

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

Objection Deadline: April 22, 2004 at 4:00 p.m.
Hearing Date: April 29, 2004 at 4:30 p.m.

**NOTICE OF MOTION OF REORGANIZED DEBTORS FOR
ENTRY OF AN ORDER AUTHORIZING AND APPROVING OMNIBUS
PROCEDURES FOR SETTLING CERTAIN CLAIMS AND CAUSES OF ACTION
BROUGHT BY REORGANIZED DEBTORS IN A JUDICIAL,
ADMINISTRATIVE, ARBITRAL OR OTHER ACTION OR PROCEEDING**

TO: Parties required to receive notice pursuant to Del. Bankr. L.R. 2002-1, the Plan Committee, and the Office of the United States Trustee.

Reorganized Debtor Fansteel, Inc., on behalf of itself and Reorganized Debtor Wellman Dynamics Corp. (the "Debtors") filed the Motion of the Reorganized Debtors for Entry of an Order Authorizing and Approving Omnibus Procedures for Settling Certain Claims and Causes of Action Brought by the Reorganized Debtors in a Judicial, Administrative, Arbitral, or Other Action or Proceeding with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 (the "Bankruptcy Court"). A true and correct copy of the Motion is attached hereto.

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.

BKRPO1

Objections and other responses to the relief requested in the Motion, if any, must be in writing and be filed with the Bankruptcy Court no later than 4:00 p.m. Eastern Time on April 22, 2004.

Any objections or other responses to the Motion, if any, must also be served so that they are received not later than April 22, 2004 at 4:00 p.m. Eastern Time, by 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, DE 19899-8705 (Courier 19801) (Attn: Laura Davis Jones, Esquire) and Pachulski, Stang, Ziehl, Young, Jones & Weintraub P.C., 10100 Santa Monica Blvd., 11th Floor, Los Angeles, CA 90067-4100 (fax number 310-201-0760) (Attn: Steven J. Kahn, Esquire); and (ii) Schulte, Roth & Zabel, LLP, 919 Third Avenue, New York, NY 10022 (Attn: Jeffrey S. Sabin, Esquire).

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

A HEARING ON THE MOTION WILL BE HELD BEFORE THE HONORABLE
JOSEPH J. FARNAN, JR. AT THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF DELAWARE ON APRIL 29, 2004 AT 4:30 P.M. EASTERN TIME.

Dated: April 8, 2004

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Counsel for Fansteel Inc., et al.,
Debtors and Reorganized Debtors

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

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FOR SETTLING CERTAIN CLAIMS AND CAUSES OF ACTION
BROUGHT BY REORGANIZED DEBTORS IN A JUDICIAL,
ADMINISTRATIVE, ARBITRAL OR OTHER ACTION OR PROCEEDING**

Fansteel, Inc. on behalf of itself and its co-Reorganized Debtor Wellman Dynamics Corp. (“Debtors”) hereby moves this Court for entry of an order authorizing and approving omnibus procedures for settling certain claims and causes of action brought by or against the Debtors in a judicial, administrative, arbitral or other action or proceeding, pursuant to section 363(b) of title 11 of the United States Code (as amended, the “Bankruptcy Code”) and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). In support of this Motion, the Debtors respectfully represent as follows:

JURISDICTION

1. This Court has jurisdiction over this Motion under 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(A), (B) and (O). The

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.

statutory bases for the relief requested herein are section 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019.

INTRODUCTION

2. Through the present Motion, the Debtors seek an omnibus order implementing procedures to resolve claims based on preferential transfers under 11 U.S.C. Section(s) 547 and 550 of the Bankruptcy Code, as well as claims that the transferees may possess against the Debtors. A multitude of the Debtors' vendors received payments within the ninety (90) days prior to the Debtors' petition date. The Debtors have reviewed those transfers, and identified potential claims against 92 parties who received preferential transfers totaling over \$6 million in the aggregate. This Motion seeks Court approval of a streamlined procedure to formally resolve those claims that are settled within defined parameters.

