

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)
Debtors.)
) Objections due by: January 8, 2003 at 4:00 p.m. Eastern
Hearing Date: TBD (only if necessary)

40-7580

**NOTICE OF MOTION TO AMEND THE ORDER AUTHORIZING DEBTORS
TO EMPLOY AND COMPENSATE CERTAIN PROFESSIONALS
UTILIZED IN THE ORDINARY COURSE OF DEBTORS' BUSINESS**

TO: Parties required to receive notice pursuant to Del. Bankr. L.R. 2002-1.

On December 23, 2002, the debtors and debtors-in-possession (the "Debtors") in the above-captioned cases filed the *Motion To Amend Order Authorizing The Debtors To Employ And Compensate Certain Professionals Utilized In The Ordinary Course Of The Debtors' Businesses* (the "Motion"). Pursuant to the Motion, the Debtors seek entry of an order authorizing an increase of the Total Expenditure Cap² on payments to Ordinary Course Professionals in the Chapter 11 Cases.

Any response or objection to the Motion must be filed with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 on or before January 8, 2003 at 4:00 p.m. Eastern Time. At the same time, you must also serve a copy of the response or objection upon co-counsel for the Debtors: (i) Pachulski, Stang, Ziehl,

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 Terms used but not defined herein shall have the meanings ascribed to them in the Motion.

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Young & Jones P.C., Attn: Laura Davis Jones, Esquire, 919 North Market Street, Suite 1600, P.O. Box 8705, Wilmington, Delaware 19899-8705 (courier 19801) and (ii) Schulte Roth & Zabel LLP, Attn: Jeffrey S. Sabin, Esquire, 919 Third Avenue, New York, New York 10022; and (iii) the Office of the United States Trustee, Attn: David Buchbinder, Esquire, 844 King Street, Suite 2313, Lockbox 35, Wilmington, Delaware 19801.

IF OBJECTIONS OR RESPONSES ARE TIMELY FILED AND SERVED IN ACCORDANCE WITH THIS NOTICE, A HEARING ON THE MOTION WILL BE HELD ON A DATE TO BE DETERMINED BEFORE THE HONORABLE JOSEPH J. FARNAN, JR., IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, 844 KING STREET, WILMINGTON, DELAWARE.

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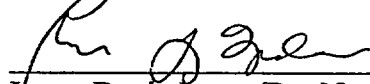
IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE
COURT MAY GRANT THE RELIEF REQUESTED BY THE MOTION WITHOUT
FURTHER NOTICE OR HEARING.

Dated: December 23, 2002

SHULTE ROTH & ZABEL LLP
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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)
Debtors.)
Objection Deadline: January 8, 2003 at 4:00 p.m. Eastern
Hearing Date: TBD (Only if objections are timely filed)

**MOTION TO AMEND ORDER AUTHORIZING THE DEBTORS TO EMPLOY
AND COMPENSATE CERTAIN PROFESSIONALS UTILIZED IN THE
ORDINARY COURSE OF THE DEBTORS' BUSINESS**

The above-captioned debtors and debtors-in-possession (collectively, the “Debtors”) hereby move the Court (the “Motion”) for entry of an order, under sections 105 and 363(c) of chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”), amending the *Order Authorizing The Debtors To Employ And Compensate Certain Professionals Utilized In Ordinary Course Of Debtors' Business* (Dist. Ct. D.I. 72) dated January 20, 2002 (the “Original Order”).² In support of the Motion, the Debtors respectfully state as follows:

Jurisdiction

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).
2. Venue of these cases and this Motion is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

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 Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Original Order.

3. The statutory predicates for this Motion are sections 105 and 363(c) of the Bankruptcy Code and Fed. R. Bankr. P. 2002 and 6004 (the “Bankruptcy Rules”).

Background

4. On January 15, 2002 (the “Petition Date”), the Debtors commenced these cases (the “Chapter 11 Cases”) by each filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code. On the Petition Date, the Debtors also jointly filed certain “first day” motions, including a motion seeking to have these cases jointly administered.

5. The Debtors have continued in possession of their properties and have continued to operate and manage their businesses as debtors-in-possession since the Petition Date pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

6. On January 28, 2002, the United States Trustee for the District of Delaware appointed the Official Committee of Unsecured Creditors in these Chapter 11 Cases.

7. On the Petition Date, the Debtors filed a motion seeking entry of the Original Order and authorization to retain certain professionals previously employed by the Debtors in the ordinary course of business (collectively, the “Ordinary Course Professionals”). The Ordinary Course Professionals provide services to the Debtors on a variety of discrete matters including, but not limited to, environmental, real property, labor, general corporate, intellectual property, contractual, and litigation matters. The Ordinary Course Professionals continue to be important to the Debtors’ reorganization efforts by allowing the Debtors to continue to operate their businesses in accordance with sound business practice and applicable non-bankruptcy law.

