preparation of this Agreement and any other documents prepared in connection therewith, and the consummation of the transactions contemplated herein.

10.3 Amendment and Modification. The parties hereto may amend, modify and supplement this Agreement in such manner as may be agreed upon by all of them in writing.

10.4 Entire Agreement. This Agreement, including the exhibits, schedules, certificates and other documents and agreements delivered on the date hereof in connection herewith, contains the entire agreement of the parties hereto with respect to the purchase of the Purchased Assets and the other transactions contemplated herein, and supersedes all prior understandings and agreements (oral or written) of the parties with respect to the subject matter hereof. The parties expressly represent and warrant that in entering into this Agreement they are not relying on any prior representations made by any other party concerning the terms, conditions or effects of this Agreement which terms, conditions or effects are not expressly set forth herein. Any reference herein to this Agreement shall be deemed to include the schedules and exhibits.

10.5 Execution in Counterpart. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

10.6 Notices. Any notice, consent, approval, request, acknowledgment, other communications or information to be given or made hereunder to any of the parties by any other party shall be in writing and delivered personally or sent by certified mail, postage prepaid, as follows, or by facsimile to the fax number listed below (provided that, for a facsimile, a copy is also sent promptly by U.S. mail, certified mail or overnight delivery service):

If to the Seller addressed to the Seller at:

Prior to the Closing:

Fansteel Inc.
One Tantalum Place
North Chicago, IL 60064
Attn: Chief Executive Officer
Fax: (847) 689-0307

with copies to:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, NY 10022
Attn: André Weiss and Jeffrey S. Sabin
Fax: (212) 593-5955

If to the Purchaser, addressed to:

Plantsville Acquisition, LLC
1654 King Street
Enfield, Connecticut 06082
Attn: William Firestone
Fax: (860) 623-9060

with a copy to:

Cooley, Shrair P.C.
1380 Main Street, 5th Floor
Springfield, Massachusetts 01103
Attn: Peter Shrair, Esq.
Fax: (413) 733-3042

Any party may change the address to which notices hereunder are to be sent to it by giving written notice of such change of address in the manner herein provided for giving notice. Any notice delivered personally or by facsimile shall be deemed to have been given on the date it is so delivered, and any notice delivered by registered or certified mail shall be deemed to have been given on the date it is received.

10.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to conflicts of laws principles that would cause any state's laws, other than the laws of the State of Delaware, to apply.

10.8 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the greatest extent possible.

10.9 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior consent of the other parties.

10.10 Binding Effect; No Third-Party Beneficiaries. This Agreement shall inure to the benefit of, be binding upon and be enforceable by and against the Seller and the Purchaser and their respective successors and permitted assigns, and nothing herein expressed or implied shall be construed to give any other person any legal or equitable rights hereunder.

10.11 Negotiation Representations. Each party hereto expressly represents and warrants to all other parties hereto that (a) before executing this Agreement, said party has fully informed itself or himself of the terms, contents, conditions and effects of this Agreement; (b) said party has relied solely and completely upon its or his own judgment in executing this Agreement; (c) said party has had the opportunity to seek and has obtained the advice of counsel before executing this Agreement; (d) said party has acted voluntarily and of its or his own free will in executing this Agreement; (e) said party is not acting under duress, whether economic or physical, in executing this Agreement; and (f) this Agreement is the result of arm's-length negotiations conducted by and among the parties and their counsel.

10.12 Cumulative Remedies. All rights and remedies of either party hereto are cumulative of each other and of every other right or remedy such party may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

10.13 Bulk Transfer. The Purchaser and the Seller hereby waive compliance with any state's Uniform Commercial Code - Bulk Transfer provisions that may be applicable to the transactions contemplated hereby.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed as of the day and year first above written.

FANSTEEL INC.



By: Gary L. Tessitore
Its: Chairman CEO and President

PLANTSVILLE ACQUISITION, LLC

By: _____
Its: _____


①

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed as of the day and year first above written.

FANSTEEL INC.

By: William Firestone
Its: Mem

PLANTSVILLE ACQUISITION, LLC


By: William Firestone
Its: Member, and not individually

APPENDIX I

1. For the purposes of this Agreement, the following terms shall have the following meanings:

"Affiliate" of any Person shall mean any Person that controls, is controlled by, or is under common control with such Person. As used herein, the term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or to cause the direction of the management and policies of a Person, whether through ownership of voting securities or other interests, by contract or otherwise.

"Bid Procedures Order" shall mean an order of the Bankruptcy Court, in a form reasonably acceptable to Purchaser, which shall set forth the procedures for the sale of the Purchased Assets with terms substantially as set forth on Exhibit A hereto.

"Business Day" shall mean a day, other than a Saturday or Sunday, on which banks are open for business in New York City, New York.

"Business" shall mean the business of manufacturing, distribution and sales of tungsten carbide cutting tools and tool-holding devices which is currently conducted by the Division.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Customer Records" means all customer lists and records.

"Deposit Escrow Agent" shall mean Schulte Roth & Zabel LLP.

"Deposit Escrow Agreement" shall mean an escrow agreement by and among the Seller, the Purchaser and the Deposit Escrow Agent substantially in the form attached hereto as Exhibit B hereto.

"Environmental Claims" refers to any complaint, summons, citation, notice, directive, order, claim, litigation, investigation, judicial or administrative proceeding, judgment, filing of an environmental lien, letter or other communication from any governmental agency, department, bureau, office or other authority, or any third party involving violations of Environmental Laws or Releases of Hazardous Materials.

"Environmental Laws" includes the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et seq., as amended; the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq., as amended; the Clean Air Act, 42 U.S.C. 7401 et seq., as amended; the Clean Water Act, 33 U.S.C. 1251 et seq., as amended; the Occupational Safety and Health Act, 29 U.S.C. 655 et seq., the Connecticut Transfer Act, C.G.S. § 22a-134 et seq. and any other federal, state, local or municipal laws, statutes, regulations, rules or

ordinances imposing liability or establishing standards of conduct for protection of the environment.

"Environmental Liabilities" means any monetary obligations, losses, liabilities (including strict liability), damages, punitive damages, consequential damages, treble damages, costs and expenses (including all reasonable out-of-pocket fees, disbursements and expenses of counsel, out-of-pocket expert and consulting fees and out-of-pocket costs for environmental site assessments, remedial investigation and feasibility studies, natural resources damages, property damages, personal injuries), civil or criminal penalties fines and, penalties, sanctions and interest incurred as a result of any Environmental Claim filed by any Governmental Authority or any third party which relate to any Releases or threatened Releases of Hazardous Materials at or from the Plantsville Facility.

"Final Order" means an order, ruling, or judgment of the Bankruptcy Court or any other court of competent jurisdiction as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have been determined by the highest court to which such order was appealed, or certiorari, reargument or rehearing shall have been denied and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired; *provided, however*, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous Bankruptcy Rule or applicable state court rules of civil procedure, may be filed with respect to such order shall not cause such order not to be a Final Order.

"GAAP" shall mean U.S. generally accepted accounting principles consistently applied.

"Governmental Body" shall mean (i) any legislative, executive, judicial or administrative unit of any governmental entity (foreign, federal, state or local) or any department, commission, board, agency, bureau, official or other regulatory, administrative or judicial authority thereof, (ii) any self-regulatory organization, agency or commission or (iii) any court or arbitral tribunal.

"Hazardous Substances" shall include (a) any element, compound or chemical that is defined, listed or otherwise classified as a contaminant, pollutant, toxic pollutant, toxic or hazardous substance, extremely hazardous substance or chemical, hazardous waste, bio-hazardous or infectious waste, special waste, or solid waste under Environmental Laws; (b) petroleum, petroleum-based or petroleum-derived products; (c) polychlorinated biphenyls; (d) any substance exhibiting a hazardous waste characteristic including but not limited to corrosivity, ignitibility, toxicity or reactivity as well as any radioactive or explosive materials; and (e) any asbestos-containing materials.

"Law" shall mean any national, foreign, federal, state, provincial or local law, statute, ordinance, rule, regulation, code, order, judgment, injunction or decree of any jurisdiction (whether foreign or domestic).

"Liabilities" shall mean any and all debts, liabilities, commitments and obligations, whether or not fixed, contingent or absolute, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whether or not required by GAAP to be reflected in financial statements or disclosed in the notes thereto.

"Liens" shall mean Taxes, liens, mortgages, pledges, security interests, claims, assessments, restrictions, encumbrances, encroachments and charges of every kind.

