40-758

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Civil Action No.: 02-44 (JJF)
	:	
FANSTEEL INC., et al.,	:	(Bankruptcy #02-10109)
	:	
Debtors.	:	**Objection Deadline: March 25, 2002 at 4:00 p.m.** **Hearing Date: (If necessary, will be determined.)**

NOTICE OF APPLICATION

PLEASE TAKE NOTICE that on March 15, 2002, Klett Rooney Lieber & Schorling, co-counsel to the Official Committee of Unsecured Creditors, filed the attached Application of the Official Committee of Unsecured Creditors for the Entry of an Order Pursuant To 11 U.S.C. §§ 328 and 1103 and Rules 2014 and 5002 of the Federal Rules of Bankruptcy Procedure Authorizing the Employment and Retention of Navigant Consulting, Inc. *Nunc Pro Tunc* as its Financial Advisor (the "Application") with the United States District Court for the District of Delaware, 844 North King Street, Wilmington, Delaware 19801 (the "District Court").

PLEASE TAKE FURTHER NOTICE that any responses or objections to the Application must be filed with the District Court, and served upon (i) Freeborn & Peters, 311 South Wacker Drive, Suite 3000, Chicago, IL 60606, attn: Frances Gecker, Esquire and (ii) Klett Rooney Lieber & Schorling, P.C., 1000 West Street, Suite 1410, Wilmington, DE 19801, attn: Adam G. Landis, Esquire so as to be received by February 25, 2002 at 4:00 p.m. prevailing Eastern Time.

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PLEASE TAKE FURTHER NOTICE that if objections or responses to the Application are filed and served in accordance with this Notice, a hearing will be scheduled at the Court's convenience. If no responses or objections are filed and served in accordance with this Notice, the Motion may be granted by the Court without further notice or hearing.

Dated: March 15, 2002
Wilmington, Delaware

KLETT ROONEY LIEBER & SCHORLING
A Professional Corporation

By: _____

Adam G. Landis (I.D. No. 3407)
1000 West Street, Suite 1410
Wilmington, DE 19801
Telephone: (302) 552-4200
Facsimile: (302) 552-4295

- and -

Frances Gecker, Esquire
Joseph D. Frank (ARDC #6216085)
FREEBORN & PETERS
311 South Wacker Drive, Suite 3000
Chicago, IL 60606
Telephone: (312) 360-6000
Facsimile: (312) 360-6596

Co-Counsel to the Official Committee of Unsecured Creditors

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

In Re:	:	Chapter 11
FANSTEEL, INC., et al.[1]	:	02-CV-44(JJF)
Debtors.	:	(Bankruptcy #02-10109)
	:	**Objection Deadline: March 25, 2002 at 4:00 p.m.** **Hearing Date: N/A (negative notice)**

APPLICATION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR THE ENTRY OF AN ORDER PURSUANT TO 11 U.S.C. §§ 328 AND 1103 AND RULES 2014 AND 5002 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AUTHORIZING THE EMPLOYMENT AND RETENTION OF NAVIGANT CONSULTING, INC. *NUNC PRO TUNC* AS OF FEBRUARY 4, 2002 AS ITS FINANCIAL ADVISOR

The Official Committee of Unsecured Creditors for Fansteel, Inc., *et al.* (the "Committee"), by and through its undersigned counsel, respectfully submits the Application of the Official Committee of Unsecured Creditors for the Entry of an Order Pursuant to 11 U.S.C. §§ 328 and 1103 and Rules 2014 and 5002 of the Federal Rules of Bankruptcy Procedure Authorizing the Employment and Retention of Navigant Consulting, Inc. *Nunc Pro Tunc* as of February 4, 2002 as its Financial Advisor (the "Application") on the terms and conditions set forth herein and in (i) the accompanying Affidavit of Kenneth J. Malek, Director at Navigant Consulting, Inc., sworn to on March 14, 2002 (the "Malek Affidavit") and (ii) the February 4, 2002 engagement letter (the "Engagement Letter"). In support of the Application, the Committee respectfully represents as follows:

[1]The Debtors are the following entities: Fansteel Inc., Custom Technologies Corp., Escast, Inc., Wellman Dynamics Corp., Washington Mfg. Co., Phoenix Aerospace Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.

Jurisdiction and Venue

1. This Court has jurisdiction over the Application pursuant to 28 U.S.C. § 1334.

2. The Application is properly before this Court pursuant to 28 U.S.C. § 157(d).

3. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

4. The statutory predicate for the relief sought herein are 11 U.S.C. §§ 328 and 1103 and Rules 2014 and 5002 of the Federal Rules of Bankruptcy Procedure.

Background

5. On January 15, 2002 (the "Petition Date"), Fansteel, Inc., *et al.* (collectively, the "Debtors") filed their respective voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"), in the United States Bankruptcy Court for the District of Delaware. On January 17, 2002, the Bankruptcy Court for the District of Delaware entered an Order Directing Joint Administration of Debtors' Chapter 11 Cases Pursuant to Fed.R.Bankr.P. 1015(b).

6. The Debtors continue in possession of their property and continue to operate and manage their businesses as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

7. On January 22, 2002, this Court entered an Order Granting Emergency Motion For Withdrawal of Reference pursuant to 28 U.S.C. § 157(d).

8. On January 29, 2002, the United States Trustee appointed the Committee.

Relief Requested

9. The Committee seeks the entry of an order pursuant to Sections 328 and 1103 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") 2014 and 5002 authorizing the employment and retention of Navigant Consulting, Inc. ("Navigant"), *nunc*

pro tunc as of February 4, 2002, of as the Committee's financial advisor. The Committee seeks Navigant's retention to assist the Committee to exercise its rights and perform its duties under Section 1103(c) of the Bankruptcy Code.

Basis of Relief Requested

10. Pursuant to Sections 328(a)[2] and 1103(a)[3] of the Bankruptcy Code, the Committee may retain Navigant as the Committee's financial advisor to assist the Committee to exercise its rights and perform its duties under Section 1103(c) of the Bankruptcy Code with this Court's approval.

11. The Committee requests that this Court approve the Application as of February 4, 2002, in order to compensate Navigant for valuable services performed prior to the submission of the Application. As of February 4, 2002, the Committee requested that Navigant begin analyzing, *inter alia*, (i) the Debtors' Application for Post-Petition Financing and (ii) the Debtors' Application to Retain Lincoln Partners to sell one or more of the Debtors' business units. Navigant continues to perform other valuable services for the Committee.

Navigant's Services Are Necessary For The Committee To Exercise Its Rights And Perform Its Duties Under Section 1103(c) Of The Bankruptcy Code

12. The professional services that Navigant is rendering and will render to

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[2] Section 328(a) of the Bankruptcy Code provides, in relevant part, that "a committee appointed under section 1102 of this title, with the court's approval, may employ or authorize the employment of a professional person under section . . . 1103 of this title, . . . on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, or on a contingency fee basis." 11 U.S.C. § 328(a).

