

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 13, 2003 at 4:00 p.m. E.T.
Hearing Date: TBD (Only if objections are timely filed)

**NOTICE OF SUPPLEMENTAL APPLICATION FOR ORDER UNDER BANKRUPTCY
CODE SECTIONS 327(a) AND 328, FED. R. BANKR. P. 2014, AND DEL.BANKR.LR
2014-1 AUTHORIZING THE CONTINUED 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
DEL. BANKR. LR 2002-1.

The captioned debtors and debtors in possession (collectively, the "Debtors") hereby submit this supplemental application for entry of an order pursuant to 11 U.S.C. §§ 327(a) and 328(a), Fed. R. Bankr. P. 2014 and Del.Bankr.LR 2014-1 of the United States Bankruptcy Court for the District of Delaware authorizing the continued employment and retention of Executive Sounding Board Associates Inc. ("ESBA") as the Debtors' restructuring consultants and financial advisor (the "Supplemental Application").

Objections or responses, if any, to the Supplemental 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 13, 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, Young & Jones P.C., 919 North Market Street, Suite 1600,

¹The 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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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. Sabin, Esq.); (iii) the Office of the United States Trustee, 844 King Street, Suite 2313, Lockbox 35, Wilmington, Delaware 19801 (Attn: David Buchbinder, Esq.), (iv) Executive Sounding Board Associates, Inc., 2 Penn Center Plaza, 1500 John F. Kennedy Blvd., Suite 1730, Philadelphia, PA 19102 (Attn: Michael DuFrayne), and (v) Executive Sounding Board Associates, Inc. 1350 Broadway, Suite 702, New York, NY 10018 (Attn: William Henrich).

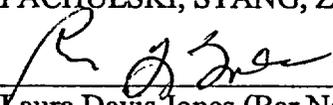
IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED BY THE APPLICATION WITHOUT FURTHER NOTICE OR HEARING.

Dated: January 24, 2003

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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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Debtor.)

Objection Deadline: February 13, 2003 at 4:00 p.m. E.T.
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**SUPPLEMENTAL APPLICATION FOR ORDER UNDER BANKRUPTCY CODE
SECTIONS 327(a) AND 328, FED.R. BANKR.P. 2014, AND DEL.BANKR.LR. 2014-1
AUTHORIZING THE CONTINUED EMPLOYMENT AND RETENTION OF
EXECUTIVE SOUNDING BOARD ASSOCIATES INC. AS
DEBTORS' RESTRUCTURING CONSULTANTS AND FINANCIAL ADVISOR**

The captioned debtors and debtors in possession (collectively, the "Debtors") hereby submit this application for entry of an order pursuant to 11 U.S.C. §§ 327(a) and 328(a), Fed.R.Bankr.P. 2014 and Del.Bankr.LR. 2014-1 of the United States Bankruptcy Court for the District of Delaware authorizing the continued employment and retention of Executive Sounding Board Associates Inc. ("ESBA") as the Debtors' restructuring consultants and financial advisor (the "Supplemental Application"). By order entered August 19, 2002, ESBA was initially authorized to act as the Debtors' restructuring and financial advisor in these cases ("Initial Order") [Docket No. 411]. ESBA's initial scope of work was broadened by subsequent order, entered January 6, 2003 ("Amended Order") [Docket No. 668]. Under the Initial Order, (1)

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.

ESBA's retention was to terminate six months after it commenced (i.e. on January 25, 2003), and (2) ESBA was to be paid a flat rate of \$65,000 per month. The initial retention term ("Initial Retention") could have been extended "on the same terms" (see Engagement Letter, dated July 8, 2002, p. 2, paragraph 2)² had notice been given thirty days in advance of January 25, 2003. The terms of the Initial Engagement Letter provided that the Official Committee of Unsecured Creditors ("Committee") must have consented to such notice and continued employment. The Committee refused to give consent to the continuation of ESBA's employment using ESBA's original retainer arrangement and instead requested that ESBA continue working, but bill on an hourly basis. Since such an extension was not authorized by the terms of the initial engagement, this Supplemental Application, by necessity, follows.

