

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 APPLICATION TO EMPLOY AND RETAIN SCHULTE ROTH & ZABEL LLP AS ATTORNEYS FOR DEBTORS-IN-POSSESSION UNDER 11 U.S.C. §§ 327(a) AND 329 AND FED. R. BANKR. P. 2014 AND 2016

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 to Employ and Retain Schulte Roth & Zabel LLP as Attorneys for Debtors-in-Possession Under 11 U.S.C. §§ 327(a) and 329 and Fed. R. Bankr. P. 2014 and 2016* (the "Application") with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 (the "Court"), seeking the retention of Schulte, Roth & Zabel LLP as their bankruptcy co-counsel. A true and correct copy of the Application is attached hereto.

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,

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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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
Jeffrey S. Sabin
Mark A. Broude
919 Third Avenue
New York, NY 10022
Telephone: (212) 756-2000
Facsimile: (212) 593-5955

and

PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.



Laura Davis Jones (Bar No. 2436)
Hamid Rafatjoo (CA Bar No. 181564)
Rosalie L. Spelman (Bar No. 4153)
919 North Market Street, 16th Floor
P.O. Box 8705
Wilmington, DE 19899-8705 (Courier 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400

[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.)
)
)

**APPLICATION TO EMPLOY AND RETAIN SCHULTE ROTH & ZABEL LLP
AS ATTORNEYS FOR DEBTORS-IN-POSSESSION
UNDER 11 U.S.C. §§ 327(a) AND 329 AND FED. R. BANKR. P. 2014 AND 2016**

Fansteel Inc., a Delaware corporation and its wholly-owned direct and indirect subsidiaries, 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 and debtors-in-possession herein (each a "Debtor" and, collectively, the "Debtors"), by and through their attorneys, Pachulski, Stang, Ziehl, Young & Jones P.C. and Schulte Roth & Zabel LLP hereby move this Court for an order authorizing, *nunc pro tunc*, the employment and retention of Schulte Roth & Zabel LLP ("Schulte" or the "Firm") under a general retainer as its attorneys ("Application"). In support of this Application, the Debtors rely on the Affidavit of Jeffrey S. Sabin, a member of Schulte Roth & Zabel LLP, sworn to on January 11, 2002, ("Sabin Affidavit"). In further support of this Application, the Debtors represent as follows:

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

1. 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

2. 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

3. 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.

4. 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).

5. 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.

Jurisdiction

6. The Court has jurisdiction over this Application under 28 U.S.C. §§ 157 and 1334 and the Standing Order of Referral of Cases to Bankruptcy Judges of the United States District Court of the District of Delaware (Robinson, C.J.), dated September 6, 2001. This is a core proceeding under 28 U.S.C. § 157(b)(2). Venue of the Debtors' chapter 11 cases and this Application is proper in this district under 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are sections 327(a) and 329 of the Code and Fed. R. Bankr. P. 2014 and 2016.

Relief Requested

7. By this Application, the Debtors seek to employ and retain Schulte as of the Petition Date, to represent the Debtors as their bankruptcy and general counsel in connection with the filing of their chapter 11 petitions and the prosecution of their chapter 11 cases. Accordingly, the Debtors respectfully request entry of an order under sections 327(a) and 329 of the Code authorizing each of them to employ and retain Schulte as their attorneys under a general retainer to perform the legal services that will be necessary during their chapter 11 cases, as more fully described below.

Qualification Of Professionals

8. Schulte's initial representation of the Debtors (for the period of April 4, 2001 through early September, 2001) was primarily related to assisting the Debtors' then outside general and special counsels in connection with certain environmental matters, including the Muskogee Site. During October and November 2001 (and thereafter) Schulte's role and scope of representation of the Debtors expanded to include representation of the Debtors as new outside

general counsel, rendering advice on general corporate, financial disclosure, regulatory, litigation and restructuring matters.

9. As a result, Schulte is familiar with, and has developed a working knowledge of, the Debtors' capital structure, financing documents, and other material agreements, as well as with the Debtors' business affairs and many of the potential legal issues that may arise in the context of these cases. The Debtors believe that continued representation by their pre-petition restructuring and bankruptcy counsel is critical to the Debtors' efforts to restructure their business because Schulte is extremely familiar with the Debtors' business and legal affairs and, accordingly, is well suited to guide the Debtors through their chapter 11 process.

10. The Debtors have selected Schulte as their attorneys because of the Firm's experience with and knowledge of the Debtors and their business, as well as its extensive experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Code. The Debtors desire to employ the firm of Schulte under a general retainer because of the extensive legal services that will be required in connection with these chapter 11 cases and the Firm's familiarity with the Debtors' business.

11. The services of attorneys under a general retainer are necessary to enable the Debtors to faithfully execute their duties as debtors-in-possession. Because of Schulte's experience in representing large chapter 11 corporate debtors and its familiarity with the Debtors' business operations, capital structure, and efforts to restructure their business, the Debtors believe that Schulte is well qualified to represent them in these chapter 11 cases in a cost-effective and efficient manner. Were the Debtors required to retain attorneys other than Schulte

in connection with the prosecution of their chapter 11 cases, the Debtors, their estate, and all parties-in-interest would be prejudiced by the time and expense that would necessarily accompany a change in counsel.

Services To Be Rendered

12. Subject to further order of the Court, the Debtors anticipate that Schulte will be required to render the following services to the Debtors:

- a. advise the Debtors with respect to their powers and duties as debtors-in-possession in the continued management of their business and properties;
- b. attend meetings and negotiate with representatives of creditors and other parties in interest and advise and consult on the conduct of the cases, including all of the legal and administrative requirements of operating in chapter 11;
- c. take all necessary action to protect and preserve the Debtors' estates, including the prosecution of actions on their behalf, the defense of any actions commenced against them, negotiations concerning all litigation involving the Debtors, and objections to claims filed against the Debtors' estates, if any;
- d. prepare on the Debtors' behalf all motions, applications, answers, orders, reports, and papers necessary to the administration of the estates;
- e. negotiate and prepare on Debtors' behalf plan(s) of reorganization, disclosure statement(s) and all related agreements and/or documents and take any necessary action on behalf of the Debtors to obtain confirmation of such plan(s); take any necessary action on the Debtors' behalf to (i) obtain approval of the disclosure statement(s) and confirmation of the plan(s), (ii) negotiate any alternative plan of reorganization, disclosure statement, and related agreements and/or documents, (iii) implement all transactions related thereto, and (iv) prosecute any modifications, revisions, or appeals thereto;
- f. advise the Debtors in connection with any sale of assets;
- g. appear before this Court, any appellate courts, and the United States Trustee, and protect the interest of the Debtors' estates;

- h. advise the Debtors with respect to all corporate and Securities and Exchange Commission matters;
- i. advise the Debtors with respect to all environmental matters;
- j. provide general real estate, tax, labor and employee relations, intellectual property and financing advice to the Debtors; and
- k. perform all other necessary legal services and provide all other necessary legal advice to the Debtors in connection with these chapter 11 cases.

Disinterestedness Of Professionals

13. It is necessary and essential that the Debtors employ attorneys under a general retainer to perform the services described above. Schulte has indicated to the Debtors that, subject to this Court's approval of this Application, it is willing to serve as the Debtors' counsel to render such services.

