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.	)	

Objection Deadline: December 21, 2002 at 4:00 P.M. Eastern
Hearing Date: TBD (Only if objections are timely filed)

NOTICE OF APPLICATION FOR ORDER AMENDING ORDER UNDER BANKRUPTCY CODE SECTIONS 327(A) AND 328, FED. R. BANKR. P. 2014, AND DEL. BANKR. LR 2014-1 AUTHORIZING EMPLOYMENT AND RETENTION OF EXECUTIVE SOUNDING BOARD ASSOCIATES INC. AS DEBTORS' RESTRUCTURING CONSULTANTS AND FINANCIAL ADVISOR

TO: ALL PARTIES REQUIRED TO RECEIVE NOTICE PURSUANT TO LOCAL RULE OF BANKRUPTCY PROCEDURE 2002-1(b)

On November 27, 2002, the captioned debtors and debtors-in-possession (the "Debtors") filed with United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 (the "Bankruptcy Court") the **Application for Order Amending Order Under Bankruptcy Code Sections 327(a) and 328, Fed. R. Bankr. P. 2014, and Del. Bankr. LR 2014-1 Authorizing Employment and Retention of Executive Sounding Board Associates Inc. as Debtors' Restructuring Consultants and Financial Advisor** (the "Motion"). A true and correct copy of the Motion is attached.

RESPONSES OR OBJECTIONS, IF ANY, TO THE RELIEF REQUESTED IN THE MOTION MUST BE IN WRITING, FILED WITH THE BANKRUPTCY COURT, AND

[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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SERVED UPON BOTH OF THE UNDERSIGNED COUNSEL FOR DEBTORS SO AS TO BE RECEIVED BY 4:00 P.M., PREVAILING EASTERN TIME, ON DECEMBER 21, 2002.

IF ANY OBJECTIONS ARE TIMELY FILED AND SERVED, A HEARING ON THE MOTION MAY BE HELD AT A TIME TO BE DETERMINED, BEFORE THE HONORABLE JOSEPH J. FARNAN, JR., OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE. THE HEARING WILL BE HELD IN COURTROOM 6A, J. CALEB BOGGS FEDERAL BUILDING, 844 N. KING STREET, WILMINGTON, DELAWARE 19801. ONLY TIMELY FILED AND RECEIVED WRITTEN OBJECTIONS WILL BE CONSIDERED BY THE COURT AT THE HEARING.

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

Dated: November 27, 2002

SHULTE ROTH & ZABEL LLP
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Telephone: (212) 756-2000
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and

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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. 02-10109 (JJF)
	)	(Jointly Administered)
	)	
Debtor.		

Objection Deadline: December 21, 2002 at 4:00 P.M. Eastern
Hearing Date: TBD (Only if objections are timely filed)

APPLICATION FOR ORDER AMENDING ORDER UNDER BANKRUPTCY CODE SECTIONS 327(a) AND 328, FED. R. BANKR. P. 2014, AND DEL.BANKR.LR 2014-1 AUTHORIZING EMPLOYMENT AND RETENTION OF EXECUTIVE SOUNDING BOARD ASSOCIATES INC. AS DEBTORS' RESTRUCTURING CONSULTANTS AND FINANCIAL ADVISOR

The above-captioned debtors and debtors-in-possession (collectively the "Debtors") hereby submit this application nunc pro tunc to November 4, 2002 for entry of an order amending Order Under Bankruptcy Code Sections 327(a) And 328(a), Fed. R. Bankr. P. 2014 and Del.Bankr.LR 2014-1 Authorizing The Employment And Retention Of Executive Sounding Board Associates Inc. as Debtors' Restructuring Consultants And Financial Advisor dated August 19, 2002 so that Executive Sounding Board Associates Inc. ("ESBA") may provide the Debtors with an independent valuation of the Debtors' seven operating business units[2] and assist the Debtors in the preparation of a liquidation analysis, for use in connection with the

[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.

[2] These businesses include Wellman Dynamics Corp., Washington Manufacturing Company, American Sintered Technoligies, Inc., Escast, Inc., Fansteel, Inc. and its operating units, including VR/Wesson operations of Hydro Carbide and Plantsville, and California Drop Forge.

Debtors' efforts to formulate, prepare and confirm a plan of reorganization (the "Application"). In support of this Application, the Debtors respectfully represent as follows:

Jurisdiction

1. This Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334. Venue is proper under 28 U.S.C. §§ 1408 and 1409. This is a core proceeding as defined in 28 U.S.C. § 157(b)(2). The statutory predicates for relief are 11 U.S.C. §§ 327(a) and 328(a), Fed. R. Bankr. P. 2014 and Local Rule of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware 2014-1 (the "Local Rules").

Background

2. On January 15, 2002 (the "Petition Date"), the Debtors filed with this Court voluntary petitions for relief under 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"). The Debtors continue to operate their businesses and manage their affairs as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in any of the Debtors' chapter 11 cases ("Cases"). A creditors' committee ("Committee") was appointed in these Cases on January 28, 2002.

Debtors' Structure And Operations

3. Fansteel Inc. ("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, the 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.