By this Supplemental Application, Debtors seek to continue to employ ESBA for the pendency of these bankruptcy cases on an hourly basis, effective January 26, 2003. This payment arrangement will replace the arrangements approved by the Initial Order and the Amended Order. Debtors believe that the monthly compensation to be paid to ESBA during the future of these cases will fluctuate, as does the monthly compensation of other professionals, but that, averaged over the life of the case, the cost to Debtors – if ESBA bills at an hourly rate – likely will be less than if ESBA were to continue at its current compensation level, particularly

² Unless otherwise defined, capitalized terms used herein shall have the meanings ascribed to them in the Engagement Letter filed contemporaneously herewith (the "Supplemental Engagement Letter"). The Engagement Letter filed with the initial application [Docket No. 360] shall herein after be referred to as the Initial Engagement Letter. The Engagement Letter filed with the motion to expand ESBA's scope of work [Docket No. 600] shall herein after be referred to as the Amended Engagement Letter. The work described in the Amended Engagement Letter has been completed.

because ESBA already has spent significant time familiarizing itself with the businesses of the Debtors. ESBA has consented to this change in method of compensation.

In making this Supplemental Application, Debtors rely on the Affidavit of William H. Henrich pursuant to Bankruptcy Code § 327(a) and 328 Fed.R.Bankr. 2015 and Del. Bankr.LR. 2014-1, submitted contemporaneously with Initial Application, ("Henrich Affidavit") [Docket No. 360], and the Supplemental Affidavit of William H. Henrich ("Supplemental Affidavit") [Docket No. 403]. The Henrich Affidavit and the Supplemental Affidavit are incorporated herein by reference and attached hereto as Exhibits A and B, respectively.

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 chapter 11 of 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 Committee was appointed in these Cases on January 28, 2002.

3. A full bankground of these cases is set forth in the Affidavit of Gary L. Tessitore, President and Chief Executive Officer of Fansteel Inc., in support of the First Day Motions [District Court Docket No. 3].

Relief Requested

4. By this Supplemental 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 authorizing the Debtors to continue to employ ESBA for the purpose of providing restructuring and financial advisory services to the Debtors for the pendency of these Cases, all in accordance with the terms of the Supplemental Engagement Letter attached hereto as Exhibit C.

Basis For Relief

5. As set forth in the Application for 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 Advisors ("Initial Application") [Docket No. 360], the Debtors' hiring of a turnaround consultant to be mutually agreed upon by Debtors and Committee, was a condition of Debtors' entering into the DIP facility. Accordingly, ESBA was the turnaround consultant chosen by the Debtors and the Committee.

6. Since its retention, ESBA has performed each of its duties in a timely and satisfactory manner. For example, in order to complete the Debtors' initial business plan within four months of its hire, ESBA visited many of Debtors' facilities and researched each of

Debtors' competitive environments and many of the end-user industries, and participated in quantitative and qualitative planning sessions with Debtors' management. Among other things, ESBA assisted Debtors in preparation of a liquidation analysis, valuation of its business units, assisted management in the preparation and evaluation of the key employee retention plan, proposed the initial business plan and participated in the presentation of the business plan to the Official Committee of Unsecured Creditors. As a result of this intense and thorough work, ESBA now is a valuable asset to the Debtors.

Services to Be Rendered

7. The proposed scope of ESBA's continued employment is set forth in the Supplemental Engagement Letter. Such employment, includes, but will not be limited to, the following tasks:

- a. Continue to (i) assist the Debtors' management with the Chapter 11 bankruptcy process, (ii) minimize costs associated with that process, (iii) assist the Debtors' in their development and negotiation of a plan of reorganization, and (iv) facilitate the Debtors' communication with parties-in-interest;
- b. Continue to provide guidance as to compliance with all requirements of the Court, as requested.
- c. Continue to review overhead costs and expenses of the Debtors and propose actions necessary to reduce costs where possible in connection with the business plan;
- d. Assist with the preparation of projections, including feasibility analyses and schedules, if required, in connection with the business plan and plan of reorganization;
- 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, continue to consult with all other retained parties, the DIP lender, Committee, and other

parties-in-interest in connection with the bankruptcies, the business plan, and the plan of reorganization;

- g. Continue to assess of Debtors' operations and cash flow, with particular emphasis on feasibility;
- h. Continue to monitor the Debtors' end-user markets for potential effect on the business plans;
- i. Continue to monitor the Debtors' implementation of each operation's business plan;
- j. Continue to analyze and assess changes in assumptions and revisions to the Debtors' business plans including the Debtor's projections;
- k. Monitor the orderly liquidation of terminated operations, if any;
- l. Assist the Debtors' with their exit financing needs;
- m. Continue to assist the Debtors' with their liquidation analysis;
- n. Continue to meet with the Debtor's executive, financial and operations management regarding various aspects of business operations, reorganization issues, cash management and financial and operational performance;
- o. Participate in Court hearings, if needed.