14. To the best of the Debtors' knowledge, the members and associates of Schulte (i) do not have any connection with any of the Debtors, their affiliates, creditors, or any other party-in-interest, or their respective attorneys and accountants, (ii) are "disinterested persons," as that term is defined in section 101(14) of the Code, as modified by section 1107(b), and (iii) do not hold or represent any interest adverse to the estates, except as set forth herein and in the accompanying Sabin Affidavit.

15. As set forth in the Sabin Affidavit, upon information and belief, Schulte has in the past represented, currently represents, and will likely in the future represent certain of (i) the twenty largest unsecured creditors of each of the Debtors, (ii) the Debtors' financial advisors, and (iii) other parties-in-interest, in matters unrelated to the Debtors, the Debtors' reorganization cases, or such entities' claims against or interests in the Debtors.

16. To the best of the Debtors' knowledge, as further set forth in the Sabin

Affidavit:

- a. Neither Schulte nor any attorney at the Firm holds or represents an interest adverse to the estates.
- b. Neither Schulte nor any attorney at the Firm is or was a creditor, an equity security holder or an insider of any of the Debtors, except that Schulte has previously rendered legal services to the Debtors for which it has been compensated.
- c. Neither Schulte nor any attorney at the Firm is or was an investment banker for any outstanding security issued by any of the Debtors.
- d. Neither Schulte nor any attorney at the Firm is or was, within three years prior to the Petition Date, an investment banker for a security issued by any of the Debtors, or an attorney for an investment banker in connection with the offer, sale, or issuance of a security by any of the Debtors.
- e. Neither Schulte nor any attorney at the Firm is or was, within two years prior to the Petition Date, a director, officer, or employee of the Debtors or of an investment banker of any of the Debtors.
- f. Schulte does not have an interest materially adverse to the interests of the estates or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in the Debtors or an investment banker specified in the foregoing paragraphs, or for any other reason.

17. In view of the foregoing, the Debtors believe that Schulte is a

"disinterested person" within the meaning of section 101(14) of the Code, as modified by section 1107(b) of the Code, except as set forth in the Sabin Affidavit. See TWI International, Inc. v. Vanguard Oil and Service Co., 162 B.R. 672, 675 (S.D.N.Y. 1994) ("to hold an interest adverse to the estate means: to possess or assert any economic interest that would tend to lessen the value of the bankruptcy estate or that would create either an actual or potential dispute in which the estate is a rival claimant.") (quotation omitted); see also In re Martin, 817 F.2d 175, 180 (1st Cir.

1987) (the court's inquiry is whether the professional's representation will create "either a meaningful incentive to act contrary to the best interests of the estate and its sundry creditors -- an incentive sufficient to place those parties at more than acceptable risk -- or the reasonable perception of one."); In re Caldor, Inc., 193 B.R. 165, 171-72 (Bankr. S.D.N.Y. 1996) (same).

18. In addition, the Debtors are informed by Schulte that no attorney at Schulte is related to any United States Judge for the District of Delaware or to the United States Trustee for such district or to any employee in the office thereof.

Professional Compensation

19. Fansteel Inc. ("Fansteel") initially engaged Schulte as counsel to represent it in certain environmental and related matters, on or about April 4, 2001. There was then no written retention agreement. Pursuant to a formal retainer agreement dated as of October 9, 2001 ("Retainer Agreement"), a copy of which is attached to the Sabin Affidavit as Exhibit C, Fansteel retained Schulte to, among other things, advise it in connection with various environmental, financial disclosure and business matters, including negotiations with its lenders. The Retainer Agreement provided for an initial retainer of \$150,000 for professional services to be rendered and expenses to be charged by Schulte in connection with the services described in the preceding sentence (the "Initial Retainer"). The Initial Retainer was amended by letter agreement dated November 21, 2001, pursuant to which Fansteel and each of the other Debtors jointly and severally retained Schulte to provide all advice in connection with possible chapter 11 filing and/or the restructurings of their debts (the "Current Retainer Agreement", a copy of which is attached to the Sabin Affidavit as Exhibit D).

20. Prior to the filing of the Debtors' chapter 11 cases, Schulte submitted an invoice to the Debtors for professional fees and expenses in the aggregate sum of \$134,547.73 for its services rendered during the period April 4, 2001 through September 24, 2001. With respect to this invoice, in the ordinary course of business, the Debtors paid in the aggregate the sum of \$134,547.73. In connection with the entry into the Initial Retainer Agreement, Schulte was paid the \$150,000 Initial Retainer for professional services and expenses charged by Schulte in connection with these cases. On October 31, 2001 Schulte submitted further invoices to the Debtors for professional fees and expenses in the aggregate sum of \$221,538.45 after applying the Initial Retainer of \$150,000, for its services rendered during the period September 24, 2001 through October 31, 2001. With respect to these invoices and on account of estimates for future services, the Debtors paid a further sum of \$762,100. On December 17, 2001, Schulte submitted an invoice to the Debtors for professional fees and expenses of \$474,828.61 for the period from November 1 through December 13, 2001. On account of this invoice, and on account of estimates for future services, the Debtors paid a further sum of \$312,728.61. The Debtors have therefore, in the ordinary course of business, paid in the aggregate the sum of \$1,359,376.34 for services rendered and as reimbursement for charges and disbursements incurred in connection with these cases as well as general corporate matters. On January 11, 2001, the Debtors paid to Schulte an additional retainer of \$175,000 such that, as of the Petition Date, the aggregate retainer held by Schulte will approximate \$200,000 (the "Retainer").

21. Pursuant to the Current Retainer Agreement, Schulte will apply the Retainer to pay any fees, charges, and disbursements that remain unpaid as of the Petition Date. Any portion of the Retainer that is not applied to pre-petition fees and expenses will be held by

Schulte as a retainer for and applied against post-petition fees and expenses that are allowed by the Court.

22. The Debtors understand that Schulte intends to apply to the Court for allowance of compensation for professional services rendered and reimbursement of expenses incurred in these chapter 11 cases in accordance with applicable provisions of the Code, the Federal Rules of Bankruptcy Procedure, Local Rules, orders of this Court, and the United States Trustee Guidelines (collectively, the "Compensation Rules"). The Debtors, subject to the Compensation Rules, propose to pay Schulte its then-current customary hourly rates charged for such services and to reimburse Schulte for expenses in accordance with Schulte's customary reimbursement policies. The current standard hourly rates for Schulte professionals and paraprofessionals (which are subject to adjustment from time to time in accordance with Schulte's normal billing practices) are set forth in the Sabin Affidavit. During the course of the chapter 11 cases, Schulte's monthly invoices will constitute a request for interim payments against the reasonable fees to be determined at the conclusion of the representation.

23. Schulte has agreed to accept as compensation the Retainer and such additional sums as may be allowed by the Court based upon the professional time spent, the rates charged for such services, the necessity of such services to the administration of the estate, the reasonableness of the time within which the services were performed in relation to the results achieved, and the complexity, importance, and nature of the problems, issues, or tasks addressed in these cases.

24. According to Schulte's books and records, within one year prior to the Petition Date, Schulte received total compensation of \$1,534,376.34; while the exact allocation

cannot be determined, a significant portion of such compensation was in connection with the Debtors' chapter 11 cases, and a portion was for general corporate, environmental and other matters not in connection with such cases. As stated in the foregoing paragraphs, any portion of the pre-petition Retainer received by Schulte that has not yet been applied to pre-petition fees and expenses will be applied when such amounts are identified, and should any balance remain after such application, the remainder will be held as a retainer for and applied against post-petition fees and expenses that are reasonable in relation to the results achieved and the complexity, importance, and nature of the problems, issues, or tasks addressed in these cases.

