

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

40-7580

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

**ORDER UNDER SECTION 327(a) OF THE BANKRUPTCY CODE
AUTHORIZING THE EMPLOYMENT AND RETENTION *NUNC PRO TUNC*
TO APRIL 1, 2002 OF ERNST & YOUNG LLP AS ACCOUNTANTS AND
AUDITORS FOR DEBTORS AND DEBTORS IN POSSESSION**

Upon the application of the above-captioned debtors and debtors in possession (collectively, the "Debtors"), for Application Pursuant To Federal Rule of Bankruptcy Procedure 2014(a) For Order Under Section 327(a) of the Bankruptcy Code Authorizing the Employment and Retention of Ernst & Young LLP ("E&Y") as Accountants and Auditors for Debtors and Debtors in Possession (the "Application"), and upon the Affidavit of James J. Doyle, a partner of the Firm, in support thereof (the "Doyle Affidavit") and the engagement letter, dated April 8, 2002, between Fansteel Inc. and E&Y ("Engagement Letter"), attached to the Doyle Affidavit as Exhibit A; and the Court being satisfied based on the representations made in the Application and in the Doyle Affidavit that said professionals represent no interest adverse to Debtors' estates with respect to the matters upon which they are to be engaged, that they are disinterested persons as that term is defined under Section 101(14) of the Bankruptcy Code, as modified by

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.
27311-001\DOCS_DE:35972.5

Dms501 Add: ABC mail Center

Section 1107(b) of the Bankruptcy Code, and that their employment is necessary and would be in the best interests of Debtors' estates, and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Application is granted *nunc pro tunc* to April 1, 2002; and it is further

ORDERED that in accordance with Section 327(a) of the Bankruptcy Code, Debtors are authorized to employ and retain E&Y as accountants and auditors on the terms set forth in the Application, the Doyle Affidavit, and the Engagement Letter; and it is further

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

Wilmington, Delaware

Dated: May 23, 2002



Honorable Joseph J. Farnan, Jr.
United States District Court Judge

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**STIPULATION AND ORDER BETWEEN THE DEBTORS AND OKLAHOMA GAS & ELECTRIC COMPANY
REGARDING ADEQUATE ASSURANCE OF PAYMENT OF POST-PETITION UTILITY CHARGES**

The parties set forth below stipulate and agree as follows:

A. On January 15, 2002 (the "Petition Date"), Fansteel Inc. and its affiliated entities (the "Debtors"), as debtors and debtors-in-possession, filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Court"). The Debtors are operating their businesses and managing their property as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

B. Oklahoma Gas & Electric Company ("OG&E") is a utility which provides electricity to the Debtors at five (5) accounts in Oklahoma (each, an "Account", collectively, the "Accounts"), as itemized in Exhibit 1, affixed hereto.

C. On the Petition Date, the Debtors filed a Motion for Order under 11 U.S.C. § 366 (i) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Services, (ii) Finding Adequate Assurance of Payment for Future Utility Service, and (iii) Establishing Procedures for Determining Requests for Additional Assurances (the "Utilities Motion").

D. By the Bridge Order, dated January 17, 2002, and the Order of the District Court, dated February 7, 2002 (collectively, the "Utilities Orders"), the Court granted the relief sought in the Utilities Motion, subject to

228
5-23-02

providing utilities affected thereby with an opportunity to seek relief therefrom.

E. OG&E timely requested that the Debtors provide additional, adequate assurances to it, in addition to that set forth in the Utilities Motion and the Utilities Orders.

F. The Debtors and OG&E have reached a resolution of the issues outstanding between them related to adequate assurances of payment of post-petition utility services, as set forth below.

