IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In Re:	)	Chapter 11
	)	
FANSTEEL, INC., et al.,	)	02-10109 (JJF)
	)	
Debtors.	)	(Jointly Administered)
	)	
	)	**Hearing Date: To be determined**

OBJECTION TO MOTION FOR ORDER APPROVING DEBTORS' SUCCESS-BASED EMPLOYEE RETENTION AND INCENTIVE PROGRAM FOR KEY EMPLOYEES UNDER 11 U.S.C. §§ 105(a) AND 363(b) [D.I. 672]

The Official Committee of Unsecured Creditors of Fansteel, Inc. (the "Committee"), by its attorneys, respectfully objects to the Motion for Order Approving Debtors' Success-Based Employee Retention and Incentive Program for Key Employees Under 11 U.S.C. §§ 105(a) and 363(b) [D.I. 672] (the "Revised KERP Motion") filed by Fansteel, Inc., *et al.*, the debtors and debtors-in-possession herein (the "Debtors"). In opposition to the Revised KERP Motion, the Committee states as follows:

INTRODUCTION

1. After initially filing a motion seeking approval of a vague employee retention program that amounted to nothing but an extravagant insider giveaway, the Debtors now have filed the Revised KERP Motion, which recycles many of the same giveaways into a so-called "success-based" retention program. Although the Committee believes that the key employees (the "Key Employees") identified by the Debtors in their Revised KERP Motion should have certain incentives based on performance to ensure retention as employees, promote employee morale and reward individuals for success, the Debtors' revised retention and incentive program (the "Revised Debtor KERP") falls short of such standards. Rather, the Revised Debtor KERP provides for a series of payments to certain employees to reward them simply for coming to

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work. In addition, the Revised Debtor KERP would allow Key Employees to double-dip by taking advantage of both retention bonuses and generous severance payments. Rather than merely take shots at the Revised Debtor KERP, the Committee will use this objection to propose its own retention and incentive program (the "Committee KERP"), a program that truly rewards the success of the Key Employees in a fiscally responsible manner. A copy of the Committee KERP is attached hereto as Exhibit A.

THE REVISED DEBTOR KERP

2. The Debtors have identified 25 Key Employees who would participate in the Revised Debtor KERP: (i) the Chief Executive Officer ("CEO"), (ii) the Chief Financial Officer ("CFO"), (iii) seven general managers of the Debtors' divisions (the "General Managers"), and (iv) sixteen other key employees including sales managers, controllers and manufacturing managers of various divisions (the "Other Managers," and collectively with the General Managers, the "Managers"). The Debtors contend that none of these Key Employees is replaceable because there are no "backups" for these positions. Revised KERP Motion at ¶ 12.

3. The Revised Debtor KERP would provide the Key Employees with bonuses in three phases. In the first phase, the Debtors will give all of the Key Employees, other than the CEO, a bonus simply for staying as an employee of the Debtors up to the date in which the Revised Debtor KERP is approved. The total amount of Phase I compensation is $223,792.

4. In the second phase, the Debtors will provide bonuses to the Key Employees for reaching certain cash flow targets in their respective divisions. Phase II is the only true success-based portion of the Revised Debtor KERP. The total amount of Phase II compensation, assuming that all of the cash flow targets are met, is $370,959.

5. The third and final phase of the Revised Debtor KERP is based on the effective date of a plan of reorganization or the sale of the Debtors' business units. The amount of Phase III compensation is $1,007,959, bringing the total amount available to the Key Employees under the Revised Debtor KERP to $1,605,710.

6. The major defect in the Revised Debtor KERP is that it primarily incentivizes select individuals to stay with the Debtors through specified dates with only 23%[1] of the entire program tied to any kind of a performance goal. The Debtors allege that they "reshaped the KERP to be primarily success-based . . . mak[ing] most compensation contingent on the Debtors' success in meeting cash flow targets." Revised KERP Motion at ¶ 29. However, only $370,959 of the $1,605,710 in incentives is tied to any financial performance goals.

7. Moreover, under the Revised Debtor KERP, if the Key Employees reach only 75% of targeted cash flow, the total cost of the $1,605,000 program is reduced by only $112,000, or by a total of 7% of the total payouts available under the program. Even if cash flow is 100% below target, the Revised Debtor KERP would cost the Debtors a total of $1,232,000, or 77% of the maximum available, upon the effective date of any plan. In addition, since the performance target is cash flow, the Revised Debtor KERP creates potentially perverse incentives. The beneficiaries of the Revised Debtor KERP could artificially boost cash flow by eroding asset values, to the detriment of the creditors, and the Key Employees still would earn their "success" bonuses under the Revised Debtor KERP.