ESBA Profile

4. ESBA is a firm of management and financial consultants operating throughout the United States since 1977 and has been retained as management and financial consultants to render professional services to debtors, creditors, creditors' committees, investors and others in numerous bankruptcy cases, including RSL Comm USA, North American Telecom, FastComm Corporation, Telephone Warehouse, Inc., Worldwide Direct, Inc., Pegasus Gold Corporation, Inc., and Brownstone Studio, Inc.

5. ESBA has a wealth of experience in providing restructuring and financial advisory services in reorganization proceedings and has an excellent reputation for the services it has rendered in chapter 11 cases on behalf of debtors and creditors throughout the United States.

6. ESBA is well qualified and has represented the Debtors in a cost-effective, efficient, and timely manner. In connection with this amended retention, ESBA has indicated a willingness to act on behalf of the Debtors and to subject itself to the jurisdiction and supervision of the Court.

ESBA Original Retention

7. On May 21, 2002 this Court entered a Final Order Authorizing Debtors To Incur Postpetition Debt, Grant Liens And Provide Other Security And Other Relief To Congress Financial Corporation (Central) (the "DIP Order"). As a condition to the Debtors' incurrence of postpetition debt, paragraph 1(b)(ix) of the DIP Order provides that:

> The Debtors agree to employ a turnaround consultant for the purposes of preparing a business plan for the Debtors' operating assets. The Debtors shall select a turnaround consultant mutually agreed upon by the Debtors and the Committee. Within (15) days after selecting a mutually agreed

upon turnaround consultant, the Debtors shall obtain authorization from the Court to retain the turnaround consultant. The turnaround consultant shall submit to the Committee a business plan within four (4) months of the order retaining the turnaround consultant.

8. The Debtors and the Committee interviewed several prospective turnaround consultants and determined that ESBA was best qualified. ESBA was retained by the Debtors by order dated August 19, 2002 (the "Original Retention Order"), attached hereto as Exhibit A.

Relief Requested

9. By this Application, the Debtors seek entry of an order, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, Bankruptcy Rule 2014, and Local Rule 2014-1 amending the Original Retention Order to authorize the retention of ESBA for the additional purpose of providing an independent valuation of the Debtors' seven operating business units and assisting the Debtors in the preparation of a liquidation analysis for use in connection with the Debtors' efforts to formulate, prepare and confirm a plan of reorganization (collectively, the "Supplemental Services"), all in accordance with the terms of the engagement letter between the Debtors and ESBA dated November 4, 2002 attached hereto as Exhibit B (the "Supplemental Engagement Letter"),[1] and subject to the indemnification provisions of the Original Retention Order.

10. Pursuant to the original engagement letter dated July 22, 2001 referenced in and made part of the Original Retention Order (the "Original Engagement Letter") attached hereto as Exhibit C the professional services that ESBA has rendered to the Debtors includes:[2]

---

[3] Unless otherwise defined, capitalized terms used herein shall have the meanings ascribed to them in the Supplemental Engagement Letter.

[4] The description of the Original Engagement Letter herein is a summary. See Exhibit C for a complete description of the terms and conditions of the original engagement.

(a) Assess each operation, evaluate the Debtors' existing business plan and recommend operational restructuring strategies as appropriate;

(b) Review the overhead costs and expenses of the Debtors and propose actions necessary to reduce costs where possible in connection with the business plan;

(c) Assist with the preparation of projections, including feasibility analyses and schedules, if required, in connection with the business plan;

(d) Monitor the orderly liquidation of terminated operations (if any);

(e) Assist the Debtors in the development and negotiation of a plan of reorganization;

(f) With the approval of the designated Officer of the Debtors, consult with all other retained parties, secured lender, creditors' committee, and other parties-in-interest in connection with the business plan and the plan or reorganization;

(g) Participate in Court hearings and, if necessary, provide expert testimony in connection with any hearings before the Court regarding the business plan and the plan or reorganization;

(h) Assist the Debtors with the preparation of an employee retention plan; and

(i) Perform such other tasks as appropriate as may reasonably be requested by the Debtors' management or Debtors' counsel.

11. As noted above, under the terms of the Original Retention Letter ESBA was not retained for the purpose of providing an independent valuation of the Debtors' seven operating business units or assisting in the preparation of a liquidation analysis. By this Application, the Debtors request that ESBA's original retention be amended to include the valuation and analysis discussed herein.

Basis For Relief

12. In connection with the Debtors' efforts to formulate, propose and confirm a consensual plan of reorganization, the Debtors intend to discuss their proposed business plan, liquidation analysis and various structures for a plan of reorganization to the Committee during

early December 2002 in order to (i) extend the time periods of their exclusive right to file a plan of reorganization; and (ii) negotiate the terms of a consensual plan of reorganization with the Committee, including the treatment of various environmental claims of the Nuclear Regulatory Commission, the EPA and various state agencies. The services requested in this Application are essential towards this end. Moreover, the Committee fully supports, and the United States Trustee has indicated that it will not oppose, this Application.

