

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.)

Objection Deadline: March 22, 2004 at 4:00 p.m. Eastern Time
Hearing Date: April 15, 2004 at 4:30 p.m. Eastern Time

**NOTICE OF DEBTORS' FIFTH OMNIBUS
SUBSTANTIVE OBJECTION TO PRIORITY TAX CLAIMS**

To all parties entitled to notice pursuant to
Local Bankruptcy Rules 2002-1 and 3007-1:

Fansteel Inc. ("Fansteel") and its affiliated debtors and debtors-in-possession (collectively, the "Debtors") have filed the Debtors' Fifth Omnibus Substantive Objection to Priority Tax Claims (the "Objection").

PLEASE TAKE NOTICE that responses, if any, to the Objection, must be filed with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801, on or before March 22, 2004, at 4:00 p.m. Eastern Time. At the same time, you must also serve a copy of the response 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.) and (ii) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022 (Attn: Jeffrey S. Sabin, Esq.).

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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A HEARING ON THE OBJECTION WILL BE HELD ON APRIL 15, 2004

at 4:30 p.m. (the "Claims Hearing"). The Claims Hearing may be continued from time to time upon written notice to you or oral announcement in Court.

If you file a response to the Objection, you should be prepared to argue that response at the Claims Hearing. You need not appear at the Claims Hearing if you do not oppose the relief requested in the Objection.

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

Each claimant who has filed a claim subject to the Objection is receiving a copy of the Objection. Each claimant should read the Objection, which describes the grounds of the objection, and should review the exhibits attached thereto, which lists all claims subject to the Objection.

Any response filed with the Court must contain at a minimum the following:

- (a) a caption setting forth the name of the Court, the names of the Debtors, the case number and the title of this Objection;
- (b) the name of the claimant and description of the basis for the amount of the claim;
- (c) a concise statement setting forth the reasons why the claim should not be disallowed or reclassified for the reasons set forth in the Objection, including, but not limited to, the specific factual and legal basis upon which the claimant will rely in opposing the Objection;
- (d) all documentation or other evidence of the claim, to the extent not included with the proof of claim previously filed with the Bankruptcy Court, upon which the claimant will rely in opposing the Objection at the Claims Hearing; and
- (e) the name, address, and telephone number of the person (which may be the claimant or the claimant's legal representative) possessing ultimate authority to reconcile, settle, or otherwise resolve the claim on behalf of the claimant.

Questions about the Objection or requests for additional information about the proposed disposition of claims should be directed to the Debtors' counsel at the addresses set forth below or by telephone at (212) 756-2517.

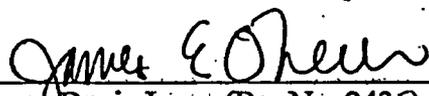
PLEASE TAKE FURTHER NOTICE that the Debtors reserve the right to object in the future to any of the proofs of claim which are the subject of this Objection on any further or additional grounds. Separate notice will be made and a separate hearing will be scheduled for any such objection.

Dated: February 20, 2004

SCHULTE, ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS-7600)
David J. Ciminesi (DJC-8156)
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and

PACHULSKI, STANG, ZIEHL, YOUNG, JONES &
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Laura Davis Jones (Bar No. 2436)
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Counsel for Fansteel Inc., et al.,
Debtors and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

Objection Deadline: March 22, 2004 at 4:00 p.m. Eastern Time
Hearing Date: April 15, 2004 at 4:30 p.m. Eastern Time

**DEBTORS' FIFTH OMNIBUS
SUBSTANTIVE OBJECTION TO PRIORITY TAX CLAIMS**

Fansteel Inc. ("Fansteel") and its affiliated debtors and debtors-in-possession (the "Subsidiary Debtors," and collectively with Fansteel, the "Debtors"), by and through their undersigned counsel, hereby object (the "Objection") to each of the proofs of claim identified on Exhibits A and B annexed hereto (each a "Disputed Tax Claim" and collectively, the "Disputed Tax Claims") and requests that the Court enter an order disallowing, reducing or reclassifying each of the Disputed Tax Claims for the reasons set forth below. An Affidavit of R. Michael McEntee, the Chief Financial Officer of Fansteel, in Support of the Debtors' Fifth Omnibus Substantive Objection to Priority Tax Claims is attached hereto as Exhibit C. In support of the Objection, the Debtors respectfully state as follows.