25. Other than as set forth above and in the Sabin Affidavit, there is no proposed arrangement between the Debtors and Schulte for compensation to be paid in these cases.

Conclusion

26. Notice of this Application has been provided to the Office of the United States Trustee, and the twenty (20) largest unsecured creditors of each Debtor. The Debtors submit that given the nature of the relief requested herein, no other or further notice need be given.

WHEREFORE, the Debtors request that the Court enter an order (i) authorizing the Debtors to employ and retain Schulte to represent the Debtors in the prosecution of these chapter 11 cases, effective as of the Petition Date, as their attorneys under a general retainer to perform the services set forth above and (ii) granting the Debtors 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: [Signature]
Its: CEC

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	Chapter 11
)	
FANSTEEL INC., et al., ³)	Case No. 02-_____ ()
)	(Jointly Administered)
Debtors.)	
)	
)	

**AFFIDAVIT OF JEFFREY S. SABIN PURSUANT TO FED. R. BANKR.
P. 2014 AND 2016 IN SUPPORT OF APPLICATION TO EMPLOY AND RETAIN
SCHULTE ROTH & ZABEL LLP AS ATTORNEYS FOR
DEBTORS-IN-POSSESSION UNDER 11 U.S.C. §§ 327(a) AND 329**

STATE OF NEW YORK)	
)	ss.:
COUNTY OF NEW YORK)	

Jeffrey S. Sabin, being duly sworn, deposes and says:

1. I am a member of Schulte Roth & Zabel LLP ("Schulte" or the "Firm"), that maintains an office for the practice of law at 919 Third Avenue, New York, New York 10022-3897. I am an attorney in good standing to practice in the State of New York and before the United States District Court for the Southern District of New York. I submit this affidavit in support of the application, dated January 14, 2002 (the "Application"),² of Fansteel Inc., a Delaware corporation and its wholly-owned direct and indirect subsidiaries, 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 and debtors-in-

³ 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.

² Unless otherwise defined, capitalized terms used herein have the meanings ascribed to them in the Application.

possession herein (each a "Debtor" and, collectively, the "Subsidiaries", and together with Fansteel, Inc. the "Debtors"), for an order under sections 327(a) and 329 of chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended ("Code"), and Rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure, authorizing the employment and retention of Schulte under a general retainer as the Debtors' attorneys. I have personal knowledge of certain of the matters set forth herein.⁴

Qualification Of Professionals

2. Schulte's initial representation of the Debtors (for the period of April 4, 2001 through early September, 2001) was primarily related to assisting the Debtors' then outside general and special counsels in connection with certain environmental matters, including the Muskogee Site. During October and November 2001 (and thereafter) Schulte's role and scope of representation of the Debtors expanded to include representation of the Debtors as new outside general counsel, rendering advice on general corporate, financial disclosure, regulatory, litigation and restructuring matters.

3. As a result of the Firm's services to the Debtors, Schulte has extensive knowledge of the Debtors' capital structure, financing documents, and other material agreements. Moreover, the Firm is uniquely familiar with the Debtors' business affairs and many of the potential legal issues that may arise in these chapter 11 cases.

4. Schulte has extensive experience and knowledge in debtors' and creditors' rights and business reorganizations under chapter 11 of the Code. The Firm has represented large chapter 11 debtors-in-possession, and is well qualified to represent the Debtors in their chapter 11 cases in a cost-effective, efficient, and timely manner.

⁴ Certain information set forth herein relates to matters (i) contained in Schulte's books and records and (ii) within the knowledge of other Schulte attorneys, and is based on information provided by them.

Services To Be Rendered

5. The Debtors have requested that Schulte render the following services

in connection with these cases:

(i) advise the Debtors with respect to their powers and duties as debtors-in-possession in the continued management of their business and properties;

(ii) attend meetings and negotiate with representatives of creditors and other parties in interest and advise and consult on the conduct of the cases, including all of the legal and administrative requirements of operating in chapter 11;

(iii) take all necessary action to protect and preserve the Debtors' estates, including the prosecution of actions on their behalf, the defense of any actions commenced against them, negotiations concerning all litigation involving the Debtors, and objections to claims filed against the Debtors' estates, if any;

(iv) prepare on the Debtors' behalf all motions, applications, answers, orders, reports, and papers necessary to the administration of the estates;

(v) negotiate and prepare on Debtors' behalf plan(s) of reorganization, disclosure statement(s) and all related agreements and/or documents and take any necessary action on behalf of the Debtors to obtain confirmation of such plan(s); take any necessary action on the Debtors' behalf to (i) obtain approval of the disclosure statement(s) and confirmation of the plan(s), (ii) negotiate any alternative plan of reorganization, disclosure statement, and related agreements and/or documents, (iii) implement all transactions related thereto, and (iv) prosecute any modifications, revisions, or appeals thereto;

(vi) advise the Debtors in connection with any sale of assets;

(vii) appear before this Court, any appellate courts, and the United States Trustee, and protect the interest of the Debtors' estates;

(viii) advise the Debtors with respect to all corporate and Securities and Exchange Commission matters;

(ix) advise the Debtors with respect to all environmental matters;

(x) provide general real estate, tax, labor and employee relations, intellectual property and financing advice to the Debtors; and

(xi) perform all other necessary legal services and provide all other necessary legal advice to the Debtors in connection with these chapter 11 cases.

6. Subject to this Court's approval of the Application, Schulte is willing to serve as the Debtors' counsel and to perform the services described above.

Disinterestedness Of Professionals⁵

7. Except as may be otherwise set forth herein, to the best of my knowledge, the members, counsel, and associates of Schulte (i) do not have any connection with any of the Debtors or their affiliates, creditors, or any other party in interest, or their respective attorneys and accountants, (ii) are "disinterested persons," as that term is defined in section 101(14) of the Code, as modified by section 1107(b), and (iii) do not hold or represent any interest adverse to the estates.

8. Schulte does not and has not represented any entity, other than the Debtors in matters related to these chapter 11 cases.

9. Schulte has in the past represented, currently represents, and may in the future represent, certain creditors of the Debtors and other parties-in-interest, or their respective attorneys, accountants, and investment banks, in matters unrelated to the Debtors, these chapter 11 cases, or such entities' claims against or interests in the Debtors. The Debtors have numerous business relationships. To the extent that the conflicts check of the Firm's client database showed that Schulte has represented any of the foregoing entities, these are identified on Exhibit B hereto. Schulte has represented or currently represents the entities listed on Exhibit B or their affiliates (as disclosed in Exhibit B) in matters unrelated

⁵ The statements respecting Schulte and its members, associates, and employees contained herein are based upon a conflicts check of the Firm's client database as of January 11, 2002. The entities subject to the conflicts check are set forth on Exhibit A attached hereto, which is incorporated herein by reference.

to these chapter 11 cases. If required, Schulte will disclose any further connections upon review of the responses to the "disinterestedness" questionnaire.⁷

10. Consequently, to the best of my knowledge:

(b) neither Schulte nor any attorney at the Firm is a creditor, an equity security holder, or an insider of the Debtors, except that Schulte has previously rendered legal services to the Debtors for which it has been compensated, as disclosed herein;

(c) neither Schulte nor any attorney at the Firm is or was an investment banker for any outstanding security issued by the Debtors;

(d) neither Schulte nor any attorney at the Firm has been, within three years before the commencement of these cases, an investment banker for a security issued by the Debtors, or an attorney for an investment banker in connection with the offer, sale, or issuance of a security by the Debtors;

(e) neither Schulte nor any attorney at the Firm is or was, within two years before the Petition Date, a director, officer, or employee of the Debtors or of an investment banker of the Debtors; and

(f) Schulte does not have an interest materially adverse to the interests of the estates or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, in connection with, or interest in the Debtors or an investment banker specified in the foregoing paragraphs, or for any other reason.