8. In addition to the rewards for staying an employee of the Debtors, the Revised Debtor KERP provides for additional payments of up to $1,285,000 to the CEO, the CFO and the Managers if they are terminated without cause prior to the closing date of the bankruptcy case.

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1 This percentage reflects the ratio of Phase II payments totaling a maximum of $370,959 to the total amount available under the Revised Debtor KERP of $1,605,710.

See Revised KERP Motion at ¶ 31. The wording of this severance provision potentially deprives the Debtors and the Committee of the ability to fashion a plan of reorganization that is in the best interests of the creditors at a reasonable cost.

9. Under the severance provisions of the Revised Debtor KERP, the CEO, CFO and General Managers could potentially "double-dip" by receiving both retention and severance payments. If a plan of reorganization becomes effective before December 31, 2003, the Revised Debtor KERP provides that the CEO and CFO will receive 100% of their retention payments, totaling $616,132. In addition to these bonuses, if the business is sold as part of a plan of reorganization and the purchaser does not retain the CEO and CFO, the CEO would receive 150% of his salary as a severance payment and the CFO would receive 100% of his salary as a severance payment. These severance payments amount to an additional $816,132 drain on the Debtors' estates, bringing the combined total that the CEO and CFO receive as payments from the Debtors to an astounding $1,432,264.[2] This payment would be 113% of the Debtors' projected operating cash flow in 2003 and creates a substantial monetary hurdle for any purchaser who does not wish to retain the CEO and/or CFO.

10. As for the General Managers, if their respective business units are sold on or before December 31, 2003, and the General Managers do not accept employment with the purchaser, the General Managers also would receive both retention and severance payments. Under this scenario, General Managers would receive anywhere from 60% to 75% of their annual salaries as retention bonuses and an additional 50% of their annual salaries as severance payments. The retention payments would cost the Debtors' estates $28,000[3] to $92,500[4] [per

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[2] Excluding the additional costs of the continuation of benefits for the CEO and CFO.

[3] This figure is based on the low end of General Manager payments which amounts to: $8,000 for Phase I, $12,000 for Phase II, and $20,000 for Phase III. If targeted cash flow is not met, then there are no Phase II payments. Therefore the lowest amount a General Manager could receive is $28,000 or Phase I plus Phase III.

General Manager], while the severance payments would cost the Debtors' estates an additional "$40,000 to $92,500 per General Manager, over and above prior retention payment[s], and continued employee benefits for six months." Revised KERP Motion at ¶ 31. Therefore, the General Managers would receive in aggregate as much as $550,125[5] in retention payments plus an additional $468,750[6] in severance payments.

11. Moreover, the wording of the term "cause" is so narrow with respect to termination of the CEO and CFO and so ambiguous with respect to termination of the Managers that it effectively precludes the Debtors from terminating an underperforming Key Employee without obligating the Debtors to make a significant severance payment. The Revised Debtor KERP's severance provision specifically states

> The term "cause" as applied to the CEO and CFO is limited to instances of fraud, gross negligence or conviction of a crime during the pendency of these Cases. For all other Key Employees, the term "cause" shall mean grounds for dismissal applying reasonable industry standards.

Revised KERP Motion at ¶ 31, n.6. Based on this language, unless the CEO or CFO commits a crime, the Debtors will be forced to retain both of these officers, even if they are performing poorly and ineffectively. As for the Managers, the Revised Debtor KERP language defining "cause" is so vague that any terminated Key Employee could demand a severance payment from the Debtors almost regardless of the basis for his firing.

THE COMMITTEE KERP

12. The Committee is not insensitive to the Debtors' desire to incentivize its employees. However, in order to ensure that the incentives appropriately enhance the value of

4 This figure is based on the high end of General Manager payments: $18,500 for Phase I, $27,750 for Phase II, and $46,250 for Phase III. If 100% of the targeted cash flow is met, the highest amount a General Manager could receive is $92,500.

the Debtors' estates, the Committee has developed the Committee KERP, which provides a program that will keep everyone working together in the best interests of the Debtors and their creditors.[7]

13. As opposed to the Revised Debtor KERP, the Committee KERP is truly a performance-based program that provides incentives to key individuals to maximize the financial performance of their business units and minimize the delay in reorganizing the Debtors.