Notice To Claimants

ATTENTION CLAIMANTS: Please be aware that if you filed a proof of claim against the Debtors that is identified on any of the Exhibits attached to this Objection, the Debtors

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.

have objected to that claim through this Objection. If you have filed more than one proof of claim against the Debtors, each such claim may be objected to on the same or different Exhibits to this Objection. This Objection thus directly affects your rights, and your claim may be reclassified, reduced, modified, disallowed, expunged or eliminated by the relief sought by the Debtors in this Objection. Please carefully review the accompanying Notice for important information regarding the date of the Objection hearing as well as the deadlines and procedures for filing a response to this Objection. If you or your attorney do not respond to this Objection by the deadline set forth in that Notice, the Court may decide that you do not oppose the Objection. Responses must be filed with the Court and served on the Debtors' undersigned counsel. If you have questions about why your claim is identified on any of the exhibits below, please contact the Debtors' counsel at Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Tel: 212-756-2517.

Background

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

2. In January 2002, the Debtors filed their Schedules of Assets and Liabilities (the "Initial Schedules") with the Bankruptcy Court. Subsequently and on August 28, 2003, the

Debtors filed Amendments to the Initial Schedules (the Amendments, together with the Initial Schedules, the "Schedules"). The Schedules identify numerous claims against the various Debtors in fixed, liquidated amounts reflected on the Debtors' books and records as of the Petition Date, as well as numerous contingent, unliquidated, and disputed claims.

3. On July 17, 2002, the Court entered an Order fixing September 23, 2002 as the last date for the filing of proofs of claim on account of pre-petition claims against the Debtors the "Bar Date Order"). Among other things, the Bar Date Order approved a *Notice of Deadline for Creditors to File Proofs of Claim*, which was served on all potential claimants and provided that if a claimant failed to timely file a proof of claim, such creditor would be forever barred from asserting any claims against any of the Debtors or filing a proof of claim with respect to any claim.

4. This is the fifth omnibus Objection and the third substantive Objection filed by the Debtors with respect to proofs of claim filed against their respective Chapter 11 estates.

Jurisdiction

5. The 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 predicate for the relief sought herein is 11 U.S.C. § 502.

Relief Requested

6. By this Objection, the Debtors seek the disallowance, reduction or the reclassification of the priority tax claims set forth on Exhibits A and B attached hereto pursuant

to section 502(b) of the Bankruptcy Code and Rule 3007-1 of the Local Bankruptcy Rules for the District of Delaware for the reasons set forth below.

A. Tax Claims To Be Disallowed

10. The Debtors object to the proofs of claim listed on Exhibit A, titled "Tax Claims To Be Disallowed," because each of the taxing authorities listed in Exhibit A have filed proofs of claim against one of the Debtors asserting a liability for unpaid taxes in the amount indicated on such Exhibit and, in each case, the records of the Debtor against which the claim is asserted reflect that either (a) the appropriate tax returns were filed and the taxes were paid by the Debtor, or (b) the Debtor is entitled to a credit against the asserted tax liability which should be applied in satisfaction of the priority tax claim. Accordingly, each of the Disputed Tax Claims set forth on Exhibit A should be disallowed and expunged in its entirety.

B. Tax Claims To Be Reduced

11. The Debtors object to the proofs of claim listed on Exhibit B, titled "Tax Claims To Be Reduced," because each of the taxing authorities listed in Exhibit B has filed a proofs of claim against one of the Debtors asserting a liability for unpaid taxes in the amount indicated on such Exhibit and, in each case, the claim asserted exceeds the amount reflected as due and owing to the claimant in the books and records of the Debtor, including the tax returns filed in respect of the tax liabilities listed in Exhibit B. As set forth in Exhibit B under the column heading "Reason For Proposed Modification/Reduction," the claims listed on Exhibit B should be reduced or reclassified as non-priority claims because (i) certain of the taxes which have been included in the claims filed have been paid by the Debtors, (ii) the taxing authority has disallowed proper deductions taken by the Debtor, (iii) the taxing authority has failed to apply

credits to the outstanding tax liabilities, or (iv) the taxing authority has asserted a priority for tax penalties which are not compensation for actual pecuniary loss and, therefore, not entitled to priority status under Code section 507(a)(8), 11 U.S.C. § 507(a)(8). Accordingly, each of the Disputed Tax Claims set forth on Exhibit B should be reduced to the amount (and reclassified to the extent) indicated in Exhibit B under the column heading "Modified Claim Amount."

Reservation of Debtors' Rights

13. The Debtors hereby reserve the right to object in the future to any of the proofs of claim listed in the Exhibits annexed to this Objection on any additional ground, and to amend, modify and/or supplement this Objection as may be necessary. In addition, the filing of this Objection is not intended to limit the Debtors' ability to file future objections to any claims that have been or may subsequently be filed in the Chapter 11 cases on the grounds set forth herein or any other appropriate grounds.