11. I am not related, and to the best of my knowledge, no attorney at the Firm is related, to any United States Bankruptcy Judge in the District of Delaware or to the United States Trustee for such district or any employee in the office thereof.

12. For all of the foregoing reasons, I believe that Schulte is a "disinterested person," as that term is defined in section 101(14) of the Code, as modified by section 1107(b) of the Code.

Professional Compensation

13. Fansteel Inc. ("Fansteel") initially engaged Schulte as counsel to represent it in certain environmental and related matters, on or about April 4, 2001. There

⁷ Except as otherwise noted in Exhibit B, none of the entities listed on Exhibit B accounted for more than 1.0% of the Firm's client billings for the 12-month period ended December 31, 2001.

was then no written retention agreement. Pursuant to a formal retainer agreement dated as of October 9, 2001 ("Retainer Agreement"), a copy of which is attached hereto as Exhibit C, Fansteel retained Schulte to, among other things, advise it in connection with various environmental, financial disclosure and business matters, including negotiations with its lenders. The Retainer Agreement provided for an initial retainer of \$150,000 for professional services to be rendered and expenses to be charged by Schulte in connection with the services described in the preceding sentence (the "Initial Retainer"). The Initial Retainer was amended by letter agreement dated November 21, 2001, pursuant to which Fansteel and each of the other Debtors jointly and severally retained Schulte to provide all advice in connection with possible chapter 11 filing and/or the restructurings of their debts (the "Current Retainer Agreement", a copy of which is attached hereto as Exhibit D).

14. Prior to the filing of the Debtors' chapter 11 cases, Schulte submitted an invoice to the Debtors for professional fees and expenses in the aggregate sum of \$134,547.73 for its services rendered during the period April 4, 2001 through September 24, 2001. With respect to this invoice, in the ordinary course of business, the Debtors paid in the aggregate the sum of \$134,547.73. In connection with the entry into the Initial Retainer Agreement, Schulte was paid the \$150,000 Initial Retainer for professional services and expenses charged by Schulte in connection with these cases. On October 31, 2001 Schulte submitted further invoices to the Debtors for professional fees and expenses in the aggregate sum of \$221,538.45 after applying the Initial Retainer of \$150,000, for its services rendered during the period September 24, 2001 through October 31, 2001. With respect to these invoices and on account of estimates for future services, the Debtors paid a further sum of \$762,100. On December 17, 2001, Schulte submitted an invoice to the Debtors for

professional fees and expenses of \$474,828.61 for the period from November 1 through December 13, 2001. On account of this invoice, and on account of estimates for future services, the Debtors paid a further sum of \$312,728.61. The Debtors have therefore, in the ordinary course of business, paid in the aggregate the sum of \$1,359,376.34 for services rendered and as reimbursement for charges and disbursements incurred in connection with these cases as well as general corporate matters. On January 11, 2001, the Debtors paid to Schulte an additional retainer of \$175,000 such that, as of the Petition Date, the aggregate retainer held by Schulte will approximate \$200,000 (the "Retainer").

15. Pursuant to the Current Retainer Agreement, Schulte will apply the Retainer to pay any fees, charges, and disbursements that remain unpaid as of the Petition Date. Any portion of the Retainer that is not applied to pre-petition fees and expenses will be held by Schulte as a retainer for and applied against post-petition fees and expenses that are allowed by the Court.

16. Schulte intends to apply to the Court for allowance of compensation for professional services rendered and reimbursement of expenses incurred in these chapter 11 cases in accordance with the applicable provisions of the Code, the Bankruptcy Rules, Local Rules, the orders of the Court, and the United States Trustee Guidelines. Schulte will seek compensation for the services of each attorney and paraprofessional acting on behalf of the Debtors in these cases at the then-current rate charged for such services on a non-bankruptcy matter.

17. The current standard hourly rates for Schulte's professionals and paraprofessionals are (a) between \$450 and \$675 for partners, (b) \$425 for special counsel and counsel, (c) between \$190 and \$400 for associates, and (d) between \$90 and \$215 for

legal assistants. These hourly rates are subject to periodic increases in the normal course of the Firm's business, often due to the increased experience of a particular professional.

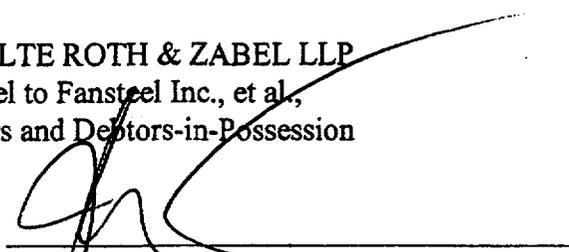
18. The hourly rates set forth above are the Firm's standard hourly rates for work of this nature. These rates are set at a level designed to compensate Schulte fairly for the work of its attorneys and legal assistants and to cover fixed and routine overhead expenses. Such hourly rates do not include charges for non-legal personnel who also record time spent working on matters for particular clients, including word processing, clerical, library, proofreading, and secretarial staff. It is the Firm's policy to charge its clients for all other services provided and for disbursements and expenses incurred in the rendition of services. These disbursements and expenses include, among other things, costs for telephone and facsimile charges, photocopying, travel, business meals, computerized research, messengers, couriers, postage, witness fees, and other fees related to trials and hearings.

19. Schulte has agreed to accept as compensation the Retainer and such additional sums as may be allowed by the Court based upon the professional time spent, the rates charged for such services, the necessity of such services to the administration of the estates, the reasonableness of the time within which the services were performed in relation to the results achieved, and the complexity, importance, and nature of the problems, issues, or tasks addressed in these cases.

20. Other than as set forth above, there is no proposed arrangement between the Debtors and Schulte for compensation to be paid in these cases.

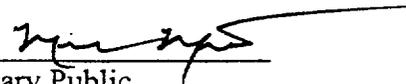
21. Schulte has no agreement with any other entity to share any compensation received, nor will any be made, except as permitted under section 504(b)(1) of the Code.