14. Under the Committee KERP, the CEO and CFO are rewarded for effectuating a plan of reorganization and exiting bankruptcy as soon as practical in order to eliminate the multi-million dollar annual cost of maintaining these bankruptcy proceedings. The CEO and CFO receive bonuses only if a plan of reorganization is confirmed and becomes effective. The earlier a plan becomes effective, the higher the bonus. For example, if a plan is confirmed by April 30, 2003 and becomes effective by May 15, 2003, the CEO and CFO receive 100% of their annual base salaries as performance bonuses.

15. With respect to the General Managers, the Committee KERP provides bonuses based on the actual performance of their respective business units in comparison to the Debtors' 2003 projections for those units. The General Managers would receive a percentage of their annual salaries on a sliding scale if projected EBITDA targets were met. Specifically, General Managers would receive 30% of their annual salary if projected EBITDA targets were met. If a business unit's EBITDA falls short of projections, the General Manager would receive a smaller

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[5] This figure is based on the Phase I, Phase II and Phase III payments listed on Exhibit 1 of the Revised KERP Motion. The maximum payments available to General Managers are $110,025 for Phase I, $165,038 for Phase II, and $275,062 for Phase III, which total $550,125.

[6] This figure is based on 50% of the annual salaries of the General Managers.

[7] It is worth noting that after the Debtors requested a continuance on the day of the hearing on their initial KERP proposal, the Committee expected that the parties would work together to address the Committee's objections to that proposal Rather than engage in such a collective process, the Debtors simply filed the Revised KERP Motion without bothering to discuss the Revised Debtor KERP with the Committee. Consequently, the Committee

bonus or no bonus at all, and if a business unit's actual EBITDA exceeds projections, the General Manager would receive a bonus of as much as 60% of his salary.

16. In order to reward the Other Managers that are truly valuable and deserve bonuses for their performance, the Committee KERP provides a separate bonus pool equal to 50% of the amount paid to the General Managers. The General Manager of each business unit would have the discretion to allocate this payout in any proportion or manner to the Other Managers under his supervision.

17. Further, in order to safeguard against manipulation of books and records and to provide incentives for exceeding 2003 targets, the Committee KERP includes a pair of linked control measures: (i) the Days Sales Outstanding Modifier ("DSO Modifier") and (ii) the Net Working Capital Modifier (the "NWC Modifier"). Under the DSO Modifier, the General Manager's bonus is increased or decreased based on whether that business unit promptly collects its accounts receivable. The DSO Modifier measures the average number of days that sales are outstanding ("DSO"). The Committee KERP establishes a DSO ceiling of 50 days and a DSO floor of 40 days (collectively, the "DSO Range").

18. If a business unit's DSO falls outside the DSO Range, then the General Manager's payout is increased or decreased by 1% for every day outside the range. For example, if a business unit's sales for the quarter are $2,700,000, that means that there are $30,000[8] in sales per day. If the net uncollected accounts receivable are between $1,200,000 and $1,500,000, then the DSO is with the DSO Range.[9] Anything higher than $1,500,000 in net uncollected

has filed this objection proposing a KERP that actually incentivizes employees and appropriately rewards performance that benefits the Debtors' estates.

8 Based on $2,700,000 divided by 90 days.

9 In other words, $1,200,000 in net uncollected accounts receivable has a DSO of 40 days (i.e., $1,200,000/$30,000), while $1,500,000 in net uncollected accounts receivable has a DSO of 50 days (i.e., $1,500,000/$30,000).

accounts receivable will result in a percentage decrease in the General Manager's performance bonus, while anything lower than $1,200,000 in net uncollected accounts receivable will result in a percentage increase in the General Manager's performance bonus.

19. The other provision intended to control manipulation of accounting is the NWC Modifier. Under this provision, each business unit's net working capital floor is equal to the level of net working capital (*i.e.* current assets less current liabilities) as of December 31, 2002 (the "NWC Floor"). If a business unit's net working capital falls below its NWC Floor, any bonus payment will be reduced by 3 times the percentage decrease in the net working capital balance.

20. As outlined above, the Committee KERP provides incentives to management in order to maximize the profitability, not the cash flow, of each business unit with safeguards to protect against manipulation of the balance sheet in order to increase payouts under the plan. If 100% of the targets are achieved, the total cost of the program is $1,121,000. If only 75% of the targets are reached, the total cost of the program drops to $784,000.[10] If 0% of the targets are reached, there is no cost to the Debtors. Conversely, if a business unit performs at 150% of its target, the Managers of that unit earn more than they would under the Revised Debtor KERP.