This description of work is not meant to be exclusive. The Debtors may, from time to time, request ESBA to perform other work as appropriate to a restructuring advisor and within ESBA's expertise to perform. Should ESBA agree to perform such work, the Debtors propose that ESBA be permitted to do so without further Court order.

8. As set forth above, ESBA's prior work in these cases makes it abundantly qualified to perform these services. ESBA has indicated (1) a willingness to continue its work and to work on the retention terms requested by the Debtors and (2) a willingness to continue to subject itself to the jurisdiction of the Court. The Debtors have been advised that ESBA will

continue to coordinate with the other retained professionals in these Cases to eliminate unnecessary duplication or overlap of work.

9. Listed below are the ESBA personnel who are expected to continue to work on this engagement. Also listed is their current standard hourly rate:

<u>NAME</u>	<u>POSITION</u>	<u>HOURLY RATE</u>
William H. Henrich	Managing Director	\$365
Michael DuFrayne	Managing Director	\$325
James Fox	Director	\$345
Bert Weil	Senior Associate	\$325
Tracy Yun	Financial Analyst	\$285
Rulonna Neilson	Financial Analyst	\$285
Louise Jane Bell	Financial Analyst	\$285

The hourly rates set forth for the above are subject to periodic adjustments to reflect economic and other conditions. ESBA may include other personnel from time to time in connection with the matters herein described.

Disinterestedness of Professional

10. To the best of the Debtors' knowledge, as set for in the Henrich Affidavit and the Supplemental Affidavit, and as delineated below, 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.

11. The Debtors have numerous shareholders, creditors and other parties with whom they maintain business relationships. The Debtors have been informed that upon its Initial Retention, ESBA conducted a conflicts check and make 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 bear on 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 ESBA has 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 disclosed in the Henrich Affidavit or the Supplemental Affidavit.

12. The Debtors submit that the appointment of ESBA on the terms and conditions set forth herein and the Supplemental Engagement Letter is in the best interests of the Debtors, their creditors and all parties-in-interest. ESBA's continued value to the Debtors and creditors is indisputable. Specifically, the Debtors believe it is more likely than not that ESBA's monthly compensation (billed on an hourly basis) – averaged over the remaining course of these bankruptcies – will be less than the amount of the monthly flat fee previously authorized.

Professional Compensation

13. As more fully described in the Supplemental Engagement Letter, the Debtors have been advised that ESBA, after (not including) January 25, 2003, will bill Debtors for services rendered in these cases according to its customary hourly rates. Debtors have also

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

14. To Debtors' knowledge, information and belief, these rates set forth herein and in the Supplemental Engagement Letter are 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. 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 arrangements in the Supplemental Engagement Letter are reasonable under the standards set forth in 11 U.S.C. § 328(a).

15. To Debtors' knowledge, information and belief, as set forth in the Henrich Affidavit and the Supplemental 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.

Term of Engagement

16. The Debtors may terminate their engagement upon one month's written notice to ESBA. Should the Debtors convert their chapter 11 case to chapter 7, ESBA's services will automatically terminate.

Fee Applications

17. Debtors have been informed that, as set forth in the Supplemental Engagement Letter, 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 applicable provisions of the Local Rules of Bankruptcy Practice and Procedure for the United States Bankruptcy Court, District of Delaware, and procedures already established in these bankruptcy cases. Such applications will include time records setting forth, in a summary format, 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.

18. Debtors' have been informed that ESBA's restructuring professionals will keep time records, including a detailed description of the activities performed by them, the identity of persons who performed such tasks, and the amount of time expended on each activity on a daily basis. ESBA also will maintain detailed records of any actual and necessary costs and expenses incurred in connection with the aforementioned services.