Notice

14. Notice of the Objection and a copy of this Objection has been served on all parties entitled to notice pursuant to Local Bankruptcy Rule 2002-1 and to each of the taxing authorities set forth on Exhibits A and B annexed hereto. In light of the nature of the relief requested herein, the Debtors respectfully submit that no further notice need be given.

13. In compliance with Del.Bankr.LR 3007-1(e)(ii) (E), the Debtors and their counsel believe that that the Objections comply with Del.Bankr.LR 3007-1.

WHEREFORE, the Debtors respectfully requests that the Court enter an order

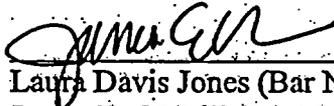
(a) granting the relief sought herein, and (b) providing such other and further relief as justice may require.

Dated: February 20, 2004

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Counsel for Fansteel Inc., et al.,
Debtors and Debtors in Possession

EXHIBIT A

EXHIBIT A

TAX CLAIMS TO BE DISALLOWED

Fansteel, Inc.

Name of Claimant	Claim Nos.	Proof of Claim Amount	Reason For Proposed Disallowance
CONNECTICUT DEPT. OF REVENUE SERVICE C&E DIV., BANKRUPTCY SECTION 25 SIGOURNEY STREET HARTFORD, CT 06106	891 Amending 129	\$2,524.00 Priority	Claim is for December 2001 Withholding Taxes. Proof of claim includes notation acknowledging a credit in the amount of \$3,950.00 not yet applied; the credit should be applied by the claimant, reducing the tax liability to \$0 and claim should be disallowed.
MUSKOGEE COUNTY TREASURER DOROTHY M. LAWSON PO BOX 1587 MUSKOGEE, OK 74402	340	\$18,223.50 Priority	Claim is for 2001 Personal Property and Real Property taxes on Muskogee facility. The Debtor's books and records indicate that all such taxes were paid by Check No. 116602 (Bank of Waukegan).
OKLAHOMA TAX COMMISSION BANKRUPTCY SECTION GENERAL COUNSEL'S OFFICE PO BOX 53248 OKLAHOMA CITY, OK 73152-3248	702	\$10,836.00 Priority	Claim is for an audit adjustment made by claimant of debtor's 1998 & 1999 Franchise Taxes liability and interest thereon, which was protested by the debtor. The claimant's disallowance of the Oklahoma Investment Credit on the ground that the Debtor was not involved in manufacturing or processing was improper and the claim should be disallowed.
SUMMIT COUNTY OHIO JOHN A. DONOFRIO, FISCAL OFFICER C/O MARVIN D. EVANS 906 KEY BLDG., 159 MAIN STREET AKRON, OH 44308-1317	829	Undetermined Priority Asserted	The Debtor's records reflect that all pre-petition Summit County personal property tax returns were filed and taxes were paid by the Debtor.
WEST VIRGINIA STATE TAX DEPARTMENT PO BOX 766 CHARLESTON, WV 25323-0766	922	\$5,431.89 Administrative Expense	Claim is for: Charter Tax for period 6/02-6/03 (\$250.00), Interest (\$56.89) and Penalties (\$175.00) and Estimated 2002 Consumers Sales Tax (\$5,000). Debtor is not chartered in West Virginia and has no liability for Charter Tax. All 2002 quarterly use/sales tax returns were filed by the Debtor and any taxes due were remitted. Claim should be disallowed.

Escast, Inc.

Name of Claimant	Claim Nos.	Proof of Claim Amount	Reason For Proposed Disallowance
MANATEE COUNTY TAX COLLECTOR KEN BURTON, JR., CFC PO BOX 25300 BRADENTON, FL 34206-5300	70	\$2,994.51 plus Interest Secured	Claim is for estimated 2002 Tangible Property Ad Valorem Taxes assessed to Escast Inc., Toolit Division, 2080 Limbus Avenue, Sarasota, FL. The Debtor's records indicate that the 2002 Tangible Property Ad Valorem Tax was paid to claimant on or about 12/3/2002_ and the claim should be disallowed.
STATE OF FLORIDA DEPARTMENT OF REVENUE BANKRUPTCY SECTION PO BOX 6668 TALLAHASSEE, FL 32314-6668	172	\$30,612.13 Priority \$11,654.12 GenUns \$42,266.25 Total	Claim was filed for 02/97-01/02 Sales & Use Tax (\$23,308.25), Interest (\$7,303.88), Penalty (\$11,654.12). Subsequently, the claimant agreed to audit changes which reduced the amount of the Tax (\$3,554.56), Interest and Penalty. Payment of the tax and interest thereon was paid by the Debtor's Check No. 96999 in the amount of \$4,629.73, and the penalty was waived. Accordingly, the claim should be disallowed.