"Material Adverse Effect" shall mean any change, effect, event, occurrence, development, circumstance or state of facts materially adverse to the Business taken as a whole or which materially impair the ability of Sellers to perform their obligations under this Agreement or have a material adverse effect on or prevent or materially delay the consummation of the transactions contemplated hereby; provided, however, that the following shall be excluded from any determination as to whether a "Material Adverse Effect" has occurred: (i) any change, effect, event, occurrence, development, circumstance or state of facts in general economic or political conditions, conditions in the United States or worldwide capital markets and any act of terrorism or any outbreak of hostilities or war, (ii) any adverse event or circumstances that affect generally the industry in which the Seller is engaged, and (iii) any failure to meet any financial projections or budgets.

"Permitted Liens" shall mean (i) such imperfections of title, easements, encumbrances, or restrictions which individually or in the aggregate do not impair in any material respect the use and ownership of the Purchased Assets and (ii) Liens for Taxes (whether federal, state, local or foreign) attributable to any taxable period beginning on or prior to the Closing Date and not yet due or payable or being contested in good faith and for which adequate reserves have been established.

"Person" shall mean any individual, corporation, partnership, firm, association, joint venture, joint stock company, trust, unincorporated organization or other entity, any Governmental Body, or any government or regulatory, administrative or political subdivision or agency, department or instrumentality thereof.

"Plan of Reorganization" shall mean the joint reorganization plan of the Debtors under Chapter 11 of the Bankruptcy Code, together with all exhibits hereto, as it may be amended, modified, or supplemented from time to time in accordance with section 1127 of the Bankruptcy Code, including any Plan Supplements.

"Plan Supplement" means the compilation of documents or forms of documents specified in the Plan of Reorganization, including any exhibits to the Plan of Reorganization not included thereto, that the Debtors will file with the Bankruptcy Court not later than the date that is five (5) days prior to deadline for objections to confirmation of the Plan of Reorganization.

"Plantsville Facility" means the real property located at 389 Marion Avenue, Plantsville, Connecticut 06479.

"Post-Petition Funded Indebtedness" shall mean all post-petition funded indebtedness owing pursuant to the DIP Agreement.

"Purchase Price Escrow" shall mean the escrow account established by FSI at the Purchase Price Escrow Agent into which the Cash Proceeds are deposited pursuant to this Agreement.

"Purchase Price Escrow Agent" shall mean a banking institution agreed to by the Seller, the Purchaser and the Official Committee of Unsecured Creditors of Fansteel, Inc.

"Release" means any spilling, leaking, pumping, emitting, emptying, discharging, injecting, escaping, leaching, migrating, dumping, or disposing of Hazardous Materials (including the abandonment or discarding of barrels, containers or other closed receptacles containing Hazardous Materials) into the environment. The term "Release" shall also apply to the release of any asbestos fibers into the indoor or ambient air during the removal and transportation of the Plantsville Facility.

"Tax" or "Taxes" shall mean any federal, state, local, foreign or other taxes, assessments, duties or charges of any kind whatsoever, including, without limitation, franchise, income, sales, use, ad valorem, gross receipts, value added, profits, license, capital gains, transfer (including stamp duty and stamp duty reserve tax), minimum, alternative minimum, environmental, withholding, payroll, employment, excise, property, customs and occupation taxes, including any interest, fine, penalty or addition thereto, whether disputed or not, and including any Liability for the payment of any of the above amounts as a result of being a member of an affiliated, consolidated, combined, unitary or similar group or as a result of transferee or successor liability.

"Third Party" shall mean any Person not an Affiliate of the other referenced Person or Persons.

"WARN" means the Worker Adjustment and Retraining Notification Act, as amended.

2. For purposes of this Agreement, the following terms shall have the meanings specified in the Sections indicated below:

<u>Term:</u>	<u>Section or Reference:</u>
Agreement.....	Preamble
Bankruptcy Code	Recitals
Bankruptcy Court.....	Recitals
Bidding Procedures	4.10 (b)
Bidding Procedures Order.....	4.10 (b)
Closing	4.1
Closing Date.....	4.1
Closing Payment	3.1
Closing Transactions.....	4.2
Debtors	Recitals
Deposit.....	3.2

Division.....	Recitals
Excluded Assets.....	2.2
Filing Date.....	Recitals
FSI.....	Preamble
Knowledge of Seller.....	1.2.5
Purchase Price.....	3.1
Purchased Assets.....	2.1
Purchaser.....	Preamble
Sale Hearing.....	4.10 (b)
Sale Order.....	Recitals
Seller.....	Preamble
Terminating Event.....	3.2
Termination Payment.....	8.2 (a)

EXHIBIT A

BIDDING PROCEDURES

Set forth below are the bidding procedures (the "Bidding Procedures") to be employed with respect to the Asset Purchase Agreement (the "Agreement") by and among Fansteel Inc., a Delaware corporation ("FSI" or the "Seller") and Plantsville Acquisition, LLC (the "Proposed Purchaser"), concerning the prospective sale (the "Sale") of the Purchased Assets (defined below). The Seller will seek entry of an order from the Bankruptcy Court authorizing and approving the Sale to a Qualified Bidder (as hereinafter defined) which the Seller may determine to have made the highest or otherwise best offer (the "Successful Bidder"). The following overbid provisions and related bid protections are designed to reimburse the Proposed Purchaser for its efforts and agreements to date and to facilitate a full and fair process designed to maximize the value of the Purchased Assets for the benefit of the Seller's creditors and stakeholders. These Bidding Procedures shall not be subject to material changes without approval of the Bankruptcy Court. All capitalized terms used in this Exhibit that are not separately defined herein shall have the respective meanings ascribed thereto in the Agreement.

Assets to be Sold

The Seller is offering for sale all of Fansteel's right, title and interest in and to certain assets of the Plantsville Division, including the VR/Wesson name and related trademarks, customer lists, machinery, equipment, and tooling, but excluding accounts receivable, inventory, real property and the other Excluded Assets delineated in the Asset Purchase Agreement, free from all security interests or other rights or interests of third parties.

The Bidding Process

The Seller shall (i) determine whether any person is a Qualified Bidder (as defined below), (ii) coordinate the efforts of Qualified Bidders in conducting their due diligence investigations, (iii) receive offers from Qualified Bidders, and (iv) negotiate any offers made to purchase the Purchased Assets (collectively, the "Bidding Process"). Any person who wishes to participate in the Bidding Process must be a Qualified Bidder. Neither the Seller nor its representatives shall be obligated to furnish any information of any kind whatsoever to any person who is not determined to be a Qualified Bidder. Qualified Bidders shall be given all relevant information pertaining to the Sale. The Seller shall have the right to adopt such other rules for the Bidding Process, which rules will better promote the goals of the Bidding Process and which are not inconsistent with any of the other provisions hereof or of any Bankruptcy Court order.

Participation Requirements

Unless otherwise ordered by the Bankruptcy Court for cause shown or as otherwise determined by the Seller, in order to participate in the Bidding Process each person (a "Potential Bidder") must deliver (unless previously delivered) to the Seller:

(i) An executed confidentiality agreement in form and substance satisfactory to the Seller; and

(ii) Current audited financial statements of the Potential Bidder, or, if the Potential Bidder is an entity formed for the purpose of acquiring the Purchased Assets, current audited financial statements of the equity holder(s) of the Potential Bidder, or such other form of financial disclosure acceptable to the Seller and its advisors demonstrating such Potential Bidder's ability to close a proposed transaction.

A "Qualified Bidder" is any Potential Bidder or multiple Potential Bidders participating in the Bidding process together that delivers the documents described in subparagraphs (i) and (ii), whose financial information demonstrates the financial capability of the Potential Bidders, either jointly or separately, to consummate the Sale, and that the Seller determines is reasonably likely (based on availability of financing, experience and other considerations) to submit a bona fide offer and to be able to consummate the Sale if selected as the Successful Bidder.

Within two Business Days after a Potential Bidder delivers all of the materials required by subparagraphs (i) and (ii) above, the Seller shall determine, and shall notify the Potential Bidder, if such Potential Bidder is a Qualified Bidder.

Due Diligence

The Seller may afford any Qualified Bidder the opportunity to conduct a due diligence review. The Seller will designate an employee or other representative to coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders. The Seller shall not be obligated to furnish any due diligence information after the Bid Deadline (as hereinafter defined). Neither the Seller nor any of its representatives are obligated to furnish any information to any person. Bidders are advised to exercise their own discretion before relying on any information provided by anyone other than the Seller or its representatives.

Bid Deadline

A Qualified Bidder who desires to make a bid shall deliver a written copy of its bid to (1) the Seller, c/o Schulte, Roth & Zabel LLP, 919 Third Avenue, New York, NY 10022, Attn: Jeffrey Sabin, Esq., not later than 11:00 a.m. (eastern time) on the date which is three Business Days prior to the date scheduled by the Bankruptcy Court for the Sale Hearing (the "Bid Deadline"). The Seller will immediately distribute by facsimile transmission, personal delivery or reliable overnight courier service in accordance with the Agreement, a copy of each Bid upon receipt to counsel for the Proposed Purchaser. The Seller may, in its discretion, extend the Bid Deadline once or successively, but is not obligated to do so. The Seller shall announce the terms of the highest and best Qualified Bids received by the Bid Deadline by 5:00 p.m. (Prevailing eastern time) on that date.

