

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

NOTICE OF HEARING DATE

PLEASE TAKE NOTICE that on January 15, 2002, the above-captioned Debtors filed chapter 11 bankruptcy petitions in the United States Bankruptcy Court for the District of Delaware. The Court has set an emergency hearing on **January 17, 2002 at 10:00 A.M.** at which time the Court will address the following matters:

1. Motion for Order Directing Joint Administration
2. Motion for Order Authorizing Payment of Critical Vendor Claims
3. Motion for Order (A) Authorizing Continued Use of Existing Cash Management System, Existing Bank Accounts, and Business Forms and (B) Waiving Certain Investment and Deposit Requirements under 11 U.S.C. §§ 105, 345(b), 363, 364(a) and 364(b)
4. Motion For Order Authorizing Debtors to Pay (I) Pre-Petition Commissions, Consulting Fees, Employee Wages, Salaries, and Contributions to 401(K) and Other Employee Benefit Plans, Including

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., American Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.

Workers Compensation Plans, (II) Reimbursement Obligations on Account of Certain Pre-Petition Business Expenses, and (III) All Costs and Expenses Incident to the Foregoing Payments and Contributions in the Ordinary Course of Business

5. Emergency Motion of Debtors and Debtors in Possession for Entry of Interim and Final Orders (A) Authorizing Secured and Priority Financing Pursuant to Bankruptcy Code § 364(C) and Rule 4001 of the Federal Rules of Bankruptcy Procedure and (B) Granting Related Relief. The relief to be requested on an interim basis is reflected in the attached Order.

THE HEARING ON THE ABOVE-MENTIONED MATTERS WILL BE HELD ON JANUARY 17, 2002 AT 10:00 A.M. EASTERN TIME BEFORE PETER J. WALSH, CHIEF JUDGE, UNITED STATES BANKRUPTCY COURT IN THE DISTRICT OF DELAWARE, 824 N. MARKET ST., 6TH FLOOR, WILMINGTON, DELAWARE.

If you require copies of the above-mentioned matters, please contact Michael

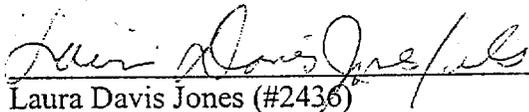
Migliore at (302) 778-6410.

Dated: January 16, 2002

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[Proposed] Co-Counsel to Debtors and Debtors in
Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)
) Chapter 11
)
FANSTEEL, INC., et. al.,)
) Case Nos. 02-_____
)
Debtors.)

**INTERIM ORDER PURSUANT TO SECTIONS 363 AND 364(c) OF THE
BANKRUPTCY CODE AUTHORIZING DEBTORS-IN-POSSESSION TO BORROW
MONIES AND INCUR SECURED PRIORITY ADMINISTRATION INDEBTEDNESS**

Upon the Motion dated January 15, 2002 (the "Motion") of Fansteel Inc., Phoenix Aerospace Corp., Fansteel Holdings, Inc., American Sintered Technologies, Inc., Custom Technologies Corp., Fansteel Schulz Products, Washington Manufacturing Co., Wellman Dynamics, and Escast, Inc., Debtors and Debtors-In-Possession (collectively the "Debtors"), for an Order, inter alia, (a) authorizing the Debtors to borrow monies from HBD Industries, Inc. (the "Lender"); (b) authorizing the Debtors to incur secured and superpriority administration obligations under 11 U.S.C. § 364(c) to the Lender for loans, advances and other financial accommodations to be made by the Lender to the Debtors from time to time in amounts in accordance with the Loan Documents (as hereinafter defined) and this Interim Order as hereinafter set forth, together with interest and such other charges and expenses, including attorneys' fees (hereinafter the "Post-Petition Indebtedness") in accordance with the terms of this Interim Order and the Loan Documents to be executed and delivered in connection with the transactions referred to herein; (c) securing full payment to the Lender of the Post-Petition