3. The Motion seeks authority to (i) unilaterally resolve De Minimis Claims (as that term is defined herein); (ii) resolve larger claims following notice to the Plan Committee, and an opportunity to be heard thereon if it so desires; and (iii) resolve claims against the Debtors in conjunction with settling Avoidance Actions.² Approval of settlements under this rubric is premised upon acknowledged legal authorities, and a sliding scale.

BACKGROUND

4. On January 15, 2002 (the "Petition Date"), the Debtors each filed with this Court a voluntary petition for relief under 11 U.S.C. §§ 101 *et seq.*, as amended. Following the petition date, the Debtors continued to operate their businesses and manage their affairs as

² Unless otherwise defined herein, all capitalized terms shall have the means ascribed to them in the Second Amended Joint Plan of Reorganization for the Debtors.

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.

5. 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.

6. 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.

7. On July 24, 2003, the Debtors and the Creditors' Committee filed, as co-proponents, their proposed Joint Reorganization Plan for Fansteel Inc. and Subsidiaries. Thereafter, on September 18, 2003, the Amended Joint Reorganization Plan (hereafter, the "Plan") was filed with this Court, together with the First Amended Disclosure Statement for the Plan (the "Disclosure Statement"). On September 30, 2003, the Court entered an order

approving the Disclosure Statement as containing "adequate information" within the meaning of 11 U.S.C. §1125(a)(1), and scheduled the hearing on confirmation of the Plan.

8. On November 17, 2003, at the hearing to consider confirmation of the Plan and certain objections interposed thereto by the State of Oklahoma, the Court overruled the objections of the State of Oklahoma, and entered an order confirming the Plan. (Docket No. 1622).

9. On December 19, 2003, the Debtors filed their Emergency Motion for an Order Pursuant to 11 U.S.C. §1127(b) Seeking Modification of the Debtors' Amended Joint Reorganization Plan together with the Debtors' proposed Second Amended Joint Plan of Reorganization dated as of December 18, 2003 (the "Amended Plan").

10. On December 23, 2003, the Court entered an order (the "Confirmation Order") confirming the Amended Plan, and adopting all of the Court's previous findings of fact and conclusions of law set forth in the earlier confirmation order. The Effective Date (as that term is defined in the Amended Plan) occurred on January 23, 2004.

RELIEF REQUESTED

11. Pursuant to Article IV.G of the Amended Plan, the Debtors retain and have the exclusive right to enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all Litigation Claims, including Avoidance Actions, in accordance with the best interests of the Debtors, subject to the obligation to distribute to general unsecured creditors, on a pro rata basis, 70% of all Avoidance Action Cash.³

³ The Amended Plan defines Avoidance Action Cash as "the aggregate amount of Cash recovered by the Debtors or Reorganized Debtors, as the case may be, from the prosecution, settlement or other resolution of the Avoidance Actions, net of all transaction costs (including, but not limited to, attorneys' fees and expenses) incurred in connection therewith."

12. Article XIV.B of the Amended Plan empowers the Plan Committee to assist and advise the Debtors, in such manner as together determined by the Debtors and Plan Committee to be the most efficient and least duplicative of effort, in pursuing or determining not to pursue, any and all of the Avoidance Actions, other litigation and objections to claims.

13. The Debtors seek the Court's approval of an Order, pursuant to Section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, to authorize the settlement of the Avoidance Actions and related claims brought by or against the Debtors pursuant to the omnibus procedures outlined below. As set forth in greater detail below, the Debtors propose to (i) settle preference claims and causes of action under sections 547 and 550 of the Bankruptcy Code and other applicable statutory and common law, under the following terms, as it relates to three tiers of Avoidance Actions; and (ii) as a result of such compromises, resolve or compromise "Filed Claims"⁴ and/or other claims or causes of actions against the Debtors to the extent that the claims involve an offset or otherwise. A "Summary of Notice Requirement; Compromise of Avoidance Actions" is attached hereto as Exhibit A.

14. The proposed guidelines for compromising the Avoidance Actions are as follows:

a. For compromises of Avoidance Actions in which the Disputed Amount (as defined below) does not exceed \$50,000, the Debtors may settle these "De Minimis Claims" without further Court approval or notice to any party.

