

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

Objections Due: February 18, 2004 at 4:00 p.m. E.T.
Hearing Date: TBD (Only if Objections are Filed)

**NOTICE OF FILING OF LETTER AGREEMENT
AND AGREED ORDER**

TO: Office of the United States Trustee, Counsel for the Official Committee of Unsecured Creditors, all parties requesting notice under Bankruptcy Rule 2002, and Wendt Diacraft Inc.

Fansteel Inc. ("Fansteel"), one of the captioned debtors and debtors-in-possession has filed the attached Letter Agreement (the "Letter Agreement") (Exhibit A), by which Fansteel and Wendt Diacraft, ("Wendt") agree to resolve Wendt's Claim No. 775. A copy of the proposed order approving the terms of the Letter Agreement is attached hereto as Exhibit B.

Objections and other responses to the Letter Agreement, if any, must be in writing and filed with the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, Wilmington, Delaware 19801, no later than 4:00 p.m., Eastern Time, on February 18, 2004.

At the same time, you must also serve a copy of the response upon the undersigned counsel to the Debtors at (i) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022 (Attn: Jeffrey S. Sabin, Esq.) and (ii) Pachulski, Stang, Ziehl, Young,

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.

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Jones & Weintraub P.C., 919 North Market Street, 16th Floor, P.O. Box 8705, Wilmington,
Delaware 19899-8705 (Courier 19801) (Attn: Laura David Jones, Esq.).

**A HEARING ON THE STIPULATION WILL BE HELD AT THE
CONVENIENCE OF THE COURT BEFORE THE HONORABLE JOSEPH J. FARNAN,
AT THE UNITED STATES BANKRUPTCY COURT LOCATED AT 824 MARKET
STREET, FOURTH FLOOR, WILMINGTON, DELAWARE 19801 – ONLY IF TIMELY
OBJECTIONS ARE RECEIVED BY FEBRUARY 18, 2004 AT 4:00 P.M., EASTERN
TIME.**

**IF NO OBJECTIONS ARE TIMELY FILED AND SERVED IN
ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE**

[Remainder of Page Intentionally Left Blank]

**RELIEF REQUESTED BY THE STIPULATION WITHOUT FURTHER NOTICE OR
HEARING.**

Dated: February 3, 2004

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 &
WEINTRAUB P.C.**



Laura Davis Jones (Bar No. 2436)
James E. O'Neill (Bar No. 4042)
919 North Market Street, 16th Floor
P.O. Box 8705
Wilmington, Delaware 19899-8705 (Courier 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400

Co-Counsel for Debtors and Debtors-in-Possession

EXHIBIT A

SCHULTE ROTH & ZABEL LLP

919 Third Avenue
New York, NY 10022
(212) 756-2000
fax (212) 503-5955

www.srz.com

Writer's Direct Number
(212) 756-2517

Writer's E-mail Address
david.ciminesci@srz.com

January 16, 2004

VIA FACSIMILE

Ms. Mary Beth Martino
Wendt Diacraft Inc.
30975 Century Drive
Wixom, MI 48393

Re: Fansteel Inc. - Chapter 11
Claim No. 814 - \$368,764.86

Dear Ms. Martino:

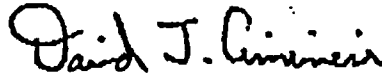
This will confirm our telephone conversation yesterday regarding resolution of the proof of claim filed by Wendt Diacraft Inc. ("Wendt Diacraft") in the Chapter 11 case of Fansteel Inc. (Claim No. 814). The claim is predicated on, among other things, a certain equipment lease agreement between Wendt Diacraft and Fansteel VR Wesson and asserts a secured claim in the amount of \$281,414 (representing the asserted value of the equipment on the Chapter 11 filing date) and a general unsecured claim in the amount of \$87,350.86 for rental payments due under the lease, as well as for goods sold and delivered and/or services rendered by Wendt Diacraft. Fansteel disputes both the amount and the secured status of the claim asserted by Wendt Diacraft.

You have acknowledged that the leased equipment was surrendered by Fansteel to Wendt Diacraft during the course of the Chapter 11 case in satisfaction of the secured portion of the claim asserted by Wendt Diacraft. You have also provided a statement of account which reflects that the amount due to the claimant for rental payments, goods and/or services is \$53,959.18. Accordingly, Wendt Diacraft has agreed to reduce its claim from the amount of \$368,764.86 to the sum of \$53,959.18 and the Debtors have agreed to allow Wendt Diacraft's claim in such reduced amount as a Class FAN-3 general unsecured claim pursuant to the confirmed Plan of Reorganization.

Ms. Mary Beth Martino
January 16, 2004
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If the foregoing accurately reflects the agreed resolution of Wendt Diacraft's proof of claim, please signify its agreement by signing and returning a copy of this letter to the undersigned.

Very truly yours



David J. Ciminesi

AGREED TO AND ACCEPTED:

WENDT DIACRAFT INC.

Wendt Diacraft.
By: Mary Beth Martino

Dated: January 20, 2004

EXHIBIT B

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**ORDER REDUCING, RECLASSIFYING AND
ALLOWING CLAIM OF WENDT DIACRAFT INC. (CLAIM NO. 814)**

Fansteel Inc. ("Fansteel") and its affiliated debtors and debtors-in-possession (collectively, the "Debtors") having advised Wendt Diacraft Inc. ("Wendt Diacraft"), a creditor herein, that the Debtors intended to interpose a formal objection to the allowance of the proof of claim filed by Wendt Diacraft, in the amount of \$368,764.86 (Claim No. 814) in Fansteel's Chapter 11 case; and it appearing that Wendt Diacraft has agreed in writing to reclassification and reduction of its claim as reflected by the copy of the letter annexed hereto as Exhibit "A;" and notice of presentment of this Order having been given, it is hereby

ORDERED, that Claim No. 814 filed in the Chapter 11 case of Fansteel as a secured claim in the amount of \$281,414.00 and as an unsecured claim in the amount of \$87,350.86 is hereby reduced to the sum of \$53,959.18 and is reclassified and allowed as a Class FAN-3 general unsecured claim in such reduced amount pursuant to the confirmed plan of reorganization for the Debtors.

Dated: February ____, 2004

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

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.