21. No severance provisions have been included in the Committee KERP, as the Committee believes that there should be no rewards for maintaining the status quo when, based on 2002 operating results, the Debtors' businesses need to be turned around quickly to avoid liquidation. However, the Committee is open to reasonable provisions that do not inhibit plan

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10 This figure is based on the Debtors' projected sales of $115,154,000 in 2003. The cost of the Committee KERP at the 100% level represents 0.97% of revenue. The Debtors' retention plan could cost up to $1,605,000, or 1.4% of revenue at the 100% level. In a retention program study performed by a Big-Five public accounting firm for a bankrupt multi-billion dollar Chicago area company, Comdisco, Inc., the cost of retention programs at the 75th Percentile was listed as 0.67% of revenue for 66 companies reviewed in the study that filed for Chapter 11. Therefore, the Committee KERP is in the top quartile of retention programs implemented in large bankruptcy cases.

structure, result in unfair enrichment to plan participants or "double-dipping," or that are in the nature of a "golden parachute."

ARGUMENT

22. The Debtors originally proposed a retention program that sought an employee giveaway without any performance-based standards. The Revised KERP Motion attempts to remedy this flaw by incorporating a success-based bonus that amounts to only 23% of the total that could be paid under the Revised Debtor KERP. This minor modification hardly meets the legal standards the Debtors must demonstrate in order to justify approval of the Revised Debtor KERP.

23. Because the implementation of an employee retention program is outside the ordinary course of business, the Debtors bear the burden of demonstrating that the Revised Debtor KERP, as proposed, will assist their reorganization. *See, e.g., Dai-Ichi Kangyo Bank, Ltd. v. Montgomery Ward Holding Corp. (In re Montgomery Ward Holding Corp.)*, 242 B.R. 147, 153 (D. Del. 1999); *see also In re Regensteiner Printing Co.*, 122 B.R. 323, 326 (N.D. Ill. 1990). The Debtors must prove that a <u>sound</u> business purpose justifies the Revised Debtor KERP, particularly where, as here, the incentive program will result in significant administrative expenses that are not tied to the success of the Debtors' reorganization. *Montgomery Ward*, 242 B.R. at 155; *see also Mark IV Properties v. Club Dev. & Mgmt. Corp. (In re Club Dev. & Mgmt. Corp.)*, 27 B.R. 610, 612 (9th Cir. BAP 1982) ("[B]usiness judgment is not a statutory ground for allowance of administrative expenses incurred out of the ordinary course of business").

24. The Debtors have failed to show that there is a sound business justification for the Revised Debtor KERP. Although the Debtors have creatively labeled the Revised Debtor KERP a "success-based" program, in reality, the total amount of payments that are based on

performance goals is only 23% of the total payout available under the program, and even this portion is susceptible to accounting manipulation that would allow bonuses to be paid without any real financial improvement. Employee bonuses should be based on performance that meets or exceeds expectations. The Committee KERP incorporates this underlying principle into its framework by utilizing the Debtors' 2003 projections to target the bonuses for the Key Employees. In contrast, the Revised Debtor KERP merely rewards employees for coming to work and provides them with going-away presents on the back end.

25. The employee gifts proposed by the Debtors would be given while the Debtors' economic condition is getting worse, rather than improving. The Debtors' operating losses for the period January 1, 2002 to November 30, 2002 were in excess of $7 million. In fact, the Debtors' operating loss for the months of September, October and November of 2002 have been in excess of $1 million per month. Where, as here, a company is losing millions of dollars, there can be no justification for giving away millions as employee bonuses unless these bonuses are based on reversing the trend and improving the company's financial performance. The purpose of retention bonuses in bankruptcy is to compensate employees for their loyalty in the face of a debtor's uncertain future and to reward their efforts in successfully turning around performance, not to pay them for being the last to leave a sinking ship.

26. Moreover, the Revised Debtor KERP would restrict the reorganization options available to the Debtors and their estates by inhibiting the Debtors' ability to realistically sell any of their businesses and operations. The Revised Debtor KERP will dramatically increase the Debtors' administrative liabilities since at least 77% of the retention bonuses are based on employees just showing up for work. In addition, the severance portion of the Revised Debtor KERP would provide certain Key Employees with both retention and severance payments if a

business unit is sold on or before December 31, 2003 and the Key Employees do not accept employment by the purchaser. Overall, the liabilities arising under the Revised Debtor KERP will either reduce the purchase price a willing buyer will pay or will have to be paid from the sale proceeds, thereby decreasing the funds available for unsecured creditors. Either prospect weighs heavily against the approval of the Revised Debtor KERP.