⁴ "Filed Claims" as that term is used herein, includes all proofs of claim filed against the Debtors in accordance with the bar dates established in the Chapter 11 Case by order of this Court or established by the Amended Plan.

b. For compromises of Avoidance Actions in which the Disputed Amount is greater than \$50,000, but does not exceed \$100,000, the Debtors may settle these Avoidance Actions without further Court approval or notice to any party so long as the amount recovered is 60% or more of the Disputed Amount. For compromise of Avoidance Actions for less than 60% of the Disputed Amount, the Debtors shall be authorized to enter into the settlement without further Court approval upon lack of objection by the Plan Committee after not less than five (5) business days written notice of the proposed compromise, or resolution of any timely objection of the Plan Committee. In the event the Plan Committee objects to a proposed compromise and the objection cannot be resolved, the Debtors may seek a Court order authorizing such compromise, by motion duly noticed to the Plan Committee and the United States Trustee. For compromises of Avoidance Actions in which the Disputed Amount is greater than \$100,000.00, and where the amount to be recovered is 60% or more of the Disputed Amount, the Debtors shall have the authority to compromise such Avoidance Actions after approval or lack of objection by the Plan Committee following not less than five (5) business days written notice, or resolution of any timely objection of the Plan Committee. In the event the Plan Committee objects to such a proposed compromise and the objection cannot be resolved, the Debtors may seek a Court order authorizing such compromise, by motion duly noticed to the Plan Committee and the United States Trustee. If the proposed settlement is less than 60% of the Disputed Amount, then Court approval of such settlement is required after notice and hearing.

15. The term "Disputed Amount" is defined as the dollar amount to be sought by the Debtors against a particular vendor after reduction, if appropriate, by reason of the

Debtors' best estimate of potential section 547(c) defenses of ordinary course of business and subsequent new value.

16. Notice of a proposed settlement to the Plan Committee shall include the gross 90 day payment amount, the Disputed Amount, the proposed settlement amount, and the reasons for recommendation of the compromise.

17. On or before 25 days after the conclusion of a quarter, the Debtors propose to issue to the Plan Committee a report of such quarter's settlements (1) for which no additional authority was required, and (2) which were resolved by or are pending Plan Committee or Court approval, as well as running totals for settlements reached in prior quarters.

18. In resolving the Avoidance Actions pursuant to the foregoing procedure, the Debtors propose to offer and give to a settling party a limited release pursuant to which the Debtors will acknowledge that it is prohibited from pursuing the settling party on any further action or claim related to the alleged Avoidance Action. It is proposed that such a release may, but need not, include the following specific language: "The Debtors, on behalf of themselves and their Bankruptcy Estates, hereby release [Vendor] from any and all claims relating to payments made by the Debtors in the ninety (90) days prior to the filing of the petition of bankruptcy as an alleged preferential transfer."

19. To minimize expenses and maximize value for creditors, the Debtors further request authority under the terms identified through the Motion and the Amended Plan to resolve all claims or causes of action against the Debtors and their bankruptcy estates in conjunction with settlement of Avoidance Actions without further order or approval of this Court, pursuant to section 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019. The

Debtors' proposed quarterly reports issued to the Plan Committee will describe any resolution of Filed Claims or other claims in conjunction with the settlement of Avoidance Actions.

20. To further minimize expenses and maximize value for creditors, in the event an Avoidance Action is the subject of a settlement agreement or settlement stipulation, it is requested that any adversary proceeding filed so as to prosecute an Avoidance Action may be dismissed pursuant to a notice of dismissal pursuant to FRCP Rule 41(a)(1)(i) in lieu of a stipulation for dismissal pursuant to FRCP Rule 41(a)(1)(ii).

21. Finally, because some settlements with Avoidance Action defendants subject to Court approval may have been reached before the hearing on this Motion, the Debtors request that the Order granting this Motion apply to all such settlements as well.