Bid Requirements

For the purposes of determining the existence of a bid, a bid for the Purchased Assets may be in the form of a joint bid from more than one Qualified Bidder, or may be in the form of separate bids from more than one Qualified Bidder, with each such separate bid being for a

portion of the Purchased Assets, but all of such separate bids collectively aggregating a bid price having a value greater than or equal to the sum of (x) the value, as reasonably determined by the independent financial advisor of the Seller, of the Proposed Purchaser's offer plus (y) other than where the Proposed Purchaser makes a bid, the amount of the Termination Payment (as defined below) plus (z) (A) in the case of the initial Qualified Bid, \$15,000, and (B) in the case of any subsequent Qualified Bids, \$10,000 plus the amount by which the preceding Qualified Bid exceeds the sum of (x) plus (y) above. All bids must include the following documents (the "Required Bid Documents"):

- A letter stating that one or more Qualified Bidders offer to purchase all or a portion of the Purchased Assets and that such offer is irrevocable until two Business Days after the Purchased Assets have been disposed of pursuant to these Bidding Procedures.
- A statement by each Qualified Bidder that it is prepared to enter into and consummate the Sale as soon as practicable but in no event more than thirty-one (31) days after entry by the Bankruptcy Court of the Sale Order.
- An executed copy of the Agreement, together with all Exhibits and Schedules thereto (the "Definitive Sale Documentation") marked and initialed to show those amendments and modifications to such agreement that the Qualified Bidder proposes, including, but not limited to, price and the time of closing.
- A good faith deposit (the "Good Faith Deposit") in the form of a certified check or other form acceptable to the Seller in its sole discretion payable to the order of the Seller (or such other party as the Seller may determine) in an amount equal to \$100,000. All Qualified Bidders shall enter into an escrow agreement as directed by the Seller.
- Written evidence of a commitment for financing or other evidence of ability to consummate the proposed transaction satisfactory to the Seller.

The Seller will consider a bid only if the bid is on terms that are not conditioned on obtaining financing or on the outcome of unperformed due diligence by the bidder. A bid received from a Qualified Bidder that includes all of the Required Bid Documents and meets all of the above requirements is a "Qualified Bid."

If the Seller does not receive any Qualified Bids, the Seller will report the same to the Bankruptcy Court and will proceed with a sale and assignment of the Purchased Assets to Proposed Purchaser pursuant to the terms of the Agreement. The Agreement executed by Proposed Purchaser shall constitute a Qualified Bid for all purposes.

Bid Protection

Recognizing the Proposed Purchaser's expenditure of time, energy and resources, the Seller has agreed to provide certain bidding protections to the Proposed Purchaser. Specifically, the Seller has determined that the Agreement will further the goals of the Bidding Procedures by

setting a floor for which all other Potential Bids must exceed and, therefore, is entitled to be selected as a "Stalking Horse Bid." As a result, the Seller has agreed to pay, in certain limited circumstances, to the Proposed Purchaser a break-up fee equal to \$33,000 (the "Termination Payment"). The payment of the Termination Payment shall be governed solely by the provisions of the Agreement.

Auction

If the Seller receives a Qualified Bid, the Seller will conduct an auction (the "Auction") at the offices of Schulte, Roth & Zabel LLP, 919 Third Avenue, New York, NY 10022, Attn: Jeffrey Sabin, Esq., on the date that is one Business Day prior to the date scheduled by the Bankruptcy Court for the Sale Hearing, beginning at 11:00 a.m. (EST) or such later time or other place as the Seller shall notify all Qualified Bidders who have submitted Qualified Bids. Only the Proposed Purchaser, the Seller, any representative of any creditors' committee appointed in the bankruptcy case and any Qualified Bidders who have timely submitted Qualified Bids shall be entitled to attend the Auction, and only the Proposed Purchaser and Qualified Bidders will be entitled to make any subsequent Qualified Bids at the Auction. During the Auction, bidding shall begin initially with the highest Qualified Bid and continue in minimum increments of at least \$10,000 higher than the previous Qualified Bid. Bidding at the Auction will continue until such time as the highest and best Qualified Bid is determined. The Seller may announce at the Auction additional procedural rules that are reasonable under the circumstances (e.g., the amount of time allotted to make subsequent overbids) for conducting the Auction so long as such rules are not inconsistent with these Bidding Procedures.

Upon conclusion of the Auction, the Seller, in consultation with its financial and business advisors shall (i) review each Qualified Bid or bids on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale, and (ii) identify the highest and otherwise best offer for the Purchased Assets (the "Successful Bid"), which highest and best offer will provide the largest amount of net value to the Seller after payment of, among other things, the Termination Payment, if necessary. The Seller may adopt rules for the bidding process at the Auction that will better promote the goals of the bidding process and that are not inconsistent with any of the provisions of the Bankruptcy Code, any Bankruptcy Court order, or these Bidding Procedures.

Acceptance of Qualified Bids

The Seller shall sell the Purchased Assets for the highest or otherwise best Qualified Bid received at the Auction upon the approval of such Qualified Bid by the Bankruptcy Court after the hearing (the "Sale Hearing"). The Seller's presentation of a particular Qualified Bid to the Bankruptcy Court for approval does not constitute the Seller's acceptance of the bid. The Seller will be deemed to have accepted a bid only when the bid has been approved by the Bankruptcy Court at the Sale Hearing.

Sale Hearing

The Sale Hearing will be held before the Honorable [Joseph J. Farnan] on [], 2003 at [] a.m. (prevailing eastern time) at the United States District Court for the District of

Delaware, located in Wilmington, Delaware, but may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Hearing.

Following the Sale Hearing approving the sale of the Purchased Assets or the Plantsville Facility to a Successful Bidder, if such Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the next highest or otherwise best Qualified Bid, as disclosed at the Sale Hearing, shall be deemed to be the Successful Bid and the Seller shall be authorized, but not required, to consummate the sale with the Qualified Bidder submitting such bid without further order of the Bankruptcy Court.

Return of Good Faith Deposit

Good Faith Deposits of all Qualified Bidders (except for the Successful Bidder) shall be held in an interest-bearing escrow account until two Business Days following the Auction. If a Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Seller will not have any obligation to return the Good Faith Deposit deposited by such Successful Bidder.

Modifications

The Seller may (a) determine, which Qualified Bid, if any, is the highest or otherwise best offer; and (b) reject at any time before entry of an order of the Bankruptcy Court approving a Qualified Bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of the Seller, its estates and creditors. At or before the Sale Hearing, the Seller may impose such other terms and conditions as it may determine to be in the best interests of the Seller's estate, its creditors and other parties in interest.

EXHIBIT B

FORM OF DEPOSIT ESCROW AGREEMENT

DEPOSIT ESCROW AGREEMENT

DEPOSIT ESCROW AGREEMENT, dated as of October 1, 2003, by and among Fansteel Inc., a Delaware corporation (the "Seller"), Plantsville Acquisition, LLC, a Connecticut limited liability company (the "Purchaser") and Schulte Roth & Zabel LLP, as Escrow Agent (the "Escrow Agent").

WITNESSETH

WHEREAS, the Purchaser and the Seller are parties to an Asset Purchase Agreement, dated October 1, 2003 (the "Purchase Agreement"), pursuant to which the Purchaser is acquiring the Purchased Assets (as defined in the Purchase Agreement). Defined terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement; and

WHEREAS, the Purchase Agreement provides for the payment and delivery by the Purchaser of a deposit amount into the escrow hereby established, to be held and dealt with by the Escrow Agent as herein provided.

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained herein, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Definitions. The following terms shall have the following meanings when used herein:

"Escrow Period" shall mean the period commencing on the date hereof and ending on December 15, 2003, unless terminated earlier by written agreement of the parties.

"Joint Written Direction" shall mean a written direction executed by the Seller and the Purchaser and directing the Escrow Agent to disburse all or a portion of the Escrow Funds or to take or refrain from taking an action pursuant to this Deposit Escrow Agreement.

2. Appointment of and Acceptance by Escrow Agent. The Purchaser and the Seller hereby appoint Escrow Agent to serve as escrow agent during the Escrow Period hereunder. Escrow Agent hereby accepts such appointment and, upon receipt by wire transfer of the Escrow Funds in accordance with Section 3, agrees to hold and disburse the Escrow Funds in accordance with this Deposit Escrow Agreement.