Washington Manufacturing Company

Name of Claimant	Claim Nos.	Proof of Claim Amount	Reason For Proposed Disallowance
DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE 31 HOPKINS PLAZA STOP ROOM 1140 BALTIMORE, MD 21201	18	\$5,000.00 Priority	Claim is for 12/31/2001 Estimated FUTA. The Debtor's records indicate that all pre-petition FUTA was paid and claim should be disallowed.
WASHINGTON COUNTY TREASURER PO BOX 889 WASHINGTON, IA 52353	571	\$50,894.00 Priority	Claim is for 1/1/01-6/30/02 Real Estate Taxes. Debtor's books and records indicate that taxes were paid by Check No. 3225 in the amount of \$25,447 and Check No. 5453 in the amount of \$25,829.

Wellman Dynamics Corporation

Name of Claimant	Claim Nos.	Proof of Claim Amount	Reason For Proposed Disallowance
UNION COUNTY TREASURER FRAN BAKERINK 300 N. PINE STREET CRESTON, IA 50801	654	\$91,630.00 Secured	Claim is for 2001 County taxes assessed against real estate, machinery and equipment located at 1746 Commerce Rd, Creston, IA Debtor's books and records indicate that taxes were paid by Check No. 112067 in the amount of \$45,815 and Check No 113713 in the amount of \$45,815 and claim should be disallowed.

EXHIBIT B

EXHIBIT B.

TAX CLAIMS TO BE REDUCED

Fansteel, Inc.

Name of Claimant	Claim Nos.	Proof of Claim Amount	Modified Claim Amount	Reason For Proposed Modification/Reduction
<p>MISSISSIPPI STATE TAX COMMISSION BANKRUPTCY SECTION PO BOX 23338 JACKSON, MS 39225-3338</p>	<p align="center">879 Amending 106</p>	<p>\$93,610.00 Priority \$242.00 General \$93,852.00 Total</p>	<p>\$2,751.00 Priority \$242.00 General \$2,993.00 Total</p>	<p>Claim is for: 8/01/99 Use Tax (\$2418), Int. (\$333), Penalty (\$242); 1999 & 2000 Franchise Tax (\$4,729), Int. (\$1222); and 1998, 1999 & 2000 Corp. Income Tax (\$68,379), Int. (\$16,529). The Debtor believes that the claimant improperly disallowed expense deductions taken by the Debtor relating to the reclamation of the Muskogee, Oklahoma facility and has appealed the assessments made for additional Corp. Income Taxes and Corp. Franchise Taxes. Accordingly, only the claim asserted for additional Use Tax and interest and penalties thereon should be allowed.</p>
<p>ILLINOIS DEPT. OF REVENUE BANKRUPTCY ADMINISTRATION 100 W. RANDOLPH LEVEL, 7-425 CHICAGO, IL 60601</p>	<p align="center">75</p>	<p>\$2,439.00 Priority</p>	<p>\$110.27 Priority</p>	<p>Claim is for 4th Quarter 2001 Withholding Taxes. The Debtor's records reflect that payment of 4th Quarter 2001 Withholding Taxes in the amount of \$2,328.73 was made by Check No. 100070 dated 10/23/03, and therefore claim should be reduced to \$110.27.</p>
<p>PENNSYLVANIA DEPT. OF REVENUE COMMONWEALTH OF PENNSYLVANIA BANKRUPTCY DIVISION DEPARTMENT 280946 HARRISBURG, PA 17128-0946</p>	<p align="center">145</p>	<p>\$5,423.06 Priority \$331.82 General \$5,754.88 Total</p>	<p>\$288.60 General Unsecured</p>	<p>Claim is for: 10/2001 Sales & Use Tax (\$462.24), Int. (\$5.82), Penalty (\$43.22); 9/96 Sales & Use Tax Penalty (\$63.26); 3rd Quarter 2001 Employer Withholding Tax Penalty (\$225.34); and 1999 Corporate Net Income Tax (\$4,467), Interest (\$488). The Debtor's books and records reflect that the Sales & Use Tax in the amount of \$462.24 was timely paid by Check No. 94241 dated 11/15/01. Further, by notice dated 12/3/02, claimant advised debtor that a credit in the amount of \$5,060.00 would be applied to eliminate the 1999 Corporate Net Income Tax liability. Based on the foregoing, the claim should be reduced to the sum of \$288.60 and allowed in such amount as a general unsecured claim for tax penalties.</p>

Custom Technologies Corp.