**THE DEBTORS SHOULD BE PERMITTED TO SETTLE THE AVOIDANCE
ACTIONS PURSUANT TO AN OMNIBUS PROCEDURE**

22. Pursuant to Bankruptcy Rule 9019(b), this Court may authorize the Debtors to settle certain classes of controversies without requiring separate notice and hearing with respect to each separate controversy. Given this authority, settlement procedures designed to streamline the court-approval process similar to those proposed above, have been approved in other chapter 11 cases, including In re Inacom Corp., 00-2426 (PJW) (Bankr. D. Del.), In re Plainwell Inc., 00-4350 (RB) (Bankr. D. Del.), In re Harnischfeger Industries, Inc., 99-2171 (PJW) (Bankr. D. Del.), In re Montgomery Ward Holding Corp., 97-1409 (PJW) (Bankr. D. Del.), In re Edison Brothers Stores, Inc., 95-1354 (PJW) (Bankr. D. Del.), In re R.H. Macy & Co., 92 B 40477 (Bankr. S.D.N.Y.), and In re The Circle K Corporation, 90-5052-PHX-GBN (Bankr. D. Az.). Approval of the procedures outlined herein is in the best interest of creditors and the Debtors, and will not prejudice the rights of any party in interest in this case.

23. A settlement of claims and causes of action owned by a debtor constitutes a sale of property of the estate. See Northview Motors, Inc. v. Chrysler Motors Corp., No. 98-3387, 1999 U.S. App. LEXIS 13403, at *11 (3rd Cir. June 18, 1999). If a settlement is outside of the ordinary course of business of the debtor, it requires approval of the bankruptcy court pursuant to section 363(b) of the Bankruptcy Code. Id. In addition, to obtain such approval, a debtor typically must file a motion and provide notice and a hearing of such motion as required by Bankruptcy Rule 9019.

24. Bankruptcy Rule 9019 specifically authorizes the compromise of controversies within classes:

Authority to Compromise or Settle Controversies Within Classes.

After a hearing on such notice as the court may direct, the court may fix a class or classes of controversies and authorize the Debtors to compromise or settle controversies within such class or classes without further hearing or notice.

Fed. R. Bankr. P. 9019(b). By way of example, one commentator observed that a “court may enter an order authorizing the Debtors to settle any such matter without further hearing as long as the compromise amount is not less than a certain percentage of the recovery sought in the complaint.” 10 Lawrence P. King, Collier on Bankruptcy ¶9019.03, at 9019-6 (15th ed. rev. 2000). See also In re Check Reporting Services, Inc., 137 B.R. 653 (Bankr. W.D. Mich. 1992) (order authorizing settlement of preference claims for not less than 25% of the demand without further notice or approval).

25. The burden on the Court and the expense borne by the Debtors to file individual motions to approve settlements for the multitude of Avoidance Actions would be

substantial, to say the least. It would also significantly delay the progress of resolving the debts and obligations of the Debtors. The procedures contemplated herein provide disclosure to the interested parties, and are an efficient means of resolving these Avoidance Actions, while preserving the powers of the Plan Committee under the terms of the Amended Plan. Were the Debtors required to obtain approval of this Court to settle the identified Avoidance Actions, the Debtors would incur the costs associated with preparing, filing and serving separate motions for each proposed settlement, as well as incur the incumbent delay in obtaining such approval by required notice periods and available hearing schedules. Therefore, the Debtors desire to establish an omnibus procedure in the Chapter 11 Case that will allow the Debtors to enter into settlements on a more cost-effective and expeditious basis, while preserving an oversight function for key parties in interest that will appropriately protect the asset value of the Debtors' material claims and causes of action.

26. In reviewing a motion for approval of a settlement, bankruptcy courts must "assess and balance the value of the claim that is being compromised against the value to the estate of the acceptance of the compromise proposal." In re Martin, 91 F.3d 389, 393 (3rd Cir. 1996). This requires court consideration of the following criteria: "(1) the probability of success in litigation, (2) the likely difficulties in collection, (3) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (4) the paramount interest of the creditors." Id. The approval of the settlement procedures proposed in this Motion, for pursuing and compromising preferential transfers short of trial, supports the application of these criteria.