— Indebtedness by granting to the Lender liens and security interests as hereinafter provided; (d) authorizing the Debtors to execute and deliver to the Lender a certain Debtor-In-Possession Credit and Security Agreement in the form annexed to the Motion as Exhibit "A" (the "Credit Agreement") and all of the "Loan Documents", as such term is defined in the Credit Agreement, and such other instruments and agreements as are necessary or reasonably requested by the Lender to effectuate any of the foregoing (hereinafter collectively referred to as the "Loan Documents"); (e) granting the Lender a superpriority administration claim as hereinafter provided; (f) seeking interim approval of the Loan Documents; and (g) scheduling a hearing (the "Final Hearing") to consider final approval of the Loan Documents and the transactions contemplated thereby; and

IT APPEARING, that on January 14, 2002 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, et. seq. (the "Bankruptcy Code") with this Court, and the Debtors have continued in the management and possession of their respective businesses and properties as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code; and

IT FURTHER APPEARING, that the Debtors do not have the funds necessary to meet their payroll and other necessary expenses for the continued operation of their businesses and have requested that the Lender make loans and advances, and furnish other financial accommodations to the Debtors on a secured basis pursuant to the terms and conditions of this Order; and

IT FURTHER APPEARING, that the relief requested herein is essential for the continued operation of the Debtors' businesses; and

IT FURTHER APPEARING, that no other sources of financing are available to the Debtors on more favorable terms than the financing offered by the Lender; and

IT FURTHER APPEARING, that the Debtors are unable to obtain unsecured credit allowable as an administration expense under section 503(b)(1) of the Bankruptcy Code; and

IT FURTHER APPEARING, certain shareholders and directors of the Lender are officers, directors and/or shareholders of one or more of the Debtors, and the Lender is willing to make the loans contemplated by the Loan Documents provided that this Interim Order is entered after full disclosure to all Notice Persons (as hereinafter defined) of the aforementioned relationships,

IT FURTHER APPEARING, that the Loan Documents and the financing arrangement contemplated therein between the Debtor and the Lender has been entered into by the Lender in good faith as required by section 364(e) of the Bankruptcy Code; and

IT FURTHER APPEARING, that the Debtors have given notice of the hearing on the Motion to each of the Debtors' twenty largest unsecured creditors, The Nuclear Regulatory Commission, the Securities and Exchange Commission and the Office of the United States Trustee (collectively the "Notice Persons") and the hearing thereon having been held by this Court on January __, 2002; and

IT FURTHER APPEARING, that sufficient and adequate notice of the Motion and the hearing with respect thereto has been given pursuant to Bankruptcy Rule 4001(c), and no further notice of or hearing on the relief sought is required; and

IT FURTHER APPEARING, that good, adequate and sufficient cause has been shown to justify the granting of the relief requested herein, and upon the record of the hearing held by this Court and good and sufficient cause having been shown for entry of this Interim Order,

NOW, THEREFORE, upon the Motion, and the pleadings in this case, and the record of the proceedings heretofore held before this Court with respect to the Motion, this Court finds as follows:

- A. The Debtors are unable to obtain unsecured credit, allowable under sections 503(b) and 507(b) of the Bankruptcy Code, or pursuant to section 364(a) and (b) of the Bankruptcy Code.
- B. No source of financing exists on more favorable terms than the financing offered by the Lender.
- C. The Debtors have provided actual notice of the terms of the Motion and the relief requested thereunder by facsimile or overnight delivery on or before January 15, 2002 to all of the Notice Persons and the attorneys for the Lender, all as more fully described in the Certificate of Service filed by counsel for the Debtors. Accordingly, sufficient and adequate notice of the Motion and the hearing with respect thereto has been given pursuant to Bankruptcy Rule 4001(c) and section 102(1) of the Bankruptcy Code as required by section 364(c) of the Bankruptcy Code and no further notice of, or hearing on the relief sought in the Motion is necessary or required.
- D. Consideration of the Motion constitutes a "core proceeding" as defined in 28 U.S.C. §§157(b)(2)(A), (D), (G) and (O). This Order is subject to, and the Lender is entitled to the benefits of and the provisions of section 364(e) of the Bankruptcy Code. This Court has

jurisdiction over this proceeding and the parties and property affected hereby pursuant to 28 U.S.C. §§157 and 1334.

E. The terms of the Loan Documents between the Debtors and the Lender, pursuant to which post-petition loans and advances may be made by the Lender to the Debtors, have been negotiated in good faith and at arm's length, as these terms are used in section 364(e) of the Bankruptcy Code, and are in the best interests of the Debtors' estates and their creditors.