[3] Section 1103(a) of the Bankruptcy Code provides, in relevant part, that "[a]t a scheduled meeting of a committee appointed under section 1102 of this title, at which a majority of the members of such committee are present, and with the court's approval, such committee may select and authorize the employment by such committee of one or more . . . accountants, or other agents, to . . . perform services for such committee" 11 U.S.C. § 1103(a).

the Committee are necessary for the Committee to exercise its rights and perform its duties under Section 1103(c) of the Bankruptcy Code. Section 1103(c) of the Bankruptcy Code provides that

> A committee appointed under section 1102 of this title may -
>
> (1) consult with the trustee or debtor in possession concerning the administration of the case;
>
> (2) investigate the acts, conduct, assets, liabilities and financial condition of the debtor, the operation of the debtor's business and the desirability of the continuance of such business, and any other matter relevant to the case or to the formulation of a plan;
>
> (3) participate in the formulation of a plan, advise those represented by such committee of such committee's determinations as to any plan formulated, and collect and file with the court acceptances or rejections of a plan;
>
> (4) request the appointment of a trustee or examiner under section 1104 of this title; and
>
> (5) perform such other services as are in the interest of those represented.

11 U.S.C. § 1103(c).

13. The Committee seeks to retain Navigant as the Committee's financial advisor to perform the following services:

a. perform financial and accounting investigations, make financial calculations, and provide financial advice to the Committee relating to: the Debtors' operating budgets, the Debtors' actual and projected operational and financial performance, sales efforts of Lincoln Partners relating to certain of the Debtors' business units, environmental claims against any of the Debtors, the ability of the Debtors to fund

payments to creditors, and any plan of reorganization proposed or anticipated to be proposed by the Debtors;

b. perform such other financial advisory and accounting services as the Committee or its legal counsel may deem appropriate; and

c. attend meetings with any one or more of the Debtors' management, the Debtors' legal counsel, the Debtors' financial advisors, the Committee and the Committee's legal counsel relating to the foregoing.

14. The Committee selected Navigant because Navigant has extensive knowledge in the areas of financial and accounting investigations. Kenneth J. Malek, Director at Navigant, has extensive experience in consulting and public accounting for troubled businesses, including providing financial and advisory services to a variety of stakeholders in Chapter 11 proceedings. *See* Resume of Kenneth J. Malek attached as Exhibit "A" to the Malek Affidavit.

15. The Committee believes that the retention of Navigant is crucial to the Committee's efforts to recover funds for creditors in the Debtors' bankruptcy cases and in connection with a plan of reorganization.

16. The Committee proposes to retain Navigant pursuant to the terms set forth in the Engagement Letter, which is attached as Exhibit "B" to the Malek Affidavit. As explained in the Engagement Letter and Malek Affidavit, Navigant's services will be performed at Navigant's standard hourly rate of between $75 to $495 per hour plus expenses, including but not limited to costs for traveling and business meals, high-volume photocopying, computerized research, cellular telephone charges, and messenger and

delivery services relating to this case. Additionally, Navigant will work closely with the Committee to control the amount of fees incurred.

17. Navigant understands and agrees that all amounts paid pursuant to the Engagement Letter will be subject to this Court's review and approval in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Civil Procedure, the Bankruptcy Rules, the United States Trustee Guidelines for Reviewing Applications, and the Local Rules and Orders of this Court. The Committee submits that the terms of the Engagement Letter as to compensation and expenses are reasonable and should be approved as an administrative expense in such amounts as may be allowed by this Court pursuant to Sections 330, 503(b) and 507(a)(1) of the Bankruptcy Code.

To The Best Of The Committee's Knowledge Navigant Is Disinterested And Does Not Hold Or Represent An Interest Adverse In Connection With The Debtors' Bankruptcy Cases

18. Simultaneously with the Application the Committee has filed the Malek Affidavit, including a statement in compliance with 11 U.S.C. §§ 504 and 1103 establishing, among other things, the disinterestedness of Navigant.

19. Navigant is eligible to be retained as the Committee's financial advisor. According to the Malek Affidavit, Navigant does not hold or represent an interest adverse in connection with the Debtors' bankruptcy cases pursuant to Section 1103(b) of the Bankruptcy Code. Additionally, according to the Malek Affidavit, Navigant is disinterested pursuant to Sections 328(c) and 101(14) of the Bankruptcy Code.

20. Pursuant to Section 1103(b) of the Bankruptcy Code, "[a]n attorney or accountant employed to represent a committee appointed under section 1102 of this title may not, while employed by such committee, represent any other entity having an adverse

interest in connection with the case. Representation of one or more creditors of the same class as represented by the committee shall not per se constitute representation of an adverse interest." 11 U.S.C. § 1103(b).

21. Additionally, pursuant to Section 328(c) of the Bankruptcy Code, which provides in relevant part that bankruptcy court "may deny allowance of compensation for services and reimbursement of expenses of a professional person employed under section . . . 1103 of this title if, . . . such professional person is not a disinterested person, or represents or holds an interest adverse to the interest of the estate with respect to the matter on which such professional person is employed." 11 U.S.C. § 328(c).

22. Section 101(14) of the Bankruptcy Code defines a "disinterested person" as a person that-

(A) is not a creditor, an equity security holder, or an insider;

(B) is not and was not an investment banker for any outstanding security of the debtor;

(C) has not been within three years before the date of the filing of the petition, an investment banker for a security of the debtor, or an attorney for such an investment banker in connection with the offer, sale or issuance of a security of the debtor;

(D) is not and was not, within two years before the date of the filing of the petition, a director, officer, or employee of the debtor or of an investment banker specified in subparagraph (B) or (C) of this paragraph; and

(E) does not have an interest materially adverse to the interest of the estate 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 debtor or an investment banker specified in subparagraph (B) or (C) of this paragraph, or for any other reason.

11 U.S.C. § 101(14).

23. To the best of the Committee's knowledge and based on the information set forth in the Malek Affidavit, neither the principals nor the employees of Navigant have any connection with or any interest adverse to the Debtors, their creditors, any other party in interest, or their respective attorneys and accountants. Accordingly, Navigant is disinterested pursuant to Section 101(14) of the Bankruptcy Code.

Notice

24. This Application has been submitted to (i) Debtors' counsel, (ii) the Office of the United States Trustee for the District of Delaware, and (iii) all parties who have requested notice pursuant to Bankruptcy Rule 2002.

No Prior Request

25. No prior motion for the relief requested herein has been made to this or any other Court.

WHEREFORE, the Committee respectfully requests that this Court enter an Order, in the form submitted by the Committee, (i) authorizing and approving the retention and employment of Navigant *nunc pro tunc* as of February 4, 2002, as the Committee's financial advisor, pursuant to the terms of the Engagement Letter with compensation and reimbursement of expenses to be paid as an administrative expense in such amounts as may be allowed by this Court pursuant to sections 330, 503(b) and 507(a)(1) of the Bankruptcy Code and (ii) granting such other and further relief as may be just and proper.

