

40-7580

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	Chapter 11
FANSTEEL INC., <i>et al.</i> , ¹)	Case No. 02-10109 (JJF)
)	(Jointly Administered)
Debtors.)	
)	Objection Deadline: February 11, 2002 at 4:00 p.m.
)	Hearing Date: February 14, 2002 at 12:30 p.m.
)	

**NOTICE OF MOTION FOR ORDER AUTHORIZING AND APPROVING
THE RETENTION OF AND APPOINTMENT OF BANKRUPTCY MANAGEMENT
CORPORATION AS NOTICING, CLAIMS AND BALLOTING AGENT
OF THE BANKRUPTCY COURT**

TO: Parties required to receive notice pursuant to Del. Bankr. LR 2002-1.

On January 15, 2002, the above-captioned debtors and debtors in possession (collectively, the "Debtors") filed the *Motion for Order Authorizing and Approving the Retention of and Appointment of Bankruptcy Management Corporation as Noticing, Claims and Balloting Agent of the Bankruptcy Court* (the "Motion") with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 (the "Court"), seeking to appoint Bankruptcy Management Corporation as the noticing, claims and balloting agent. 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., American Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.
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Objections and other responses to the Motion, if any, must be in writing and be filed with the Bankruptcy Court, and served on (i) counsel for the Debtors: Jeffrey S. Sabin, Esquire, Schulte, Roth & Zabel LLP, 919 Third Avenue, New York, New York, 10022; and Laura Davis Jones, Esquire, Pachulski, Stang, Ziehl, Young & Jones P.C., 919 North Market Street, Suite 1600, P.O. Box 8705, Wilmington, Delaware 19899-8705; (ii) the Office of the United States Trustee, David Buckbinder, Esquire, J. Caleb Boggs Federal Building, 844 King Street, Suite 2313, Lock Box 35, Wilmington, Delaware 19801; (iii) counsel to the Official Committee of Unsecured Creditors (if any); and (iv) counsel for the postpetition lenders: Jeffrey N. Rich, Esquire, Kirkpatrick & Lockhart LLP, 1251 Avenue of the Americas, New York, New York 10022, on or before February 11, 2002 at 4:00 p.m. prevailing eastern time.

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

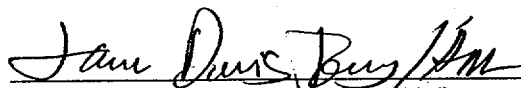
IN THE EVENT THAT ANY OBJECTION OR RESPONSE IS FILED AND SERVED IN ACCORDANCE WITH THIS NOTICE, A HEARING ON THE MOTION WILL BE HELD ON FEBRUARY 14, 2002 AT 12:30 P.M. EASTERN TIME BEFORE THE HONORABLE JOSEPH J. FARNAN, JR., UNITED STATES DISTRICT COURT JUDGE FOR THE DISTRICT OF DELAWARE, 844 N. KING STREET, 6TH FLOOR, COURTROOM 6A, WILMINGTON, DELAWARE.

Dated: January 22, 2002

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[Proposed] Co-Counsel for the Debtors and
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**MOTION FOR ORDER AUTHORIZING AND APPROVING THE RETENTION OF
AND APPOINTMENT OF BANKRUPTCY MANAGEMENT CORPORATION AS
NOTICING, CLAIMS AND BALLOTING AGENT OF THE BANKRUPTCY COURT**

The above-captioned debtors and debtors-in-possession (the “Debtors”), hereby move for an order under 28 U.S.C. §156(c) and Rule 2002-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”) authorizing and approving the retention and appointment of Bankruptcy Management Corporation (“BMC”) as noticing, claims and balloting agent of the Bankruptcy Court (the “Motion”). In support of this Motion, Debtors rely on the Declaration of Sean Allen, Vice President of BMC (the “Allen Declaration”). In further support of this Motion, Debtors respectfully represent as follows:

Jurisdiction

1. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper under 28 U.S.C. §§ 1408 and 1409. Pursuant to 28 U.S.C. §157(b)(2)(A), this is a core proceeding in that it is a matter concerning the administration of

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.

Debtors' estates. The statutory predicates for the relief sought in this Motion are 28 U.S.C. §156(c) and Local Rule 2002-1(f).

Background

2. Fansteel and the other eight Debtors (each a direct or indirect wholly-owned subsidiary of Fansteel) have been engaged for over 70 years in the business of manufacturing and marketing specialty metal products with today's operations being conducted at ten manufacturing facilities (five of which are owned by Fansteel) in nine states. Collectively, Debtors have approximately 1,250 employees, substantially all on a full time basis, including approximately 365 employees that are working under collective bargaining agreements with four different unions. Each Debtor is operated separately, with separate employees, separate operations and separately maintained books and records.