3. Creation of Escrow Fund. On the date hereof, the Purchaser shall transfer the sum of \$100,000 (the "Escrow Funds") to the Escrow Agent, by wire transfer of immediately available funds, to the following account:

Citibank N.A.
111 Wall Street
New York, New York 10043

ABA Account No.: 021000089
Attorney Business Account
For credit to account number 02816927 in the name of SCHULTE ROTH
& ZABEL, LLP ATTORNEY TRUST ACCOUNT

4. Disbursements of Escrow Fund.

(a) Joint Written Direction. Escrow Agent shall disburse Escrow Funds, at any time and from time to time, in accordance with a Joint Written Direction.

(b) Bid Procedures Order. (i) In the event that the Bankruptcy Court does not enter the Bid Procedures Order by November 25, 2003, Escrow Agent shall disburse the Escrow Funds to the Purchaser.

(ii) Upon the entry by the Bankruptcy Court of the Bid Procedures Order at any time prior to November 25, 2003, Escrow Agent shall disburse the Escrow Funds to the Purchase Price Escrow (as defined in the Purchase Agreement).

(c) Expiration of Escrow Period. Unless previously distributed, upon the expiration of the Escrow Period, Escrow Agent shall distribute, as promptly as practicable and without any further instruction or direction from the Seller or the Purchaser, all funds to the Purchaser.

5. Disbursement Into Court.

(a) If, at any time, there shall exist any dispute between the Seller and the Purchaser with respect to the holding or disposition of any portion of the Escrow Funds or any other obligations of Escrow Agent hereunder, or if at any time Escrow Agent is unable to determine, to Escrow Agent's sole satisfaction, the proper disposition of any portion of the Escrow Funds or Escrow Agent's proper actions with respect to its obligations hereunder, or if the Seller and the Purchaser have not within 10 days of the furnishing by Escrow Agent of a notice of resignation pursuant to Section 7 hereof, appointed a successor Escrow Agent to act hereunder, then Escrow Agent may, in its sole discretion, take either or both of the following actions: (i) suspend the performance of any of its obligations (including without limitation any disbursement obligations) under this Deposit Escrow Agreement; and/or (ii) petition (by means of an interpleader action or any other appropriate method) the Bankruptcy Court (as defined in the Purchase Agreement), for instructions with respect to such dispute or uncertainty, and to the extent required by law, pay into such court for holding and disposition in accordance with the instructions of such court, all funds held by it in the Escrow Funds.

(b) Except as otherwise required pursuant to Section 4 of this Agreement, the Escrow Agent shall be entitled to retain and continue to hold the Escrow Fund pursuant hereto until the Escrow Agent shall have received (i) a final non-appealable order of the Bankruptcy Court directing delivery of the Escrow Fund, (ii) a Joint Written Direction or (iii) notice of the appointment of a successor Escrow Agent, in which event the Escrow Agent shall

disburse the Escrow Fund in accordance with such order, Joint Written Direction or notice. Any court order referred to in (i) above shall be accompanied by a legal opinion by counsel for the presenting party satisfactory to the Escrow Agent to the effect that said court order is final and non-appealable. The Escrow Agent shall act on such court order and legal opinion without further question.

(c) Escrow Agent shall have no liability to the Purchaser, the Seller or any other person with respect to any such suspension of performance or disbursement into court, specifically including any liability or claimed liability that may arise, or be alleged to have arisen, out of or as a result of any delay in the disbursement of funds held in the Escrow Funds or any delay in or with respect to any other action required or requested of Escrow Agent.

6. Investment of Funds. Escrow Agent shall invest the funds held in the Escrow Funds in a non-interest bearing trust account with any federal or state chartered bank, bank and trust company, or national banking association with a combined capital and surplus in excess of \$100,000,000.

7. Resignation and Removal of Escrow Agent; Successor Escrow Agent.

(a) Escrow Agent may resign from the performance of its duties hereunder at any time by giving 10 days' prior written notice to the Seller and the Purchaser or may be removed, with or without cause, by the Seller and the Purchaser, acting jointly by furnishing a Joint Written Direction to Escrow Agent, at any time by the giving of 10 days' prior written notice to Escrow Agent. Such resignation or removal shall take effect upon the appointment of a successor Escrow Agent as provided herein below.

(b) Upon any such notice of resignation or removal, the Seller and the Purchaser jointly shall appoint a successor Escrow Agent hereunder, which shall be a bank, bank and trust company, or national banking association with a combined capital and surplus in excess of \$100,000,000. Upon the acceptance in writing of any appointment as Escrow Agent hereunder by a successor Escrow Agent, such successor Escrow Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Escrow Agent, and the retiring Escrow Agent shall be discharged from its duties and obligations under this Deposit Escrow Agreement, but shall not be discharged from any liability for actions taken as Escrow Agent hereunder prior to such succession. In the event that no successor Escrow Agent shall be appointed within 10 days of any resignation by the Escrow Agent hereunder, the Escrow Agent may apply to the Bankruptcy Court for the appointment of a successor Escrow Agent. After any retiring Escrow Agent's resignation or removal, the provisions of this Deposit Escrow Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Escrow Agent under this Deposit Escrow Agreement. The retiring Escrow Agent shall transmit all records pertaining to the Escrow Funds and shall pay all funds held by it in the Escrow Funds to the successor Escrow Agent, after making copies of such records as the retiring Escrow Agent deems advisable.

8. Liability of Escrow Agent; Indemnification. The Escrow Agent shall not be liable for and, each of the Purchaser and Seller shall jointly and severally indemnify and hold harmless the Escrow Agent (and any successor Escrow Agent) from and against, any and all losses, liabilities, claims, actions, damages and expenses, including attorneys' fees and

disbursements, arising out of or in connection with this Deposit Escrow Agreement; provided that the Escrow Agent shall be liable for its own gross negligence or willful misconduct with respect to losses, liabilities, claims, actions damages and expenses, including attorneys' fees and disbursements, based upon such gross negligence or willful misconduct that are successfully asserted against the Escrow Agent. In no event shall Escrow Agent deduct any amount or otherwise set off against the Escrow Funds in connection with any claim for indemnification or expenses hereunder.

9. Reliance. The Escrow Agent shall be entitled to rely upon any order, judgment, certification, demand, notice, instrument or other writing delivered to it hereunder without being required to determine the authenticity or the correctness of any fact stated therein or the propriety or validity or the service thereof. The Escrow Agent may act in reliance upon any instrument or signature believed by it to be genuine and may assume that any person purporting to give notice or receipt or advice or purporting to make any statement or to execute any document in connection with the provisions hereof has been duly authorized to do so. The Escrow Agent and any agent thereof may act pursuant to the advice of counsel with respect to any matter relating to this Deposit Escrow Agreement and shall not be liable for any action taken or omitted in accordance with such advice.

10. Expenses of Escrow Agent. The Seller shall reimburse Escrow Agent for all of its reasonable out-of-pocket expenses, including attorneys' fees, travel expenses, telephone and facsimile transmission costs, postage (including express mail and overnight delivery charges), copying charges and the like. The obligations of Seller under this Section 10 shall survive any termination of this Deposit Escrow Agreement and the resignation or removal of Escrow Agent.

11. Representations and Warranties.

(a) Purchaser makes the following representations and warranties to the Escrow Agent and the Seller:

(i) Purchaser is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Connecticut and has full power and authority to execute and deliver this Deposit Escrow Agreement and to perform its obligations hereunder.

(ii) This Deposit Escrow Agreement has been duly approved by all necessary action of Purchaser, including any necessary shareholder approval, has been executed by duly authorized officers of such Purchaser, and constitutes a valid and binding agreement of Purchaser, enforceable in accordance with its terms, except as such enforceability may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and as such obligations are subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

(iii) William Firestone has been duly appointed to act as the representative of the Purchaser hereunder and has full power and authority to execute, deliver, and perform this Deposit Escrow Agreement, to execute and deliver any Joint Written Direction, to amend, modify or waive any provision of this Agreement and to take any and all other actions as the Purchaser under this Agreement, all without further consent or direction from, or notice to, any Purchaser or any other party.

(b) Each Seller makes the following representations and warranties to the Escrow Agent and the Purchaser:

(i) Such Seller has full power and authority to execute and deliver this Deposit Escrow Agreement and to perform its obligations hereunder.

(ii) This Deposit Escrow Agreement constitutes a valid and binding agreement of such Seller, enforceable in accordance with its terms, except as such enforceability may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and as such obligations are subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

(iii) Gary Tessitore and Michael McEntee have been duly appointed to act as the representative of the Purchaser hereunder and each has full power and authority to execute, deliver, and perform this Deposit Escrow Agreement, to execute and deliver any Joint Written Direction, to amend, modify or waive any provision of this Agreement and to take any and all other actions as the Purchaser under this Agreement, all without further consent or direction from, or notice to, any Purchaser or any other party.