Dated: March 15, 2002

KLETT ROONEY LIEBER & SCHORLING, A PROFESSIONAL CORPORATION

By: _____

Adam G. Landis, Esq. (I.D. No. 3407)
Jeffrey M. Carbino, Esq. (I.D. No. 4062)
The Brandywine Building
1000 West Street, Suite 1410
Wilmington, DE 19801
(302) 552-4200 (Telephone)
(302) 552-4295 (Facsimile)

and

FREEBORN & PETERS
Frances Gecker, Esq.
Joseph Frank, Esq.
311 South Wacker Drive, Suite 3000
Chicago, IL 60606-6677
(312) 360-6000 (Telephone)
(312) 360-6520 (Facsimile)

Counsel to the Official Committee of Unsecured Creditors

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

In Re:	:	02-CV-44(JJF)
FANSTEEL, INC., et al.[4]	:	
	:	(Bankruptcy #02-10109)
Debtors.	:	
	:	**Objection Deadline: March 30, 2002 at 4:00 p.m.**
	:	**Hearing Date: N/A (negative notice)**

ORDER[5] APPROVING RETENTION OF NAVIGANT CONSULTING, INC. AS FINANCIAL ADVISOR TO OFFICIAL COMMITTEE OF UNSECURED CREDITORS

Upon the Application of the Official Committee of Unsecured Creditors for the entry of an Order pursuant to Sections 328 and 1103 of the Bankruptcy Code and Bankruptcy Rules 2014 and 5002 authorizing the employment and retention of Navigant Consulting, Inc. ("Navigant") *nunc pro tunc* as the Committee's financial advisor as more fully set forth in the Application; and this Court being satisfied, based on the representations made in the Application and the Malek Affidavit, that Navigant represents or holds no interest adverse to the Debtors or to their estates as to the matters upon which it is to be engaged and is disinterested under Section 101(14) of the Bankruptcy Code; and that employment of Navigant is necessary and would be in the best interest of the Debtors and their estates; and this Court having jurisdiction to consider the Application and the relief requested therein in accordance with 28 U.S.C. § 1334; and due notice of the Application having been provided; and this Court having determined that the relief sought

[4]The Debtors are the following entities: Fansteel Inc., Custom Technologies Corp., Escast, Inc., Wellman Dynamics Corp., Washington Mfg. Co., Phoenix Aerospace Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.

[5]Undefined capitalized terms have the same meaning as set forth in the Application.

in the Application is in the best interests of the Debtors, their creditors and all parties in interest; and upon the Application and the Malek Affidavit and all of the proceedings before this Court; and after due deliberation and sufficient cause appearing therefor , it is hereby so

ORDERED that the Application is GRANTED; and it is further

ORDERED that in accordance with Sections 328 and 1103 of the Bankruptcy Code, the Committee is authorized and empowered to retain Navigant as its financial advisor as of February 4, 2002, on the terms set forth in the Application, this Order and the Engagement Letter, to the extent the Engagement Letter is consistent with the Application and this Order; and it is further

ORDERED that Navigant shall be entitled to allowance of compensation and reimbursement of expenses, upon the filing and approval of interim and final applications pursuant to and in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Federal Rules of Civil Procedure, the United States Trustee Guidelines for Reviewing Applications, the Local Rules of this Court and such other orders as this Court may direct.

Dated: _____

_____
The Honorable Joseph J. Farnan, Jr.
United States District Judge

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

In Re:	:	Chapter 11
	:	
FANSTEEL, INC., et al.[1]	:	02-CV-44(JJF)
	:	
Debtors.	:	(Bankruptcy #02-10109)
	:	

AFFIDAVIT OF KENNETH J. MALEK SEEKING APPOINTMENT OF NAVIGANT CONSULTING, INC. AS FINANCIAL ADVISOR TO OFFICIAL COMMITTEE OF UNSECURED CREDITORS

State of Illinois)
)
County of Cook)

Kenneth J. Malek, being duly sworn, deposes and states:

1. I am a Director in the professional services firm of Navigant Consulting, Inc. ("Navigant Consulting"), and I am duly authorized to submit this application on Navigant Consulting's behalf.

2. The business address of Navigant Consulting's Chicago office is 175 West Jackson, Suite 500, Chicago, Illinois, 60604.

3. Kenneth J. Malek ("Malek" or "Affiant") and Navigant Consulting have been requested to serve as financial advisors for the Official Committee of Unsecured Creditors of Fansteel, Inc. (the "Committee") in this Title 11 case, and Malek and Navigant Consulting are willing to serve in that capacity.

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[1] The Debtors are the folliowng 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 Fanstell Schulz Products, Inc.

4. Malek and Navigant Consulting are qualified to perform financial consulting services on behalf of the Committee in light of the firm's professionals' experience with a number of similar matters. In particular, Malek has 24 years experience in providing financial advisory and accounting services to a variety of stakeholders in Chapter 11 proceedings. A summary of Malek's qualifications is attached as Exhibit "A."

5. To the best of Affiant's knowledge and belief neither Affiant's firm nor any officer or employee thereof is related to the Debtors, its officers, directors, or creditors of the Debtors' estates (the "Estates"); to any United States District Court Judge for the District of Delaware; to any United States Bankruptcy Court Judge for the District of Delaware; to the United States Trustee or any attorney or employee of the United States Trustee's office for the District of Delaware; to any other party in interest in the Debtors' Title 11 case; or to any of the other professionals providing services in this case, other than in connection with services which may have been or may be rendered to, with or against one or more of such persons on matters unrelated to this case. These unrelated matters, as of the current date, are described in items 5a through 5c, below. Accordingly, to the best of Affiant's knowledge and belief neither Navigant Consulting nor any officer or employee thereof holds or represents any interest adverse to the Debtors or the Debtors' Estates, and, therefore, each of Affiant and Navigant Consulting is a disinterested person, as said term is defined in 11 U.S.C. § 101(14).

a. Navigant Consulting is the court-appointed financial advisor to the Unsecured Creditors' Committee of Circuit Systems, Inc., in a case pending in the United States Bankruptcy Court for the Northern District of Illinois. The legal counsel to the Committee is Freeborn and Peters. A Director in Navigant Consulting's Phoenix, Arizona office had been retained by Freeborn and Peters on a personal injury case, which subsequently settled.

b. Navigant Consulting has previously served as a consulting or testifying expert in civil litigation matters on behalf of and/or against Kutack Rock, Ernst & Young, Aon Risk Services, Winston & Strawn, Northern Trust Company, American National Bank, Freeborn and Peters, Bristol Metals, G.E. Capital Corporation, Safety Kleen Corp., Wausau Insurance Co., Stites & Harbison, Chubb Group of Insurance Companies, Oklahoma Gas & Electric Co., Sempra Energy Solutions, Allegheny Power and an attorney named Peter Kalis. Our firm also does work for the United States Department of Justice, typically on behalf of various United States Governmental agencies represented by the Department. None of the matters listed in this item 5b has any connection with the Debtors herein.

c. None of the professionals who are to provide services in this case were involved in any of the cases described in items 5a and 5b above, except that Kenneth Malek, Robert Remian and certain of their staff served as financial advisors to the Unsecured Creditors' Committee of Circuit Systems, Inc. The Circuit Systems case generated revenues representing less than 1% of Navigant Consulting's annual revenues.

6. The information disclosed in items 5, 5a, 5b, and 5c is based on an inquiry sent via e-mail, which Affiant caused to be sent on February 4, 2002, and supplemented on February 6, 2002, to 100% of Navigant Consulting's senior engagement managers, principals, directors, managing directors, senior managing directors and executive directors to disclose any prior relationships with, for or against the Debtors, their officers or directors, any secured lenders or members of the 20 largest unsecured creditors in each case, members of the Committee, or legal counsel for any of the foregoing, all as identified (except in the case of the Committee and its counsel) in materials provided by legal counsel for the Debtors.