**RESOLUTION OF CLAIMS AGAINST THE DEBTOR IN CONJUNCTION WITH
SETTLEMENT OF AVOIDANCE ACTIONS IS APPROPRIATE**

27. Certain vendors that received preferential transfers also hold various claims and causes of action against the Debtors that have been or will be asserted through the claim process, litigation, administrative action or arbitration. To minimize expenses and maximize value for creditors of the Debtors, the Debtors seek authority through the present Motion to resolve all claims or causes of action against the Debtors in conjunction with Avoidance Actions by way of settlement without further order or approval of this Court, pursuant to section 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019. Resolution and approval of Avoidance Actions, to the extent possible, would seek to include resolution of any Filed Claims and/or other causes of action of vendors against the Debtors including any that might be eligible for an offset. The Debtors' proposed quarterly reports to the Plan Committee will describe any resolution of Filed Claims or other claims in conjunction with or subsequent to the settlement of Avoidance Actions.

28. By resolving Filed Claims or other claims or causes of action against the Debtors concurrently with the settling of Avoidance Actions, the Debtors minimize the expense associated with litigating or resolving piecemeal matters with vendors, and expedite the process of resolving debts claimed against the Debtors. The availability of offsets is also a valuable tool available to the Debtors in negotiating and seeking resolution of all claims. In no event would the resolution of Avoidance Actions and related claims involve an outlay of funds from the Debtors to a vendor, except as permitted by the Amended Plan or by order of this Court.

NOTICE

29. Notice of this Motion has been given to (i) the United States Trustee for the District of Delaware; (ii) the Plan Committee, and (iii) all parties requesting notice pursuant to Bankruptcy Rule 2002.

NO PRIOR REQUEST

30. No prior motion for the specific relief requested herein has been made to this or any other Court.

WHEREFORE, the Debtors respectfully request that the Court enter an Order (i) authorizing and approving omnibus procedures for settling complaints for recovery of Avoidance Actions brought by the Debtors in a judicial, arbitral or other action or proceeding, (ii) authorizing the settlement or compromise of claims made against the Debtors as an offset to

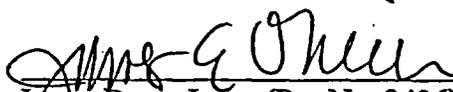
settlement of Avoidance Actions, and (iii) granting the Debtors such other and further relief as is just and appropriate.

Dated: April 8, 2004

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Counsel for Fansteel Inc., et al.,
Debtors and Reorganized Debtors

EXHIBIT A

Summary of Notice Requirements

Compromise of Avoidance Actions

Disputed Amount of Avoidance claim	Notice	Hearing
\$50,000 or less, or \$50,000 to \$100,000 (compromises greater than 60% of "Disputed Amounts")	No advance notice; quarterly disclosures to Plan Committee	None required.
\$50,000 to \$100,000 (compromises less than 60% of "Disputed Amounts")	Five (5) business days advance notice to Plan Committee	Minimum Fifteen (15) days notice if Plan Committee objection not resolved.
Greater than \$100,000 (compromises greater than 60% of Disputed Amounts)	Five(5) days advance notice to Plan Committee	Minimum Fifteen (15) days notice if Plan Committee objection not resolved.
Greater than \$100,000 (Compromises less than 60% of Disputed Amounts)	Minimum Fifteen (15) days advance notice.	Minimum Fifteen (15) days notice.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
FANSTEEL, INC., et al.¹)
Reorganized Debtors.) Case No. 02-10109 (JJF)
)
) Re: Docket No. _____

**ORDER AUTHORIZING AND APPROVING OMNIBUS PROCEDURES
FOR SETTLING CERTAIN CLAIMS AND CAUSES OF ACTION
BROUGHT BY REORGANIZED DEBTORS IN A JUDICIAL,
ADMINISTRATIVE, ARBITRAL OR OTHER ACTION OR PROCEEDING**

Upon consideration of the motion (the "Motion") of the Debtors² for the entry of an order authorizing and approving omnibus procedures for settling certain claims and causes of action brought by or against the Debtors in a judicial, administrative, arbitral or other action or proceeding and authorizing method of payment of prosecution expenses; and it appearing that the Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. § 1334, and that this matter is a core matter pursuant to 28 U.S.C. § 157(b)(2); and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors and their creditors; and it appearing that due notice of the Motion has been given to: (i) the United States Trustee; (ii) the Plan Committee; and (iii) all parties that have requested such notice pursuant to Bankruptcy Rule

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

² Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Motion, and the Second Amended Joint Plan of Reorganization of the Debtors.