12. Termination. Upon the first to occur of the disbursement of all amounts in the Escrow Funds pursuant to Section 4 of this Deposit Escrow Agreement or final court order or the disbursement of all amounts in the Escrow Funds into court pursuant to Section 5 hereof, this Deposit Escrow Agreement shall terminate and Escrow Agent shall have no further obligation or liability whatsoever with respect to this Deposit Escrow Agreement or the Escrow Funds.

13. Miscellaneous.

(a) Amendments and Waivers. The provisions of this Deposit Escrow Agreement may not be amended, modified, supplemented or terminated, and waivers or consents to departures from the provisions hereof may not be given, without the written consent of the Seller, the Purchaser and the Escrow Agent. Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach of default of another party under this Deposit Escrow Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring;

nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, telecopier, any nationally recognized courier guaranteeing overnight delivery, or first class registered or certified mail, return receipt requested, postage prepaid, addressed to the applicable party set forth below. All such notices and communications shall be deemed to have been duly given: at the time delivered, if delivered by hand; when noted on a confirmation report (or if such delivery date is not a business day, on the next business day), if telecopied; on the next business day, if timely delivered to a nationally recognized courier guaranteeing overnight delivery; five days following the date mailed, if deposited in the United States mail, postage prepaid, certified or registered, return receipt requested.

If to the Escrow Agent:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, NY 10022
Attn: André Weiss and Jeffrey S. Sabin
Fax: (212) 593-5955

with a copy to:

Freeborn & Peters
311 South Wacker Drive, Suite 300
Chicago, Illinois 60606
Attn: Francis Gecker and Joseph D. Frank
Fax: 312.360.6520

If to a Seller:

Fansteel Inc.
One Tantalum Place
North Chicago, IL 60064
Attn: Chief Executive Officer
Fax: (847) 689-0307

with a copy to:

Freeborn & Peters
311 South Wacker Drive, Suite 300
Chicago, Illinois 60606
Attn: Francis Gecker and Joseph D. Frank
Fax: 312.360.6520

If to the Purchaser:

Plantsville Acquisition LLC
1654 King Street
Enfield, Connecticut 06082
Attn: William Firestone
Fax: (860) 623-9060

with a copy to:

Cooley, Shrair P.C.
1380 Main Street, 5th Floor
Springfield, Massachusetts 01103
Attn: Peter Shrair, Esq.
Fax: (413) 733-3042

(c) Successors and Assigns. This Deposit Escrow Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors and assigns. For purposes of this Deposit Escrow Agreement, "successor" for any entity other than a natural person shall mean a successor to such entity as a result of such entity's merger, consolidation, sale of substantially all of its assets or similar transaction.

(d) Counterparts. This Deposit Escrow Agreement may be executed in counterparts, each of which, when so executed and delivered, shall be deemed to be an original and enforceable, but all of which counterparts, taken together, shall constitute one and the same instrument.

(e) Descriptive Headings, Etc. The headings in this Deposit Escrow Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein. Unless the context of this Deposit Escrow Agreement otherwise requires: (i) words of any gender shall be deemed to include each other gender; (ii) words using the singular or plural number shall also include the plural or singular number, respectively; (iii) the words "hereof", "herein" and "hereunder" and words of similar import when used in this Deposit Escrow Agreement shall refer to this Deposit Escrow Agreement as a whole and not to any particular provision of this Deposit Escrow Agreement, and Section and paragraph references are to the Sections and paragraphs of this Deposit Escrow Agreement; (iv) the word "including" and words of similar import when used in this Deposit Escrow Agreement shall mean "including, without limitation," unless otherwise specified; (v) "or" is not exclusive; and (vi) provisions apply to successive events and transactions.

(f) Severability. In the event that any one or more of the provisions, paragraphs, words, clauses, phrases or sentences contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision, paragraph, word, clause, phrase or

sentence in every other respect and of the other remaining provisions, paragraphs, words, clauses, phrases or sentences hereof shall not be in any way impaired, it being intended that all rights, powers and privileges of the parties hereto shall be enforceable to the fullest extent permitted by law; provided that this Section 13(f) shall not cause this Deposit Escrow Agreement to differ materially from the intent of the parties as herein expressed.

(g) Governing Law. This Deposit Escrow Agreement shall be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to the conflict of laws principles thereof).

(h) Entire Agreement. This Deposit Escrow Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings relating to such subject matter, other than those set forth or referred to herein. This Deposit Escrow Agreement supersedes all prior agreements and understandings between the Escrow Agent and the other parties to this Deposit Escrow Agreement, both written and oral, with respect to such subject matter.

(i) Consent to Jurisdiction. Each party to this Deposit Escrow Agreement hereby irrevocably and unconditionally agrees that any action, suit or proceeding, at law or equity, arising out of or relating to this Deposit Escrow Agreement or any agreements or transactions contemplated hereby shall only be brought in the Bankruptcy Court and hereby irrevocably and unconditionally expressly submits to the personal jurisdiction and venue of such court for the purposes thereof and hereby irrevocably and unconditionally waives (by way of motion, as a defense or otherwise) any and all jurisdictional, venue and convenience objections or defenses that such party may have in such action, suit or proceeding. Each party hereby irrevocably and unconditionally consents to the service of process of any of the aforementioned court. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law or commence legal proceedings or otherwise proceed against any other party in any other jurisdiction to enforce judgments obtained in any action, suit or proceeding brought pursuant to this Section.

(j) Further Assurances. Each party hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Deposit Escrow Agreement and the consummation of the transactions contemplated hereby. Any out-of-pocket costs associated with complying with this Section shall be borne by the requesting party.

(k) Termination. This Deposit Escrow Agreement shall continue in effect until the earliest to occur of (i) all funds are disbursed pursuant to Section 4, and (ii) the resignation or removal of the escrow Agent pursuant to Section 7, provided that no such termination shall affect Section 8 of this Agreement.

(l) Construction. The parties hereto acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Deposit Escrow Agreement with its legal counsel and that this Deposit Escrow Agreement shall be construed as if jointly drafted by the parties.

(m) Waiver of Jury Trial. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING, WHETHER AT LAW OR EQUITY, BROUGHT BY ANY OF THEM IN CONNECTION WITH THIS DEPOSIT ESCROW AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(n) Remedies; Specific Performance. The parties hereto acknowledge that money damages would not be an adequate remedy at law if any party fails to perform in any material respect any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to seek to compel specific performance of the obligations of any other party under this Deposit Escrow Agreement, without the posting of any bond, in accordance with the terms and conditions of this Deposit Escrow Agreement in the Bankruptcy Court, and if any action should be brought in equity to enforce any of the provisions of this Deposit Escrow Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law. No remedy shall be exclusive of any other remedy. All available remedies shall be cumulative.

(o) Cost and Expenses. Except as provided in Section 10, the parties hereto shall each bear their own costs and expenses, including, but not limited to, legal fees, with respect to this Deposit Escrow Agreement and the transactions contemplated hereby.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Deposit Escrow Agreement to be executed under seal as of the date first above written.

SELLERS:

FANSTEEL INC.

By: _____
Name:
Title:

PURCHASER:

PLANTSVILLE ACQUISITION, LLC

By: _____
Name:
Title:

ESCROW AGENT:

SCHULTE ROTH & ZABEL LLP

By: _____
Name: Andre Weiss
Title: Partner

EXHIBIT C

FORM OF ACCESS AGREEMENT

9490320.11

B-1

SITE ACCESS AND RELEASE AGREEMENT

This Access Agreement ("Agreement") dated October 1, 2003 by and between Fansteel Inc., a Delaware corporation ("Seller") and Plantsville Acquisition, LLC, a Connecticut limited liability company (the "Purchaser").

WITNESSETH:

WHEREAS, Seller owns the Purchased Assets (as defined in that Asset Purchase Agreement dated as of October 1, 2003 between the Seller and the Purchaser) located at 389 Marion Avenue, Plantsville, Connecticut 06479; and

WHEREAS, Seller and Purchaser have entered into an Asset Purchaser Agreement whereby Seller has agreed to sell and Purchaser has agreed to buy the Purchased Assets including the Plantsville Facility; and

WHEREAS, Purchaser has agreed to be the "certifying party" under the Connecticut Transfer Act ("CTA") and desires to perform an investigation of the environmental conditions at the Plantsville Facility to enable it to prepare the Environmental Condition Assessment Form ("ECAF") and CTA Form III required by the CTA to be completed within ten (10) days of the closing.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Seller hereby grants to Purchaser and its environmental consultant a license to enter the Plantsville Facility for a period of no longer than 30 days for the purpose of performing the ECAF and otherwise comply with its obligations as a certifying party under the CTA; provided, that the period of time shall be extended for up to an additional 14 days with the consent of the Seller which consent shall not be unreasonably withheld.