CONCLUSION

The Revised Debtor KERP is unacceptable and does not arise from a sound exercise of the Debtors' business judgment for several reasons. First, the Revised Debtor KERP is not truly a success-based program. Second, the Revised Debtor KERP is inappropriate because it will impair the Debtors' reorganization options by unnecessarily creating large administrative claim obligations that will reduce amounts available for unsecured creditors. Finally, the terms of the proposed severance portion of the Revised Debtor KERP amount to double-dipping. In the context of a Chapter 11 case with poorly performing debtors, the insider giveaways that the Debtors propose cannot be justified and this Court should deny the relief requested in the Revised KERP Motion. In the alternative, this Court should consider approving the Committee KERP, which proposes a truly success-based retention program. If the Debtors truly seek to reward the Key Employees based on their performance and success, adoption of the Committee KERP would squarely meet their stated intentions.

Respectfully submitted,

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Co-Counsel to the Official Committee of Unsecured Creditors

Dated: January 21, 2003

EXHIBIT "A"

<u>Committee Proposal: Key Employee Retention Program</u>

The "Key Employees" covered are the CEO, CFO, General Managers and Other Managers.[1] Payments under the KERP will be made as follows:

A. CEO and CFO

These bonuses are based on the respective annual base salaries of the CEO and CFO.

If a plan of reorganization is confirmed by:	And the plan is effective by	Payout Percentage of Annual Base Salary
4/30/03	5/15/03	100%
6/30/03	7/15/03	75%
8/31/03	9/15/03	50%
10/31/03	11/15/03	25%
Post-11/01/03	N/A	0%

These payments will be made on the Effective Date under the confirmed plan.

B. General Manager

The General Managers bonuses are based on EBITDA performance goals as set forth below.

(1) *Hydro Carbide, Plantsville, CalDrop, Escast, Washington and AST*

The Target EBITDA before Corporate Allocation is based on the Debtors' 2003 projections. The payout is based on the General Manager's annual salary

Percentage of Projected EBITDA	Payout
75%	10%
85%	15%
100%	30%
110%	40%
125%	50%
150%	60%.

[1] All capitalized terms shall have the meaning assigned to them in the Objection to Debtors' Motion for Order Approving Success-Based Employee Retention and Incentive Program for Key Employees filed by the Committee (the "Objection").

(2) *Wellman*

Same terms as "(1)" above, but EBITDA target is as follows:

EBITDA Target	Payout
($750,000)	10%
($600,000)	15%
($300,000)	30%
$0	40%
$250,000	50%
$500,000	60%

(3) *Muskogee*

Same terms as "(1)" above, but EBITDA target is as follows:

EBITDA Target	Payout
($1,500,000)	10%
($1,300,000)	15%
($1,100,000)	30%
($900,000)	40%
($700,000)	50%
($500,000)	60%

All of the General Manager bonuses are effective 1/1/03 through the earlier of plan confirmation or January 1, 2004. These bonuses will be paid 20% in April, July and October 2003, and the remaining 40% on the Effective Date under a confirmed plan. EBITDA will be calculated on a cumulative basis.

Note: The DSO Modifier and the NWC Modifier may increase or decrease these payouts (see Section D).

C. Other Managers

Other Managers includes the key direct reports to the General Managers as defined in the Committee's Objection. These employees are the sales managers, controllers, and manufacturing managers of the Debtors' various business units.

If a General Manager for a particular business unit has earned a bonus based on the unit's EBITDA performance as outlined in Section B, that General Manager is given an additional 50% of his actual payout to allocate among his Other Managers. The bonuses to the Other Managers are paid at General Manager's discretion. The General Manager can decide to allocate the entire amount to one employee or spread the bonuses among the Other Managers in any manner the General Manager sees fit.

All of the Other Manager bonuses are effective 1/1/03 through the earlier of plan confirmation or January 1, 2004. These bonuses will be paid 20% in April, July and October 2003, and the remaining 40% on the Effective Date under a confirmed plan. EBITDA will be calculated on a cumulative basis.

D. Safeguards

DSO Modifier:

The DSO Modifier is deliberately designed to improve the Debtors' accounts receivable ("AR") aging results and provide incentives for beating the targets (or penalties for failing to achieve them), and is based on achieving a target Days Sales Outstanding ("DSO") of 45 days for unrealized revenues.