SCHULTE ROTH & ZABEL LLP
Counsel to Fansteel Inc., et al.,
Debtors and Debtors-in-Possession

By: 

Jeffrey S. Sabin (JSS 7600)
(A Member of the Firm)
919 Third Avenue
New York, New York 10022-3897
(212) 756-2000

Sworn to and subscribed before me
this 11th day of January, 2001


Notary Public

MICHAEL MITCHELL
Notary Public, State of New York
No. 02M16023078
Qualified in Westchester County
Commission Expires April 12, 20 03

EXHIBIT A

EXHIBIT A
Entities Subject to Conflicts Check

Debtor and Affiliates

Name of Debtor: Fansteel Inc.
Affiliate 1: Fansteel Holdings, Inc.
Affiliate 2: Custom Technologies Corp.
Affiliate 3: Ecast, Inc.
Affiliate 4: Wellman Dynamics Corp.
Affiliate 5: Washington Mfg. Co.
Affiliate 6: Phoenix Aerospace Corp.
Affiliate 7: American Sintered Technologies, Inc.
Affiliate 8: Fansteel Schulz Products, Inc.
Director 1: Gary L. Tessitore
Director 2: Edward P. Evans
Director 3: R. S. Evans
Director 4: Thomas M. Evans, Jr.
Director 5: Peter J. Kalis
Director 6: Jack S. Petrick
Director 7: Donald C. Roof
Officer 1: Gary L. Tessitore
Officer 2: R. Michael McEntee
Officer 3: Michael J. Monciak

Other

Attorney 1: Janice C. Hartman
Attorney 2: Rick E. Wood
Attorney 3: Peter J. Kalis
Attorney 4: John Eglert
Attorney 5: Christopher E. Dominguez
Attorney 6: Richard G. Griffith
Attorney 7: William H. Francis
Attorney 8: Andy Williams
Attorney 9: Mark J. Steger
Attorney 10: Steven B. Varick
Attorney 11: Eric Hemmendinger
Attorney 12: Bruce E. Disenhouse
Attorney 13: Mark S. Hurd
Attorney 14: Frank Harty
Attorney 15: Tom Foley
Attorney 16: Catherine Overberg
Attorney 17: Jocelyn Thompson
Attorney 18: R. Joseph Decker
Attorney 19: Kenneth B. Prindle
Attorney 20: Tahereh K. Barnes
Attorney 21: Richard A. Curtis

Attorney 22: Jose G. Pozas de la Vega
Attorney 23: Mark J. Sciota
Attorney 24: David B. Stratton
Attorney 25: Garrett Evers
Attorney 26: Kenneth E. Anderson
Attorney 27: Robert T. Haar
Attorney 28: Aaron M. Hurvitz
Attorney 27: D. Michael Guerin
Attorney 30: James R. Curtiss
Attorney 31: Tompkins & Tompkins
Attorney 32: Kutack Rock
Attorney 33: Ned Evans

Business Advisors

Accounting: William M. Mercer
Accounting: McGladrey & Pullen LLP
Accounting: Ernst & Young
Accounting: FERS
Accounting: Joe Riggs
Accounting: Frank Paterra
Accounting: Gary Kellogg

Other Advisors

Pyramid Management Group
Gorman Communications
Alexander Group
Manufacturing Development
D. L. Solutions
Gates McDonald Gibbens
Earth Sciences Consultants Inc.
CT Corporation
R.C. Simpson
North Environmental
North Shore Office Machines
AON Consulting
Carlile & Assoc.
JBL Consulting
Robert LaMarche
Omega Project Services LLC
Richard J. Shepler Jr.
Troy Tack
Lawrence Kramer
Bob Root
Curtis Reynolds

Steve Taylor
Tony Renzi
BTC Group
Tony Fredo
Al Boehm
Manufacturing Development & Engineering Int'l, Inc.
Ike Kelly
Kathy Vetter
Curt Wyse
Global Shop Solutions
Roger Vicker
Gary Mueller
Jimmy Smith

Government Officials

The Nuclear Regulatory Commission

Major Creditors

Fansteel Inc.:

Creditor 1 Aon Risk Service, of PA
Creditor 2 Fidelity Investments
Creditor 3 Winston & Strawn
Creditor 4 Wausau Insurance Co.
Creditor 5 Home Insurance Co.
Creditor 6 McBride, Baker & Coles
Creditor 7 McGladrey & Pullen LLP
Creditor 8 Ernst & Young LLP
Creditor 9 Paid Prescriptions, LLC
Creditor 10 Stites & Harbison
Creditor 11 Eugene Matthews, Inc.
Creditor 12 Focus Financial/Joseph Riggs
Creditor 13 William M. Mercer, Inc.
Creditor 14 Excess Health Inc./Z.A. Premium Trust
Creditor 15 Home Insurance Co.
Creditor 16 Bureau of National Affairs Inc.
Creditor 17 BT2 Inc.
Creditor 18 FERS Business Services
Creditor 19 Earth Science Consultants, Inc.
Creditor 20 Illinois Department of Revenue
Creditor 21 Northern Trust Company
Creditor 22 M&I Marshall & Ilsley Bank
Creditor 23 American National Bank
Creditor 24 Chubb Group of Insurance Companies

Hydro Carbide Plant:

Creditor 1 H.C. Starck
Creditor 2 OMG Americas
Creditor 3 Sogem
Creditor 4 Alldyne
Creditor 5 Remet
Creditor 6 Taugutec
Creditor 7 Aggressive Grd
Creditor 8 Do All Co.
Creditor 9 Fantastic Tool
Creditor 10 Elg Metals
Creditor 11 SGS Tool
Creditor 12 General Ind. Dia.
Creditor 13 Dura Metal
Creditor 14 Vector Eng
Creditor 15 Nordon Smith
Creditor 16 Valley Gases
Creditor 17 SGL/Polycarbon
Creditor 18 Interstate Chemical
Creditor 19 Metalworking
Creditor 20 K-Chem

Muskogee Plant:

Creditor 1 Brenntag Southwest, Inc.
Creditor 2 Oklahoma Gas Electric Co.
Creditor 3 Quality Staffing
Creditor 4 Outreach Laboratory
Creditor 5 Cook Construction & Crane
Creditor 6 Richard J. Shepler Jr.
Creditor 7 Pinkertons Inc.
Creditor 8 Robert LaMarche
Creditor 9 WWR Scientific
Creditor 10 Fisher Scientific Co.
Creditor 11 Best Welders supply, Inc.
Creditor 12 Troy Tack
Creditor 13 RSA Labs, Inc.
Creditor 14 Cintas
Creditor 15 Van Keppel Liftruck
Creditor 16 McAdams Pipe & Supply Co.
Creditor 17 Acme Engineering & Mfg. Corp.
Creditor 18 Earth Science Consultants
Creditor 19 Ash Grove Cement co.
Creditor 20 CMS Marketing Services

Plantsville Plant:

Creditor 1 Turtle & Hughes
Creditor 2 Wendt Diacraft, Inc.
Creditor 3 Compositie Inc.
Creditor 4 American Superabrasives Corp.
Creditor 5 Metallurgical Processing
Creditor 6 Randstad
Creditor 7 Toll Coating Services, Inc.
Creditor 8 Ideal Machinery & Supply
Creditor 9 Monroe Personnel Services LLC
Creditor 10 Richter Precision, Inc.
Creditor 11 East Coast Packaging
Creditor 12 Romay Corporation
Creditor 13 Proforma Del Con Systems
Creditor 14 AJC Machine, LLC
Creditor 15 Balzers Tool Coating Inc.
Creditor 16 W W Grainger Inc.
Creditor 17 Bodycote IMT-Kentucky Inc
Creditor 18 Industrial Safety Supply
Creditor 19 Kennametal Inc.
Creditor 20 International Mold Steel

Lexington Plant:

Creditor 1 T.T.I. Metals
Creditor 2 Saegertown Mfg. Corp.
Creditor 3 Alldyne Powder Technologies
Creditor 4 Kerr Lakeside, Inc.
Creditor 5 Bodycote IMT, Inc.
Creditor 6 Orrco
Creditor 7 Southwest Metal Products Ltd
Creditor 8 Sogem USA Inc.
Creditor 9 Tricon Industries, Inc.
Creditor 10 Sanshell Products, Inc.
Creditor 11 American Mine Services
Creditor 12 Dura Metal Products Corp.
Creditor 13 Magdic Precision Tooling, Inc.
Creditor 14 Ohio Metal Working Rock Drillers North, Inc.
Creditor 15 Contract Machining & Mfg.
Creditor 16 Rockford Products Corporation
Creditor 17GTS Staffing
Creditor 18 McSweeney's Inc.
Creditor 19 Staffing Alternatives of