2. Purchaser shall use an environmental consultant that maintains in the following amounts of insurance coverage: Worker's Compensation and Employer's Liability Insurance at the statutory amount; Commercial General Liability Insurance with combined single limits of One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) in the aggregate; Comprehensive Automobile Liability Insurance (owned, non-owned and hired) with a combined single limit of Five Hundred Thousand Dollars (\$500,000); and Professional Errors and Omissions Insurance with limits of One Million Dollars (\$1,000,000) per incident and in the aggregate. Neither Purchaser nor its environmental consultant shall enter the Plantsville Facility until it provides a certificate of insurance to Seller evidencing the foregoing insurance coverage and naming Seller as an additional insured. A copy of such certificate of insurance is attached hereto as Exhibit A.

3. Purchaser shall not disclose the results of any information generated during the performance of the ECAF to any third parties including any

government agencies unless affirmatively required by law to do so. If Purchaser concludes that it is required to disclose such information, Purchaser shall immediately notify Seller of the particular disclosure requirement involved. If Seller fails to make the disclosure required by law within a reasonable period, Purchaser may then make the disclosure required by law. However, before making such disclosure, Purchaser shall provide Seller with a copy of any proposed disclosures or submittals and shall provide Seller with a reasonable time period to review and comment upon such proposed submittal or disclosure. Purchaser shall incorporate any lawful modifications by Seller prior to making such submittal or disclosure.

4. Purchaser agrees to release, protect, indemnify and hold harmless Seller from any and all claims, liabilities, damages and causes of action of any kind including but not limited to damage to the Plantsville Facility or personal injury that is in any way related to and to the extent caused by the negligent or willful acts, errors, or omissions of Purchaser, its employees, agents, or subcontractors in the performance of the ECFA.

5. Purchaser hereby agrees that it shall perform the ECAF and prepare the CTA Form III as its sole expense and shall not look to Seller for reimbursement of any costs or expenses whatsoever.

6. This Agreement shall constitute the entire agreement between the parties regarding the subject matter and shall supersede any and all previous agreements, negotiations, understandings and writings regarding the subject matter.

7. No waiver of any of the provisions of this Agreement shall be deemed or constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party (or parties) making the waiver.

8. This Agreement may not be amended or modified except by an agreement in writing signed by the parties.

9. This Agreement shall be governed by and construed in accordance with the laws of the state of New York.

10. Any provision of this Agreement that is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

11. This Agreement may be executed and delivered in any number of counterparts, each of which when executed and delivered shall be considered an original, and such counterparts together shall constitute one and the same document.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the day and year written above.

FANSTEEL INC

By: _____
Name:
Title:

PLANTSVILLE ACQUISITION, LLC

By: _____
Name:
Title:

Schedule 2.1(a)
Machinery and Equipment

Item #	Qty.	Description
--------	------	-------------

145	1-	Kysor Johnson Model HA-16 Horizontal Band Saw, S/N 402724, (New 1978), 16" x 16" Cycle Counter and Automatic Feed, with Roller Conveyor
146	1-	DoAll Model 2613-3 Vertical Band Saw, S/N 198-61109; (New 1961), with Hydraulic Table, Blade Welder, and Grinder
147	1-	DoAll Model C-70 Automatic Horizontal Band Saw, S/N 156-881676, (New 1968), with Cycle Counter, Auto Feed, and Unload Table
148	1-	Sundstrand 10" Hydraulic Table Belt Sander, 12" x 24" Table, 15-HP Motor
149	Lot-	Miscellaneous Equipment in Saw Room to include 2-Ton 360-Degree Jib with Coffing Electric Hoist, Stock Stand, Bench Sander, Supply Cabinet, etc.
150	1-	Lindberg 24" x 24" x 36" Electric Furnace, S/N N.A., Bricked
151	1-	Tinius Olsen Locap Testing Machine
152	1-	Wilson Rockwell Model 1JR B & C Scale Hardness Tester, S/N 1JR14
153	1-	Wilson Rockwell Model 3JR B & C Scale Hardness Tester, S/N 10860
154	Lot-	Miscellaneous Equipment in Foundry Room to include Inductotherm Power Panel (Power Trak 125-30R), (New 1997), S/N 976-75318-246-11, (2) Induction Furnaces 100-Lb. Capacity, Devilbiss Cleaning Station, Mold Spray Station, Saw, and Sander
155	1-	Geo T. Schmidt Marking Machine, S/N 4232, with Stamps
156	1-	Noblewest 60 Air Operated Marking Machine, S/N N.A.
157	2-	Porter-Cable 8" Wet/Dry Abrasive Belt Grinders, S/N 204, S/N 205

Item #	Qty.	Description
--------	------	-------------

158	1-	Radial 16" Abrasive Cutoff Saw, 10-HP, S/N N.A., with Air Vice
159	1-	Delta 12" Abrasive Chop Saw, S/N 1371624
160	1-	Bridgeport Vertical Milling Machine, S/N 63051, 1-HP Step Pulley, 9" x 36" Table Vice
161	2-	Asset #281 Harig Model 612 Hand Feed Surface Grinder, S/N N.A., 6" x 12" Permanent Magnetic Chuck
162	1-	UniBlaster Model SB4 Sand Blast Cabinet, S/N 1324, 1-HP
163	1-	Hanchett 12" x 48" Vertical Spindle Reciprocating Hydraulic Surface Grinder, S/N N.A., 25-HP Spindle, with 12" x 48" Electro Magnetic chuck, Coolant
164	1-	Harig Model 612 Surface Grinder, S/N 3310-3, with 6" x 12" Permanent Chuck
165	1-	Asset #297 Jones & Shipman Model 1400, 8" x 24" Hydraulic Surface Grinder, Power Elevation, Electro Magnetic Chuck
166	1-	Mattison Vertical Spindle Model 300 Hydraulic Surface Grinder, S/N N.A., (New 1940's), 12" x 60" Chuck, 40-HP Spindle, Coolant
167	1-	Hanchett Vertical Spindle Reciprocating Hydraulic Surface Grinder, 12" x 60" Electro Magnetic Chuck, 25-HP Spindle, Coolant
168	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 4471, with 6" x 12" Permanent Magnetic Chuck
169	1-	Jones-Shipman Model 1400 Hydraulic Surface Grinder, 8" x 24", S/N B092872, Power Elevation, Coolant, Permanent 6" x 18" Chuck
170	1-	Cincinnati #2 Tool & Cutter Grinder, S/N 1D2T5J-40, Tool Vice Only

Item #	Qty.	Description
--------	------	-------------

171	1-	Asset #244B Thompson Model B Crush Form Hydraulic Surface Grinder with Diamond Roll Form Dresser, S/N TB867228, 10" x 36" Capacity, with 6" x 18" Electric Chuck, Coolant
172	4-	Wilder Aribeam 14" Vertical Stage Optical Comparators, S/N 7901, with 20x Lens
173	1-	Asset #1022 Hanchett Model 300 Vertical Spindle Surface Grinder, 12" x 48" Electro Magnetic Chuck, 25-HP Spindle, Coolant
174	1-	Cazeneuve Model HB575 Engine Lathe, S/N 13849P10, 20" x 54" Capacity, Inch and Metric Threading 3 and 4 Jaw Chucks, 4-Way Tool Post, Trav-a-Dial
175	Lot-	Out of Service Machinery Including Blanchard Model #11-16 Rotary Surface Grinder, S/N 0488, Harig Model 612 Rotary Surface Grinder, S/N - 4255, (2) Oliver HD-Aces Tool & Cutter Grinders; S/N 204, S/N 1145, Sheffield Optical Cutter Grinder
176	1-	Atlantic Model 7000 Jig Borer, S/N 129-68, with Atlantic Optical Rotary Table, 3-Axis Sony DRO
177	1-	OKK Model MH-5V Vertical Milling Machine, S/N 183, 22" x 95" T-Slotted Table, 50 Taper D.D.B., 3 Axis Sony DRO, Vice, Tooling
178	1-	Reid Rollerway Model 618 Hand Feed Surface Grinder, S/N 21288, with 6" x 12" Permanent Magnetic Sine Chuck, 1.5-HP Spindle, Torit Dust Collector
179	1	OKK Horizontal Model MH-5R Milling Machine, S/N 611, (New 1979), 18" x 88" Table, with Universal Vertical Head
180	1-	OKK Model MH5VJ Vertical Milling Machine, S/N 570, (New 1980), 18" x 88" Table, 50 Taper D.D.B