Services to Be Rendered

13. If this Application is approved, the Supplemental Services that ESBA will render to the Debtors are expected to include:[3]

(a) Review and analysis of market(s) research for the company's products and services;

(b) Review of the business plans submitted by each business, together with ESBA's additional strategic planning work, particularly as related to the respective markets and competitors of each business;

(c) The finding of efforts to market these businesses in a competitive process;

(d) A thorough evaluation of the financial projections for each business;

(e) Research and evaluation of other M&A transactions that have taken place in the respective marketplaces of the Debtors' businesses within the recent past;

(f) Evaluation of the ratios implied by the current marked prices of comparable public companies; and

(g) Assistance in the preparation of a liquidation analysis in connection with the development of disclosure statement and plan of reorganization.

[5] The description of the Supplemental Engagement Letter herein is a summary. To the extent that this Application and the terms of the Supplemental Engagement Letter are inconsistent, the terms of the Supplemental Engagement Letter shall control.

14. The Debtors believe that ESBA is well qualified and able to provide the foregoing services to the Debtors. ESBA has indicated a willingness to (i) act on behalf of the Debtors on the terms described above and (ii) subject itself to the jurisdiction of the Court. Additionally, the Debtors have been advised by ESBA that it will endeavor to coordinate with the other retained professionals in these Cases to eliminate unnecessary duplication or overlap of work.

Disinterestedness of Professional

15. The Debtors have numerous shareholders, creditors and other parties with whom they maintain business relationships. As described in the Original Retention Order, ESBA has conducted a conflicts check and due inquiry regarding its relations with the Debtors, their significant creditors, any other material party-in-interest, their respective attorneys and accountants, and the Office of the United States Trustee to determine whether it has any conflicts or other relationships that might affect its retention. Among other things, ESBA researched its client files and records that contain information retained under its normal retention policies. In connection with this check, ESBA obtained from the Debtors and/or their representatives the names of individuals and entities that may be such parties-in-interest in these Cases. To the best of the Debtors' knowledge, information and belief, insofar as the Debtors have been able to ascertain after due inquiry, neither ESBA nor any professional employee of ESBA has any connection with or holds any interest adverse to the Debtors, their significant creditors, any other party-in-interest, their respective attorneys or accountants, the Office of the United States Trustee or any person employed in the Office of the United States Trustee, in the matters for which ESBA is proposed to be retained except as otherwise disclosed in the affidavit of William H. Henrich (the "Henrich Affidavit") as referenced in the Original Retention Order.

16. To the best of the Debtors' knowledge, ESBA is a "disinterested person", as such term is defined in section 101(14) of the Bankruptcy Code and as required under section 327(a) of the Bankruptcy Code. The Henrich Affidavit was executed on behalf of ESBA in accordance with section 327(a) of the Bankruptcy Code and Bankruptcy Rule 2014. The Debtors' knowledge, information, and belief regarding certain of the matters set forth in this Application are based on, and are made in reliance upon, the Henrich Affidavit.

17. The Debtors submit that the appointment of ESBA on the terms and conditions set forth herein is in the best interests of the Debtors, their creditors and all parties-in-interest.

Professional Compensation

18. As more fully described in the Supplemental Engagement Letter, the Debtors have been advised that fees for the Supplemental Services rendered in these Cases will be as follows:

> ESBA's will be paid for the valuation work on an hourly basis at standard hourly rates per consultant of $265 to $365, depending on the individual. ESBA estimates that the fees for this engagement will not exceed $70,000.
>
> ESBA will perform the liquidation analysis work as part of ESBA's previously Court-approved monthly fee arrangement.

19. The compensation structure described above is comparable to compensation generally charged by financial advisory and investment banking firms of similar stature to ESBA and for comparable engagements, both in and out of court.

20. ESBA also will seek reimbursement for reasonable out-of-pocket expenses, and other fees and expenses, including reasonable expenses of counsel, if any. ESBA will follow its customary expense reimbursement guidelines and practices in seeking expense reimbursement from the Debtors.

21. The hours worked, the results achieved and the ultimate benefit to the Debtors of the work performed by ESBA in connection with its engagement may vary and the Debtors and ESBA have taken this into account in setting the above fees. In order to induce ESBA to do business with the Debtors in bankruptcy, the compensation structure described above was established to reflect the difficulty of the extensive assignments ESBA expects to undertake and the potential for failure.

22. The Debtors acknowledge and agree that ESBA's restructuring expertise and financing skills, some or all of which may be required by the Debtors during the term of ESBA's engagement, were important factors in determining the amount of its fees.

23. In addition, given the numerous issues which ESBA may be required to address in the performance of its services hereunder, ESBA's commitment to the variable level of time and effort necessary to address all such issues as they arise, and the market prices for ESBA's services for engagements of this nature in an out-of-court context, as well as in chapter 11, the Debtors agree that the fee arrangement in the Supplemental Engagement Letter is reasonable under the standards set forth in 11 U.S.C. § 328(a).

24. As set forth in the Henrich Affidavit, ESBA has not shared or agreed to share any of its compensation from the Debtors with any other persons, other than a managing director, professional or employee of ESBA, as permitted by section 504 of the Bankruptcy Code.

Indemnification

25. ESBA agrees that the indemnity provisions of the Original Engagement Order shall apply to this Application.

Fee Applications

26. ESBA will file interim and final fee applications for allowance of its compensation and expenses with respect to its services with the Court in accordance with the Original Engagement Order.