California Drop Forge Plant:

Creditor 1 Teledyne Allvac
Creditor 2 NF&M Internatl
Creditor 3 Sempra Energy Solutions
Creditor 4 Timken Latrobe
Creditor 5 Precision Roll
Creditor 6 Titanium Metals
Creditor 7 Aerocraft Heat
Creditor 8 Republic Tech
Creditor 9 Mattco Forge
Creditor 10 Turbocare
Creditor 11 Fry Steel Comp
Creditor 12 RC Indust Weldi
Creditor 13 Cartech
Creditor 14 Western Forge Die
Creditor 15 Dickson Testing
Creditor 16 Orbit Testing
Creditor 17 SMI CA, Inc.
Creditor 18 Conam AMS Inc
Creditor 19 Mitchell Labs
Creditor 20 General Inspect

Fansteel Schulz Products, Inc.:

Creditor 1 GSC Foundries, Inc.
Creditor 2 Arcturus Manufacturing Co.
Creditor 3 Neuvant Aerospace Corp.
Creditor 4 Howmet Aluminum Casting Inc.
Creditor 5 The Aviant Group
Creditor 6 Lubeco, Inc.
Creditor 7 RBC Transport Dynamics Corp.
Creditor 8 Rudell Carbide Inc.
Creditor 9 AMI Metals Inc.
Creditor 10 New Hampshire Ball Bearings, I
Creditor 11 Solidiform Inc.
Creditor 12 Fry Steel Company

American Sintered Technologies, Inc.:

Creditor 1 AcuPowder
Creditor 2 Advance Heat Treaters
Creditor 3 Allegheny Power
Creditor 4 AMETEK
Creditor 5 Arc Metals
Creditor 6 B&B Tooling
Creditor 7 B & R Machine
Creditor 8 BOC Gas
Creditor 9 Bristol Metals
Creditor 10 Embassey
Creditor 11 G.E. Capital Corporation
Creditor 12 Hoeganeous
Creditor 13 J.I.T. Tooling
Creditor 14 JSH
Creditor 15 Kobelco
Creditor 16 M & R Machine
Creditor 17 Manufacturer's Association
Creditor 18 OMG
Creditor 19 QMP
Creditor 20 Us Bronze

Ecast, Inc.:

Creditor 1 Remet Corporation
Creditor 2 Cerita West, LLC
Creditor 3 Southwestern Processors
Creditor 4 Texas EHat Treatng Inc.
Creditor 5 Kolene Corporation
Creditor 6 American Stainless & Alloy
Creditor 7 M. Argueso & Co., Inc.
Creditor 8 Remet Corporation
Creditor 9 Hale Mfg. LLC
Creditor 10 Cannon-Muskegon Corp.
Creditor 11 Safety Kleen Corp.
Creditor 12 Vanguard Executive Serv
Creditor 13 Scientific Metal Treating
Creditor 14 R.S. Huges Co., Inc.
Creditor 15 H. Kramer & Co.
Creditor 16 Magid Glove & Safety Mfg.
Creditor 17 Inland Mechanical Svc Corp
Creditor 18 J-Marcs Corporation
Creditor 19 Hickman, Williams & Co.
Creditor 20 Tobeco
Creditor 21 Greenville Metals, Inc.

Washington Mfg. Co.:

Creditor 1 Walker Wire & Steel Corp
Creditor 2 A-1 Wire
Creditor 3 Krueger & Company Inc
Creditor 4 Donohoo Steel Treating Co
Creditor 5 Industrial Powder Coatings
Creditor 6 Treasurer State of IA
Creditor 7 Prime Plating
Creditor 8 Interstate Chemical Company
Creditor 9 Safety Kleen
Creditor 10 John Schneider & Associates
Creditor 11 Crescent Electric Supply
Creditor 12 Global Shop Solutions
Creditor 13 The Bass Plating Company
Creditor 14 Hawkeye Corrugated Box Co
Creditor 15 Deco Tool Supply Co
Creditor 16 Industrial Powder Coatings
Creditor 17 Bone Frontier Company
Creditor 18 Washington State Bank
Creditor 19 Prototype Production
Creditor 20 Controlled Wire Forms Inc.

EXHIBIT B

EXHIBIT B
Entities Represented by SRZ

1. Ernst & Young LLP
2. GE Capital
3. CIT Group/Tyco Capital*

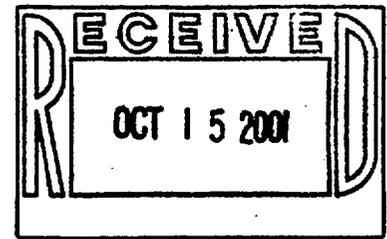
* CIT Group/Tyco Capital accounted for approximately 3% of the Firm's client billing for the 12 month period ending December 31, 2001.

EXHIBIT C

SCHULTE ROTH & ZABEL LLP

919 Third Avenue
New York, NY 10022
(212) 756-2000
fax (212) 593-5955

www.srz.com



Howard B. Epstein
(212) 756-2596

E-mail
howard.epstein@srz.com

Confidential

October 9, 2001

Mr. Gary L. Tessitore,
Chairman, President and
Chief Executive Officer
Fansteel, Inc.
One Tantalum Place
North Chicago, Il. 60064

Dear Mr. Tessitore:

On April 4th of this year, Fansteel, Inc. (the "Company") engaged Schulte Roth & Zabel LLP (the "Firm") to represent it in various aspects of environmental law associated with the Muskogee Facility. We are quite pleased that the Company has now decided to engage the Firm in connection with various financial disclosure, and business matters in addition to the existing environmental matters facing the Company.

We are writing to provide you with information regarding various aspects of the Firm's engagement, including staffing and fees. If the matters set forth in this letter are satisfactory, this letter will form the basis of the Firm's engagement on the Matter.

1. **Scope of Engagement.** As described to us, the Matter involves representing the Company in various business financial and regulatory areas, and may involve negotiation with lenders and other institutions, representation before regulatory bodies, and potential litigation. The scope of the services to be provided by us in connection with the Matter is expected to encompass the full range of services normally associated with a transaction such as this which the Firm is in a position to provide.

2. **Engagement Personnel.** Jeff Sabin, Andre Weiss, Nancy Finkelstein and Howard Epstein will be responsible for and will be actively involved in the Matter. Additional lawyers, including lawyers in other practice areas, will be added to the Matter on an as needed basis.

3. **Fee and Expenses.** Our fees will be based on the time involved in the Matter and our time charges. For your information, the current rate of time charges of the Firm are as follows: Partners, \$415 to \$650 per hour; Associates and other Senior Counsel, \$180 to \$430 per hour; and Paralegals, \$110 to \$215 per hour.

4. **Billing.** We will endeavor to submit statements for services for payment on a monthly basis. In addition, our billing statements will include charges and disbursements incurred by us in the course of performing legal services. These items will be billed in accordance with our standard practice which is generally at cost for external charges billed by a vendor and at rates derived from internal cost analyses for internal support services. Each statement submitted will be accompanied by attorney time detail showing for each lawyer who worked on the Matter during the relevant period, on a daily basis, the described work performed and the time spent doing it.