2002, and that no further notice need be given; and after due deliberation and sufficient cause appearing therefor;

IT IS HEREBY ORDERED THAT:

1. The Motion is granted.
2. The Debtors are hereby authorized to enter into compromises of

Avoidance Actions individually, or in conjunction with the resolution of Filed Claims or causes of action against the Debtors, pertinent portions of which are set forth in this paragraph 2, as follows:

a. The term "Disputed Amount" is defined as the dollar amount to be sought by the Reorganized Debtors against a particular vendor after reduction, if appropriate, by reason of the Debtors' best estimate of potential section 547(c) defenses of ordinary course of business and subsequent new value.

b. For compromises of claims in which the Disputed Amount does not exceed \$50,000, the Debtors may settle these "De Minimis Claims" without further Court approval or notice to any party.

c. For compromises of claims in which the Disputed Amount is greater than \$50,000, but does not exceed \$100,000, the Debtors may settle these Avoidance Actions without further Court approval or notice to any party as long as the amount recovered is 60% or more of the Disputed Amount. For compromise of claims for less than 60% of the Disputed Amount, the Debtors shall be authorized to enter into the settlement without further Court approval upon lack of objection by the Plan Committee after not less than five (5) business days' written notice of the proposed compromise, or resolution of any timely objection of the

Plan Committee. In the event the Plan Committee objects to a proposed compromise and the objection cannot be resolved, the Debtors may seek a Court order authorizing such compromise, by motion duly noticed to the Plan Committee and the United States Trustee.

d. For compromises of claims in which the Disputed Amount is greater than \$100,000.00, and where the amount to be recovered is 60% or more of the Disputed Amount, the Debtors shall have the authority to compromise such Avoidance Actions after approval or lack of objection by the Plan Committee following not less than five (5) business days written notice, or resolution of any timely objection of the Plan Committee. In the event the Plan Committee objects to such a proposed compromise and the objection cannot be resolved, the Debtors may seek a Court order authorizing such compromise, by motion duly noticed to the Plan Committee and the United States Trustee. If the proposed settlement is less than 60% of the Disputed Amount, then Court approval of such settlement is required after notice and hearing.

e. Notice of a proposed settlement to the Plan Committee shall include the gross 90 day payment amount, the Disputed Amount, the proposed settlement amount, and the reasons for recommendation of the compromise.

f. On or before 25 days after the conclusion of a quarter, the Debtors will issue to the Plan Committee a report of such quarter's settlements (1) for which no additional authority was required, and (2) which were resolved by or are pending Plan Committee or Court approval, as well as running totals for settlements reached in prior quarters.

3. In resolving the Avoidance Actions pursuant to the foregoing procedure, the Debtors are further authorized to offer and give to a settling party a limited release pursuant to which the Debtors will acknowledge that it is prohibited from pursuing the settling party on

any further action or claim related to the alleged Avoidance Action. Such a release may, but need not, include the following specific language: "The Debtors, on behalf of themselves and their Bankruptcy Estates, hereby release [Vendor] from any and all claims relating to payments made by the Debtors in the ninety (90) days prior to the filing of the petition of bankruptcy as an alleged preferential."

4. To minimize expenses and maximize value for creditors, the Debtors are granted authority under the terms identified through the Motion and the Amended Plan to resolve Filed Claims and all other claims or causes of action against the Debtors and their bankruptcy estates in conjunction with settlement of Avoidance Actions without further order or approval of this Court, pursuant to section 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019. The Debtors' quarterly reports issued to the Plan Committee will describe any resolution of Filed Claims or other claims in conjunction with the settlement of Avoidance Actions.

5. To further minimize expenses and maximize value for creditors, in the event an Avoidance Action is the subject of a settlement agreement or settlement stipulation, any adversary proceeding filed so as to prosecute that Avoidance Action may be dismissed pursuant to a notice of dismissal pursuant to FRCP Rule 41(a)(1)(i) as opposed to a stipulation for dismissal pursuant to FRCP Rule 41(a)(1)(ii).

6. This Order shall apply to all proposed settlements of Avoidance Actions, including proposed settlements which were entered into prior to the date of entry of this Order.

Dated: _____, 2004

The Honorable Joseph J. Farnon, Jr.
United States District Judge