Notice

19. Notice of this Motion has been given pursuant to Del.LR. Bankr. 2002-1(b).

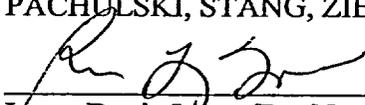
WHEREFORE, the Debtors respectfully request that this Court enter an order, substantially in the form annexed hereto, authorizing the continued employment and retention of ESBA as the Debtors' restructuring consultants and financial advisor pursuant to the terms of the Third Engagement Letter, and as of January 26, 2003 to compensate ESBA on an hourly basis.

Dated: January 24, 2003

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Counsel for Fansteel, Inc., et al.,

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

AFFIDAVIT OF WILLIAM H HENRICH PURSUANT TO
BANKRUPTCY CODE SECTIONS 327(a) AND 328 FED. R. BANKR. 2015 AND
DEL. BANKR. L. R. 2014-1

STATE OF NEW YORK :
 :
COUNTY OF NEW YORK :

WILLIAM H. HENRICH, being duly sworn, deposes and says as follows:

1. I am a Managing Director in the firm of Executive Sounding Board Associates Inc. ("ESBA") with offices located at 1350 Broadway, Suite 702, New York, New York 10018 and I am authorized to execute this affidavit on behalf of ESBA.

2. I submit this Affidavit in support of the above captioned debtors' and debtors-in-possession (collectively, the "Debtors") application for an order approving the retention and employment of ESBA as restructuring consultants and financial advisor to the Debtors in the above-captioned cases, in compliance with the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

3. ESBA is a firm of management and financial consultants operating throughout the United States since 1977. ESBA 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

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.

USA, North American Telecom, FastComm Corporation, Telephone Warehouse, Inc., Worldwide Direct, Inc., Pegasus Gold Corporation, Inc., and Brownstone Studio, Inc.

4. To the best of my knowledge, neither ESBA, nor any of its professional personnel have any relationship with the Debtors that would impair ESBA's ability to provide such management and financial services.

5. To the best of my knowledge, ESBA has not had any prior business association with the Debtors, any creditors of the Debtors or any other parties-in-interest in these Chapter 11 cases, or the respective attorneys, accountants and advisors identified at the present time, except as follows:

- a) ESBA may have previously provided management and financial consulting services to other borrowers of the Debtors' secured lender on unrelated matters, including Congress Financial Corporation and The CIT Group/Equipment Financing.
- b) ESBA may have worked, continues to work and/or has mutual clients with certain law firms who represent the Debtors and its creditors or are creditors themselves, including Schulte Roth & Zabel, Pachulski Stang Ziehl Young & Jones, Reed Smith, Klehr Harrison Harvey Branzburg & Ellers, Klett Rooney Lieber & Schorling, Piper Marbury Rudnick & Wolfe and Pepper Hamilton.
- c) ESBA may have previously provided or continues to provide management and financial consulting services to companies, unrelated to the Debtors, who may have secured or unsecured creditors who are also unsecured creditors of the Debtors, including Foothill Capital Corporation and General Electric Capital Corporation.

6. To the best of my knowledge, ESBA has not been retained to assist any entity or person other than the Debtors on matters relating to or in connection with these Chapter 11 cases. If ESBA's proposed retention is approved by this Court, ESBA will not accept any engagement or perform any service for any entity or person other than the Debtors in these Chapter 11 cases. ESBA will, however, continue to provide professional services to entities or persons that may be creditors or equity security holders of the Debtors or parties-in-interest in this Chapter 11 case, provided that such services do not relate to, or have any direct connection with, these Chapter 11 cases.

7. To the best of my knowledge, information and belief, ESBA does not have or represent any interest materially adverse to the interest of the Debtors, or the Committee of Unsecured Creditors, or of any class of creditors or equity security holders of the Debtors by reason of any direct or indirect relationship to, connection with, or interest in the Debtors or for any other reason except as noted in Paragraph 5 above.

8. ESBA's requested compensation for professional services rendered to the Debtors shall be based upon a monthly fee of \$65,000 for an initial term of six months, commencing on the date ESBA's retention becomes effective and ending on the six month anniversary thereof. (Should ESBA's retention become 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.) The Debtors shall have the 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. Such services in this case ESBA understands will include any one or more of the following:

- Assist with the management of the bankruptcy process, as required;
- 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 Company counsel.

