

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)
Debtors.)	(Jointly Administered)
)	Objection Deadline: February 11, 2002 at 4:00 p.m.
)	Hearing Date: February 14, 2002 at 12:30 p.m.

**NOTICE OF APPLICATION PURSUANT TO FEDERAL RULE OF BANKRUPTCY
PROCEDURE 2014(A) FOR ORDER UNDER SECTION 327(E) OF THE
BANKRUPTCY CODE AUTHORIZING THE EMPLOYMENT AND RETENTION OF
WINSTON & STRAWN AS SPECIAL NUCLEAR REGULATORY COMMISSION
COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION**

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 *Application Pursuant to Federal Rule of Bankruptcy Procedure 2014(a) for Order Under Section 327(e) of the Bankruptcy Code Authorizing the Employment and Retention of Winston & Strawn as Special Nuclear Regulatory Commission Counsel for Debtors and Debtors in Possession* (the "Application") with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 (the "Bankruptcy Court"), seeking the retention of Winston & Strawn as their special nuclear regulatory commission counsel. A true and correct copy of the Application 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 Application, 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 APPLICATION 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 APPLICATION 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

SHULTE ROTH & ZABEL LLP
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and

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Rosalie L. Spelman (Bar No. 4153)
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Facsimile: (302) 652-4400

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

THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**APPLICATION PURSUANT TO FEDERAL RULE OF BANKRUPTCY PROCEDURE
2014(A) FOR ORDER UNDER SECTION 327(e) OF THE BANKRUPTCY CODE
AUTHORIZING THE EMPLOYMENT AND RETENTION OF
WINSTON & STRAWN AS SPECIAL NUCLEAR REGULATORY COMMISSION
COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) hereby submit this Application Pursuant to Federal Rule of Bankruptcy Procedure 2014(a) for an Order Under Section 327(e) of the Bankruptcy Code Authorizing the Employment and Retention of Winston & Strawn, as Special Nuclear Regulatory Commission Counsel for Debtors and Debtors in Possession (the “Application”). In support of this Application, Debtors rely on the Affidavit of James R. Custiss (the “Curtiss Affidavit”). In addition, Debtors respectfully represent as follows:

Jurisdiction

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. § 1334.

This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

2. The statutory bases for the relief requested herein are §§ 327(e), 328 and 330 of the Bankruptcy Code and Bankruptcy Rules 2002, 2014 and 6004.

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.

Background

3. 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

4. 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.²

B. Causes Leading to the Bankruptcy Filings

5. 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.

6. 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 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

² 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.

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).

7. 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

8. By this Application, Debtors seek to employ and retain the firm of Winston & Strawn ("WS") as their special Nuclear Regulatory Commission (the "NRC") counsel with regard to the regulatory issues that may arise in Debtors' chapter 11 cases with respect to the Atomic Energy Act ("AEA"). Accordingly, Debtors respectfully request the entry of an order pursuant to Section 327(e) of the Bankruptcy Code authorizing them to employ and retain the firm of WS as their special NRC counsel to perform the legal services that will be necessary during these chapter 11 cases relating to the AEA and compliance with the NRC regulations.

9. Debtors seek to retain WS as their attorneys because of WS's familiarity with Debtors' business operations and Debtors' relationship with the NRC. WS has represented Debtors in connection with AEA and NRC matters since January 2000 and has, as a result of such representation, gained extensive knowledge regarding the issues affecting Debtors' business operations.

10. Subject to Court approval in accordance with Section 330(a) of the Bankruptcy Code, compensation will be payable to WS on an hourly basis, plus reimbursement of actual, necessary expenses and other charges incurred by WS. The principal attorneys and paralegals presently designated to represent Debtors and their current standard hourly rates are:

- | | | |
|----|--------------------|----------------|
| a. | James R. Curtiss | \$425 per hour |
| b. | Mark J. Wetterhahn | \$350 per hour |
| c. | Brooke D. Poole | \$225 per hour |

11. The hourly rates set forth above are subject to periodic adjustments to reflect economic and other conditions. Other attorneys and paralegals may from time to time serve Debtors in connection with the matters herein described.

12. The hourly rates set forth above are WS's standard hourly rates for work of this nature. These rates are set at a level designed to fairly compensate WS for the work of its attorneys and paralegals and to cover fixed and routine overhead expenses. It is WS's policy to charge its clients in all areas of practice for all other expenses incurred in connection with the client's case. The expenses charged to clients include, among other things, telephone and telecopier toll and other charges, mail and express mail charges, special or hand delivery charges, document retrieval, photocopying charges, charges for mailing supplies (including, without limitation, envelopes and labels) provided by WS to outside copying services for use in mass mailings, travel expenses, expenses for "working meals," computerized research, transcription costs, as well as non-ordinary overhead expenses such as secretarial and other overtime. WS will charge Debtors for these expenses in a manner and at rates consistent with charges made generally to WS's other clients. WS believes that it is more fair to charge these expenses to the clients incurring them than to increase the hourly rates and spread the expenses among all clients.