A. Pre-Petition Unsecured Lenders

3. Prior to the Petition Date, The Northern Trust Company ("NTC"), as agent for itself and M&I Bank ("M&I"), had extended to Fansteel a \$30 million unsecured revolving facility (the "Pre-Petition Credit Facility"), which provided for up to \$20 million in revolving advances for working capital and up to \$10 million in letters of credit. Fansteel is the only borrower under the Pre-Petition Credit Facility and none of the other Debtors has any obligations thereunder; however, under the Pre-Petition Credit Facility, Fansteel agreed not to permit any of its direct or indirect subsidiaries (including all of the other Debtors) to incur indebtedness or to pledge any of their assets, subject to certain exceptions. As of the Petition Date, there was

approximately \$8.5 million outstanding under the Pre-Petition Credit Facility in addition to \$6.5 million in outstanding letters of credit, which includes a \$3.7 million letter of credit in favor of the NRC.¹

B. Causes Leading to the Bankruptcy Filings

4. The operations of Debtors' respective businesses have involved compliance with state and federal environmental laws, including the Atomic Energy Act. The Debtors' bankruptcy cases are an outgrowth of the discontinuation of one of Fansteel's operations that was conducted from the 1950s through 1989 at a site owned and operated by Fansteel in Muskogee, Oklahoma (the "Muskogee Site"). At the Muskogee Site, Fansteel, in accordance with a license obtained from the U.S. Nuclear Regulatory Commission (the "NRC") in 1967, processed tantalum ore for further processing at Fansteel's plant in North Chicago. Tantalum naturally occurs with other metals, including uranium and thorium, each of which is radioactive, and the processing of tantalum results in, among other things, radioactive residues and soils. Fansteel, in accordance with applicable regulations promulgated by the NRC, is required, upon discontinuance of its business to remediate these residues and soils.

5. In 1989, Fansteel discontinued its operations at the Muskogee Site. Notwithstanding such discontinuation, Fansteel has remained at all times in compliance with its NRC license, and has maintained the Muskogee Site in a manner that protects the health and safety of its employees and the public. Following its discontinuation of operations at the

¹ There is a second letter of credit in favor of the NRC in the amount of approximately \$750,000, which is not issued pursuant to the Pre-Petition Credit Facility.

Muskogee Site, Fansteel developed a method to reprocess the residues at the Muskogee Site and to remediate the contaminated soils, and obtained the approval of the NRC for various aspects of such reprocessing and remediation. Unfortunately, due to operational problems in the plant and the significant decline in the price of tantalum during the second and third quarters of 2001, operation of the reprocessing facility was determined to be uneconomic, requiring Fansteel, as a matter of generally accepted accounting principals, in its financial statements for the quarter ended September 30, 2001, to write off the costs that Fansteel had expended in designing and building the reprocessing plant (approximately \$32 million), and to take an immediate reserve for the reasonably anticipated costs of remediating the radioactive residues and soils that remain on the Muskogee Site without regard to any reprocessing (an approximately \$57 million reserve).

6. Fansteel's plight was further aggravated by the actions of NTC and M&I. In mid October 2001, Fansteel promptly informed NTC of the prospective write-off and reserve required with respect to the Muskogee Site, and requested waivers of any events of default arising under the Pre-Petition Credit Facility as a result thereof, as well as an amendment of the loan documents governing the Pre-Petition Credit Facility in order either to allow Fansteel sufficient additional availability under the Pre-Petition Credit Facility or to allow Fansteel's subsidiaries to borrow funds on a secured basis which, in either case, would have provided the Debtors with sufficient liquidity to avoid a bankruptcy filing. However, NTC refused these requests and, on November 19, 2001, accelerated the Pre-Petition Credit Facility, froze all of the Debtors' accounts that were maintained at NTC and M&I and set-off amounts owed under the Pre-Petition Credit Facility against those accounts. As a result of the freeze and such set-off, the

Debtors no longer had access to the funds necessary to operate their respective businesses and a bankruptcy filing became inevitable.

Relief Requested

7. By this Motion, Debtors seek entry of an order authorizing retention and employment of BMC as noticing, claims and balloting agent (“Agent”) to render services contemplated in Local Rule 2002-1(f) and specifically described below and to perform such other services as may be required by Debtors or their counsel as described more fully below.

Basis For Relief

8. Debtors have over 13,500 potential creditors and parties in interest to whom certain notices, including notice of these chapter 11 cases, must be sent. The size of Debtors’ creditor body makes it impracticable for the Clerk of the Bankruptcy Court (the “Clerk”) to send notices to the creditors and other parties in interest. Debtors respectfully submit that the most effective and efficient way to accomplish the above-mentioned tasks is to engage an independent third party to act as an agent of the Court to perform such functions.

9. BMC is a bankruptcy management service provider that specializes in streamlining the administrative burdens imposed by the filing of a chapter 11 case. Debtors desire the appointment of BMC as the Agent pursuant to 28 U.S.C. § 156(c) and Local Rule 2002-1(f). Debtors believe that BMC’s assistance will expedite service of the notices, streamline the claims administration process and permit Debtors to more effectively focus on their reorganization efforts.