F. Good, adequate and sufficient cause has been shown to justify the granting of the relief requested herein, and it is accordingly.

ORDERED, that the Debtors and Lender have agreed on Loan Documents and the terms and conditions thereof are incorporated herein by reference; and it is further

ORDERED, that the Debtors be, and each of them hereby is, authorized to execute and enter into each of the Loan Documents; and it is further

ORDERED, that pursuant to section 364 of the Bankruptcy Code, the Debtors be, and each of them hereby is authorized to borrow monies from, obtain other financial accommodations from and incur obligations to the Lender and the Lender is authorized to make advances to the Debtors in accordance with the terms of the Loan Documents, in an amount not to exceed Five Hundred Thousand (\$500,000) Dollars from the Closing Date, as such term is defined in the Loan Documents, until the entry of the Final Borrowing Order, as such term is defined in the Loan Documents, following the Final Hearing and it is further

ORDERED, that the obligations of the Debtors to the Lender under the Loan Documents shall be joint and several; and it is further

ORDERED, that the Debtors shall use the proceeds of the loans and advances made by the Lender to Debtors solely for the payment of employee salaries, payroll taxes, collection of accounts, and other general operating and working capital purposes, and for such other general corporate purposes of the Debtors as may be permitted in accordance with the terms and conditions of the Loan Documents; and it is further

ORDERED, that effective as of the Petition Date, pursuant to section 364(c) (2) and (3) of the Bankruptcy Code, payment to the Lender of all of the Post-Petition Indebtedness be and hereby is secured by the Debtors' grants to the Lender of liens on and security interests in the "Collateral", as such terms as defined in the Debtor-In-Possession Credit and Security Agreement including, without limitation, the following assets of the Debtors;

(a) (i) all accounts created by or arising from the Debtors' sales of inventory or rendition of services to their customers, and (ii) all accounts arising from sales, rendition of services made by the Debtors under their trade names or styles, whether or not presently in effect, or replevin, reclamation and stoppage in transit relating to any or all of the foregoing or arising therefrom through any of the Debtors' divisions of otherwise; (iii) unpaid seller's rights (including rescission); (iv) rights of the Debtors' to payment for inventory sold or leased; (v) rights to any inventory represented by an account, including rights to returned or repossessed inventory; (vi) reserves and credit balances arising hereunder; (vii) guarantees or collateral for any of the foregoing; (viii) insurance policies or rights relating to any of the foregoing; and (ix) cash and non-cash proceeds of any and all of the foregoing. The liens on the Collateral granted hereunder and under the Loan Documents shall be first priority on any Collateral not otherwise

subject to a lien, and shall be junior to all liens to which the Collateral was otherwise subject on the Petition Date.

(b) all of the Debtors' present and hereafter acquired merchandise, inventory and goods, and all additions, substitutions and replacement thereof, wherever located, together with all goods and materials used or usable in manufacturing, processing, packaging or shipping same; in all stages of production – from raw materials through work-in-progress to finished goods together with insurance policies or rights relating to any of the foregoing and cash and non-cash proceeds of any and all of the foregoing. The liens on the Collateral granted hereunder and under the Loan Documents shall be first priority on any Collateral not otherwise subject to a lien and shall be junior to all liens to which the Collateral was otherwise subject on the Petition Date.

ORDERED, that the security interests granted to Lender in the Loan Documents and authorized herein are deemed perfected without the necessity of the filing by the Lender of Uniform Commercial Code Financing Statements or other instruments.