13. The professional services that WS will render to Debtors include, but shall not be limited to, the following:

- a. provide legal advice with respect to NRC regulations and the AEA;

- b. prepare on behalf of, and for, Debtors such reports, applications, and memoranda as may be necessary to comply with the NRC regulations and AEA matters;
- c. assist Debtors' other professionals in addressing issues relating to NRC and AEA matters that exist or may arise during the pendency of these chapter 11 cases; and
- d. perform all other legal services for Debtors which may be necessary and proper with respect to NRC and AEA matters.

14. To the best of Debtors' knowledge, and except as disclosed in the Curtiss Affidavit, WS has not represented Debtors, their creditors, equity security holders, or any other parties in interest, or its respective attorneys, in any matter relating to Debtors or their estates.

15. To the best of Debtors' knowledge and except as otherwise disclosed in the Curtiss Affidavit, WS does not represent or hold an interest adverse to Debtors and does not have any connection with any Debtors, their affiliates, their creditors, the Office of the United States Trustee, any person employed in the Office of the United States Trustee, or any other party in interest, or their respective attorneys or accountants. Additionally, Debtors believe that the retention of WS is in the best interest of Debtors and their estates.

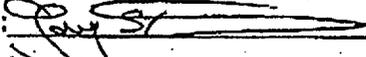
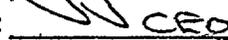
Notice

16. Notice of this Application has been given to: (i) the U.S. Trustee and (ii) counsel to Debtors' proposed postpetition lenders. Debtors will also provide notice of this Application to Debtors' twenty (20) largest unsecured creditors and all parties who have entered

their appearance pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure. In light of the nature of the relief requested, Debtors submit that no other or further notice is required.

WHEREFORE, Debtors request entry of an Order substantially in the form attached hereto, authorizing Debtors to employ and retain WS as special NRC counsel, and granting such other and further relief as is just and proper.

FANSTEEL INC., FANSTEEL HOLDINGS, INC.,
CUSTOM TECHNOLOGIES CORP., ESCAST, INC.,
WELLMAN DYNAMICS CORP., WASHINGTON MFG.
CO., PHOENIX AEROSPACE CORP., AMERICAN
SINTERED TECHNOLOGIES, INC., FANSTEEL
SCHULZ PRODUCTS, INC.

By: 
Its:  CEO

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**STATEMENT UNDER RULE 2016 OF THE
FEDERAL RULES OF BANKRUPTCY PROCEDURE
AND SECTION 329 OF THE BANKRUPTCY CODE**

1. Winston & Strawn (“WS”), pursuant to Federal Rule of Bankruptcy Procedure 2016 (the “Bankruptcy Rules”) and section 329 of title 11 of the United States Code (the “Bankruptcy Code”), states that the undersigned is special Nuclear Regulatory Commission (“NRC”) counsel for the above-captioned debtors and debtors in possession (collectively, the “Debtors”).

2. Compensation agreed to be paid by Debtors to WS is for legal services to be rendered with regard to the regulatory issues that may arise in Debtors chapter 11 cases with respect to the Atomic Energy Act (“AEA”). Debtors have agreed to pay WS for the legal services rendered or to be rendered by its various attorneys and paralegals in connection with these cases on Debtors’ behalf. Debtors also have agreed to reimburse WS for its actual and necessary expenses incurred in connection with these cases.

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. WS will seek approval of payment of compensation upon the filing of appropriate applications for allowance of interim or final compensation pursuant to this Court's Local Rules Sections 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules, and and Orders.

4. The services to be rendered include all those services set forth in the Application Pursuant to Federal Rule of Bankruptcy Procedure 2014(a) for Order Under Section 327(e) of the Bankruptcy Code Authorizing the Employment and Retention of Winston & Strawn as Special Nuclear Regulatory Commission Counsel for Debtors and Debtors in Possession.

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5. WS further states that it has not shared, nor agreed to share (a) any compensation it has received or may receive with another party or person, other than with the partners, counsel and associates of WS, or (b) any compensation another person or party has received or may receive.

Dated: January 14, 2002

WINSTON & STRAWN

Jim R. Winn

James R. Curtiss
1400 L Street, N.W.
Washington, DC 20005-3502
Telephone: 202-371-5700
Facsimile: 202-371-5950

[Proposed] Special Nuclear Regulatory Commission
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.,¹) Case No. 02-____ ()
Debtors.) (Jointly Administered)

Washington)
District of Columbia)ss
)

AFFIDAVIT OF JAMES R. CURTISS

JAMES R. CURTISS, ESQUIRE, being duly sworn, deposes and says:

1. I am a partner in the firm of Winston & Strawn ("WS" or the "Firm"), located at 1400 L Street, N.W., Washington, DC, and have been duly admitted to practice law in the District of Columbia and the Supreme Court of the United States. This Affidavit is submitted in support of the Application (the "Application") Pursuant to Federal Rule of Bankruptcy Procedure 2014(a) for Order Under Section 327(e) of the Bankruptcy Code Authorizing the Employment and Retention of Winston & Strawn as Special Nuclear Regulatory Commission Counsel for the above-captioned debtors and debtors-in-possession (collectively the "Debtors").