7. As a result of the foregoing, Affiant believes the following to be true and complete:

a. Neither Navigant Consulting nor any officer or employee of the firm represents any interests adverse to the Debtors or their respective Estates;

b. Neither Navigant Consulting nor any officer or employee of the firm is or was a creditor, an equity security holder or an insider of any of the Debtors;

c. Neither Navigant Consulting nor any officer or employee of the firm is or was an investment banker for any outstanding security issued by any of the Debtors or any offer, sale or issuance thereof;

d. Neither Navigant Consulting nor any officer or employee of the firm is or was, within two years prior to the filing of the Debtors' petitions for relief, a director, officer, or employee of the Debtors or of an investment banker of any of the Debtors; and

e. Navigant Consulting 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.

8. The nature and extent of the services that Affiant and other professional personnel of Navigant Consulting shall render at the request of the Committee are as follows:

a. Perform financial and accounting investigations, make financial calculations, and provide financial advice to the Committee relating to the Debtors' operating budgets, the Debtors' actual and projected operational and financial performance, the sales efforts of Lincoln Partners or other approved entities/persons relating to certain of the Debtors' business units, environmental claims against any of the Debtors, the ability of the Debtors to

fund payments to creditors, and any plan of reorganization proposed or anticipated to be proposed by the Debtors;

b. Perform such other financial advisory and accounting services as the Committee or its legal counsel may deem appropriate; and

c. Attend meetings with any one or more of the Debtors' management, the Debtors' legal counsel, the Debtors' financial advisors, the Committee and the Committee's legal counsel relating to the foregoing.

9. No agreement or understanding exists between Affiant and any other person or entity as to the sharing of compensation to be received by Navigant Consulting for professional services to be provided to the Committee in connection with this case, other than to the extent permitted by 11 U.S.C. § 504.

10. Navigant Consulting 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 United States Bankruptcy Code, the United States Bankruptcy Rules, the Local Rules and Orders of the Court and the Guidelines of the United States Trustee. Navigant Consulting agrees to accept as compensation such 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 actually achieved, the importance of the potential results to the Committee and the Estates, and the complexity, importance, and nature of the problems, issues, or tasks addressed.

11. At this time, it is not possible to estimate the amount of time that will be required to perform the services referred to herein and, accordingly, it is not possible to estimate

the total cost thereof. Navigant Consulting will calculate its fees for professional services by reference to its standard hourly rates for these services (as such rates are subject to normal adjustment from time to time for inflation and other factors). Such rates currently are as follows:

Directors and above (Malek at $480)	$250-495
Principals	$220-375
Senior Engagement Managers	$180-305
Senior Managing Consultants	$130-270
Consultants	$130-240
Associates	$100-195
Analysts and Senior Analysts	$75-135

Personnel with lower billing rates will be used to the extent practicable.

12. In addition to compensation for professional services rendered by Affiant and other personnel of Navigant Consulting, Navigant Consulting shall seek reimbursement for reasonable and necessary expenses incurred in connection with this bankruptcy case. Expenses for which Navigant Consulting shall seek reimbursement shall include, among other things, costs for traveling and business meals, high-volume photocopying, computerized research, cellular telephone charges, and messenger and delivery services relating to this case. All expenses sought shall be consistent with the applicable Local Rules and Orders of the Court.

13. Navigant Consulting will keep detailed records of any actual and necessary expenses, for which it may seek reimbursement that Navigant Consulting incurs in connection with the rendering of the services that are the subject of this Affidavit. The Navigant Consulting professionals rendering services will also keep detailed records in connection with such services as required by the United States Bankruptcy Code. Time will be recorded in increments of 1/10th of an hour, and all professionals will be required to keep detailed time records in connection with the services that are the subject of this Affidavit.

14. The other terms and conditions of Navigant Consulting's retention are set forth in its draft engagement letter with the Committee, a copy of which is attached as Exhibit "B." Except for those provisions relating to the submission of applications to this Court for compensation for professional services and reimbursement of expenses, and the exclusive jurisdiction of this Court over any disputes relating to services rendered by Navigant Consulting, the terms of this engagement letter are consistent with the terms under which Navigant Consulting is being retained in non-bankruptcy matters.

15. Navigant Consulting was selected by the Committee to serve, subject to order of this Court, as the Committee's financial advisor on February 4, 2002, and the Committee requested Navigant Consulting to participate in a meeting that day with Fansteel, Inc.'s management and their legal counsel and to immediately begin work on analysis relating to a number of important matters, including the Debtors' applications for Debtor-in-Possession financing and applications to retain Lincoln Partners to sell one or more of the Debtors' business units.

WHEREFORE, Navigant Consulting prays for the entry of an order by this Court:

1. finding Navigant Consulting to be a disinterested person, as said term is defined in 11 U.S.C. 101(14);

2. authorizing the retention of Navigant Consulting to act as consultants to the Committee effective **February 4, 2002**; and

3. authorizing the Committee to retain Navigant Consulting on the terms and conditions set forth in the engagement letter attached as Exhibit "B."

Respectfully submitted,

Kenneth J. Malek
Navigant Consulting, Inc.

Sworn to before me this
14th day of March, 2002

Mary T. Barrett

OFFICIAL SEAL
MARY T BARRETT
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES:01/26/03

EXHIBIT A

RESUME OF KENNETH J. MALEK, CPA

Mr. Malek is a Director at Navigant Consulting, Inc. He has 25 years of consulting and public accounting experience, of which 24 are predominantly in the troubled business arena. Previously, Mr. Malek had been a partner in the Financial Advisory Services unit of a Big-Six CPA firm.

Professional Experience

Mr. Malek has significant experience regarding a variety of transaction and commercial litigation matters, including bankruptcy and turnaround, valuation, financial advisory and forensic accounting investigations. Mr. Malek's bankruptcy, restructuring, valuation and testimony experience includes the following:

- Acting as the financial and business advisor in the negotiations of corporate restructurings, turnarounds, acquisitions, joint ventures, strategic alliances and business dispositions, including the following: (i) development and feasibility analyses of business plans; (ii) due diligence; (iii) assisting with operate vs. shutdown decisions for non-core business units; and (iv) critiquing sales process and negotiating with potential buyers of business entities undergoing Chapter 11 reorganization.

- Expert witness and expert deposition testimony on valuations, review of business plans and business viability issues, including solvency, fairness of purchase prices, sufficiencies of equity cushions and working capital for meeting business plans, fraudulent conveyances, trading and intrinsic values of thinly traded securities and equity value for purposes of shareholder rights issues, values of tax shields and tax consequences of plan confirmation.

- Providing valuation services for a number of industries, including financial services, information technology, manufacturing, transportation, real estate, retail, telecommunications and travel and leisure.

- Serving as a neutral court-appointed valuation advisor.

- Valuing and lifting corporate intangible and intellectual properties.