Item #	Qty.	Description
--------	------	-------------

181	1-	Bridgeport Vertical Milling Machine, S/N 218389, 1-HP Step Pulley Head, 9" x 36" Table, 4" Riser, 2-Axis Sony DRO
182	1-	Bridgeport Vertical Milling Machine, S/N 225258, 1-HP Step Pulley Head, 9" x 36" Table, 4" Riser, 2-Axis Sony DRO
183	1-	Bridgeport Vertical Milling Machine Series 1, 2-HP, S/N 126228, 9" x 42" Table, with P.F. 2-Axis DRO
184	1-	Mori Seiki Model MV-45/40 Vertical Machining Center, S/N 452, (New 1984), Fanuc 6M CNC Control, 18" x 43" Table, Coolant, 20-Position ATC Chip Conveyor
185	6-	Moog Hydrapoint Vertical Machining Centers, with Moog Hydrapath I 3000MC CNG Controls, 12" x 32" Table, 24-Position ATC, S/N 2674, S/N 2443, S/N 3882, S/N 2820, S/N 2477, S/N N.A.
186	1-	Cincinnati Model 2MI Horizontal Mill, S/N 2J2U6C-11-R, 10" x 52" Table, 2,000-rpm, 50-Taper Spindle
187	1-	W & S Model 2SC M5060 CNC Turning Center, S/N 2814997, with Allen Bradley 7360 CNC Control, 3-Jaw 15" Power Chuck, Tooling
188	1-	Asset #223 Atlantlo Series 4000 Jig Borer, S/N 4000-47-61, with Precise Air Grinding Spindle
189	1-	Grob 24" Vertical Band Saw Type NS24, S/N 3522, with Bladewelder and Grinder
190	1-	Thompson 8" x 24" Hydraulic Surface Grinder, S/N 2F-602389, 8" x 24" Permanent Magnetic Chuck
191	1-	Chevalier Model FSG-618 Hand Feed Surface Grinder, S/N 02-3733, 6" x 8" Permanent Chuck
192	1-	Jones-Shipman Model 1400 Hydraulic Surface Grinder, S/N 60047, 8" x 24" Capacity, with 6" x 18" Electro Magnetic Chuck, Power Elevation

Item #	Qty.	Description
--------	------	-------------

193	1-	Bridgeport Vertical Mill, S/N 194414, 1-1/2-HP V Head, 9" x 42" Table, 4" Riser, 2-Axis DRO
194	1-	Bridgeport Vertical Mill, S/N 225248, 1-HP Step Pulley Head, 9" x 42" Table, 2-Axis DRO
195	1-	Bridgeport Vertical Mill, S/N 120204, 1-1/2-HP V. Head, 4" Riser, 9" x 42" Table
196	1-	Tree 2UVRC Vertical Mill Model, S/N N.A., 2-HP Spindle, 11" x 48" Table, 2-Axis DRO
197	1-	Hardinge Model HC Turret Lathe, S/N CM8200, Vari-Speed Spindle, Threading
198	1-	Manufacturer Unknown 5-Spindle Drill Press, with (4) Della Rockwell-14" Heads, (1) Clausing 20" Vari-Speed Head on 24" x 98" Production Table
199	1-	Asset #220 Jones & Shipman Center Lap, 48" Max Centers
200	1-	Asset #241 Jones & Shipman Model #1300 Cylindrical Grinder, 10" x 27"
201	1-	Studer Type OC 6" x 18" Cylindrical Grinder, S/N 23219, Hand & Hydraulic 12" Grinding Wheel
202	1-	Asset #243 Bryant Universal Internal Grinder, Sine Bar Work Head, 12" Magnetic Chuck, Hydraulic Table, Coolant
203	2-	Reid 6" x 18" Hand Feed Surface Grinders, with Brown & Sharp Visual Grind Attachment, 1-HP Spindle, Torit Dust Collector, 6" x 12" Permanent Magnetic Chuck
204	1-	Brown & Sharp Visual Grind Model 618 Micromaster Hydraulic Surface Grinder, S/N 523-6181-1373
205	1-	Jones & Shipman Model 1400, 8" x 24" Hydraulic Surface Grinder, S/N B091711, 8" x 24" Permanent Magnetic Chuck, Power Elevation

Item #	Qty.	Description
--------	------	-------------

208	1-	Jones & Shipman Model 540P, 6" x 18" Hydraulic Surface Grinder, S/N B074049, 6" x 18" Permanent Magnetic Chuck, Power Elevation
207	1-	Bridgeport Vertical Mill, S/N 123115, 1-HP Step Pulley Head, 9" x 42" Table, Servo Power Feed
208	1-	Clausing Model 4904, 10" x 24" Engine Lathe, S/N 401649, 3-Jaw Chuck, Tool Post
209	1-	Bridgeport Vertical Mill, S/N 218393, 1-HP Step Pulley Head, 9" x 42" Table, Vice, Light
210	1-	Charmilles Model EF20-630 CNC Wire EDM Machine, S/N 630518, Rebuild #8517, 26" x 40" Tank, with CNC Controller, S/N 40501, Type EF20930
211	1-	Charmilles Model EF20-330 CNC Wire EDM, S/N 330527/3527, 18" x 30" Tank, with CNC Controller S/N 40544, Type 20-330
212	2-	Ewag Model RS09 Precision Tool Grinders, S/N 099601016, S/N 090002133, with Ewag Model Z520SI Optical Comparator Over Head, Coolant and Filter
213	1-	Ewag Model RS07 Precision Tool Grinder, S/N 079403-084, with Ewag Model Z520SI Optical Comparator Over Head, Coolant and Filter
214	1-	Wendt Model WAMECO CNC Carbide Grinder, S/N 853188102S
215	1-	Wendt Model WDC 44M, 4-Axis CNC Insert Grinder, S/N 83026, 14" Grinding Wheel, Auto Dressing, Wendt CNC Controls
216	1-	Wendt Model WAM 300/11 Universal Carbide Insert Grinder, S/N 87048, 14" Grinding Wheel, Hydraulic System Auto Dressing Device
217	2-	Wendt Model WAM 300/35 CNC Periphery Carbide Insert Grinders, S/N 87038, S/N 87047, 14" Grinding Wheel 2 to 8mm Oscillation Stroke, 53mm Workpiece Slide Traverse, Hydraulic System, Auto Dressing, Wendt CNC Controls

*Destroyed by
file*

Item #	Qty.	Description
--------	------	-------------

218	3-	Wendt WAM 300's Carbide Insert Grinders, S/N 77135, S/N 80046, S/N 77134 (Machines Are Not In Service)
219	1-	Ewag Ewamatio 5-Axis CNC High Precision Production Tool & Cutter Grinder, S/N 93026, 5-HP Grinding Wheel, X-Travel 14.173", Y-Travel 9.055", Z-Travel 5.906", B-Travel + or - 120 Degrees
220	1-	J & L Model FC 14A Optical Comparator, S/N 21920, 18" Table Power Elevation, 10x Lens
221	2-	Agathon Model 220-pm Carbide Grinder, S/N's N.A. (Not In Service)
222	3-	Agathon Model 250 PA CNC Carbide Insert Grinders, S/N 868704272, S/N 868704284, S/N 868704273
223	2-	Agathon Model 250 PA CNC Carbide Insert Grinders, S/N 888604235, S/N 888604203
224	1-	Yale 3,000-Lb. Capacity Stand Up Electric Fork Truck, S/N M30R-E-49017, 130" Lift
225	1-	Caterpillar Model T80B, 8,000-lb. Capacity LP Gas Fork Truck, S/N 12N2448, 48" Forks, 156" Lift, Hard Tire
226	1-	Agathon Model 250 FSN CNC Dialog System Carbide Insert Grinder, S/N 848803194
227	1-	Agathon Model 250 FSN CNC Dialog System Carbide Insert Grinder, S/N 8101112 (Out of Service)
228	1-	Asset #209 Jones-Shipman Hydraulic Model 618 Surface Grinder, S/N N.A., Permanent Model 612 Magnetic Chuck
229	1-	Oliver Adrian HD Ace Tool & Cutter Grinder, S/N 1159
230	2-	Special Fansteel Built 3-Spindle Grinders on Bridgeport Base