ORDERED, that the Post-Petition Indebtedness shall have superpriority pursuant to section 364(c)(1) of the Bankruptcy Code over any other superpriority claim granted in this case and over all administrative expenses incurred and priority claims arising in this case or any subsequent case, including those claims specified in sections 503(b), 506(c), 507(a), 507(b) of the Bankruptcy Code and such superpriority claim in favor of the Lender shall at all times be senior to the rights of the Debtors or trustee in this or any subsequent case under the Bankruptcy Code, but which superpriority claims shall not be payable from any recoveries from actions brought pursuant to the provisions of chapter 5 of the Bankruptcy Code; and it is further

ORDERED, that notwithstanding the foregoing, the liens, security interests and superpriority claims granted to the Lender shall not be senior to or have priority over the quarterly fees payable to the United States Trustee pursuant to 28 U.S.C. §1930; and it is further

ORDERED, that except as provided in the Loan Documents, until all of the Post-Petition Indebtedness shall have been indefeasibly paid in full or the Lender shall have consented thereto in writing, the Debtors may not at any time apply for or acquiesce in an application for an order (i) which authorizes under section 363 of the Bankruptcy Code the use of the cash proceeds of the Collateral, or (ii) under section 364 of the Bankruptcy Code, which authorizes the obtaining of credit or the incurring of indebtedness secured by a lien and security interest on property which is equal or senior to that possessed by the Lender, or by a superpriority claim, which is equal or superior to that granted to the Lender herein; and it is further

ORDERED, that the Debtors be, and each of them, hereby is authorized and directed to promptly reimburse the Lender for all present and future costs and expenses incurred by the Lender to effectuate the financing transactions herein described in this Interim Order to the extent set forth in the Loan Documents, including, but not limited to, all filing and recording fees, reasonable audit and field examination expenses, other costs and expenses, and reasonable attorneys' fees relating to the Loan Documents, including, but not limited to, negotiating, documenting, and obtaining this Court's approval of the Loan Documents, and all proceedings in connection with the interpretation, implementation, amendment, modification, and administration of the Loan Documents and the enforcement of the Lender's rights thereunder, and all reasonable costs and expenses arising in connection therewith or related thereto, all of

which costs and expenses shall be and are included in the Post-Petition Indebtedness; and it is further

ORDERED, that the Loan Documents shall continue in full force and effect until all of the "Obligations" as such term is defined in the Debtor-In-Possession Credit and Security Agreement are fully paid, unless terminated as provided therein; and it is further

ORDERED, that in the event of the occurrence of any default or Event of Default under any of the Loan Documents (A) all of the Post-Petition Indebtedness shall become immediately due and owing and all obligations of the Lender hereunder and under the Loan Documents or otherwise shall terminate, and (B) at any time thereafter, the Lender may settle an order upon five (5) Business Days' notice to counsel for the Debtors, counsel for any statutory committee appointed in any of the Debtors' chapter 11 cases, if any, and the United States Trustee, seeking relief from the automatic stay under section 362 of the Bankruptcy Code to permit the Lender to assert its rights as a secured party after default, as provided in the Loan Documents, the Uniform Commercial Code and other applicable law, to, at its sole discretion, proceed against and realize upon the Collateral, all without further Order of this Court; and it is further

ORDERED, that the provisions of this Order shall survive entry of any subsequent Order, whether the same be an Order confirming a Plan or Plans of reorganization the Debtors or converting one or more of these chapter 11 cases to a case or cases under chapter 7 of the Bankruptcy Code, and the provisions of this Order as well as the liens, security interests, and superpriority claims arising pursuant thereto in favor of the Lender shall continue in this and any subsequent case under the Bankruptcy Code and shall be binding on the Debtors' successors and assigns (including any trustee or other fiduciary hereafter appointed as a legal representative of

the Debtors or with respect to property of the Debtors' estates whether in these chapter 11 cases or any subsequent chapter 7 case), and such liens, security interests, and superpriority claims shall maintain their priority as provided for under this Order until all of the Post-Petition Indebtedness is paid in full; and it is further

ORDERED, subject to the terms of the Loan Documents, that the Post-Petition Indebtedness and the Loan Documents shall not be altered, extended or affected by any plan confirmed in these chapter 11 cases or by any other action taken or relief sought in these chapter 11 cases or any subsequent chapter 7 case of a Debtor hereafter; and it is further