Mr. Malek's steel industry experience includes LTV Steel (integrated steel producer), Robertson-Ceco (steel fabricator – metal buildings), Thomas Steel (mini-mill), Ironton Coke Corp. (subsidiary of McClouth Steel) and EnviroSource (outsourcer of by-product recycling for steel industry). He has served leadership roles in a number of major corporate bankruptcy and

restructuring transactions, spanning a number of years. Among his major cases are Allis Chalmers, Angeles, Ben Franklin Stores, BumbleBee Tuna, InfoVest/CCC Information Services, Doskocil, Funding Systems Railcars, Heilig & Meyers, Jartran Trucking, LTV Steel II, Mercury Finance, Motels of America, Westell Technologies, Wickes Furniture and Wildman et al. Among his highly successful engagements is Funding Systems Railcars, in which he was a principal architect of a highly creative plan that converted a seven percent secured creditor recovery to over 90 percent through a successful reorganization. In LTV Steel II, he was the expert witness for the principal lender to the bankruptcy-remote receivables entity.

In non-bankruptcy matters, he has provided services to a number of major U.S. corporations, including Ameritech/SBC, Continental Airlines, Federated Department Stores, Ford Motor Credit, Lear Seating, Northwest Airlines, Sargent & Lundy, Sealy Mattress and Zell/Chilmark.

Mr. Malek is a frequent speaker and writer on various corporate transaction and restructuring topics, including for the National Conference of Bankruptcy Judges, the Practising Law Institute, the American Bar Association, the American Bankruptcy Institute, the Association of Insolvency and Restructuring Advisors, the Commercial Law League, and various state bar associations and state accounting societies. Mr. Malek was interviewed (along with co-panelist Professor Paul Wertheim of Pepperdine University) on Chicago's WCIU-TV regarding a study of corporate rightsizing and whether it does or does not make U.S. companies more competitive over the long term. The interview was in anticipation of a January 1998 national conference on corporate rightsizing, organized by Mr. Malek and held in Scottsdale, Arizona. Mr. Malek has provided testimony to Congressional Subcommittees, the United States Treasury, a White House Special Task Force and the National Bankruptcy Review Commission, on a variety of financial and tax issues that concern practitioners and stakeholders regarding corporate transactions and restructurings.

Education and Credentials

Mr. Malek is a Fellow of the American College of Bankruptcy, and he is the past-Chairperson (1997 to 2002) and the past-President (1995 to 1997) of the Association of Insolvency and Restructuring Advisors. He holds a Bachelor of Science degree (1976, with highest honors) and a Master of Science degree (1978, with distinction) from DePaul University. He has been a Certified Public Accountant since 1977 and a Certified Insolvency and Restructuring Advisor (CIRA) since 1992. Mr. Malek is a member of the American Institute of Certified Public Accountants, the Illinois CPA Society, the Association of Insolvency and Restructuring Advisors and the American Bankruptcy Institute, and he is a Licensed Public Accountant.

Navigant™
CONSULTING, INC.

EXHIBIT B
DRAFT ENGAGEMENT LETTER, SUBJECT TO APPROVAL BY THE UNITED STATES BANKRUPTCY COURT

February 4, 2002

Frances Gecker, Esq.
Freeborn and Peters
311 S. Wacker Drive, Suite 3000
Chicago, IL 60606

FANSTEEL INC., et al., Chapter 11 Bankruptcy # 02-10109

Dear Ms. Gecker:

Upon entry of an order approving same by the United States Bankruptcy Court for the District of Delaware, and as directed by the United States District Court for the District of Delaware, effective as of February 4, 2002, this letter confirms the retention of Navigant Consulting, Inc. ("Navigant Consulting") by the Official Committee of Unsecured Creditors of Fansteel, Inc. ("Committee") to provide professional services in connection with the above referenced matter. Navigant Consulting understands that its work on this engagement is to be performed at the request of the Committee. The professional services to be rendered may encompass the following areas:

(1) Perform financial and accounting investigations, make financial calculations, and provide financial advice to the Committee relating to the Debtors' operating budgets, the Debtors' actual and projected operational and financial performance, sales efforts for certain of the Debtors' business units, environmental claims against any of the Debtors, ability of the Debtors to fund payments to creditors, and any plan of reorganization proposed or anticipated to be proposed by the Debtors;
(2) Perform such other financial advisory and accounting services as the Committee or its legal counsels may deem appropriate; and
(3) Attend meetings with any one or more of the Debtors' management, the Debtors' legal counsels, the Debtors' financial advisors, the Committee and the Committee's legal counsels relating to the foregoing.

The time that will be expended by us will depend on the extent and nature of available information and our discussions with the Committee and its legal counsels as to the scope of our work on this engagement. It is our intention to work closely with the Committee to structure our work to allow the Committee and its legal counsels to monitor and control the amount of fees incurred.

Navigant Consulting's time will be recorded in tenth-hour detail, and its fees will be based upon the time incurred on this engagement at the following hourly billing rates:

Directors and above (Malek at $480)	$250-495
Principals	$220-375
Senior Engagement Managers	$180-305
Senior Managing Consultants	$130-270
Consultants	$130-240
Associates	$100-195
Analysts and Senior Analysts	$75-135

This engagement may be terminated by the Committee at any time, at its sole discretion. In the event of such a termination, the Bankruptcy Estates shall be liable only for the fees and expenses relating to work performed through the date of termination.

Navigant Consulting acknowledges that all materials disclosed to it by the Committee, its legal counsel, the Debtors, and their legal counsels may be subject to a confidentiality or nondisclosure agreement or otherwise constitute confidential and proprietary information, and Navigant Consulting will abide by all reasonable restrictions placed by the Committee and the Debtors on the dissemination of such materials and our work. In the event that Navigant Consulting is served with a subpoena or other legal document request requesting the disclosure of such materials or work, we will promptly advise the party, who provided such materials or whose materials were incorporated into or evaluated in our work product, and their legal counsels of same and cooperate with all reasonable and lawful requests to prevent the disclosure of confidential and/or proprietary information pursuant to such subpoena or other request. Any and all studies, reports, surveys of data, workpapers, or other information prepared by Navigant Consulting in connection with its work, shall be the property of Navigant Consulting.

As you are aware, under Rule 26 of the Federal Rules of Civil Procedure, and various states' rules of procedure, an individual testifying as an expert in a case is required to disclose all cases in which he/she testified at deposition or trial during the preceding four years. Moreover, it may be necessary for us to resist efforts to elicit information proprietary to Navigant Consulting or its other clients. You acknowledge the legitimate interest we have in maintaining the confidentiality of our proprietary materials and the identity and nature of the work performed for our other clients. We shall use our best efforts to protect your interests consistent with the need to protect our proprietary materials and comply with applicable non-disclosure obligations. If necessary, we will engage independent legal counsel at our expense to assist in this effort.

In its testimony, Navigant Consulting considers itself to be objective and independent, and not an advocate for any pre-defined outcome.

It is agreed that prior to the submission of any statement describing the nature of any opinions of Navigant Consulting in this matter (e.g., answers to interrogatories), we will be provided the opportunity to review any such statement for accuracy.

If a final report, deposition or testimony to the Court is required, Navigant Consulting reserves the right to request payment of outstanding fees and expenses prior to submission of such report or testimony.

