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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 (JIF)
) Re: Docket No. 2165

**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: Pansteel 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.

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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 \$100,000, the Debtors shall be authorized to enter into the settlement without further Court approval after not less than five (5) business days' of delivery by fax or email of a written notice of the proposed compromise ("Settlement Notice") delivered to the Plan Committee and United States Trustee, which notice shall also be filed with the Court. In the event the United States Trustee or any members of the Plan Committee objects to a proposed compromise and the objection cannot be resolved, the objecting party may seek a Court order to prevent the proposed compromise by the filing of a motion within five (5) business days of delivery of the Settlement Notice, duly noticed to the Reorganized Debtors, Plan Committee and the United States Trustee.

c. 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 not less than five (5) business days of delivery of a Settlement Notice to the Plan Committee and the United States Trustee, which notice shall also be filed with the Court. In the event any members of the Plan Committee or the United States Trustee objects to such a proposed compromise and the objection cannot be resolved, the objecting party may seek a Court order to prevent the proposed compromise, by the filing of a motion within five (5) business days of delivery of the Settlement Motion, duly noticed to the Reorganized Debtors, 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.

d. The Settlement Notices to the Plan Committee shall include the name of the defendant and adversary number, the gross 90 day payment amount, the Disputed Amount, the proposed settlement amount and percentage of the Disputed Amount, and the reasons for recommendation of the compromise.

e. 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

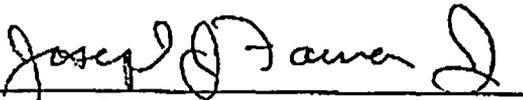
any further action or claim related to the alleged Avoidance Action. Such a release may, but need not, include the following specific language: "The Debtors, on behalf of themselves and their Bankruptcy Estates, hereby release [Vendor] from any and all claims relating to payments made by the Debtors 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: April 30, 2004


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