10. Debtors believe that BMC is well-qualified to provide such services, expertise, consultation and assistance. As set forth in the Allen Declaration, BMC has assisted and advised numerous chapter 11 Debtors in connection with noticing, claims administration, claims reconciliation and administration of plan votes. BMC has provided identical or substantially similar services in other chapter 11 cases, including, most recently, In re Quality Stores, Inc., Case No. GG 01-10662 (Bankr. W.D. MI November 1, 2001), In re Webvan Group, Inc., Case No. 01-2404 (Bankr. D. Del. July 13, 2001), In re Synadyne III, Inc., Case No LA 01-28160 (BB) (Bankr. C.D. CA. June 11, 2001), In re Teligent, Inc., Case No. 01-12974 (SMB) (Bankr. S.D. N.Y. May 21, 2001), and In re eToys, Inc., Case No. 01-0706 (MFW) (Bankr. D. Del. March 7, 2001).

11. Bankruptcy Rule 2002 generally regulates what notices must be provided to creditors and other parties in interest in bankruptcy cases. Under Bankruptcy Rule 2002 and Local Rule 2002-1(f), the Court may direct that some person other than the Clerk give notice of the various matters described below.

12. Moreover, 28 U.S.C. § 156(c), which governs the staffing and expenses of the Bankruptcy Court, states in pertinent part:

Any court may utilize facilities or services, either on or off the court's premises, which pertain to the provision of notices, dockets, calendars, and other administrative information to parties in cases filed under the provisions of title 11, United States Code, where the cost of such facilities or services are paid for out of the assets of the estate and are not charged to the United States. The utilization of such facilities or services shall be subject to such conditions and limitations as the pertinent circuit council may prescribe.

28 U.S.C. § 156(c) (2001). The engagement of BMC as the Agent is therefore expressly authorized under Bankruptcy Rule 2002, Local Rule 2002-1(f), and 28 U.S.C. § 156(c).

13. Debtors propose to retain BMC on substantially the terms and conditions set forth in the agreement (the "BMC Agreement") attached as Exhibit A to the proposed order submitted herewith. It is anticipated that BMC will perform the following services at the request of Debtors or the Clerk's Office:

- a. prepare and serve required notices in these chapter 11 cases, including, without limitation:
 - (1) notice of the claims bar date;
 - (2) notice of objections to claims;
 - (3) notice of any hearings on a disclosure statement and confirmation of a plan of reorganization; and
 - (4) other miscellaneous notices to any entities, as the Debtors or the Court may deem necessary or appropriate for an orderly administration of these chapter 11 cases;
- b. within five days after the mailing of a particular notice, file with the Clerk's Office a declaration of service that includes a copy of the notice involved, an alphabetical list of persons to whom the notice was mailed and the date of mailing;
- c. receive and maintain originals and at least one set of copies of all proofs of claim and proofs of interest filed;

d. maintain an official claims register by docketing all proofs of claim and proofs of interest on the claims register including, among other things, the following information:

(1) the name and address of the claimant and any agent thereof, if the proof of claim or proof of interest was filed by an agent;

(2) the date received;

(3) the claim number assigned; and

(4) the asserted amount and classification of the claim;

e. implement necessary security measures to ensure the completeness and integrity of the claims register;

f. periodically audit the claims information to satisfy the Clerk's Office that the claims information is being appropriately and accurately recorded in the Court's claims register;

g. transmit to the Clerk's Office a copy of the claims register on a bi-weekly basis, unless requested by the Clerk's office on a more or less frequent basis;

h. maintain an up-to-date mailing list for all entities that have filed a proof of claim or proof of interest, which list shall be available upon request of a party in interest or the Clerk's Office;

i. provide access to the public for examination of copies of the proofs of claim or interest without charge during regular business hours;

j. receive and record all transfers of claims pursuant to Bankruptcy Rule 3001(e) and provide notice of such transfers as required by Bankruptcy Rule 3001(e);

k. comply with applicable federal, state, municipal and local statutes, ordinances, rules, regulations, orders and other requirements;

l. provide temporary employees to process claims, as necessary;

m. allow the Clerk's Office to independently audit the claims information at any time;

n. allow the Clerk's office to inspect its premises at any time; and

o. promptly comply with such further conditions and requirements as the Clerk's Office may at any time prescribe.

14. In addition to the foregoing, Debtors seek authority for BMC to assist them with such other chapter 11 administrative necessities including, without limitation: (a) creation and maintenance of its Schedules of Assets and Liabilities; (b) the reconciliation and resolution of claims, (c) the preparation, mailing and tabulation of ballots for the purpose of voting to accept or reject a plan of reorganization, and (d) such other administrative, consulting, technical and document management services of a similar nature necessary to facilitate Debtors' emergence from chapter 11.