Item #	Qty.	Description
--------	------	-------------

231	1-	Besly Model DV2 Vertical Double Disc Grinder, S/N 2H33887-A1, 15" Grinding Wheels (Out of Service)
232	1-	Besly Model DV2 Vertical Double Disc Grinder, S/N 15/024, 15" Grinding Wheels, 28" Rotary Feet Table
233	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 12114, 6" x 12" Permanent Magnetic Chuck
234	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 1117, 6" x 12" Permanent Magnetic Chuck
235	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 3208-3, 6" x 12" Permanent Magnetic Chuck
236	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 1149-7, 6" x 12" Permanent Magnetic Chuck
237	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 5110, 6" x 12" Permanent Magnetic Chuck
238	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 4311, 6" x 12" Permanent Magnetic Chuck
239	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 3312, 6" x 12" Permanent Magnetic Chuck, S/N 3255-7
240	1-	Harig Model 612 Hand Feed Surface Grinder, S/N NA, 6" x 12" Permanent Magnetic Chuck
241	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 11653, 6" x 12" Permanent Magnetic Chuck
242	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 1177, 6" x 12" Permanent Magnetic Chuck
243	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 16088, 6" x 12" Permanent Magnetic Chuck
244	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 3045-3, 6" x 12" Permanent Magnetic Chuck
245	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 6994, 6" x 12" Permanent Magnetic Chuck

Item #	Qty.	Description
--------	------	-------------

248	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 3251, 6" x 12" Permanent Magnetic Chuck
247	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 1565, 6" x 12" Permanent Magnetic Chuck
248	1-	Harig Model 612 Hand Feed Surface Grinder, S/N N.A., 6" x 12" Permanent Magnetic Chuck
249	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 5310, 6" x 12" Permanent Magnetic Chuck
250	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 4503, 6" x 12" Permanent Magnetic Chuck
251	1-	Harig Model 612 Hand Feed Surface Grinder, S/N N.A., 6" x 12" Permanent Magnetic Chuck
252	1-	Harig Model 612 Hand Feed Surface Grinder, S/N N.A., 6" x 12" Permanent Magnetic Chuck
253	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 16088, 6" x 12" Permanent Magnetic Chuck
254	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 5, 6" x 12" Permanent Magnetic Chuck 980
255	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 6080, 6" x 12" Permanent Magnetic Chuck
256	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 16089, 6" x 12" Permanent Magnetic Chuck
257	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 15997, 6" x 12" Permanent Magnetic Chuck
258	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 12027, 6" x 12" Permanent Magnetic Chuck
259	1-	Harig Model 612 Hand Feed Surface Grinder, S/N 16090, 6" x 12" Permanent Magnetic Chuck
260	3-	Leitz Vertical Stage Optical Comparators, 6" x 6" Stage, 18" x 20" Screen
261	1-	Cincinnati #1 Tool & Cutter Grinder, S/N 6D1P5H-55

Item #	Qty.	Description
--------	------	-------------

262	1-	Speed Fam Model 1-32 Vertical Lapping Machine, S/N G-32BTAW-842, 32" Table, (4) Air Hold Downs
263	1-	Manufacturer Unknown Model 53-24 Production Honing Machine, S/N 1370, 40" Diameter Rotary Fixture Table, 2-10 HP Heads
264	1-	Blanchard #11-16 Rotary Surface Grinder, S/N 13588, 15-HP Spindle Motor, 16" Magnetic Chuck, Coolant
265	1-	Diskus-Werke Model DDS300RPD Vertical Double Disc Grinder, S/N 7205, (New 1975), 24" Rotary Fixture Table, 30Kw Spindle Motors, Coolant and Filter System
266	1-	Wendt Model WBM200/21 Insert Grinder, S/N 854032305L, Grinds Top and Bottom Flat, with Cool Flo Chiller Unit, Coolant and Filter System
267	1-	Reid 618 Model HA Hand Feed Surface Grinder, S/N N.A. with Model 618 Electric Magnetic Chuck
268	1-	Jones-Shipman Model 1400 Hydraulic Surface Grinder, S/N 60046, 8" x 24" Capacity, (2) 6" x 12" Permanent Chucks, Power Elevation
269	1-	Jones-Shipman Model 1400 Hydraulic Surface Grinder, 8" x 24" Permanent Magnetic Chuck, Power Elevation
270	1-	Scherr Tumico 30" Optical Comparator, S/N 729, Equipped with Profile Illumination, Surface Illumination, Scale Illumination, 8" x 35" Table Power Elevation, 10x Lens, 2-Axis DRO
271	1-	Jones & Lamson Model FC30, 30" Optical Comparator E23325, 6" x 30" Power Table, 2-Axis DRO, Novalite
272	1-	Bridgeport Vertical Mill, S/N 67806, 1-HP Step Pulley Head, 9" x 42" Table Vice
273	1-	Logan 12" x 36" Engine Lathe, S/N 2557V, Collet Chuck, Tool Post, Inch Threading

Item #	Qty.	Description
--------	------	-------------

274	Lot-	Machine Accessories Including Rotary Tool Fixtures, Magnetic Holders, Wheel Scissors, Compound Vices, Tool Fixtures, Spare Spindles, 30, 40 & 50 Taper Tool Holders, Boring Heads, Collets, Wheel Adapters, Super Spacers, Dividing Heads, Bench Grinders and Sanders, Tapping and Threading Heads, Motorized Grinding Fixtures, Miscellaneous Inspection and Tool Setting Equipment Throughout the Plant
275	Lot-	Shop and Factory Equipment Including Pedestal Fans, Benches, All Types of Shelving and Storage Cabinets, Crane Scales, Floor Scale, Parts Counting Scale, 4-Wheel Carts, Granite Plates, Parts Cleaning Tanks, Dust and Mist Collectors, Hand Tools, Vidmar Type Cabinets, Pedestal Grinders, Miscellaneous Blast Cabinets, Hand Carts, Herculift Electric Walk Behind Jib, Gas Welding Outfit with Cart, All of Maintenance Area, Miscellaneous Induction Brazing Stations, All of Shipping Area
276	Lot-	<p>Office Equipment Including:</p> <ul style="list-style-type: none"> • Conference Room with TV & VCR, Coffee Room with Table, Refrigerator, Microwave, Steel Line Top Desk and Chairs, Steel Desks with Formica Tops and Chairs, PC Computers with Keyboards, Monitors and Printers, Laptop Computer, Formica Folding Tables • Engineering Area with Drafting Boards, Print Files, Layout Tables, Plotter, Print Copier, Free Standing Office Partitions, 4-Drawer File Cabinets, Lateral File Cabinets, Leather Chairs at Entrance, Fax Machines, Copy Machines • Information Tech IT Area with Printers and Computers, Mitel PBX Phone System, 30 Lines, 60 Phones

Schedule 2.1(g)
Purchased Vehicles

Vehicle Description	Vehicle Identification Number	Model Year	Mileage
Ford F250HD 4WD 133 8C	2FTHF26H7RCA77660	1994	152,537
Chevy 3500H C&C 2WD 184 8C	1GBKC34J8TJ103500	1996	211,776

SCHEDULE 5.3

INTELLECTUAL PROPERTY

<u>PATENT</u>	<u>PATENT #</u>
None	

TRADEMARKS

<u>Trademark</u>	<u>Status</u>	<u>Country</u>	<u>Appln #</u>	<u>Appl. Date</u>	<u>Registration #</u>
TANTUNG	Registered	Argentina	1726591		1533268
TANTUNG	Registered	Benelux		1/4/1984	2180
TANTUNG	Registered	Canada			UCA25898
TANTUNG	Registered	France		11/7/1989	1558810
TANTUNG	Registered	Germany West		10/17/1984	816493
TANTUNG	Registered	Italy	RM94C001355	4/7/1974	687463
TANTUNG	Registered	Mexico		4/20/1987	276030
TANTUNG	Registered	Spain		12/3/1969	603557
TANTUNG	Registered	Spain		12/3/1969	603558
TANTUNG	Registered	Sweden			63317
TANTUNG	Registered	Switzerland		4/8/1974	270526
TANTUNG	Registered	United Kingdom			871552
TANTUNG	Registered	United States	71/425034	11/1/1939	376493
VR	Registered	United States	488717	9/19/1945	426277
VR/WESSON	Registered	Benelux		1/4/1987	001608
VR/WESSON	Registered	Benelux			R309584
VR/WESSON	Registered	Canada			155119
VR/WESSON	Registered	Denmark			3224/66
VR/WESSON	Registered	Germany West		10/22/1984	939154
VR/WESSON	Registered	Norway			70980
VR/WESSON	Registered	United States	206150	11/13/1964	793193
VR/WESSON	Registered	United States	206151	11/13/1964	793301

SCHEDULE 5.3

POWDER GRADES

VR/Wesson Grade

Non-coated hard metals:

2A5
2A7
2A9
2A12
2A16
2A25
2A68
VR13
VR14
VR15
VR18
VR20
VR22
VR24
VR52
VR54
VR65
VR67
VR73
VR75
VR77
VR79
VR82
VR87
VR89

High Grade Ceramics

VR97
VR100
VR200

Coated hard metals and ceramics

(CVD)

VR623
VR630
VR633

SCHEDULE 5.3

VR643
VR650
VR653
VR655
VR660
VR663
VR680
VR690
VR693

(PVD)

VR522
VR822
VR792