Approval of Engagement Under Section 328(a) of the Bankruptcy Code

27. The Debtors request approval of the terms of ESBA's amended engagement, including subject to the standard of review provided in section 328(a) of the Bankruptcy Code. That section provides in part, that a debtor "with the court's approval, may employ or authorize the employment of a professional person under section 327 . . . on any reasonable terms and conditions of employment, including a retainer, on an hourly basis, or on a contingent fee basis." 11 U.S.C. § 328(a). As recognized by numerous courts, Congress intended in section 328(a) to enable debtors to retain professionals pursuant to specific fee arrangements to be determined at the time of the court's approval of the retention, subject to reversal only if the terms are found to be improvident in light of "developments not capable of being anticipated at the time of the fixing of such terms and conditions." 11 U.S.C. § 328(a). See Donaldson, Lufkin & Jenrette Sec. Corp. v. Nat'l Gypsum Co. (In re Nat'l Gypsum Co.), 123 F.3d 861, 862-3 (5th Cir. 1997) ("If the most competent professionals are to be available for complicated capital restructuring and the development of successful corporate reorganization, they must know what they will receive for their expertise and commitment.").

28. The Debtors believe that the fee structure set forth in the Supplemental Engagement Letter is reasonable terms and conditions of employment and should be approved under section 328(a) of the Bankruptcy Code. The fee structure appropriately reflects (i) the nature of the services to be provided by ESBA and (ii) the fee structures typically utilized by

ESBA and other leading financial advisory and investment banking firms. In sum, therefore, the Debtors believe that the fee structure is reasonable in light of (a) industry practice, (b) market rates charged for comparable services both in and out of the chapter 11 context, (c) ESBA's substantial experience with respect to restructuring and financial advisory services, and (d) the nature and scope of work to be performed by ESBA in these Cases.

29. Notwithstanding anything to the contrary herein or in the Supplemental Engagement Letter, all of ESBA's fees and expenses in these Cases shall be subject to approval of the Court under the standard set forth under section 328(a) of the Bankruptcy Code upon proper application by ESBA in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules of this Court and any other applicable orders of this Court.

Notice

30. Notice of this Motion has been given to those parties entitled to notice under Delaware Local Rule 2002-1(b) and those persons who have requested notice pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

WHEREFORE, the Debtors respectfully request that this Court enter an order, substantially in the form annexed hereto, (a) amending the employment and retention of ESBA as the Debtors' restructuring consultants and financial advisor pursuant to the terms of the Supplemental Engagement Letter; (b) approving the proposed fee structure set forth in the Supplemental Engagement Letter as reasonable under section 328(a) of the Bankruptcy Code; and (c) granting such other and further relief as this Court deems just and proper.

Dated: November 7, 2002

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Counsel for Fansteel Inc., et al.

Exhibit A

8/19/02

ORIGINAL

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
FANSTEEL INC., *et al.*,[1]	)	Case No. 02-10109 (JJF)
	)	(Jointly Administered)
	)	
Debtor.	)	[Docket No. 360]

ORDER UNDER BANKRUPTCY CODE SECTIONS 327(a) AND 328, FED. R. BANKR. P. 2014, AND DEL.BANKR.LR 2014-1 AUTHORIZING EMPLOYMENT AND RETENTION OF EXECUTIVE SOUNDING BOARD ASSOCIATES INC. AS DEBTORS' RESTRUCTURING CONSULTANTS AND FINANCIAL ADVISOR

Upon consideration of motion filed by the debtors and debtors-in-possession in the above-captioned chapter 11 cases (the "Debtors") for an order pursuant to sections 327(a) and 328(a) of title 11, United States Code (the "Bankruptcy Code"), Fed. R. Bankr. P. 2014 and Del.Bankr.LR 2014-1 authorizing the Debtors to employ and retain Executive Sounding Board Associates Inc. ("ESBA") as the Debtors' restructuring consultants and financial advisor (the "Application"); and upon the affidavit of William H. Henrich (the "Henrich Affidavit"), a managing director at ESBA, in support thereof and in support of the engagement letter between ESBA and the Debtors, dated July 8, 2002, and attached to the Motion ("Engagement Letter"); and the Court being satisfied based on the representations made in the Application and in the Henrich Affidavit that ESBA has no interest adverse to the Debtors' estates with respect to the

[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.

DOCKET # 411
DATE 8-21-02

matters upon which it is to be engaged, that ESBA is a disinterested person as that term is defined under section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and that ESBA's employment is necessary and would be in the best interests of the Debtors' estates; and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Application is granted; and it is further

ORDERED that, in accordance with sections 327(a) and 328(a) of the Bankruptcy Code, Fed. R. Bankr. P. 2014 and Del.Bankr.LR 2014-1, the Debtors are authorized to employ and retain ESBA as restructuring consultants and financial advisor on the terms set forth in the Application and this order; and to the extent consistent with the Application and this order, the Engagement Letter; and it is further

ORDERED that, ESBA shall be compensated in accordance with the terms of the Engagement Letter, subject to the procedures set forth in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules, and any other applicable orders of this Court; and it is further

ORDERED that, the indemnification provisions set forth in the Henrich Affidavit are approved, subject during the pendency of the Debtors' Cases to the following:

(a) subject to the provisions of subparagraph (c) infra the Debtors indemnify ESBA in accordance with the Engagement Letter, for any claim arising from, related to, or in connection with the consulting and advisory services, but not for any claim arising from, relating to or in connection with ESBA's post-petition performance of any services other than consulting and advisory services unless

such post-petition services and indemnification therefor are approved by the Court;

(b) notwithstanding any provision of the Engagement Letter to the contrary, the Debtors shall have no obligation to indemnify ESBA, or provide contribution or reimbursement to ESBA, for any claim or expense that is either (a) judicially determined (the determination having become final) to have arisen solely from ESBA's gross negligence or willful misconduct, or (b) settled prior to a judicial determination as to ESBA's gross negligence or willful misconduct, but determined by this Court, after notice and a hearing, to be a claim or expense for which ESBA should not receive indemnity, contribution or reimbursement under the terms of the Engagement Letter;

(c) if, before the earlier of (i) the entry of an order confirming a chapter 11 plan in these Cases (that order having become a final order no longer subject to appeal), and (ii) the entry of an order closing these Cases, ESBA believes that it is entitled to the payment of any amounts by the Debtors on account of the Debtors' indemnification, contribution and/or reimbursement obligations under the Engagement Letter, including without limitation the advancement of defense costs, ESBA will file an application therefor in this Court, and the Debtors will not pay any such amounts to ESBA before the entry of an order by this Court approving the payment. This subparagraph (c) is intended only to specify the period of time under which the Court shall have jurisdiction over any request for fees and expenses by ESBA for indemnification, contribution or reimbursement and not a provision limiting the duration of the Debtors' obligation to indemnify ESBA.

(d) notwithstanding subparagraphs (a) through (c) supra, the United States Trustee, and only the United States Trustee, shall have the right to seek reconsideration to the indemnification provisions approved herein if, during the Debtors' Cases, the United States Court of Appeals for the Third Circuit issues a ruling with respect to the appeal from the decision of the United States District Court for the District of Delaware with respect to indemnification rights in In re

United Artists Theatre Company, et al., Case No. 00-3514 (SLR); provided that the United States Trustee shall be required to file any such motion for reconsideration within 60 days after the date the United States Court of Appeals for the Third Circuit issues such ruling.

ORDERED that, ESBA shall file interim and final fee applications for allowance of its compensation and expenses with respect to its services with the Court in accordance with applicable provisions of the Bankruptcy Code, Bankruptcy Rules, Local Rules and orders of the Court; provided, however, that ESBA may submit time records in a summary format which shall set forth a description of the services rendered by each restructuring professional and the amount of time spent on each date by each such individual in rendering services on behalf of the Debtors. The Debtors are authorized to pay ESBA's fees and to reimburse ESBA for its costs and expenses as provided in the Engagement Letter, upon approval by the Court of interim and final applications. All fees and reimbursements paid or payable to ESBA in accordance with the Engagement Letter and this order shall be subject to this Court's approval.

Notwithstanding anything to the contrary herein or in the Engagement Letter, all of ESBA's fees and expenses in these cases shall be subject to approval of the Court under the standard set forth in section 328(a) of the Bankruptcy Code upon proper application by ESBA in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules of this Court and any other applicable orders of this Court.

During the pendency of the Debtors' bankruptcy cases, this Court shall retain exclusive jurisdiction to construe and enforce the terms of the Application, the Engagement Letter, and this order.

Dated: August 19, 2002

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

Exhibit B

Executive Sounding Board Associates Inc.

Management and Financial Consultants

1350 Broadway • Suite 702 • New York, NY 10018 • (212) 944-0750 • FAX: (212) 944-0753

November 4, 2002

Mr. Gary L. Tessitore
Chairman of the Board and CEO
Fansteel Inc.
One Tantalum Place
North Chicago, IL 60064

Dear Mr. Tessitore:

Pursuant to our recent discussions, this letter serves as an amendment to Executive Sounding Board Associates' ("ESBA") engagement letter dated July 8, 2002. This amendment describes the expansion of scope of ESBA's retention as Restructuring Consultant and Financial Advisor to Fansteel Inc. ("Fansteel" or "Company"), as well as the fee terms related thereto, effective as of November 4, 2002. All terms and conditions of ESBA's existing signed agreement dated July 8, 2002, as well as the provisions of the Henrich Affidavit previously filed, remain true and correct as of the date hereof and shall remain in full force and effect unless specifically contravened below.

Additional Scope of Work

(A) Business Valuation

Project Description -

We understand that it is your desire to have an independent valuation of Fansteel's seven operating business units[1]. In this regard, we will apply the traditional theoretical valuation approaches in the derivation of the Fair Market Value (FMV) of each business on a "going concern" basis. Briefly, the FMV of a business is the price at which a business would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell and with both parties having reasonable knowledge of relevant facts. (Where compulsion exists, appropriate discounts may be applied.)

The two generally accepted approaches to assessing the FMV of a business are the "Intrinsic" and "Market" Approaches, as follows:

- The Intrinsic Approach estimates the FMV of a company based on its earnings and cash flows. This approach evaluates the present worth of the business by discounting its future cash flows to the present using an appropriate discount rate. Included in this discounting calculation is an estimate of the terminal value of the business at the end of the period for which projected cash flows are available.