15. In contemplation of its employment as Agent, BMC represents, among other things, that:

a. BMC is not a creditor of Debtors;

b. BMC will not consider itself employed by the United States government and shall not seek any compensation from the United States government in its capacity as the Agent in these chapter 11 cases;

c. by accepting employment in these chapter 11 cases, BMC waives any rights to receive compensation from the United States government;

d. in its capacity as the Agent in these chapter 11 cases, BMC will not be an agent of the United States and will not act on behalf of the United States;

e. in its capacity as the Agent in these chapter 11 cases, BMC will not misrepresent any fact to any person;

f. BMC will not employ any past or present employees of Debtors in connection with its work as the Agent in these chapter 11 cases;

g. BMC shall be under the supervision and control of the Clerk's Office; and

h. none of the services provided by BMC as Agent shall be at the expense of the Clerk's Office.

16. Debtors request that the fees and expenses of BMC incurred in the performance of the above services be treated as an administrative expense of Debtors' chapter 11 estates and be paid by Debtors in the ordinary course of business. BMC will submit to the United States Trustee for this region, on a monthly basis, copies of the invoices it submits to Debtors for services rendered. Prior to the bankruptcy, Debtors' paid BMC a retainer of \$5000

to apply toward compensation for work performed in connection with preparation for the bankruptcy filing.

17. To the best of Debtors' knowledge, and as is set forth in the Allen Declaration, neither BMC nor any employee thereof has any connection with Debtors, their creditors, the Office of the United States Trustee or any employees thereof or any other party in interest herein; and Debtors believe they are "disinterested persons," as that term is defined in Section 101(14) of the Bankruptcy Code. As is discussed in the Allen Declaration, BMC does not hold or represent any interest adverse to Debtors, their creditors or the estate that would prohibit it from serving as Agent.

18. For all the foregoing reasons, Debtors believe that the retention of BMC as the Agent is appropriate and in the best interests of Debtors and their estates and creditors.

Notice

19. Notice of this Motion has been given to (i) the Office of the United States Trustee and (ii) counsel to Debtors' proposed postpetition lenders. Debtors respectfully submits no other or further notice of the relief requested in this Motion need be given.

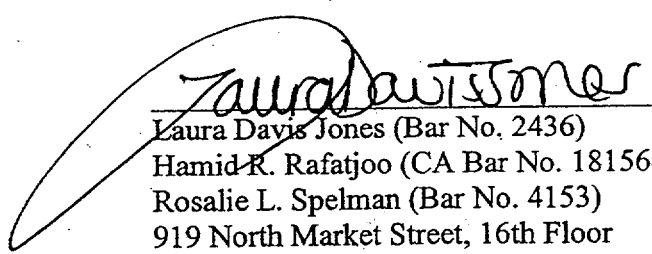
WHEREFORE, Debtors respectfully requests that the Court enter an order, pursuant to 28 U.S.C. §156(c) and Local Rule 2002-1(f), substantially in the form attached to this Motion: (i) authorizing Debtors to retain and employ BMC as Noticing, Claims and Balloting Agent to perform the services described herein and (ii) granting such other and further relief as is just and proper.

Dated: January 14, 2002

SCHULTE, ROTH & ZABEL LLP
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[Proposed] Counsel for Fansteel Inc., et al.
Debtors and Debtors In Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**DECLARATION OF SEAN ALLEN IN SUPPORT OF
MOTION FOR ORDER AUTHORIZING AND
APPROVING THE RETENTION OF AND APPOINTING
BANKRUPTCY MANAGEMENT CORPORATION AS NOTICING,
CLAIMS AND BALLOTING AGENT OF THE BANKRUPTCY COURT**

I, SEAN ALLEN, do hereby declare and state as follows:

1. I am the Vice President of Bankruptcy Management Corporation ("BMC"), whose headquarters are located at 6096 Upland Terrace South, Seattle, Washington 98118, with a production office at 1330 East Franklin Avenue, El Segundo, California 90245, telephone number 310/364-3170. The matters set forth herein are made of my own personal knowledge and, if called and sworn as a witness, I could and would testify competently thereto.
2. This declaration is made in support of the above-captioned Debtors and Debtors in possession in the above-captioned case (the "Debtors"), for an order approving Debtors' agreement with BMC to appoint BMC to serve as the noticing, claims and balloting agent (the "Agent") of the Clerk of the United States Bankruptcy Court for the District of Delaware (the "Clerk") in the Debtors' chapter 11 case.

