

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: February 3, 2003 at 12:00 p.m.
(noon) E.T.
(Hearing only if objections are filed)

NOTICE OF APPLICATION FOR ORDER UNDER 11 U.S.C. § 327(A) AND FED. R. BANKR. P. 2014 AUTHORIZING EMPLOYMENT AND RETENTION OF STANDARD INDUSTRIAL MACHINERY CO., INC. AS LIQUIDATOR

To all parties entitled to notice pursuant to Local Bankruptcy Rule 2002-1(b):

On January 13, 2003, the above-captioned debtors and debtors in possession in the above-captioned chapter 11 cases (the "Debtors"), filed the attached Application For Order Under 11 U.S.C. § 327(A) And Fed. R. Bankr. P. 2014 Authorizing Employment And Retention Of Standard Industrial Machinery Co., Inc. As Liquidator (the "Application").

Objections or responses, if any, to the Application, must be filed with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801, on or before February 3, 2003 at 12:00 p.m. (noon) 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, Young & Jones P.C., 919 North Market Street, Suite 1600, P.O. Box 8705, Wilmington, Delaware 19899-8705 (courier 19801) (Attn: Laura Davis Jones, Esq.); (ii) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022 (Attn: Jeffrey S.

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, and American Sintered Technologies, Inc

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Sabin, Esq.); the Office of the United States Trustee (Attn: David Buchbinder, Esq.), 844 King Street, Suite 2313, Lockbox 35, Wilmington, Delaware 19801, and Standard Industrial Machinery Co., Inc. (Attn: Robert O'Neal), P.O. Box 3301, Oxford, AL 36203.

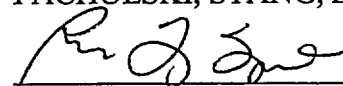
IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED BY THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: January 13, 2003

SCHULTE ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS-7600)
Lawrence V. Gelber (LVG-9384)
Michael R. Mitchell (MRM-9279)
919 Third Avenue
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and

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



Laura Davis Jones (Bar No. 2436)
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Co-Counsel for 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)
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Objection Deadline: February 3, 2003 at 12:00 p.m.
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**APPLICATION FOR ORDER UNDER 11 U.S.C. § 327(a) AND
FED. R. BANKR. P. 2014 AUTHORIZING EMPLOYMENT AND RETENTION
OF STANDARD INDUSTRIAL MACHINERY CO., INC. AS LIQUIDATOR**

Fansteel Inc. ("Fansteel") and Escast, Inc. ("Escast"), debtors and debtors-in-possession in the above-captioned cases, hereby submit this application (the "Application") for entry of an order under 11 U.S.C. § 327(a) and Fed. R. Bankr. P. 2014 authorizing the employment and retention of Standard Industrial Machinery Co., Inc. ("Standard") as Escast's liquidator for certain assets currently located at Escast's Sarasota, Florida facility. In support of this Application, Fansteel and Escast respectfully represent as follows:²

Background

1. On January 15, 2002 (the "Petition Date"), Fansteel and Escast filed with this Court voluntary petitions for relief under 11 U.S.C. §§ 101 et seq., as amended (the "Bankruptcy Code"). Fansteel and Escast continue to operate their businesses and manage their

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., and American Sintered Technologies, Inc.

² This application is filed by Fansteel and Escast because although the net sale proceeds belong to Escast, they will be applied to settle a post petition payable due Fansteel by Escast and deposited into a Fansteel account controlled by Congress Financial Corporation, the Debtors' post petition lender.

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 Fansteel and Escast chapter 11 cases (together, the "Cases"). A creditors' committee (the "Committee") was appointed in these Cases on January 28, 2002.

Debtors' Structure And Operations

2. Fansteel and the other eight Debtors (each a direct or indirect wholly-owned subsidiary of Fansteel) (collectively, the "Debtors") 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.