Name of Creditor	Claim Nos.	Proof of Claim Amount	Modified Claim Amount	Reason For Proposed Modification/ Reduction
ILLINOIS SECRETARY OF STATE CORPORATION DEPT. SPRINGFIELD, IL 62756	<p align="center">691</p>	<p align="center">\$505.10 Priority</p>	<p align="center">\$12.69 Priority \$67.31 General \$83.00 Total</p>	<p>Claim is for 11/01/2001 Franchise Tax (\$423.10), Penalty (\$42.31), Int. (\$12.69), Fees (\$27). The Debtor's books and record reflect that the taxes and returned check fee were paid by Check No. 117556 in the amount of \$496.53 which was reissued to the claimant in place of a returned check. The claims asserted for penalties and filing fees are not entitled to priority and claim should be reduced to 80.00 and allowed as a priority claim for \$12.69 and a general unsecured claim for \$67.31.</p>

EXHIBIT C

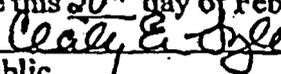
4. I oversee and coordinate the Reconciliation Process, which involves a coordinated effort among employees of the Debtors, the Debtors' claims agent and the Debtors' counsel. To facilitate the preparation and filing of the Objection, I and members of my staff participated in a review of both (i) the proofs of priority tax claim filed against the Debtors, identifying those claims that should be allowed or disputed, and (ii) the Debtors' tax returns, books and records with respect to the tax liabilities and interest and penalties thereon asserted in the various proofs of claim. I have also read the Objection and reviewed the Exhibits attached thereto and am familiar with the information contained therein. I believe that the information contained in the Exhibits attached to the Objection is true and correct to the best of my knowledge.

5. Based on the Reconciliation Process, the Debtors have determined that the proofs of claim listed on Exhibits A and B annexed to the Objection should be disallowed, reduced or reclassified, as the case may be, for the reasons stated in the Objection. I believe that each of the Disputed Tax Claims was reviewed pursuant to, and in accordance with, the Debtors' internal Reconciliation Process and is appropriately the subject of a substantive objection by the Debtors.

6. Accordingly, I request that the Court grant the relief requested in the Objection.



R. Michael McEntee

SUBSCRIBED AND SWORN TO
Before me this 20th day of February 2004.


Notary Public
My Commission Expires: 1-21-07



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 GRANTING DEBTORS' FIFTH OMNIBUS
SUBSTANTIVE OBJECTION TO PRIORITY TAX CLAIMS**

Fansteel Inc. ("Fansteel") and its affiliated debtors and debtors-in-possession (collectively, the "Debtors") having filed the Debtors' Fifth Omnibus Substantive Objection to Priority Tax Claims, dated February __, 2004 (the "Objection"), seeking entry of an order pursuant to 11 U.S.C. §502(b) and Local Rule 3007-1 disallowing, reducing or reclassifying certain priority tax claims; and upon consideration of the Objection and all responses thereto; and due and proper notice of the Objection having been given, it is hereby

ORDERED, that the relief sought in the Debtors' Fifth Omnibus Substantive Objection to Claims is granted in all respects; and it is further

ORDERED, that the claims listed on Exhibit A to the Objection as "Tax Claims To Be Disallowed" are hereby disallowed and expunged in their entirety; and it is further

ORDERED, that the claims listed on Exhibit B to the Objection as "Tax Claims To Be Reduced" are hereby reduced to the amounts indicated in the column of Exhibit B with the heading "Modified Claim Amount" and are allowed in part as priority tax claims and in part as

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general unsecured claims in the respective amounts set forth in such column of Exhibit B; and it is further

ORDERED, that nothing herein shall limit or otherwise affect the Debtors' rights to object in the future to any proofs of claim that have been or may subsequently be filed in this case or that may be listed on the Debtors' Schedules, on the grounds set forth herein or any other appropriate grounds; and it is further

ORDERED, that pursuant to Federal Rules of Civil Procedure 54(b), made applicable in this contested matter by Federal Rules of Bankruptcy Procedure 7054 and 9014, the Court hereby directs entry of a final judgment with respect to the claims objections that are the subject of this order, the Court having determined that there is no just reason for delay in the entry of judgment on these matters.

Dated: March ____, 2004

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