Features of the modifier are as follows:

- The DSO "ceiling" is 50 days, and the DSO "floor" is 40 days.

- The DSO Modifier will not apply if the DSO is within the established range (the "DSO Range")

- The DSO Modifier will be applied based on the aging at the end of each calendar quarter (e.g., at 3/31).

- When the DSO falls outside the DSO Range, for each day outside the DSO Range, the DSO Modifier will apply an increase or decrease of 1% to the total payout. *However, the total adjustment will not exceed 20% of the target bonus for the quarter.*

For example, if quarter sales (i.e., 90 days) for a business unit are $2,700,000, and net uncollected AR is $1,650,000, the DSO is 55 days. This is based on $2,700,000 divided by a hypothetical 90 days in each quarter. Therefore sales are $30,000 per day. The DSO is 55 days because $1,650,000 divided by $30,000 is 55. In order for the DSO to be within the DSO Range, net uncollected AR must be between $1,200,000 and $1,500,000 (40 days times $30,000 sales per day is $1,200,000, while 50 days times $30,000 sales per day is $1,500,000). The amount of net uncollected AR outside of the DSO Range is $150,000 ($1,650,00 less $1,500,000). The corresponding decrease to the target bonus would be adjusted by $7,500 ($150,000 x 1% per day x 5 days). The $7,500 is then capped at 20% of the General Manager's bonus. Therefore, if the General Manager's bonus was $35,000, the decrease would only be $7,000 (20% of $35,000) as opposed to $7,500. However, if the General Manager's bonus was $40,000, the decrease would be $7,500 because the cap would be $8,000 (20% of $40,000).

NWC Modifier:

Net working capital ("NWC") is current assets less current liabilities. NWC has a floor equal to the level of NWC as of December 31, 2002 (the "NWC Floor"). If NWC falls below the NWC Floor, any bonus payment is reduced by 3 times the percentage decrease in the NWC balance. Eligible AR include only those aged 60 days or less.

For example, if current assets of a business unit were $200,000 while current liabilities were $190,000 as of December 31, 2002, then NWC was $10,000. This $10,000 of NWC as of December 31, 2002 is the NWC Floor for that business unit. If NWC falls to $9,500, then the amount below the NWC Floor is $500. Therefore the decrease of NWC is 5% ($500 of decrease divided by the NWC Floor of $10,000). The NWC Modifier is 15% (3 times the percentage decrease in NWC of 5%). The General Manager's bonus is reduced by 15%. Therefore, if the General Manager's bonus was $30,000, his bonus would be reduced by $4,500 (15% of $30,000).

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	)	Chapter 11
	)	
FANSTEEL, INC., *et al.*, [1]	)	02-10109 (JJF)
	)	
Debtors.	)	(Jointly Administered)

AFFIDAVIT OF
PATRICIA A. JACKSON, PARALEGAL

STATE OF DELAWARE:
SS:
NEW CASTLE COUNTY:

I, Patricia A. Jackson, certify that I am, and at all times during the service of process, have been, an employee of Klett Rooney Lieber & Schorling, P.C., not less than 18 years of age and not a party to the matter concerning which service of process was made. I certify further that the service of the attached:

OBJECTION TO DEBTORS' MOTION FOR ORDER APPROVING DEBTORS' SUCCESS-BASED EMPLOYEE RETENTION AND INCENTIVE PROGRAM FOR KEY EMPLOYEES UNDER 11 U.S.C. §§ 105(a) AND 363(b) [D.I. 672]

was made on January 21, 2003 on the following parties on the attached Service List by Hand Delivery on City of Wilmington, Delaware addresses and by First Class United States Mail, postage prepaid, on all others.

Patricia A. Jackson

Patricia A. Jackson

SWORN AND SUBSCRIBED before me this 21st day of January, 2003

Barbara J Rost

NOTARY

BARBARA J. ROST
MY COMMISSION EXPIRES ON
JUNE 14, 2006
NOTARY PUBLIC, STATE OF DELAWARE

[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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Fansteel Inc. - 2002

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File an answer to a motion:

02-10109-JJF Fansteel Inc. and HBD Industries, Inc.

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Case Number: 02-10109-JJF
Document Number: 701

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Objection to Motion *for Order Approving Debtors' Success-Based Employee Retention and Incentive Program for Key Employees Under 11 U.S.C. Secs. 105(a) and 363(b) [D.I. 672]* Filed by Official Committee of Unsecured Creditors. (Attachments: # (1) Exhibit A# (2) Affidavit of Service) (Mumford, Kerri)

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