NOW THEREFORE, in consideration of the foregoing, the Debtors and OG&E hereby agree and stipulate as follows:

1. Notice and opportunity for hearing on this Stipulation and Order are adequate and proper.
2. Effective upon the Court's signing of this Stipulation and Order, this Stipulation and Order, and not the Utilities Orders, shall govern the terms of adequate assurance of payment for the provision of post-petition utility services from OG&E to the Debtors.
3. Except as otherwise specified herein, the terms of post-petition utility services from OG&E to the Debtors shall be governed by the applicable rules, regulations, tariffs, statutes, laws, and customary billing procedures governing electricity in Oklahoma (the "Regulations").
4. Within (10) days of the signing of this Stipulation and Order by the Court, OG&E shall commence mailing to the Debtors its monthly invoices for post-petition services to the Accounts (the "Invoices"), as follows: c/o The General Manager, Fansteel Inc., debtor in possession, 10 Tantalum Place, Muskogee, OK

74403-9297. The Debtors shall pay to OG&E the full, undisputed amounts of all Invoices") on or before the due dates set forth therein, the terms of which are set forth in accordance with the Regulations.

5. The Debtors shall pay a post-petition security deposit to OG&E in the amount of \$12,000.00 (the "Deposit"), as itemized in Exhibit 1. Within ten (10) days of the signing of this Stipulation and Order by the Court, OG&E shall receive from the Debtors \$6,000.00 of the Deposit, and within thirty (30) days of the signing of this Stipulation and Order by the Court, OG&E shall receive from the Debtors the remaining \$6,000.00 of the Deposit. The Debtors shall deliver the Deposit to OG&E, c/o Stacy Romines, Credit & Collections Department, OG&E, 3220 S. High, MC23, Oklahoma City, OK 73129 (for non-mail deliveries); or P.O. Box 321, MC 23, Oklahoma City, OK 73101 (for mail deliveries).

6. The Deposit and the Additional Deposit, if any, as provided in paragraph 7, below, shall bear interest for the benefit of the Debtors, as provided for under the Regulations, and shall be returned to the Debtors, less any amounts due for any unpaid Invoices, as provided for under the Regulations.

7. As set forth below, the parties agree to reevaluate the amount of the Deposit.

A. After the expiration of ten (10) months of complete service periods for all of the Accounts (each with service for approximately thirty [30] days) following OG&E's receipt of the full amount of the Deposit, either: (i) the Debtors may write a letter to OG&E, c/o Ms. Romines as set forth in paragraph 5, above, and to its undersigned counsel, in which they request that OG&E reevaluate the Deposit (the "Debtors' Reevaluation Letter"); or (ii) OG&E may write a letter to the Debtors, c/o its undersigned counsel, in which it

reevaluates the Deposit, and sets forth the details, as required below, of whether the Deposit should be changed ("OG&E's Reevaluation Letter").

B. If the average of these ten (10) months of Invoices for all of the Accounts (the "Average") is within a range from \$9,000.00 to \$15,000.00, then there shall be no change in the Deposit.

C. If the Average is less than \$9,000.00, then the Amount shall decrease to the nearest \$1,000.00 by which the Average is less than \$9,000.00; e.g., if the Average is \$8,00.00, then the Amount shall decrease by \$1,000.00; provided however, that subsequent to OG&E's receipt of the Deposit, if the Debtors pay more than one (1) Invoice per Account after the applicable due date, then the Deposit shall not be reduced. The Utility shall apply the credit balance from such reduction towards payment of any unpaid charges on the Invoices, and any remainder shall be applied to future Invoices, if applicable.

D. If the Average is greater than \$15,000.00, then the Deposit shall increase to the nearest \$1,000.00 by which the Average is greater than \$15,000.00 (the "Additional Deposit", meaning only the increased amount over the Deposit); e.g., if the Average is \$16,000.00, then the Amount shall increase by \$1,000.00.

E. If the Debtors send a Debtors' Reevaluation Letter to OG&E, then OG&E has thirty (30) days from receipt thereof to respond and send OG&E's Reevaluation Letter to the Debtors. Within fifteen (15) days of the sending of a Utility Reevaluation Letter, in which an Additional Deposit is required, the Debtors shall pay the Additional Deposit to OG&E, c/o the address set forth in paragraph 5, above.