The Sarasota Operations

3. Escast historically operated an automatic equipment and tooling division in a 5,000 square foot production facility owned by Escast located at 2080 Limbus Avenue, Sarasota, Florida (the "Sarasota Facility"). In or about October 11, 2002 the Debtors ceased operations at the Sarasota Facility. Prior to its closure, the Sarasota Facility supplied investment casting foundries with automatic wax injection presses, pattern assembly machines, and custom pattern tooling to its customers.

Jurisdiction and Venue

4. 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 Fed. R. Bankr. P. 2014.

Relief Requested

5. By this Application, Fansteel and Escast seek entry of an order under 11 U.S.C. § 327(a) and Fed. R. Bankr. P. 2014 authorizing the employment of Standard as Escast's liquidator, on the terms, and subject to the conditions, set forth in the engagement letter attached hereto as Exhibit A (the "Engagement Letter").

Basis For Relief

6. By motion filed concurrently herewith, Fansteel and Escast are seeking this Court's authority to sell at auction certain machinery and equipment located at the Sarasota Facility (collectively the "M&E"), free and clear of all liens, claims, interests, rights of set off and other encumbrances. Fansteel and Escast have determined that the services of a liquidator are essential if Escast is to maximize the value of these assets for the benefit of its creditors.

7. Under section 327(a) of the Bankruptcy Code, a debtor may employ auctioneers, brokers and other professional persons to assist it in carrying out its duties under the Bankruptcy Code. Accordingly, Fansteel and Escast seek the entry of an order (a) authorizing the employment and retention of Standard to perform such liquidation and sale-related services as may be required by Fansteel and Escast, (b) authorizing Fansteel and Escast to compensate Standard for services rendered, and (c) reimbursing Standard for certain expenses incurred, all as set forth in the Engagement Letter.

8. Standard is an experienced liquidator of commercial equipment and machinery. Standard has provided similar services to numerous companies with operations

similar to those of Fansteel and Escast. Accordingly, Fansteel and Escast believe that their creditors and estates will benefit from Standard's significant experience in the sale of equipment and machinery.

Services to Be Provided

9. As more fully described in the Engagement Letter, if its retention is approved, Standard will provide the following services to Fansteel and Escast:
- a. identifying prospective buyers, preparing information packages, and marketing the designated M&E to potential buyers;
 - b. negotiating and closing the sales of the M&E to buyers; and
 - c. storing and selling any remaining M&E at Standard's facility located in Oxford, Alabama.³

10. The cost of Standard's services is 30% of the cash payment received by Escast for any M&E sold by Standard. Fansteel and Escast propose to pay Standard these fees directly from the proceeds of the sales of M&E, without further order of this Court.

Applicable Authority

11. 11 U.S.C. § 327(a) provides, in relevant part, that a debtor:

with the court's approval, may employ one or more attorneys, accountants, appraisers, auctioneers, or other professional persons, that do not hold or represent an interest adverse to the estate, and that are disinterested persons, to represent or assist the trustee in carrying out the trustee's duties under this title.

11 U.S.C. § 327 (a).

³ Any M&E that is not sold at the Sarasota Facility will be moved by Standard to its Oxford, Alabama facility, where it will be stored, for up to 6 months at no additional charge to the Debtors, until such time as that it is sold. All loading and freight charges in connection with the M&E transport to the Oxford facility will be borne by the Debtors. Escast will retain title to the M&E until such M&E is sold and any unsold M&E will be returned to Escast.

12. Based on the affidavit of Robert O'Neal, a principal of Standard, a copy of which is attached to this Application as Exhibit B, (the "O'Neal Affidavit") Fansteel and Escast believe that Standard does not hold any interest adverse to the estates of Fansteel and Escast and is disinterested, as that term is defined in section 101(14) of the Bankruptcy Code. Fansteel and Escast further believe that the compensation to be paid Standard is reasonable and appropriate for services of this nature, and is consistent with the compensation received by Standard in other instances, both in and out of chapter 11, in which it has been retained to perform similar services.