Professional services will be billed monthly based on our hours incurred and the rates outlined above for each person, plus related expenses. The Debtors, subject to order of the United States Bankruptcy Court, and not the Committee, are responsible for payment of invoices rendered by Navigant Consulting. Payment of professional fees and expenses is expected within thirty days of the invoice date. Interest will accrue thereafter at the prime rate as set from time to time by the American National Bank of Chicago plus 2%. The Debtors shall be responsible for and hereby agree to pay any sales or use taxes assessed by local, state, federal or foreign authorities, if any, which are or may be imposed in the future by reason of the services provided by Navigant Consulting on this engagement. It is our understanding that the United States Bankruptcy Court has established a procedure for monthly payment of interim professional fees and reimbursement of expenses. Navigant Consulting reserves the right to terminate this engagement if payment of professional fees and reimbursement of expenses billed is not made within 60 days of date of bill, or if, in our judgment, there is a significant risk that the Debtors will be unable to pay outstanding amounts for which we have submitted bills. If such termination occurs, we shall still be entitled to payment of all outstanding bills and for services performed prior to termination.

Navigant Consulting may be retained by parties who have interests that may not be consistent with those of the Committee; however, these retentions will be limited to matters unrelated to the Fansteel case and this engagement. Navigant Consulting's determination of conflicts is based primarily on the substance of our work, as opposed to the parties involved. Navigant Consulting reserves the right to accept engagements by other parties consistent with Navigant Consulting's past internal practices. However, Navigant Consulting will report to the Committee and the United States Bankruptcy Court any future engagements involving the parties with respect to which Navigant Consulting performed a conflicts check, as described in the affidavit of Kenneth J. Malek, submitted to the Court in this case.

The total liability of Navigant Consulting, its subsidiaries, officers, employees and agents ("Navigant Consulting Parties") for all claims of any kind arising out of this engagement shall be limited to the total fees paid to Navigant Consulting on this engagement, except in the case of gross negligence, willful misconduct or fraud. The Navigant Consulting Parties shall in no event be liable for any indirect, consequential or punitive damages. The Navigant Consulting

Parties shall not be liable for any accidental loss or destruction of any valuable documents provided to Navigant Consulting.

The United States District Court for the District of Delaware and The United States Bankruptcy Court for the District of Delaware agree to retain exclusive jurisdiction over any disputes relating to the services rendered by Navigant Consulting Parties, the allowance of compensation to Navigant Consulting therefor, and liabilities, if any, asserted against any Navigant Consulting Parties in connection with this engagement.

We look forward to providing our services in connection with this matter. If you have any questions, please do not hesitate to call the undersigned, at (312) 583-5729.

Very truly yours,

Kenneth J. Malek
Director

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Civil Action No.: 02-44 (JJF)
	:	
FANSTEEL INC., et al.,	:	(Bankruptcy #02-10109)
	:	
Debtors.	:	

CERTIFICATE OF SERVICE OF ADAM G. LANDIS, ESQUIRE

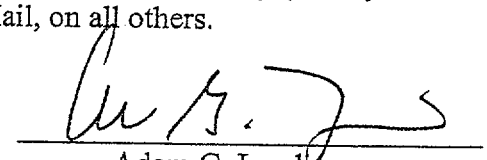
I, Adam G. Landis, certify that I am, and at all times during the service of process, have been, an employee of Klett, Rooney, Lieber and Schorling, P.C., not less than 18 years of age and not a party to the matter concerning which service of process was made. I certify further that the service of the attached:

1. **APPLICATION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR THE ENTRY OF AN ORDER PURSUANT TO 11 U.S.C. §§ 328 AND 1103 AND RULES 2014 AND 5002 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AUTHORIZING THE EMPLOYMENT AND RETENTION OF NAVIGANT CONSULTING, INC. *NUNC PRO TUNC* AS OF FEBRUARY 4, 2002 AS ITS FINANCIAL ADVISOR;**

2. **NOTICE OF APPLICATION; and**

3. **AFFIDAVIT OF KENNETH J. MALEK SEEKING APPOINTMENT OF NAVIGANT CONSULTING, INC. AS FINANCIAL ADVISOR TO OFFICIAL COMMITTEE OF UNSECURED CREDITORS.**

was made on the following parties on the attached list by Hand Delivery (to City of Wilmington addresses only) and by First Class United States Mail, on all others.



Adam G. Landis

FANSTEEL 2002 LIST

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

Karen Serrucci
Remet Corporation
PO Box 101142
Atlanta, GA 30392

Celest Burton
OMG, Nations Bank Of GA
PO Box 198734
Atlanta, GA 30384-8374

Jim Gardella
Reade Manufacturing
PO Box 930862
Atlanta, GA 31193-0862

Richard Burkhart
7205 Chagrin Road, Suite 4
Bainbridge, OH 44023

Sharyl O'Farrell
Ridge Realty Group
257 East Main Street
Barrington, IL 60010

Roco Mastrobattisti
Bass Plating Co.
Old Windsor Road
Bloomfield, CT 50613

Linda Bartels
John Schneider & Associates
Box 78518
Milwaukee, WI 53278

Bob Beimel
J.I.T. Tool & Die
RD#1 Box 113c
Brockport, PA 15823

Judy Anderson
Interstate Chemical Company
PO Box 295
Brookfield, OH 44403

Judy Anderson
Interstate Chemical Co.
PO Box 295
Brookfield, OH 44403

Dana Hammond
CIT
2500 W. County Rd. 42, Ste. ES 120
Burnsville, MN 55337

Joseph Martinez
DFS Acceptance Corp
PO Box 4125
Carol Stream, IL 60197

Dell Financial Services
Payment Processing Center
PO Box 5292
Carol Stream IL 60197

Linda Calabrese
Wright Tool And Die
770 Industrial Drive Unit A
Cary, IL 60013

Jeff Smith
Metokote Corp
312 Savannah Park Rd
Cedar Falls, IA 50613

The Northern Trust Company
Attn: Legal Department
50 South La Salle Street
Chicago, IL 60675

Susan Kruesi
120 South Lasalle
Mail Code IL1-1415
Chicago, IL 60603
(American National Bank)

Misty
Accts Receivable
Heather, Buyer Pechiney Rolled Products
22112 Network Place
Chicago, IL 60673-1221

Patrick M. Goy, Managing Director
Lincoln Partners
181 West Madison Street, Ste 3750
Chicago, IL 60602

Mark P. Naughton, Jr., Esquire
Piper Marbury Rudnick & Wolfe
203 North La Salle Street, Suite 1800
Chicago, IL 60601
(American National Bank & Trust Co. of Chicago)

Dean Alexandrou
NSA Ltd. LP (Aluminum Alloys)
PO Box 99803
Chicago, IL 60694-5197

Marc Fenton, Esquire
1 Bank One Plaza, 11th Floor
Mail Code IL1-0286
Chicago, IL 60670
(American National Bank & Trust Co. of Chicago)

Claudia Romero
H Kramer & Co.
1339-1345 W 21st Street
Chicago, IL 60608

Todd Williams
HA International
22668 Network Place
Chicago, IL 60673-1226

Kevin Moon
Ami Metals Inc.
PO Box 3072574
Chicago, IL 37230

Tamara Volkov
The Aviant Group
PO Box 33574
Chicago, IL 60694-3574

Chris Dimou
IBM Corporation
91222 Collection Center Drive
Chicago, IL 60693-1222

Sheryl Sanetra
Magid Glove & Safety Mfg
2060 North Kolmar Ave
Chicago, IL 60639-3483