- The Market Approach compares the company to guideline firms in similar lines of business whose stocks are publicly-traded or which were part of a purchase/sale transaction. This analytical approach is used to develop ratios of market price to various financial parameters such as EBITDA, revenues, or book value. These ratios are benchmarks that are then applied to the financials of the company being

[1] These businesses include Wellman Dynamics Corp.; Washington Manufacturing Company; American Sintered Technologies, Inc.; Escast, Inc.; Fansteel, Inc. and its unincorporated operating units, which include the VR/Wesson operations of Hydro Carbide and Plantsville, and California Drop Forge.

valued. The most definitive indicator of a company's value is the result produced by an active auction of a business carried out in a professional manner in the open marketplace.

In the course of developing its valuation estimates for each business, ESBA will draw upon the knowledge that it has already obtained through its previous strategic planning and other consulting work relative to these businesses. This includes:

- Discussions that ESBA has participated in with corporate and operating management as to the operations and future direction of each business.
- Review and analysis of the market(s) research for the company's products and services.
- Review of the business plans submitted by each business, together with ESBA's additional strategic planning work, particularly as related to the respective markets and competitors of each business.
- The findings of any efforts to market these businesses in a competitive process.

In addition to this work, ESBA's valuation analyses will include, but not be limited to, the following tasks:

- Thorough evaluation of the financial projections for each business
- Research and evaluation of other M & A transactions that have taken place in the respective marketplaces of Fansteel's businesses within the recent past.
- Evaluation of the ratios implied by the current market prices of the stocks of comparable public companies.

The deliverable will be in the form of a written analysis, accompanied, as requested, by a verbal presentation and/or responses to any questions posed by you or your colleagues.

Giving appropriate consideration to your needs, our plan is to complete this work over the course of approximately two weeks.

Related Fees –

ESBA will be paid for the valuation work described above on an hourly basis at standard hourly rates per consultant of $265 to $365, depending upon the individual. We estimate and commit that the fees for this engagement will not exceed $70,000. We will endeavor to minimize the cost to you by working efficiently and cost effectively, and, again, making full use of the knowledge that we have obtained from ongoing work on behalf of the Company. The efficiency of our work depends upon the complete cooperation and availability of the Company's entire management team as well as the quality and timeliness of their data and management reporting systems.

(B) Liquidation Analysis

We further understand that it is your desire for ESBA to assist Fansteel in its preparation of a liquidation analysis to be considered in the development of the Company's Disclosure Statement and Plan of Reorganization. We recognize the Company's desire for the draft liquidation analysis to be completed in time for the Company's meeting with the Fansteel Official Creditors' Committee in early December.

Related Fees –

ESBA will perform the liquidation analysis work as part of ESBA's previously Court-approved monthly fee arrangement.

The signing of this engagement letter is necessary and required for this engagement to commence. We further understand that the Company will promptly submit an application to the Court for an expansion of the scope of ESBA's duties under its existing retention. If the foregoing is in accordance with our understanding, please sign the attached copy of the engagement letter and forward it to our office.

We look forward to continuing to work with Fansteel on this important project.

Sincerest regards,

EXECUTIVE SOUNDING BOARD ASSOCIATES INC.

William H. Henrich

William H. Henrich
Managing Director

AGREED TO AND ACCEPTED:

FANSTEEL INC.
(And its affiliated companies)

By: _____

Title: _____

Date: _____

Exhibit C

Executive Sounding Board Associates Inc.

Management and Financial Consultants

1350 Broadway • Suite 702 • New York, NY 10018 • (212) 944-0750 • FAX: (212) 944-0753

July 8, 2002

Mr. Gary L. Tessitore
Chairman of the Board and CEO
Fansteel Inc.
One Tantalum Place
North Chicago, IL 60064

Dear Mr. Tessitore:

Thank you for choosing Executive Sounding Board Associates Inc. ("ESBA") to become Restructuring Consultant and Financial Advisor to Fansteel Inc. and its affiliated companies ("Fansteel" or "Company" or "Debtors") in connection with its Chapter 11 bankruptcy proceeding.

Executive Sounding Board Associates Inc. ("ESBA") has provided turnaround consulting and crisis management services to more than seven hundred companies during its twenty-five year history. ESBA is regularly called upon to help companies in situations in which change must be implemented very quickly in the context of a Chapter 11 filing such as this one. Our professional staff are adept at adjusting to the requirements of the situation to maximize the value recovered and resolve complex issues.

This letter sets forth our understanding that Fansteel has agreed to retain ESBA to provide the management consulting and advisory services described below. Also detailed below please find our standard engagement terms for your review. If the aforementioned work scope and terms herein meet with your approval, please sign and return this engagement letter as well as file the appropriate application for employment to the District of Delaware Bankruptcy Court. If you require any clarification of the terms, please don't hesitate to call me at (212) 944-0750 ext. 11.

Scope of Work

Based on our discussions, we understand that the Debtors desire ESBA to:

- Assist Debtors' management with the Chapter 11 bankruptcy process to minimize costs associated with that process, assist in the assessment and development of the Debtors' business plan (with efforts geared toward formulating with management a business plan by the mid/late-October timeframe) assist the Debtors' in their development and negotiation of a Plan of Reorganization and facilitate the Debtors' communication with parties-in-interest. Provide guidance as to compliance with all requirements of the Court, as requested.