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.
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3. As agent and custodian of the court records, the services my firm proposes to render to the Clerk's Office and the Debtors includes the following:

a. prepare and serve required notices in these chapter 11 cases, including, without limitation:

- (1) notice of the claims bar date;
- (2) notice of objections to claims;
- (3) notice of any hearings on a disclosure statement and confirmation of a plan of reorganization; and
- (4) other miscellaneous notices to any entities, as Debtors or the Court may deem necessary or appropriate for an orderly administration of these chapter 11 cases;

b. within five days after the mailing of a particular notice, file with the Clerk's Office a declaration of service that includes a copy of the notice involved, an alphabetical list of persons to whom the notice was mailed and the date of mailing;

c. maintain originals and at least one set of copies of all proofs of claim and proofs of interest filed;

d. receive and maintain the official claims register by docketing all proofs of claim and proofs of interest on the claims register including, among other things, the following information:

- (1) the name and address of the claimant and any agent thereof, if the proof of claim or proof of interest was filed by an agent;
- (2) the date received;

- (3) the claim number assigned; and
- (4) the asserted amount and classification of the claim;
- e. implement necessary security measures to ensure the completeness and integrity of the claims register;
- f. periodically audit the claims information to satisfy the Clerk's Office that the claims information is being appropriately and accurately recorded in the Court's claims register;
- g. transmit to the Clerk's Office a copy of the claims register on a bi-weekly basis, unless requested by the Clerk's office on a more or less frequent basis;
- h. maintain an up-to-date mailing list for all entities that have filed a proof of claim or proof of interest, which list shall be available upon request of a party in interest or the Clerk's Office;
- i. provide access to the public for examination of copies of the proofs of claim or interest without charge during regular business hours;
- j. record all transfers of claims pursuant to Bankruptcy Rule 3001(e) and provide notice of such transfers as required by Bankruptcy Rule 3001(e);
- k. comply with applicable federal, state, municipal and local statutes, ordinances, rules, regulations, orders and other requirements;
- l. provide temporary employees to process claims, as necessary;
- m. allow the Clerk's Office to independently audit the claims information at any time;
- n. allow the Clerk's office to inspect its premises at any time; and

o. promptly comply with such further conditions and requirements as the Clerk's Office may at any time prescribe.

4. In addition to the foregoing, BMC will assist Debtors with, among other things: (a) creation and maintenance of its Schedules of Assets and Liabilities; (b) the reconciliation and resolution of claims, (c) the preparation, mailing and tabulation of ballots for the purpose of voting to accept or reject a plan of reorganization, and (d) such other administrative, consulting, technical and document management services of a similar nature necessary to facilitate Debtors' emergence from chapter 11.

5. BMC represents, among other things, that:

a. BMC is not a creditor of Debtors;

b. BMC will not consider itself employed by the United States government and shall not seek any compensation from the United States government in its capacity as the Agent in these chapter 11 cases;

c. by accepting employment in these chapter 11 cases, BMC waives any rights to receive compensation from the United States government;

d. in its capacity as the Agent in these chapter 11 cases, BMC will not be an agent of the United States and will not act on behalf of the United States;

e. in its capacity as the Agent in these chapter 11 cases, BMC will not misrepresent any fact to any person;

f. BMC will not employ any past or present employees of Debtors in connection with its work as the Agent in these chapter 11 cases;

g. BMC shall be under the supervision and control of the Clerk's Office; and

h. none of the services provided by BMC as Agent shall be at the expense of the Clerk's Office.

6. BMC specializes in providing bankruptcy data management services to Debtors to streamline the administrative burdens imposed by the filing of a chapter 11 case. BMC has assisted and advised numerous chapter 11 Debtors in connection with noticing, claims administration, claims reconciliation and administration of plan votes. BMC has provided identical or substantially similar services in other chapter 11 cases, including, In re Quality Stores, Inc., Case No. GG 01-10662 (Bankr. W.D. MI November 1, 2001), In re Webvan Group, Inc., Case No. 01-2404 (Bankr. D. Del. July 13, 2001), In re Synadyne III, Inc., Case No LA 01-28160 (BB) (Bankr. C.D. CA. June 11, 2001), In re Teligent, Inc., Case No. 01-12974 (SMB) (Bankr. S.D. N.Y. May 21, 2001), and In re eToys, Inc., Case No. 01-0706 (MFW) (Bankr. D. Del. March 7, 2001).

7. To the best of my knowledge, neither BMC nor any employee thereof has any connection with Debtors, their creditors or any other party in interest herein, and neither BMC nor any employee thereof represents any interest adverse to Debtors or their estates with respect to the matters upon which BMC is to be engaged.


8. In performing these services, my firm will charge the rates set forth in the Agreement (the "BMC Agreement") attached as Exhibit A to the proposed order filed concurrently herewith. The rates set forth therein are at least as favorable as the prices BMC charges in cases in which the firm has been retained to perform similar services.

9. Prior to the filing for bankruptcy, Debtors paid to BMC a retainer of \$5000 to be applied towards work performed in preparation for the bankruptcy filing.

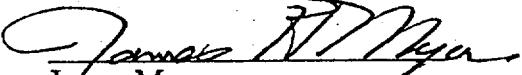
10. BMC will comply with all requests of the Clerk's Office and the guidelines promulgated by the Judicial Conference of the United States for the implementation of 28 U.S.C. § 156(c).

I declare under penalty of perjury that the foregoing is true and correct.