9. It is ESBA's policy to charge its clients in all areas of practice for expenses incurred in connection with the client's case. Expenses charged to clients include, among other things, telephone, telecopier and related charges, regular mail and express mail charges, special or hand delivery charges, document processing, photocopying charges, travel expenses, computerized research and transaction costs. ESBA will charge the Debtors for these expenses in a manner and at rates consistent with charges made generally to ESBA's other clients.

10. Consistent with turnaround industry practice, as well as consulting practices in general, ESBA augments its full time professional staff from time to time with qualified professionals as independent contractors and other service providers who assist ESBA in the performance of the services to be provided to their clients. Financial advisory firms, such as ESBA, hire independent contractors and other service providers for various reasons ranging from the need for specialized industry or functional expertise to the manpower needs of a particular engagement. Financial advisory firms also use

independent contractors and third party service providers to manage their payroll cost, the single largest cost of a professional service firm. In addition, many times it is the qualified professional's choice to be an independent contractor instead of an employee in order to maintain lifestyle flexibility.

11. With respect to any independent contractor or third party service provider used by ESBA in connection with a client engagement, ESBA bears complete responsibility for both (a) the performance of the independent contractor or third party service provider and (b) the payment of all amounts due and owing to such independent contractor or third party service provider for the services rendered, regardless of whether ESBA is paid by the ultimate client. The obligations are evidenced by contracts entered into by ESBA and the independent contractor or third party service provider, as applicable.

12. In these cases, the Debtors have retained ESBA to perform services on behalf of, and render advice to the Debtors with respect to the matters described in the Application of the Debtors to retain ESBA. If the Debtors' request to retain ESBA to perform these services is approved, I will be the person from ESBA ultimately responsible for the engagement, and will be responsible for assuring that all services are performed in a professional and timely manner consistent with the dictates of this Court, the applicable provisions of the Bankruptcy Code and Rules of Bankruptcy Procedure, and at the direction of the Debtors.

13. ESBA understands that, in accordance with the Bankruptcy Code, interim and final compensation and reimbursement of costs expended are subject to approval by this Court.

14. A retainer has not been paid to ESBA for post-petition services to be rendered in connection with these Chapter 11 cases, however a \$65,000 retainer is being sought in connection with our application for retention. Subject to the approval of this Court, the source of all compensation for professional services to be rendered on behalf of the Debtors shall be funds of the Debtors' estate.

15. No agreement exists between ESBA and any other person (other than the employees of ESBA) for the sharing of compensation to be received by ESBA in connection with services rendered in these cases.

16. If the Debtors seek to have ESBA perform any services other than the Consultant and Advisory Services, a supplemental Application seeking authorization to retain ESBA to do so will be filed by the Debtors. Until such a supplemental Application is filed and approved by the Court, ESBA will not provide any other services to the Debtors and shall not be compensated or indemnified for providing such services.

17. The indemnification provisions of the Engagement Letter are subject 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; and
- (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 Chapter 11 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,

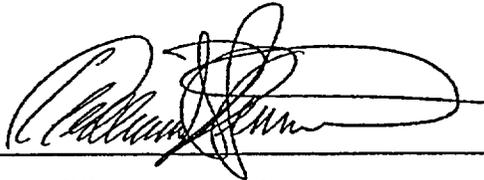
ESBA will file an application therefor in this Court, and the Debtors will not pay any such amounts to ESBA before the entry of an order by this Court approving the payment. This subparagraph (c) is intended only to specify the period of time under which the Court shall have jurisdiction over any request 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.

18. With respect to ESBA's provision of post-petition services, including the Consulting and Advisory Services, ESBA hereby irrevocably and unconditionally submits to the exclusive jurisdiction of this Court over any suit, action or proceeding arising out of or relating to the Engagement Letter or this Court's order, and over the approval of its requests for any fees and expenses (including any request for indemnification, contribution or reimbursement) accruing through confirmation of a plan of reorganization in these Chapter 11 cases or, in the event that no plan of reorganization is confirmed in the cases, fees and expenses accruing prior to the last day of ESBA's employment pursuant to the Engagement Letter as modified by this Affidavit and this Court's order. This Court will retain jurisdiction to construe and enforce the terms of the Application, the Engagement Letter (as modified hereby), and this Court's order.