13. For the reasons described above and in the sale motion, Fansteel and Escast must employ a liquidator with proven competence. Fansteel and Escast believe that Standard meets this requirement and, accordingly, submit that approval of this Application would be in the best interests of Fansteel and Escast, their estates and their creditors.

Notice

14. Notice of this Application has been given to all parties entitled to notice under Local Bankruptcy Rule 2002-1(b). Fansteel and Escast submit that in light of the nature of the relief requested, no other or further notice need be given.

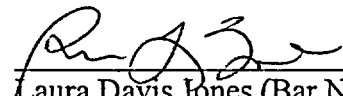
WHEREFORE, Fansteel and Escast request entry of an order, (i) authorizing and approving Standard's employment and retention as liquidator for Escast, on the terms and subject to the conditions set forth in the Engagement Letter, and (ii) granting Fansteel and Escast such other and further relief as is just and proper.

Dated: January 13, 2003

SCHULTE, ROTH & ZABEL LLP
Jeffrey S. Sabin (JSS-7600)
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and

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Telephone: (302) 652-4100
Facsimile: (302) 652-4400

Co-Counsel for the Debtors and
Debtors-in-Possession

Exhibit A

**STANDARD
INDUSTRIAL
MACHINERY CO., INC.**

P.O. BOX 3301 • OXFORD, ALABAMA 36203
PHONE (256) 831-1211 • FAX (256) 831-2207

January 7, 2003

Mike McEntee, CFO
Fansteel, Inc.
Number One Tantalum Place
North Chicago, IL 60064

RE: Sarasota Plant Machinery

Dear Mr. McEntee,

Our plan to liquidate the plant will be to attempt to sell the machinery on location if possible. We will prepare a printed brochure with all the machinery listed with prices and distribute it within a four(4) state area(FL,AL,GA,SC). In addition we will mail to our in house mailing list with a total of approximately 10,000 being mailed. We will also post it on our website and the UEN and Locator websites.

We can attempt to sell the machinery by our normal methods and would look toward having an on-site liquidation sale February 10 thru February 21. This is based on a go ahead from you by January 10. The machinery that does not sell during that period could be moved to our warehouse in Oxford, Alabama. Fansteel would be responsible for loading and freight to Oxford. Standard Industrial will unload and store at no charge for up to 6 months. Any expenses for repairing to prepare for selling of machinery will be deducted from sales price before commissions are applied. Standard Industrial will receive a 30% commission on net sales price of all sales. We would establish a minimum recommended price, but will attempt to get all the market will bear.

Another option would be to have an auction sale. However, auctions for this type of machinery have not done well lately.

Sincerely,



W. Robert O'Neal
President

WRO/po



**MACHINE TOOLS
TOOL ROOM AND PRODUCTION**



Exhibit B

**IN THE UNITED STATES BANKRUPTCY COURT
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In re:)	Chapter 11
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FANSTEEL INC., <u>et al.</u> , ¹)	Case No. 02-10109 (JJF)
)	(Jointly Administered)
)	
Debtors.)	

**AFFIDAVIT OF ROBERT O'NEAL IN SUPPORT OF DEBTORS' APPLICATION FOR
ORDER UNDER 11 U.S.C. § 327(A) AUTHORIZING EMPLOYMENT OF
STANDARD INDUSTRIAL MACHINERY CO., INC. AS LIQUIDATOR**

STATE OF ALABAMA)
)
COUNTY OF CALHOUN)

ROBERT O'NEAL being duly sworn, deposes and says:

1. I am a principal of Standard Industrial Machinery Co., Inc. ("Standard"), having its business address at P.O. Box 3301, Oxford, Alabama 36203, and am authorized to make this affidavit (the "Affidavit") on behalf of Standard. I submit this Affidavit in support of the application ("Application") of the above-captioned debtors ("Debtors") for an order authorizing the retention of Standard as the Debtors' liquidator pursuant to the terms and conditions set forth in the agreement attached to the Application as Exhibit A (the "Engagement Letter").