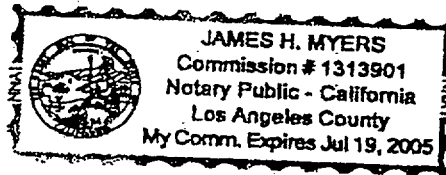
Executed this 5 day of December 2001, at El Segundo, CA.


SEAN ALLEN, Declarant

Sworn to and subscribed before me
this 5th day of Dec. 2001


James Myers
Notary Public

My Commission Expires: 7-19-05



IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**ORDER AUTHORIZING AND APPROVING RETENTION OF
AND APPOINTING BANKRUPTCY MANAGEMENT CORPORATION
AS NOTICING, CLAIMS AND BALLOTING AGENT OF THE BANKRUPTCY COURT**

Upon the Motion of the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"), for entry of an order under 28 U.S.C. §156(c) and Rule 2002-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"), authorizing and approving the retention of and appointing Bankruptcy Management Corporation, a California corporation ("BMC"), as noticing, claims and balloting agent of the Bankruptcy Court (the "Agent"); and the Court having reviewed the Declaration of Sean Allen (the "Allen Declaration"); and the Court being satisfied with the representations made in the Motion and the Allen Declaration that BMC represents no interest adverse to Debtors' estates with respect to the matters upon which BMC is to be engaged, that BMC is a "disinterested person" as that term is defined in Section 101(14) of the Bankruptcy Code, as modified by Section 1107(b) of the Bankruptcy Code, and that BMC's appointment is necessary and would be in the best interests of Debtors' estates; and it appearing that proper and

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adequate notice has been given and that no other or further notice is necessary; and upon the record herein; and after due deliberation thereon; and good cause appearing therefore, it is hereby

ORDERED, that the Motion is granted; and it is further

ORDERED, that BMC is appointed as the noticing, claims and balloting agent in these chapter 11 cases, pursuant to 28 U.S.C. §156(c) and Local Rule 2002-1(f), and is authorized to perform the following services as requested by the office of the Clerk of the Bankruptcy Court for the District of Delaware (the "Clerk's Office") or Debtors:

a. prepare and serve required notices in these chapter 11 cases, including, without limitation:

- (1) notice of the claims bar date;
- (2) notice of objections to claims;
- (3) notice of any hearings on a disclosure statement and confirmation of a plan of reorganization; and
- (4) other miscellaneous notices to any entities, as Debtors or the Court may deem necessary or appropriate for an orderly administration of these chapter 11 cases;

b. within five days after the mailing of a particular notice, file with the Clerk's Office a declaration of service that includes a copy of the notice involved, an alphabetical list of persons to whom the notice was mailed and the date of mailing;

c. receive and maintain originals and at least one set of copies of all proofs of claim and proofs of interest filed;

d. maintain the official claims register by docketing all proofs of claim and proofs of interest on the claims register including, among other things, the following information:

(1) the name and address of the claimant and any agent thereof, if the proof of claim or proof of interest was filed by an agent;

(1) the date received;

(2) the claim number assigned; and

(3) the asserted amount and classification of the claim;

e. implement necessary security measures to ensure the completeness and integrity of the claims register;

f. periodically audit the claims information to satisfy the Clerk's Office that the claims information is being appropriately and accurately recorded in the Court's claims register;

g. transmit to the Clerk's Office a copy of the claims register on a bi-weekly basis, unless requested by the Clerk's office on a more or less frequent basis;

h. maintain an up-to-date mailing list for all entities that have filed a proof of claim or proof of interest, which list shall be available upon request of a party in interest or the Clerk's Office;

i. provide access to the public for examination of copies of the proofs of claim or interest without charge during regular business hours;

- j. receive and record all transfers of claims pursuant to Bankruptcy Rule 3001(e) and provide notice of such transfers as required by Bankruptcy Rule 3001(e);
- k. comply with applicable federal, state, municipal and local statutes, ordinances, rules, regulations, orders and other requirements;
- l. provide temporary employees to process claims, as necessary;
- m. allow the Clerk's Office to independently audit the claims information at any time;
- n. allow the Clerk's office to inspect its premises at any time; and
- o. promptly comply with such further conditions and requirements as the Clerk's Office may at any time prescribe; and it is further;

ORDERED, that the Clerk's Office is authorized to allow BMC to receive and record all Proofs of Claim and Transfers of Claim heretofore filed in these chapter 11 cases, and to transmit to BMC, not less often than weekly, all Proofs of Claim and Transfers of Claim hereafter received by the Clerk's Office, and it is further

ORDERED, that BMC is also authorized to assist Debtors and Debtors' counsel with, among other things: (a) creation and maintenance of its Schedules of Assets and Liabilities; (b) the reconciliation and resolution of claims, (c) the preparation, mailing and tabulation of ballots for the purpose of voting to accept or reject a plan of reorganization, and (d) such other administrative, consulting, technical and document management services of a similar nature necessary to facilitate Debtors' emergence from chapter 11; and it is further

ORDERED, that the fees and expenses of BMC incurred in the performance of the above services and in accordance with the BMC Agreement attached hereto as Exhibit A shall be treated as an administrative expense of Debtors' chapter 11 estates and shall be paid by Debtors in the ordinary course of business; and it is further

ORDERED, that BMC shall submit to the United States Trustee for this region, on a monthly basis, copies of the invoices it submits to the Debtors for services rendered; and it is further

ORDERED, that BMC shall not have the right to discontinue its employment as noticing, claims and balloting agent in the event of a payment dispute with Debtors, absent a further order of this Court.