8. If the Debtors default as to the payment of the Deposit, the Additional

Deposit, if any, and the Invoices, as to any Invoice for which there is not a good faith dispute, which default is not cured within the five (5) business day cure period set forth in a default notice sent by OG&E to the Debtors by first class United States mail as provided for under the Regulations, then OG&E may terminate its post-petition utility services to the Debtors, as provided for under the Regulations, without further order of the Court.

9. If OG&E requests the Debtors to provide access to their premises to implement the appropriate procedures to so terminate its utility services to the Debtors' premises, then the Debtors shall cooperate and provide OG&E with access to their premises for such purposes, as provided for under the Regulations.

10. Any charge for post-petition utility services provided by OG&E to the Debtors shall constitute an administrative expense under sections 503(b)(1)(A) and 507(a)(1) of the Bankruptcy Code.

11. This Stipulation and Order shall be effective upon signature by the Court and shall survive any conversion of the Debtors' instant cases under chapter 11 of the Bankruptcy Code to chapter 7 of the Bankruptcy Code.

12. This Stipulation and Order may not be changed, amended, modified, or altered, except by written agreement signed by each party and approved by the Court, or as otherwise ordered by the Court; provided however, that any such change done upon the latter event; i.e., a non-consensual basis between the parties, shall be preceded by a minimum of fifteen (15) days' prior written notice and either a motion or a complaint from the party seeking such change(s) to the other party, c/o their undersigned counsel (and in the event of such notification has to be sent to OG&E, then also with a copy to Ms. Romines, at the address set forth in paragraph 5 above), and also a hearing before this

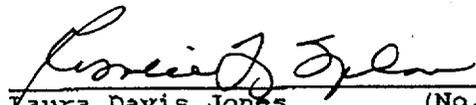
Court, at which time an opportunity to be heard before the Court shall be accorded to both parties prior to the Court's authorizing an order changing this Stipulation and Order in any respect; and further, any order so entered without complying with such requirements for notice and opportunity to be heard by such other party shall be null, void, and ineffective as to such other party.

[Remainder of page left blank intentionally.]

13. This Stipulation and Order is subject to the approval of the Court.

Dated: May , 2002

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



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

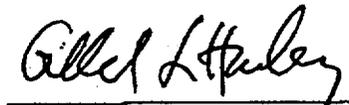
- and -

SCHULTE, ROTH & ZABEL, LLP
Jeffrey S. Sabin (JSS 7600)
Mark A. Broude (MAB 1902)
919 Third Avenue
New York, New York 10022
(212) 756-2000

Counsel for Debtors and Debtors-in-Possession

Dated: May 22, 2002

GILBERT L. HAMBERG, ESQUIRE



Gilbert L. Hamberg (Pa. No. 25461)
1038 Darby Drive
Yardley, PA 19067-4519
(215) 321-6909

Counsel for Oklahoma Gas & Electric Company

SO ORDERED, this 23 day
of May 2002



Hon. Joseph S. Farnan, Jr.
United States District Judge

**OKLAHOMA GAS & ELECTRIC COMPANY
ACCOUNTS WITH
FANSTEEL INC.**

<u>ACCOUNT NUMBER</u>	<u>SERVICE ADDRESS</u>	<u>SECURITY DEPOSIT</u>
39764	10 Tantalum Pl. #1 Muskogee, OK	\$ 75.00
39777	10 Tantalum Pl. #3 Muskogee, OK	75.00
39749	10 Tantalum Pl. Muskogee, OK	11,700.00
39757	10 Tantalum Pl. Muskogee, OK	75.00
39770	10 Tantalum Pl. #2 Muskogee, OK	75.00
5 Accounts	TOTAL	\$ 12,000.00

EXHIBIT 1