5. **Retainer.** In order to proceed, we will require an initial retainer in the amount of \$150,000. The retainer will be credited against the aggregate amount of legal fees and other client charges incurred on the Matter when the last billing takes place. Any unused portion of the retainer will be returned to the Company upon completion of our services on the Matter.

6. **Payment.** The Firm's billing procedures are designed to be as simple and clear as possible. Please ask me any questions you may have regarding each statement as soon as it is received. The Company agrees to pay our statements upon presentation.

7. **Conflict Clearance.** In order to ensure the Firm's compliance with the Canons of Ethics applicable to us, we maintain a client index. The Firm's policy is not to represent any party with an interest that may be adverse in a legal context, such as litigation, to an indexed person or entity, absent a waiver. At this time no adverse entities have been identified with the exception of The Nuclear Regulatory Commission. Unless we are informed to the contrary, we will assume that the listing is accurate and complete.

8. **Corporate Group Not the Client.** To avoid any misunderstanding in connection with our current and any future engagement by the Company, the retention of the Firm by this letter does not constitute a retention or proposed retention of us, to act as counsel for any subsidiary, parent, affiliate or other member of the Company's corporate group (a "group member") by acting as counsel for the Company. Any such relationship, if undertaken by us with any group member, must be separately and explicitly entered into. If any uncertainty about our role is evidenced by a group member at any time, we would appreciate your clarifying this to that group member.

9. **Indemnification.** We undertake to represent the Company in the Matter to the best of our ability and in accordance with the highest professional standards. Given the nature of the Matter and the potential for claims or litigation against the Company and its advisers by third parties, however, the Company agrees to indemnify and hold harmless the Firm, each of its partners, associates, employees, agents and counsel, against any and all losses, liabilities, claims, damages and expenses whatsoever (including, but not limited to, reasonable

attorneys' fees and any and all expenses incurred in investigating, preparing for or defending against any investigation, claim or litigation commenced or threatened, and any and all amounts paid in settlement of any claim or litigation), as and when incurred, arising out of, based upon, or in connection with claims of third parties arising out of the Firm's representation of the Company in connection with the Matter; provided, however, that the foregoing indemnity shall not apply to the extent that any such loss, liability, claim, damage or expenses is found in a final judgment by a court of competent jurisdiction to have resulted from the Firm's gross negligence or bad faith.

10. Discontinuance of Representation. The Firm will endeavor to represent the Company promptly and efficiently, and we anticipate a long and mutually satisfactory relationship. The Firm's retention by the Company and our charges for legal services rendered on the basis stated above commenced on April 4, 2001. The Company has the right to terminate the Firm's services upon written notice at any time. The Firm also has the right to terminate its services to the Company, upon written notice, in the event the Company fails to cooperate with a reasonable request, or in the event the Firm determines, in its sole discretion, that continuing services to the Company would be unethical, impractical, improper or otherwise inappropriate. The total outstanding amount plus any additional charges for legal services and other client charges incurred will be immediately due and payable upon termination of our representation.

11. Continuing Effect. This letter shall apply to any additional matters we undertake on behalf of the Company or at its direction unless we enter into an express written agreement reflecting an alternate arrangement. Once a matter has been concluded, the Firm will have no responsibility to keep the Company informed about developments in the law which may affect legal advice or opinions theretofore rendered to the Company by the Firm.

12. Acceptance. Careful review of this letter will assure the Company's understanding of the terms of the Firm's representation. Please raise and discuss with me any questions which may arise. If this letter accurately summarizes the agreement between the Firm and the Company, please indicate approval and acceptance by signing the enclosed copy of the letter on behalf of the Company and returning it to me with your check or wire transfer in the amount of \$150,000 made payable to the order of the Firm to account 37242839.

Mr. Gary L. Tessitore
October 9, 2001
Page 4

Again, we very much appreciate the opportunity to work with you and look forward to doing so.

Very truly yours,

SCHULTE ROTH & ZABEL LLP

By: _____

Howard B. Epstein
A Member of the Firm

AGREED TO AND ACCEPTED THIS
9th DAY OF October, 2001

FANSTEEL, INC.

By: _____

Name: Gary L. Tessitore
Title: Chairman, President and
Chief Executive Officer

EXHIBIT D

SCHULTE ROTH & ZABEL LLP

919 Third Avenue
New York, NY 10022
(212) 756-2000
fax (212) 593-5955

www.srz.com

Writer's Direct Number

Writer's E-mail Address

November 21, 2001

Personal and Confidential

Fansteel, Inc.
One Tantalum Place
North Chicago, Illinois 60064
Attention: Mr. Gary Tessitore

Re: Retention Letter

Dear Gary:

This letter will acknowledge and confirm the agreement of Fansteel, Inc. and its direct and indirect domestic subsidiaries (collectively, the "Companies") to retain Schulte Roth & Zabel LLP ("SR&Z", or the "Firm") with respect to providing advice in contemplation of or in connection with the possible chapter 11 filings and/or restructuring of debts of the Companies (the "Matter").

SR&Z, like most law firms, charges for legal services based principally on the hourly rates of the attorneys performing the work. I will be primarily responsible for representing the Companies in connection with providing such advice. My billing rate is \$575 per hour. Work will also be performed by other attorneys. At present, the Firm's hourly rates range from \$380 to \$600 for partners, \$160 to \$395 for associates, and \$90 to \$205 for legal assistants. These rates may be adjusted periodically, and the applicable rates will be those in effect at the time the services are rendered. Because of the inherent uncertainties involved in sophisticated business transactions and litigation, it is not possible for us to specify in advance the amount of time that will be needed to complete the Matter or the total amount of legal fees and other client charges that will be incurred in connection with SR&Z's representation of the Companies. We will, of course, keep you full informed of the work being done.

In contemplation of SR&Z's retention, you have, prior to the date hereof, provided the Firm with an aggregate \$350,000 cash retainer, and may provide an additional retainer prior to commencement of the contemplated Chapter 11 cases such that, after application of such retainer amounts against actual fees and expenses incurred prior to the Chapter 11 cases, the balance of the retainer available for application upon entry of orders of the Bankruptcy Court will be no less than \$200,000 (the "Retainer"). In addition to the Retainer, the Firm will send you a bill approximately the fifteenth day of each month for legal services performed through the last day of the preceding month. Under certain circumstances, we may render bills more frequently or at a particular event. The Firm also will bill the Companies every thirty (30) days

for other client charges incurred in connection with services rendered (e.g., filing fees, transcript costs, deposition costs, long distance telephone, computerized legal research and similar costs, duplicating, automatic document production, overtime charges, travel expenses, meals, etc.). Such charges will be set by us at levels which we determine to be appropriate in the conduct of our practice. In some situations, we may request an advance for other client charges.

The Firm's billing procedures are designed to be as simple and clear as possible. Please ask me any questions you may have regarding each statement as soon as it is received; if you do not do so, we will assume that you understand and accept the statement as rendered. Each of the Companies agrees to pay for our statements within twenty (20) calendar days of presentation. If the Companies' account is not paid in full within such time, we reserve the right immediately to withdraw from representing the Companies and to apply the moneys in the Retainer against the unpaid balance of the Companies' bill regardless of the stage of SR&Z's representation. To the extent there remains a balance in the Retainer after such application, the Firm will return such funds to your attention. In the unlikely event that the Firm is required to institute legal proceedings to collect legal fees or other client charges owed by the Companies, each of the Companies agrees to pay the Firm reasonable attorneys' fees and other costs of collection.