Dated: _____, 2002

Judge

EXHIBIT A

AGREEMENT FOR SERVICES

This Agreement is entered into as of the 4th day of December, 2001, between Fansteel Inc. whose address is One Tantalum Place, North Chicago, IL 60064 and telephone number is 847.689.4900 and Bankruptcy Management Corporation whose address is 6096 Upland Terrace South, Seattle, Washington 98118, and telephone number is 206.725.5405.

The term "BMC" shall mean Bankruptcy Management Corporation and its servants, agents, employees, licensees and subcontractors, and the term "Customer" shall mean Fansteel Inc. and its subsidiaries and their respective servants, agents, employees, licensees and subcontractors.

The services rendered by BMC pursuant to this Agreement will commence December 4, 2001 and continue until the Agreement is terminated as set forth below.

TERMS AND CONDITIONS

I. SERVICES

Bankruptcy Management Corporation agrees to act as notice, claims and balloting agent in the Fansteel Inc. bankruptcy case, pursuant to 28 U.S.C. 156(c), and to also provide Customer with administrative, consulting, technical and document management services as desired to facilitate its emergence from Chapter 11. At Customer's direction, and in accordance with any court orders or rules in the bankruptcy case, BMC will: (1) prepare and serve all notices required in the bankruptcy case; (2) maintain copies of all proofs of claim and proofs of interest filed in the bankruptcy case; (3) maintain the official claims register; (4) maintain an up-to-date mailing list for all entities who have filed proofs of claim and/or requests for notices in the bankruptcy cases; (5) assist Customer with the preparation of its Petition package, Schedules of Assets and Liabilities, Statement of Financial Affairs, and US Trustee Monthly Operating Reports; (6) assist Customer with the formulation, disclosures and solicitation and tabulations related to its plan of reorganization; (7) assist Customer with the management, reconciliation and resolution of claims; (8) assist Customer with the production of reports, exhibits and schedules in support of court filings and responsive to information requests; and (9) provide other administrative, consulting, technical and document management services of a similar nature requested by Customer.

II. TECHNOLOGY SUPPORT

As necessary, BMC agrees to provide computer software support and to educate and train Customer in the use of BMC support software, provide standard reports as well as consulting and programming support for custom requested reports, program modifications, and/or other features.

III. PRICES, CHARGES AND PAYMENT

A. BMC agrees to charge, and Fansteel Inc. agrees to pay, BMC's standard prices for its services, expenses and supplies at the rates or prices in effect on the day such services and/or supplies are provided to the Customer, in accordance with the Fee Schedule annexed hereto.

B. Notwithstanding Paragraph IIIA, BMC agrees not to increase its prices, charges and rates for a period of one (1) year from the date of this Agreement.

C. At the commencement of this engagement, Fansteel Inc. will provide BMC with an advance payment retainer in the amount of five thousand dollars (\$5,000.00) for prepetition and postpetition services and expenses to be rendered or incurred on behalf of Customer. Customer agrees that any portion of the retainer not used to compensate BMC for its prepetition services and expenses will be applied against BMC's final bill for services and expenses. At the termination of this Agreement, any unused portion of the retainer shall be refunded to Customer. In addition, when performing noticing services, BMC shall request, and Customer shall provide, postage prepayment(s). In the case of overnight delivery

requirements, Customer will provide its Fed EX, UPS or other overnight courier account number for use in effecting the noticing.

- D. Customer agrees to pay BMC for any necessarily incurred out-of-pocket expenses for transportation, lodging, meals and related items. Travel time shall be billed by BMC and paid by Customer at one-half of BMC's applicable hourly rate.
- E. BMC agrees to submit its invoice for fees and expenses to Customer within twenty (20) business days of the end of each calendar month. Customer agrees that the amount invoiced is due and payable upon its receipt of the invoice. Except to the extent that such payment is not permitted pursuant to an order of the Bankruptcy Court, if any amount is unpaid as of thirty (30) days from the receipt of the invoice, Customer further agrees to pay a late charge, calculated as one and one-half percent (1-1/2%) interest on the amount unpaid, accruing from the invoice date. In the case of a dispute in the invoice amount, notice shall be given to BMC within ten (10) days of receipt of the invoice by Customer. Interest shall not accrue on any amounts in dispute. The balance of the invoice amount is due and payable in the normal course.