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. Standard is an experienced liquidator for commercial equipment and machinery ("M&E"). As such, Standard is well qualified to conduct the liquidation and sale of certain equipment at Fansteel Intercast, 2080 Limbus Avenue, Sarasota, Florida from January 27, 2003 through February 14, 2003, as requested by the Debtors (the "Engagement").

3. The compensation arrangement set forth in the Engagement Letter is consistent with and typical of arrangements entered into by Standard and other firms that render similar liquidation services for clients such as the Debtors.

4. As set forth in the Engagement Letter, Standard's compensation shall be paid from the proceeds of the M&E sales.

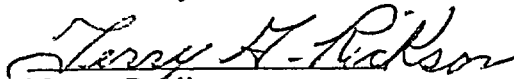
5. To the best of my knowledge, information and belief, formed after due inquiry, neither Standard, nor any principal of Standard, (a) has any connection with the Debtors and does not currently represent any of their creditors, other parties-in-interest, the United States Trustee or any person employed by the Office of the United States Trustee with respect to the Engagement or (b) by reason of any direct or indirect relationship to, connection with or interest in the Debtors, holds or represents any interest adverse to the Debtors, their estates or any class of creditors or equity interest holders of the estates.

6. Further, I believe that neither Standard, nor any principal of Standard, holds or represents any interest materially adverse to the Debtors, their respective estates, creditors or equity interest holders with respect to the matter for which Standard is to be retained or is an "affiliate" or an "insider" of the Debtors, as defined under section 101 of the Bankruptcy Code.

7. There is no agreement or understanding between Standard and any other person or entity for sharing compensation received or to be received for services rendered by Standard in connection with these chapter 11 cases.


Robert O'Neal

Sworn to and subscribed before me
this 20th day of December, 2002


Notary Public

My Commission Expires 2-10-2003

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Debtor.

**ORDER UNDER 11 U.S.C. § 327(a) AND FED. R. BANKR. P. 2014 AUTHORIZING
EMPLOYMENT AND RETENTION OF
STANDARD INDUSTRIAL MACHINERY CO., INC. AS LIQUIDATOR**

Upon the application (the "Application")² of Fansteel Inc. ("Fansteel") and Escast, Inc. ("Escast") debtors and debtors in possession in the above-captioned cases, for entry of an order pursuant to 11 U.S.C. § 327(a) and Fed. R. Bankr. 2014 authorizing and approving the employment of Standard Industrial Machinery Co., Inc. ("Standard"), as Escast's liquidator, on the terms and conditions set forth in the Engagement Letter between Fansteel, Escast and Standard; and the Court having determined that the relief requested in the Application is in the best interests of Fansteel and Escast, their estates, their creditors and other parties-in-interest; and it appearing from the Application and the O'Neal Affidavit that Standard holds no interest adverse to the estates and is "Disinterested" within the meaning of section 101(14) of the Bankruptcy Code; and it appearing further that notice of the Application as set forth in the Application was good and sufficient under the particular circumstances; and no other or further notice need be given; and upon the record herein; and after due deliberation thereon; and good cause appearing therefore; it is hereby

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., and American Sintered Technologies, Inc.

² Capitalized terms not defined herein shall be given the meanings ascribed to them in the Application.

ORDERED that Fansteel and Escast are authorized to employ and retain Standard on the terms, and subject to the conditions set forth in the Engagement Letter; and it is further

ORDERED that Standard shall be authorized to perform such other tasks as Fansteel and Escast may request in accordance with the Application and the Engagement Letter; and it is further

ORDERED that any fees and expenses due Standard shall be paid to Standard in accordance with the Engagement Letter without further order of this Court.

Dated: February __, 2003

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