Frances Gecker, Esquire
Freeborn & Peters
311 South Wacker Drive, Suite 3000
Chicago, IL 60606
(Counsel to Official Committee)

Foothill Captial Corporation
161 North Clark Street, Suite 3590
Chicago, IL 60601

Kelly Page
Rudell Carbide Inc.
4351 Schaefer Ave
Chino, CA 91710

Mark Sumner
Industrial Powder Coatings
Location 0648
Cincinnati, OH 45264

Jeff Solen
Johnson Lift / Hyster
PO Box 60007
City of Industry, CA 90706

Tony Kaszarsky
OMG Americas
PO Box 6066N
Cleveland, OH 44193

Doug Liebe
Safety Kleen
PO Box 12349
Columbia, SC 29211-2349

Chris Keller
Safety Kleen Corp.
PO Box 12349
Columbia, SC 29211-2349

Timothy J. Ostroski
Southern Iowa Council of Governments
PO Box 102
101 East Montgomery St.
Creston, IA 50801-0102

Adan Gutow
Southwestern Processors
PO Box 398936
Dallas, TX 75339-8936

Sandy Thrasha
Fisher-Anderson, L.C.
PO Box 660631
Dallas, TX 75266-0631

Denise Locklair
American Stainless & Alloy
PO Box 527
Darlington, SC 29540

Sharon Post
Wellmark Blue Cross & Blue Shield of Iowa
PO Box 9124
Des Moines, IA 50306-9124

Micky
Scientific Metal Treating
299 W. Old Higgins Rd.
Des Plaines, IL 60018

Loan Servicing
Iowa Department of Economic Development
Attn: Loan Servicing
200 East Grand Avenue
Des Moines, IA 50309

John Dawson
Brown Truck Leasing Corp
2525 E Euclid, Suite 214
Des Moines, IA 50317

Tom Mccauley
Strohs
500 Park Avenue
Des Moines, IA 50321

Noel Kocher
Walker Wire & Steel Corp
PO Box 77022
Detroit, MI 48277

Mary Gagin
Kolene Corporation
Dept. 0929
PO Box 67000
Detroit, MI 48267-0929

Robert T. Aulgur, Jr., Esq.
Kristi J. Doughty, Esq.
Whittington & Aulgur
313 N. Dupont Highway, Suite 110
P.O. Box 617
Odessa, DE 19730-1617
(Toyota Motor Credit Corporation)

Julia Hasenzahl
Bankruptcy Management Corporation
1330 E. Franklin Ave
El Segundo, CA 90245
(Claims Agent)

Richard Lucy
Brighton Properties
2401 East El Segundo Blvd., Ste. 430
El Segundo, CA 90245
(Brighton Properties)

David Gillespie
Krueger & Company Inc
900 Industrial Dr
Elmhurst, IL 60126

Rich Guisto
M & R Machine Shop
RD 2 Box 170d
Emporium, PA 15834

Jim Hornung
JSH
Allegany Ave., Suite 1
Emporium, PA 15834

Bill Farren
B & R Tool & Die
445 Allegany Ave
Emporium, PA 15834

Jim Burke
Embassy Powdered Metal
PO Box 344
Airport Rd.
Emporium, PA 15834

Cliff Clark
Anita Levy Issuer:
Cameron County Industrial Development Authority
421 North Broad Street
Emporium, PA 15834

Fansteel Inc. - 2002

Barry Schmutz
US Bronze
PO Box 31, Route 202
Flemington, NJ 08822-0031

Robert Holmes
Solidiform Inc.
PO Box 7656
Fort Worth, TX 76111

Dave Barre
Kittyhawk Products
11651 Monarch St
Garden Grove, CA 92841

Accounts Receivable Department
Allegheny Power
800 Cabin Hill Drive
Greensburg, PA 15606

Sean McKay
McKay's Plating Co.
PO Box 200
Hampton, IL 61256

Kelly Stephens
PA Economic Development Finance Authority
Dept Of Community & Economic Development
466 Forum Building
Harrisburg, PA 17120

Bob Young
Howmet Aluminum Casting, Inc.
201 Cercon Drive
Hillsboro, TX 76645

Barry Klein
Global Shop Solutions
PO Box 60396
Houston, TX 77205

Accounts Payable
Alldyne Powder Technologies
7300 Highway 20 West
Huntsville, AL 35806

Bill Barry
Mississippi Business Finance Corporate
1306 Walter Sillers Bldg
550 High Street
PO Box 849
Jackson, MI 39205

Mel Green
N F & M International, Inc
125 Jericho Turnpike
Jericho, NY 11753

Hamid Rafatjoo, Esquire
Pachulski, Stang, Ziehl, Young & Jones P.C.
10100 Santa Monica Boulevard, Suite 1100
Los Angeles, CA 90067
(Co-Counsel for Debtors)

Sheri Schleicher
Prime Alloy Steel Castings
PO Box 513589
Los Angeles, CA 90051

Mary Cliff
Transtar Metals
PO Box 59906
Los Angeles, CA 90059

Don Garcia
Neuvant Aerospace Corp
PO Box 51518
Los Angeles, CA 90051

Mark Colton
Alliant Energy
PO Box 77004
Madison, WI 53707

Connie-AP Clerk
M. Argueso & Co./Cerita West LLC
441 Waverly Ave.
Mamaroneck, NY 10543

Jerry Bayless
Gamma Engineering
601 Airport Drive
Mansfield, TX 76063

Garrett Mckay
R S Huges Co. Inc.
601 East Cedar Ave. Unit E
Mc Allen, TX 78501

Debbie Wagner
Tel Comm NEC America, Inc
PO Box 5548
McAllen, TX 78502

Lender:
GE Capital Public Finance, Inc., Ste 470
8400 Normandale Lake Blvd
Minneapolis, MN 55402

Foreign Louise Goulard
QMP America
770 Sherbrooke St. West, Ste 1800
Montreal, QUE, CA H3A 1G1

Rhonda Keuhl
Liberty Pattern
PO Box 67
New Liberty, IA 52765-0067

Jeffrey S. Sabin, Esquire
Mark A. Broude, Esquire
Schulte, Roth & Zabel LLP
919 Third Avenue
New York, NY 10022
(Counsel for Debtors)

Cindy Freeby
Kobelco Metal
PO Box 3234
Church St. S
New York, NY 10008-3235

Jeffrey N. Rich, Esquire
Elizabeth Singer, Esquire
Kirkpatrick & Lockhart LLP
1251 Avenue of the Americas, 45th Floor
New York, NY 10020-1104
(DIP Lender)

Claude D. Montgomery, Esquire
Salans Hertzfeld Heilbronn Christy & Viener
620 Fifth Avenue
Rockefeller Center
New York, NY 10020
(NF&M International)

Valerie L. Sheaffer
919 Third Avenue
New York, NY 10022

Vivek Melwani, Esquire
Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, NY 10004
(Counsel for CIT)