In connection with the foregoing, ESBA may be requested to:

- Assess each operation, evaluate the Debtors' existing business plan and recommend operational restructuring strategies as appropriate;

- Review the overhead costs and expenses of the Debtors and propose actions necessary to reduce costs where possible in connection with the business plan;

- Assist with the preparation of projections, including feasibility analyses and schedules, if required, in connection with the business plan;
- Monitor the orderly liquidation of terminated operations (if any);
- Assist the Debtors in the development and negotiation of a plan of reorganization;
- With the approval of the designated Officer of the Debtors, consult with all other retained parties, secured lender, creditors' committee, and other parties-in-interest in connection with the business plan and the plan of reorganization;
- Participate in Court hearings and, if necessary, provide expert testimony in connection with any hearings before the Court regarding the business plan and the plan of reorganization;
- Assist the Debtors with the preparation of an employee retention plan;
- Perform such other tasks as appropriate as may reasonably be requested by the Debtors' management or Debtors' counsel.

Standard Engagement Terms:

1) ESBA will be paid a monthly fee to provide the services described above ("Monthly Fee") in the amount of $65,000. Should ESBA's retention be effective on a date during the course of a month, as opposed to the first day of a month, the monthly fee for both the first and last months of ESBA's retention will be pro-rated accordingly. We will endeavor to work efficiently and effectively; the efficiency of our work depends upon the complete cooperation and availability of your entire management team as well as the quality and timeliness of your data and management reporting systems.

2) ESBA understands that the Debtors will promptly submit an application for employment of ESBA with the Bankruptcy Court by July 25, 2002. Such application will request approval for an initial term of six months, which will begin on the date ESBA's retention becomes effective and end on the six month anniversary thereof, and provide for the Debtors' option to extend ESBA's retention on the same terms for additional mutually agreed upon periods of time with the consent of the Debtors, ESBA and the Creditors' Committee and without the need for Court approval. Such notice will be submitted to the Court no later than 30 days prior to the expiration of the existing term. In accordance with the Bankruptcy Code, interim and final compensation and reimbursement of costs expended are subject to approval by the Bankruptcy Court. Fee applications will be submitted to the Court for its consideration in accordance with the Bankruptcy Code or the Court approved administrative order modifying terms of payments to professionals, if any. Our understanding is that ESBA's application submitted to the Bankruptcy Court for approval will provide for monthly reimbursement of fees and expenses, subject to a provision for notice to and a limited review and objection period for specified parties-in-interest.

3) Fansteel agrees to pay ESBA a retainer of $65,000 on behalf of the Debtors, due and payable upon the Court's Order approving ESBA's retention, to be retained by ESBA until the approval of ESBA's final fee application in the case. At the conclusion of ESBA's engagement and when all ESBA's fees and expenses have been paid, subject to the approval of the Bankruptcy Court, any amount of retainer remaining after application to unpaid fees will be returned to the Debtors.

4) Debtors shall reimburse ESBA for any out-of-pocket expenses reasonably incurred by ESBA in connection with the services rendered hereunder and in accordance with applicable guidelines established by the Bankruptcy Court. Such expenses include, but are not limited to out-of-town travel, (meals, lodging, parking, etc.) telephone calls, general office services, as necessary and reasonably required by ESBA in connection with this engagement.

5) Debtors at its premises shall provide ESBA with the use of office facilities, telephone facilities and general office services, as necessary, and reasonably required by ESBA in connection with this engagement.

6) ESBA is being retained by Fansteel and shall report to Mr. Gary Tessitore, the designated Officer of the Debtors or his designee.

7) Debtors agree to make available to ESBA all of the Company's financial and operational information and data as requested by ESBA and agrees to permit discussions with Debtors' personnel that ESBA might reasonably require in connection with this engagement.

8) ESBA is authorized to share any information or data it collects and to discuss the affairs of the Debtors, as deemed necessary by ESBA and after consultation with the Debtors as applicable, with the authorized representatives of the Debtors, as applicable, and its counsel, auditors, lenders and other parties-in-interest.

9) Should services outside the scope of this engagement be requested (e.g., M&A advisory), their extent and the additional compensation to be paid to ESBA for such services shall be mutually agreed to before ESBA begins to perform such services, a separate engagement letter will be entered into and an application to the Court will be duly filed.

10) ESBA is not an independent accounting firm or law firm and does not undertake the performance of an audit or the rendering of legal advice in this engagement. ESBA will rely upon financial data and legal advice provided by the Debtors and the Debtors' independent auditors and counsel, as applicable.

11) The Debtors shall indemnify and hold harmless ESBA, its affiliates and their respective shareholders, directors, officers, employees and agents from and against any and all claims, liability, loss, cost, damage or expense (including reasonable attorneys' fees) asserted against, or incurred by ESBA, or its affiliates or any such shareholder, director, officer, employee or agent by reason of, or arising out of this agreement or performance under this agreement, whether such claim, liability, loss, cost, damage or expense is asserted by client or any other person or entity unless caused by the willful misconduct or gross negligence of ESBA.

12) Except for the services to be provided by ESBA pursuant to this Agreement, during the term of this engagement and for a period of two (2) years thereafter, Company or Debtors shall not utilize, whether as employee or independent consultant, and whether directly or indirectly, the services of any person who is, was or had been employed by ESBA during the term of this engagement.