2. Neither I, the Firm, nor any partner, counsel or associate thereof, insofar as I have been able to ascertain, represents or holds an interest adverse to Debtors or their estates. Additionally, neither I, the Firm, nor any partner, counsel or associate thereof, insofar as I have been able to ascertain, has any connection with Debtors, their creditors or any other parties in interest herein, or its respective attorneys except as set forth below.

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. WS represents Tyco Capital (f/k/a CIT Group, Inc.), Wells Fargo & Company, The Northern Trust Company, and certain of their subsidiaries and affiliates, in matters unrelated to Debtors and these cases. WS has obtained mutual waiver letters from these entities and Fansteel in connection with WS's representation of Fansteel in these cases.

4. If any new relevant facts or relationships are discovered or arise, WS will take reasonable efforts to identify such further developments and will promptly file a supplemental affidavit in compliance with the Federal Rules of Bankruptcy Procedure.

5. This Firm and certain of its partners, counsel and associates may have in the past represented, and may currently represent and likely in the future will represent creditors of Debtors in connection with matters unrelated to Debtors and these cases. At this time, WS is not aware of such representations. The Firm will be in a position to identify with specificity any such persons or entities when lists of all creditors of Debtors have been reviewed and will make any further disclosures as may be appropriate at that time. The Firm intends to apply for compensation for professional services rendered in connection with these chapter 11 case subject to approval of this Court and compliance with applicable provisions of the Bankruptcy Code, on an hourly basis, plus reimbursement of actual, necessary expenses and other charges incurred by the Firm. The principal attorneys and paralegals designated to represent Debtors and its current standard hourly rates are:

- | | | |
|----|--------------------|----------------|
| a. | James R. Curtiss | \$425 per hour |
| b. | Mark J. Wetterhahn | \$350 per hour |
| c. | Brooke D. Poole | \$225 per hour |

The hourly rates set forth above are subject to periodic adjustments to reflect economic and other conditions. Other attorneys and paralegals may from time to time serve Debtors in connection with the matters herein described.

6. The hourly rates set forth above are the Firm's standard hourly rates for work of this nature. These rates are set at a level designed to fairly compensate the Firm for the work of its attorneys and paralegals and to cover fixed and routine overhead expenses. It is the Firm's policy to charge its clients in all areas of practice for all other expenses incurred in connection with the client's case. The expenses charged to clients include, among other things, telephone and telecopier toll and other charges, mail and express mail charges, special or hand delivery charges, document retrieval, photocopying charges, charges for mailing supplies (including, without limitation, envelopes and labels) provided by the Firm to outside copying services for use in mass mailings, travel expenses, expenses for "working meals," computerized research, transcription costs, as well as non-ordinary overhead expenses such as secretarial and other overtime. The Firm will charge Debtors for these expenses in a manner and at rates consistent with charges made generally to the Firm's other clients. The Firm believes that it is more fair to charge these expenses to the clients incurring them than to increase the hourly rates and spread the expenses among all clients.

7. No promises have been received by the Firm or by any partner, counsel or associate thereof as to compensation in connection with this case other than in accordance with the provisions of the Bankruptcy Code. The Firm has no agreement with any

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other entity to share with such entity any compensation received by the Firm in connection with these chapter 11 cases, except among the shareholders, of counsel and associates of the Firm.

Dated January 14, 2002

Jan R. Wilm

SWORN TO AND SUBSCRIBED before me this 14th day of January, 2002

Shirley B. Johnson
Notary Public

My Commission Expires: ~~My Commission Expires~~ May 31, 2006



IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION OF
WINSTON & STRAWN AS SPECIAL NUCLEAR REGULATORY COMMISSION
COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION**

Upon the application of the above-captioned debtors and debtors in possession (collectively, the "Debtors"), for Application Pursuant To Federal Rule of Bankruptcy Procedure 2014(a) For Order Under Section 327(e) of the Bankruptcy Code Authorizing the Employment and Retention of Winston & Strawn as Special Nuclear Regulatory Commission Counsel for Debtors and Debtors in Possession (the "Application"), and upon the Affidavit of James R. Curtiss, Esquire, a partner Winston & Strawn ("WS") of the Firm, in support thereof (the "Curtiss Affidavit"); and the Court being satisfied based on the representations made in the Application and in the Curtiss Affidavit that said attorneys represent no interest adverse to Debtors' estates with respect to the matters upon which they are to be engaged, and that its employment is necessary and would be in the best interests of Debtors' estates, and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Application is granted; and it is further

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.

ORDERED that in accordance with Section 327(e) of the Bankruptcy Code,

Debtors are authorized to employ and retain WS as special nuclear regulatory commission counsel on the terms set forth in the Application and the Curtiss Affidavit; and it is further

ORDERED that WS shall be entitled to allowance of compensation and reimbursement of expenses, upon the filing and approval of interim and final applications pursuant to the Federal Rules of Bankruptcy Procedure, the Local Rules of this Court and such other orders as this Court may direct.

Wilmington, Delaware

Dated: _____, 2002

JUDGE