Patricia Schrage
U.S. Securities and Exchange Commission
Northeast Regional Office
233 Broadway
New York, NY 10279

David B. Berkson
Berkson & Sons
333 Skokie Blvd Suite 111
Northbrook, IL 78680

Rick Pannell
Remet
112 Industrial Drive
Oak Hill, WV 25901

Carl Roberts
GSC Foundaries
2738 Commerce Way
Odgen, UT 84401

John Fuller
Advance Services
Lock Box #3366
Omaha, NE 68176-0615

Fern Slay
Arcturus Manufacturing Co
6001 Arcturus Way
Oxnard, CA 93030

Kathy Carpenter
Cannon-Muskegon Corp.
Dept. CH 10016
Palatine, IL 60055-0016

Marilyn Schulz
3444 San Pasqual
Pasadena, CA 91107

John Schulz
3570 San Pasqual
Pasadena, CA 91107

Mac King
ALLVAC
Dept. LA 21001
Pasadena, CA 91185

Doris Schulz
3444 San Pasqual
Pasadena, CA 91107

John Weiland
Precision Rolled Products, Inc
PO Box 7247
Philadelphia, PA 19170

Richard G. Scherder
Aon Risk Service, of PA
PO Box 7247-7389
Philadelphia, PA 19170

Peter S. Clark, II, Esquire
Reed Smith LLP
2500 One Liberty Place
1650 Market Street
Philadelphia, PA 19103

TTI Metals

Val Rivera
Citicorp Vendor Finance Inc.
PO Box 8500-6075
Philadelphia, PA 19178

Debbie Strauser
De Lage Landen Financial Svs
P O Box 41601
Philadelphia, PA 19101

Tony Vasquez
Karsten Precision
PO Box 83750
Phoenix, AZ 85071-3750

Jeff Jones
American Express
20002 N. 19th Avenue A-21
Phoenix, AZ 85027-4250

Vennie Krutz
Alldyne
Lock Box 360281M
Pittsburgh, PA 15251

Jean Mazolic
H.C. Starck
PO Box 371229
Pittsburgh, PA 15251

Bill Amos
Hoeganaes
PO Box 371136M
Pittsburgh, PA 15251

Bob Donadieu
US Silica Co.
PO Box 360038
Pittsburgh, PA 15250-6038

Clint Moreland
Saegertown
PO Box 641484P
Pittsburgh, PA 15264

Ruth Thomas
BOC Gas
PO Box 36090M
Pittsburgh, PA 15259-6904

Manufacturers Association
1 Gateway Center, Suite 1250
420 Fort Duquesne Blvd
Pittsburgh, PA 15222

Larry Duffy
Timken Latrobe Steel
PO Box 360434
Pittsburgh, PA 15251

Clay Hardin
T.T.I. Metals
290 King of Prussia Rd.
Radnor, PA 19087

Joe Ransom
Sogem-Afrimet
Magnolia Bldg, Ste 110
3120 Highwoods Blvd
Raleigh, NC 27604

Joe Ransom
Umicore
Magnolia Bldg. Suite 110
Raleigh, NC 27604

Craig Hackert
Hackerts Wood Products
30511 285th Street
Richland, IA 52585

Tom Wright
Arc Metals
PO Box 372
RidgeWay, PA 15853

Jim Weeter
A-1 Wire
840 39th Ave
Rockford IL 61109-2937

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

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

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

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

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

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

Linda Fletcher
Texas Heat Treating Inc
303 Texas Ave
PO Box 1117
Round Rock, TX 78680

Bob Freidl
Advanced Heat Treaters
Trout Run Rd.
St. Mary's, PA 15857

Susan Krogsgaard
RBC Transport Dynamics Corp
PO Box 1953
Santa Ana, CA 92702

Dorey
St. Mary Box
Pistner Lane
St. Marys, PA 15857

Nichole Michelle
Fry Steel Company
PO Box 4028
Santa Fe Springs, CA 90670

Ellen Poteat
Nuclear Regulatory Commission
License Fee & Accounts Receivable Branch
PO Box 954514
St. Louis, MO 63195-4514

John Matraia
Vanguard Executive Services
512 West Main Street
Shrewsbury, MA 01545

Foreign Scott Shook
Timminco Metals
PO Box 1160 Station A
Toronto, ONT, CA M5W 1G5

Scott Bonnema
North Star Imaging, Inc
953 Westgate Dr., Suite 109
St Paul, MN 55114

Josephine Velarde
Joachim Machinery Co
920 Knox Street
Torrance, CA 90502

Robert Wechter
Acupowder
PO Box 798017
St. Louis, Mo 63179-8000

Suzanne Cane
Act I Personnel Services
5334 Torrance Blvd
Torrance, CA 90503

Stacey Mckee
PA Industrial Heat Treaters
Access Road
St. Mary's, PA 15857

Mike Bennett
US Bankcorp
7659 SW Mohawk Street
Tualatin, OR 97062

Mike Thompson
Thompson Gundrilliing Inc.
13840 Saticoy Street
Van Nuys, CA 90051-3589

Jeff Rosien
City Of Washington
PO Box 516
Washington, IA 52353

Express Mail
Richard Gladstein, Esquire
U.S. Department of Justice
Environmental Enforcement Section
PO Box 7611
Washington, DC 20044

Terry Nielson
Washington State Bank
121-125 South Marion
Washington, IA 52353

Terry Nielson
Washington State Bank
121-125 South Marion
Washington, IA 52353

James R. Curtiss
Winston & Strawn
1400 L Street, N.W.
Washington, DC 20005-3502

Jeff Garrett
Washington County Treasurer
PO Box 889
Washington, IA 52353

Sandy Flannagan
Bristal Metals
3000 Lebanon Church Rd.
West Mifflin, PA 15122

Laura Davis Jones, Esquire
Rosalie L. Spelman, Esquire
Pachulski, Stang, Ziehl, Young & Jones P.C.
919 Market Street, 16th Floor
P.O. Box 8705
Wilmington, DE 19899-8705
(Co-Counsel for Debtors)

Ellen W. Slights, Esquire
U.S. Attorney's Office
1201 Market Street, Suite 1100
Wilmington, DE 19899

David Buckbinder, Esquire
Office of the United States Trustee
844 King Street, Suite 2313
Wilmington, DE 19801

Adam G. Landis, Esquire
Klett Rooney Lieber & Schorling
1000 West Street, Suite 1410
Wilmington, DE 19801
(Counsel to Official Committee)

Vito I. DiMiao
Parcels, Inc.
4 East Seventh Street
Wilmington, DE 19801
(Parcels)

Edward B. Rosenthal, Esquire
Rosenthal, Monhait, Gross & Goddess, P.A.
Mellon Bank Cente, Suite 1401
PO Box 1070
Wilmington, DE 19899-1070
(Counsel for CIT)

Tobey M. Daluz, Esquire
Reed Smith LLP
1201 Market Street, Suite 1500
Wilmington, DE 19801
TTI Metals

David B. Stratton, Esquire
Pepper Hamilton LLP
1201 Market Street, Suite 1600
Wilmington, DE 19801
(American National Bank & Trust Co. of Chicago)

David Hale
Hale Mfg. LLC
1065 Wayne Rd.
Wilmington, OH 45177