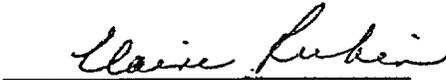
19. ESBA shall file interim and final fee applications pursuant to the Bankruptcy Code, the Rules of Bankruptcy Procedure and any applicable order of this Court, including without limitation an approved Order Establishing Procedures for Interim Compensation and Reimbursement of Professionals and Committee Members (the "Administrative Order"), provided, however, that ESBA may submit time records in a form which shall set forth a description of the services rendered by each professional and the amount of time spent on each date by each such individual in rendering services to or on behalf of the Debtors. The Debtors shall pay ESBA's monthly fee 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 and in accordance with the terms of an approved Administrative Order. All fees and reimbursements paid or payable to ESBA in accordance with the Engagement Letter and the Court's order shall be subject to this Court's approval.

WHEREFORE affiant respectfully requests that an order be entered authorizing the Debtors' retention of ESBA as of July 25, 2002 as restructuring consultant and financial advisor to perform the services described above.



William H. Henrich

Sworn to before me on this 12th day of July, 2002



Notary Public

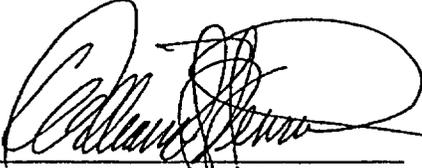
ELAINE RUBIN
Notary Public, State of New York
No. 01RU6059349
Qualified in Queens County
Commission Expires 5-29-03

EXHIBIT B

3. With respect to the matters described in Paragraphs 10 and 11 of the Initial Affidavit regarding the possibility that ESBA may employ independent contractors, ESBA represents that (a) to the extent any such independent contractor is used in these cases, an appropriate conflict check will be performed and an affidavit of disinterestedness filed with this Court, and (b) absent further order of the Court, ESBA will not seek compensation from the Debtors in excess of the amounts set forth in the Application and related engagement letter, dated July 8, 2002 (the "Engagement Letter").

4. With respect to the disclosure set forth in Paragraph 5(b) of the Initial Affidavit, ESBA represents that while it may have worked, continues to work and/or has mutual clients with certain law firms who represent the Debtors and its creditors or are creditors themselves, such work was or is on matters unrelated to these cases.

5. Finally, ESBA acknowledges that the scope of its engagement, as set forth in the Engagement Letter, does not include the marketing or sale of the Debtors or their assets. ESBA further acknowledges that the Debtors have engaged Lincoln Partners L.L.C. as investment bankers for such purpose. ESBA will not perform services relating to the marketing or sale of the Debtors or their assets which are or could be duplicative of the services provided to the Debtors by Lincoln Partners L.L.C., provided however, that ESBA may prepare certain financial information and other materials which may be used by the Debtors and/or Lincoln Partners L.L.C. in the marketing and sale process.


William H. Henrich

Sworn to before me this 9th day of August, 2002

Elaine Rubin
Notary Public

ELAINE RUBIN
Notary Public, State of New York
No. 01RU6059349
Qualified in Queens County
Commission Expires 5-29-03

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

January 23, 2003

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 your decision to continue to retain Executive Sounding Board Associates Inc. ("ESBA") as the 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.

Except for the following modifications to the scope of work and terms of compensation, it is our understanding that Fansteel has agreed to continue to retain ESBA to provide, without limitation, and on the same terms and conditions previously agreed to in the November 4, 2002 amended engagement letter and by extension the original engagement letter of July 8, 2002 by and between Fansteel and ESBA and the Affidavit and Supplemental Affidavit of William H. Henrich that were incorporated into and attached as exhibits to the Debtors Application for Order Amending Order...Authorizing Employment and Retention of Executive Sounding Board Associates Inc. which will be the basis for the application to extend ESBA's appointment.

Scope of Work

Based on our discussions, we understand that the Debtors desire ESBA to provide the management consulting and advisory services described below, as well as to continue to provide any services as yet unfinished and specified in my letters to you, dated July 8, 2002 and November 4, 2002.