13) Either ESBA or the Debtors can terminate this Agreement upon one month's written notice. In addition, should the Debtors convert its Chapter 11 case to Chapter 7, ESBA's services will automatically terminate. Paragraph 11 above shall survive any termination. Payment of all outstanding amounts due ESBA is to accompany termination by Company or Debtors, as applicable.

14) If ESBA is requested or required to appear and/or testify before any tribunal, whether or not pursuant to lawful process, all time spent and out of pocket expenditures by ESBA, including for legal counsel, shall be considered to have been performed under the terms of this Engagement Agreement, and ESBA shall be entitled to receive payment of fees and reimbursement of expenses therefor.

Mr. Gary L. Tessitore
July 8, 2002

The signing of this engagement letter and application to the Court for ESBA's retention, including provision for the retainer, are necessary and required for this engagement to commence. If the foregoing is in accordance with our understanding, please sign the attached copy of the engagement letter and forward it to us. The retainer may be wire transferred to ESBA's account at PNC Bank, Philadelphia, PA 19102, ABA#031000053, account number 8605830556.

Sincerest regards,

EXECUTIVE SOUNDING BOARD ASSOCIATES INC.

William H. Henrich

William H. Henrich
Managing Director

AGREED TO AND ACCEPTED:

Fansteel Inc.
(and its affiliated companies)

By: _____

Title: CEO

Date: July 25, 2002

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

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

ORDER AMENDING ORDER UNDER BANKRUPTCY CODE SECTIONS 327(a) AND 328, FED. R. BANKR. P. 2014, AND DEL.BANKR.LR 2014-1 AUTHORIZING EMPLOYMENT AND RETENTION OF EXECUTIVE SOUNDING BOARD ASSOCIATES INC. AS DEBTORS' RESTRUCTURING CONSULTANTS AND FINANCIAL ADVISOR

Upon consideration of the application filed by the debtors and debtors-in-possession in the above-captioned chapter 11 cases (the "Debtors") for entry of an order amending Order Under Bankruptcy Code Sections 327(a) And 328(a), Fed. R. Bankr. P. 2014 and Del.Bankr.LR 2014-1 Authorizing Employment and Retention Of Executive Sounding Board Associates Inc. As Debtors' Restructuring Consultants And Financial Advisor dated August 19, 2002 (the "Original Retention Order") so that Executive Sounding Board Associates Inc. ("ESBA") may provide the Debtors with an independent valuation of the Debtors' seven operating business units and assist the Debtors in the preparation of a liquidation analysis, for use in connection with the Debtors' efforts to formulate, prepare and confirm a plan of reorganization (the "Application") pursuant to the terms of the engagement letter between ESBA and the

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

Debtors, dated November 4, 2002 ("Supplemental Engagement Letter"); and the Court being satisfied based on the representations made in the Application and in the Original Retention Order that ESBA has no interest adverse to the Debtors' estates with respect to the matters upon which it is to be engaged, that ESBA is a disinterested person as that term is defined under section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and that ESBA's employment is necessary and would be in the best interests of the Debtors' estates; and proper notice of this Application having been given to those parties required to receive notice pursuant to Delaware Local Rule 2002-1(b); and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Application is granted; and it is further

ORDERED that, in accordance with sections 327(a) and 328(a) of the Bankruptcy Code, Fed. R. Bankr. P. 2014 and Del.Bankr.LR 2014-1, the Debtors are authorized to employ and retain ESBA as restructuring consultants and financial advisor on the terms set forth in the Application and this order; and to the extent consistent with the Application and this order, the Supplemental Engagement Letter; and it is further

ORDERED that, ESBA shall be compensated in accordance with the terms of the Supplemental Engagement Letter, subject to the procedures set forth in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules, and any other applicable orders of this Court; and it is further

ORDERED that, the indemnification provisions set forth in this Court's Original Retention Order shall also apply to this Application; and it is further

ORDERED that, ESBA shall file interim and final fee applications for allowance of its compensation and expenses with respect to its services with the Court in accordance with applicable provisions of the Bankruptcy Code, Bankruptcy Rules, Local Rules and orders of the Court; provided, however, that ESBA may submit time records in a summary format which shall set forth a description of the services rendered by each restructuring professional and the amount of time spent on each date by each such individual in rendering services on behalf of the Debtors. The Debtors are authorized to pay ESBA's fees and to reimburse ESBA for its costs and expenses as provided in the Supplemental Engagement Letter, upon approval by the Court of interim and final applications. All fees and reimbursements paid or payable to ESBA in accordance with the Supplemental Engagement Letter and this order shall be subject to this Court's approval.

Notwithstanding anything to the contrary herein or in the Supplemental Engagement Letter, all of ESBA's fees and expenses in these cases shall be subject to approval of the Court under the standard set forth in section 328(a) of the Bankruptcy Code upon proper application by ESBA in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules of this Court and any other applicable orders of this Court.

During the pendency of the Debtors' bankruptcy cases, this Court shall retain exclusive jurisdiction to construe and enforce the terms of the Application, the Supplemental Engagement Letter and this order.

Dated: December ____, 2002

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