IV. WARRANTY

The BMC warranty under the Agreement shall be limited to the re-running, at its expense, of any inaccurate reports provided that such inaccuracies were caused solely as a result of BMC performance hereunder and provided further that BMC shall receive written notice of such inaccuracies within thirty (30) days of delivery of such report. If said notice is not made to BMC within the prescribed time limit Customer is liable for all charges. Customer agrees that the foregoing constitutes the exclusive remedy available with respect to inaccurate reports.

V. RIGHTS OF OWNERSHIP

- A. The parties understand that the software programs and other similar proprietary materials furnished by BMC pursuant to this Agreement and/or developed during the course of this Agreement by BMC are the sole property of BMC. The term "program" shall include, without limitation, data processing programs, specifications, applications, routines, sub-routines, procedural manuals, and documentation. Customer agrees not to copy or permit others to copy for unauthorized use the source code from the support software or any other programs or similar proprietary materials furnished pursuant to this Agreement.
- B. Customer further agrees that any ideas, concepts, know-how or techniques relating to data processing or BMC's performance of its services developed during the course of its Agreement by BMC shall be exclusive property of BMC.
- C. Upon Customer's request at any time or times while this Agreement is in effect, BMC shall immediately deliver to Customer at Customer's sole expense, any or all of the non-proprietary data, information and records held or controlled by BMC pursuant to this Agreement, in the form requested by Customer. Notwithstanding anything to the contrary in this Agreement, all information, data and records, in whatever form existing, provided to BMC or developed by BMC for Customer under this Agreement, shall be Customer's sole property.

VI. NON-SOLICITATION

Customer agrees that neither it nor its subsidiaries or other affiliated companies shall directly or indirectly solicit for employment, employ or otherwise retain staff of BMC during the term of this Agreement, nor for a period of twelve (12) months after termination of this Agreement unless mutually agreed upon by both parties.

VII. INDEMNITY

Company agrees to indemnify and hold harmless BMC against any loss, damage, expense (including, without limitation, legal and other related fees and expenses), liability or claim arising out of BMC's fulfillment of the Agreement (except for any loss, damage, expense, liability or claim resulting from BMC's own negligence or misconduct).

VIII. CONFIDENTIALITY

BMC on behalf of itself and its employees agrees to keep confidential all non-public records and other information with respect to Company. Company on behalf of itself and its employees agrees to keep all information with respect to BMC's systems, procedures and software confidential; provided, however, that if either party is required to produce any such information by order of any governmental agency or other regulatory body it may, upon not less than five business days' written notice to the other party, release the required information.

IX. TERMINATION

A. This Agreement shall remain in force until terminated by Customer on one (1) month's prior written notice received by BMC, or, by BMC upon two (2) months' prior written notice received by the Customer.

B. In the event that this contract is terminated, regardless of the reason for such termination, BMC shall cooperate with Customer to orderly transfer to Customer or its designee (or destroy, at Customer's direction) data, records and information in its possession or control and to effect an orderly transition of record-keeping functions. BMC shall provide all necessary staff, services and assistance required for an orderly transfer and transition. Customer agrees to pay for such services in accordance with BMC's then existing prices for such services.

X. NOTICES

All notices in connection with this Agreement shall be given or made upon the respective parties in writing and shall be deemed as given as of the third day following the day it is deposited in the U.S. Mail, postage pre-paid or on the day it is given if sent by facsimile or on the day after the day it is sent if sent by overnight courier to the appropriate address set forth below:

Bankruptcy Management Corporation
6096 Upland Terrace S
Seattle, WA 98118
Attn: Tinamarie Fell
Fax: (206) 374-2727

Fansteel Inc.
Number One Tantalum Place
North Chicago, IL 60064
Attn: R. Michael McEntee
Fax: (847) 689-1816

Or to such other address as the party to receive the notice or request so designates by written notice to the other.

XI. GOVERNING LAW

This Agreement shall be construed in accordance with the laws of the State of Washington and may be modified only by a written instrument duly executed by an authorized representative of Company and an officer of BMC.

XII. ENTIRE AGREEMENT/ MODIFICATIONS

Each party acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms and further agrees that it is the complete and exclusive statement of the agreement between the parties, which supersedes and merges all prior proposals, understandings and other agreements, oral and written between the parties relating to the subject matter of this Agreement. The Agreement may not be modified or altered by written instrument duly executed by both parties. Customer represents that it has the authority to enter into this Agreement, and the Agreement is non-dischargeable under any applicable statute or law. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity,

legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

XIV. ASSIGNMENT

This Agreement and the rights and duties hereunder shall not be assignable by the parties hereto except upon written consent of the other, with the exception that this Agreement can be assigned by Bankruptcy Management Corporation to a wholly owned subsidiary of Bankruptcy Management Corporation.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of December 4, 2001.

Bankruptcy Management Corporation

BY: 
Sean Allen

TITLE: President

DATE: 12/5/01, 2001

Fansteel Inc.

BY: 
R. Michael McEntee

TITLE: Vice President & Chief Financial Officer

DATE: December 4, 2001