- Continue to (i) assist the Debtors' management with the Chapter 11 bankruptcy process, (ii) minimize costs associated with that process, (iii) assist the Debtors' in their development, and negotiation of a plan of reorganization, and (iv) facilitate the Debtors' communication with parties-in-interest.
- Continue to provide guidance as to compliance with all requirements of the Court, as requested.

- Continue to review 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 and review of projections, including feasibility analyses and schedules, if required, in connection with the business plan and plan of reorganization.
- Assist the Debtors in the development and negotiation of a plan of reorganization.
- With the approval of the designated officer of the Debtors, continue to consult with all other retained parties, DIP lender, Official Committee of Unsecured Creditors, and other parties-in-interest in connection with the bankruptcies, the business plan, and the plan of reorganization.
- Continue to assess of Debtors' operations and cash flow, with particular emphasis on feasibility.
- Continue to monitor the Debtors' end-user markets for potential effect on the business plans.
- Continue to monitor the Debtors' implementation of each operation's business plan.
- Continue to analyze and assess changes in assumptions and revisions to the Debtor's business plans including the Debtors' projections.
- Monitor the orderly liquidation of terminated operations, if any.
- Assist the Debtors' with their exit financing needs.
- Continue to assist the Debtors' with their liquidation analysis.
- Continue to meet with the Debtor's executive, financial and operations management regarding various aspects of business operations, reorganization issues, cash management and financial and operational performance.
- Participate in Court hearings, if needed.

This description of work is not meant to be exclusive. The Debtors may, from time to time, request ESBA to perform other work as appropriate to a restructuring advisor and within ESBA's expertise. Should ESBA agree to perform such work, ESBA may do so without further Court order.

Compensation for Our Services

After the conclusion of its first term -- to and including January 25, 2003 -- ESBA will be paid according to its hourly rate. Accordingly, work, in all categories (including a business valuation) not completed by January 25, 2003 will be billed out at the standard hourly rate. ESBA will keep records according to the Local Rules of Bankruptcy Practice and Procedure for the United States Bankruptcy Court for the District of Delaware and will submit applications for payment of fees and reimbursement of expenses according to the procedures established in these bankruptcy cases.

ESBA's fees are based upon the time involved, charged at individuals' standard hourly rates that range from \$150 to \$385 per hour. Listed below are the ESBA personnel who have already worked on these cases. Also listed is their current standard hourly rate:

<u>NAME</u>	<u>POSITION</u>	<u>HOURLY RATE</u>
William H. Henrich	Managing Director	\$365
Michael DuFrayne	Managing Director	\$325
James Fox	Director	\$345
Bert Weil	Senior Associate	\$325
Tracy Yun	Financial Analyst	\$285
Rulonna Neilson	Financial Analyst	\$285
Louise Jane Bell	Financial Analyst	\$285

The hourly rates set forth for the above are subject to periodic adjustments to reflect economic and other conditions. ESBA may include other personnel from time to time in connection with the matters herein described.

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, and general office services, as necessary and reasonably required by ESBA in connection with this engagement.

Mr. Gary Tessitore
January 23, 2003
Page 4

If the foregoing is in accordance with our understanding, please sign the attached copy of the engagement letter and forward it to us.

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: *[Signature]*

Title: _____

Date: *January 23, 2003*

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

Upon consideration of the motion of the captioned debtors and debtors-in-possession (the "Debtors")² for an order under 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 continue to employ and retain Executive Sounding Board Associates Inc. ("ESBA") as the Debtors' restructuring consultants and financial advisor (the "Supplemental Application"); and upon the Henrich Affidavit and the Supplemental Affidavit and of the engagement letter between ESBA and the Debtors, dated January 23, 2003 ("Supplemental Engagement Letter"); and the Court being satisfied based on the representations made in the Supplemental Application and in the Henrich Affidavit and the Supplemental Affidavit that ESBA has no interest adverse to the Debtors' estates with respect to the matters upon which it is

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

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 continued 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 Supplemental 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 continue to employ and retain ESBA as restructuring consultants and financial advisor on the terms set forth in the Supplemental Application and this order; and the Supplemental Engagement Letter; and it is further

ORDERED that, beginning on January 26, 2003, 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

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

Dated: _____, 2003

Honorable Joseph J. Farnan, Jr
United States Bankruptcy Judge