8. On January 20, 2002, this Court entered the Original Order, authorizing the Debtors to pay up to \$15,000 per month to each Ordinary Course Professional (the “Monthly Cap”) and up to \$200,000 in the aggregate for all Ordinary Course Professionals employed by the Debtors for the duration of the Chapter 11 Cases (the “Total Expenditure Cap”). The Ordinary Course Professionals employed or expected to be employed by the Debtors (at the time of the Petition Date) were identified on an exhibit to the original motion.

Relief Requested

9. By this Motion, the Debtors request that the Court increase the Total Expenditure Cap by \$600,000 (i.e. from \$200,000 to \$800,000) during the pendency of these Chapter 11 Cases, without prejudice to the Debtors to request additional increases if necessary.

Basis for Relief

10. During the eleven months since the Petition Date, the Debtors have employed Ordinary Course Professionals as authorized under the Original Order. The facts of these cases have required the Debtors to employ numerous environmental specialists and other experts. In an abundance of caution, the Debtors have qualified these specialists as ordinary course professionals and compensation paid to them has been included in the Total Expenditure Cap. In addition, the annual compensation paid to an ordinary course professional engaged as an actuary for certain employee benefits plans increased (on a one-time basis) as a result of revisions that were required to be made to certain employee benefits plans, in part due to changes in the applicable law.

11. The Debtors believe that, given the number of Ordinary Course Professionals, the proposed increase in the Total Expenditure Cap is reasonable and necessary to the Debtors' successful reorganization efforts. Increasing the Total Expenditure Cap will obviate the need for the Debtors to file motions on an individual basis seeking authority to compensate Ordinary Course Professionals for amounts in excess of the current limit. Accordingly, approval of this Motion will preserve those assets of the Debtors' estates that otherwise would be expended in seeking duplicative relief from the Court.

12. Further, if the requested relief is not granted, the Debtors' businesses likely will suffer because the Ordinary Course Professionals undoubtedly will (a) refuse to be retained if the Debtors are unable to pay the Ordinary Course Professionals on a current basis for their services, or (b) if subsequently required to submit individual retention applications and apply for approval of their employment and compensation, refuse to work until they are officially retained by order of the Court. In either case, the cost to the Debtors' estates would increase substantially.

13. The Debtors believe that the procedures for retention of Ordinary Course Professionals under the Original Order have been beneficial to the Debtors' estates and have been implemented without controversy. In the past eleven months, the Debtors have retained numerous ordinary course professionals, with only a few, limited objections. Accordingly, for all the reasons stated above, the Debtors believe that the Court and all parties-in-interest should be confident that the Debtors will use their expanded authority, if granted, with the same degree of discretion and reasonableness they have exercised to date.

14. Further, an increase of the Total Expenditure Cap will not eliminate the oversight function of this Court and other parties-in-interest. For example, the Debtors still will be required to file quarterly statements disclosing the compensation amount paid to each Ordinary Course Professional. Accordingly, increasing the Total Expenditure Cap by \$600,000 is in the best interests of the Debtors, their estates, their creditors and other parties-in-interest.

15. The Debtors further request that, except as otherwise expressly provided in the order granting this Motion, the terms of the Original Order shall remain in full force and effect.

16. The Debtors reserve the right to request authority to further increase the Total Expenditure Cap in the future if necessary.

Notice

17. Notice of this Motion has been provided to all persons required to receive notice pursuant to United States Bankruptcy Court for the District of Delaware Local Rule of Bankruptcy Practice and Procedure 2002-1(b). The Debtors submit that, in light of the nature of the relief requested, no other or further notice need to be given.

WHEREFORE, the Debtors respectfully request that the Court enter an order, substantially in the form attached hereto, (i) authorizing an increase of the Total Expenditure Cap by \$600,000 to a total of \$800,000, during the pendency of these Chapter 11 Cases, and (ii) granting the Debtors such other and further relief as this Court deems just and proper.

Dated: December 23, 2002

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

**ORDER AUTHORIZING THE DEBTORS' MOTION TO AMEND ORDER
AUTHORIZING THE DEBTORS TO EMPLOY AND COMPENSATE
CERTAIN PROFESSIONALS UTILIZED IN THE ORDINARY
COURSE OF THE DEBTORS' BUSINESS**

Upon the motion (the "Motion")² of the debtors and debtors-in-possession in the above-captioned Chapter 11 Cases (collectively, the "Debtors"), for an order under sections 105 and 363(c) of the Bankruptcy Code amending that certain *Order Authorizing Debtors To Employ And Compensate Certain Professionals Utilized In The Ordinary Course Of Debtors' Business*, dated January 20, 2002 (the "Original Order"); and upon consideration of the Motion; and due and proper notice of the Motion having been given; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates and creditors; it is hereby

ORDERED that the Motion is granted; and it is further

ORDERED that the Debtors are authorized, but not required, to pay Ordinary Course Professionals up to an additional \$600,000, to a total of \$800,000, during the pendency of these Chapter 11 Cases; and it is further

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

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

ORDERED that, except as otherwise expressly provided herein, the terms of the Original Order shall remain in full force and effect; and it is further

ORDERED that entry of this Order is without prejudice to the Debtors' right to seek authority to further increase the Total Expenditure Cap, if necessary; and it is further

ORDERED that this Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

Dated: _____, 2002

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