SR&Z will endeavor to represent the Companies promptly and efficiently, and we anticipate a mutually satisfactory relationship. However, the Companies have the right to terminate the Firm's services upon written notice at any time. The Firm also has the right to terminate its services to the Companies, upon written notice, in the event the Companies fail to pay in full each statement as submitted, to cooperate with a reasonable request, or in the event the SR&Z determines, in its sole discretion, that continuing services to the Companies would be unethical, impractical, improper or otherwise inappropriate. The total outstanding amount plus any additional charges for legal services and other client charges incurred will be immediately due and payable upon termination of our representation.

It is our understanding that there exist intercompany claims among the Companies. In light of such claims, and the fact that SR&Z will be representing all of the Companies, there could potentially be a conflict of interest arising out of our representations at some time. If there could potentially be such a conflict, an attorney (and a firm) should not represent each client without disclosure and consent. The reason it is better for each client in such circumstances to have separate, independent counsel is to avoid the possibility that judgment, loyalty and confidentiality for one client may be influenced by the representation of the other clients. Accordingly, SR&Z will not represent any of the Companies in connection with any dispute related to such intercompany claims. Each of the Companies acknowledges the existence of such potential conflict of interest.

Careful review of this letter will assure each of the Companies' understanding of the terms of SR&Z's representation. Please raise and discuss with me any questions which may arise. If this letter accurately summarizes the agreement between SR&Z and each of the Companies, please indicate approval and acceptance by signing the enclosed copy of this letter and returning it to me by facsimile and first class mail.

Sincerely,

SCHULTE ROTH & ZABEL LLP

By: _____

Jeffrey S. Sabin

ACCEPTED, AGREED AND CONSENTED
to this 21 day of November, 2001

FANSTEEL, INC.

By: _____
Name: _____
Title: _____

PHOENIX AEROSPACE CORP.

By: _____
Name: _____
Title: _____

AMERICAN SINTERED
TECHNOLOGIES, INC.

By: _____
Name: _____
Title: _____

FANSTEEL SCHULZ PRODUCTS, INC.

By: _____
Name: _____
Title: _____

FANSTEEL HOLDINGS, INC.

By: _____
Name: _____
Title: _____

CUSTOM TECHNOLOGIES CORP.

By: _____
Name: _____
Title: _____

WASHINGTON MFG. CO.

By: _____
Name: _____
Title: _____

ESCAST, INC.

By: _____
Name: _____
Title: _____

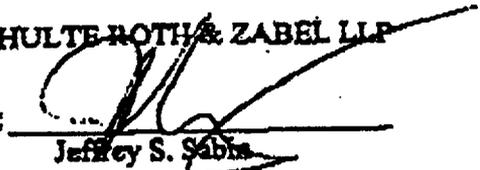
WELLMAN DYNAMICS CORP.

By: _____
Name: _____
Title: _____

Careful review of this letter will assure each of the Companies' understanding of the terms of SR&Z's representation. Please raise and discuss with me any questions which may arise. If this letter accurately summarizes the agreement between SR&Z and each of the Companies, please indicate approval and acceptance by signing the enclosed copy of this letter and returning it to me by facsimile and first class mail.

Sincerely,

SCHULTE ROTH & ZABEL LLP

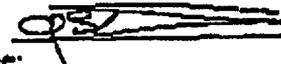
By: 
Jeffrey S. Sabia

ACCEPTED, AGREED AND CONSENTED
to this 21 day of November, 2001

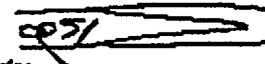
FANSTEEL, INC.

By: 
Name: _____
Title: _____

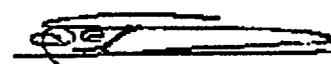
PHOENIX AEROSPACE CORP.

By: 
Name: _____
Title: _____

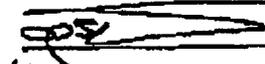
AMERICAN SINTERED
TECHNOLOGIES, INC.

By: 
Name: _____
Title: _____

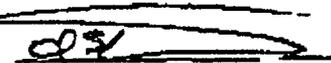
FANSTEEL SCHULZ PRODUCTS, INC.

By: 
Name: _____
Title: _____

FANSTEEL HOLDINGS, INC.

By: 
Name: _____
Title: _____

CUSTOM TECHNOLOGIES CORP.

By: 
Name: _____
Title: _____

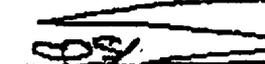
WASHINGTON MFG. CO.

By: 
Name: _____
Title: _____

ESCAST, INC.

By: 
Name: _____
Title: _____

WELLMAN DYNAMICS CORP.

By: 
Name: _____
Title: _____

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FROM SCHULTE ROTH & ZABEL LLP #2

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
FANSTEEL INC., et al.,⁴) Case No. 02-_____ ()
) (Jointly Administered)
Debtors.)
)
)

**ORDER UNDER 11 U.S.C. §§ 327(a) AND 329, AND FED. R. BANKR. P. 2014
AND 2016 AUTHORIZING EMPLOYMENT AND RETENTION OF
SCHULTE ROTH & ZABEL LLP
AS ATTORNEYS FOR DEBTORS-IN-POSSESSION**

Upon the application ("Application"),² dated January 14, 2002, of Fansteel Inc., a Delaware corporation and its wholly-owned direct and indirect subsidiaries, 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 and debtors-in-possession herein (each a "Debtor" and, collectively, the "Subsidiaries", and together with Fansteel, the "Debtors"), for an order under sections 327(a) and 329 of chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended ("Code"), and Rules 2014 and 2016 of Federal Rules of Bankruptcy Procedure, authorizing the employment and retention of Schulte Roth & Zabel LLP ("Schulte"), under a general retainer as the Debtors' attorneys; and the Court having reviewed the Application and the affidavit of Jeffrey S. Sabin, a member of Schulte, sworn to January 11, 2001 ("Sabin Affidavit"); and the Court being satisfied based upon the representations contained in the Application and the Sabin

⁴ 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.

² Unless otherwise defined, capitalized terms used herein shall have the meanings ascribed to them in the Application.

Affidavit that (i) Schulte represents no interest adverse to the Debtors' estates with respect to the matters upon which it is to be retained, (ii) Schulte is a "disinterested person" within the meaning of section 101(14) of the Code, as modified by section 1107(b), and (iii) the employment and retention of Schulte is necessary and in the best interests of the Debtors, their creditors, and estates; and it appearing that proper and adequate notice has been given under the circumstances and that no other or further notice is necessary; and upon the record of the case; after due deliberation; and good and sufficient cause appearing therefor, it is hereby

ORDERED, that the Application be, and it hereby is, granted; and it is further

ORDERED, that pursuant to sections 327(a) and 329 of the Code, the Debtors be, and it hereby are, authorized to retain Schulte as their attorneys under a general retainer as of the commencement of these cases, to perform the services set forth in the Application; and it is further

ORDERED, that Schulte shall be compensated in accordance with the procedures set forth in the Code, the Federal Rules of Bankruptcy Procedure, Local Rules, orders of this Court, and the United States Trustee Guidelines, as may be then applicable, from time to time.

Dated: _____, 2002

United States Judge