ORDERED, that the Lender shall be entitled to the full protection of section 364(e) of the Bankruptcy Code and in the event any or all of the provisions of this Interim Order are hereafter modified, vacated or stayed by subsequent order of this Court or any other court, such stay, modification or vacatur shall not affect either the (a) validity of any obligations to the Lender incurred pursuant to this Interim Order and the Loan Documents and which is incurred prior to the effective date of such stay, modification or vacatur, or (b) the validity and enforceability of any lien, security interest and/or superpriority claim authorized herein with respect to any such obligations to the Lender, and notwithstanding such stay, modification or vacatur, any obligations of the Debtors to the Lender pursuant to this Interim Order arising prior to the effective date of such stay, modification or vacatur shall be governed in all respects by the original provisions of this Interim Order, and the Lender shall be entitled to all of its rights, privileges and benefits, including, without limitation, the liens, security interests, superpriority claims and collection rights granted herein to or for the benefit of the Lender; and it is further

ORDERED, that the Loan Documents are subject to the terms and conditions of this Order, and to the extent that any of the terms and conditions of the Loan Documents are in conflict with the terms of this Interim Order, this Interim Order shall govern; and it is further

ORDERED, that the Debtors shall promptly mail copies of this Order to (a) their twenty largest unsecured creditors, (b) The Office of the United States Trustee for Region Three, (c) The Nuclear Regulatory Commission, (d) the Securities and Exchange Commission; (e) the Lender, and (f) all parties who have entered their appearance pursuant to Bankruptcy Rule 2002; and it is further

ORDERED, that any other further obligation for notice of the relief granted herein and of the Final Hearing shall be, and hereby is, dispensed with and waived; and it is further

ORDERED, that the Final hearing is scheduled on the Motion for _____, 2002, at _____ .m. before this Court; and it is further

ORDERED, that any party in interest objecting to the relief sought at the Final Hearing shall serve and file a written objection, which objection shall be served upon (i) counsel for the Debtors, Pachulski, Stang, Ziehl, Young & Jones P.C., 919 North Market Street, Wilmington, Delaware 9800-8705, Attention: Laura Davis Jones, Esq. and Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attention: Jeffrey S. Sabin, Esq. and Mark A. Broude, Esq. and (ii) counsel for the Lender, Kirkpatrick & Lockhart LLP, 1251 Avenue of the Americas, New York, New York 10022, Attention: Jeffrey N. Rich, Esq. so that it is received no later than five (5) days before such hearing; and it is further

ORDERED, that the Clerk of Court is hereby directed to forthwith enter this Order on the docket of this Court maintained with regard to these cases.

Dated: Wilmington, Delaware
January __, 2002

JUDGE

**Fansteel's Environmental Agency
Service List**

Case No. 02-10109
Doc. #38325
7 - Overnight Mail

Via Federal Express

Document Control Desk
U.S. Nuclear Regulatory Commission
One White Flint North
11555 Rockville Pike
Rockville, MD 20852-2738

Via Federal Express

Ms. Leah Tremper
License Fee & Accounts Receivable Branch
Office of the Chief Financial Officer
U.S. Nuclear Regulatory Commission
Mail stop T-9E10
Two White Flint North
11545 Rockville Pike
Rockville, MD 20852-2738

Via Federal Express

Ellis Merschhoff, Regional Administrator
U.S. Nuclear Regulatory Commission
Region IV
Harris Tower
611 Ryan Plaza Drive, Suite 400
Arlington, TX 76011-8064
Attention: Dr. Blair Spitzberg

Via Federal Express

Stuart Treby, Esquire
Assistant General Counsel
Office of the General Counsel
U.S. Nuclear Regulatory Commission
Mail stop 0-15D21
One White Flint North
11555 Rockville Pike
Rockville, MD 20852-2738
Attention: Stephen Lewis

Via Federal Express

John Cordes, Solicitor

U.S. Nuclear Regulatory Commission
Mail stop 0-15D21
One White Flint North
11555 Rockville Pike
Rockville, MD 20852-2738

Via Federal Express

Melvyn Leach, Chief Fuel Cycle Licensing
Branch
Office of Nuclear Materials Safety &
Safeguards
Mail stop T-8A33
Two White Flint North
11545 Rockville Pike
Rockville, MD 20852-2738
Attention: Ms. Leslie Fields

Via Federal Express

Larry Camper, Chief Decommissioning
Branch
Office of Nuclear Materials Safety &
Safeguards
Mail stop T-7F27
Two White Flint North
11545 Rockville Pike
Rockville, MD 20852-2738
Attention: Thomas Fredrichs