

40-7580

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: ) Chapter 11  
)  
FANSTEEL INC., et al.,<sup>1</sup> ) Case No. 02-10109 (JF)  
) (Jointly Administered)  
)  
Debtors. )  
)  
)  
Hearing Date: Scheduled for Telephonic Hearing  
at the Court's Convenience

**DEBTORS' MOTION TO SHORTEN TIME OF NOTICE PERIOD WITH RESPECT TO  
MOTION FOR CONTINUANCE OF HEARING DATE ON, AND EXTENDING  
DEADLINE FOR RESPONDING TO, MOTION OF OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS FOR ENTRY OF AN ORDER (I) AUTHORIZING THE  
FILING OF A PLAN OF REORGANIZATION WITHOUT AN ACCOMPANYING  
DISCLOSURE STATEMENT PURSUANT TO BANKRUPTCY RULE 3016(b), (II)  
COMPELLING THE DEBTORS TO PROVIDE THE COMMITTEE WITH THE  
INFORMATION NECESSARY TO COMPLETE THE DISCLOSURE STATEMENT  
AND (III) ENJOINING THE DEBTORS FROM TRANSFERRING, SELLING OR  
COSIGNING ESTATE ASSETS UNTIL CONFIRMATION OF A PLAN**

Fansteel Inc., a Delaware corporation, and its direct and indirect subsidiaries, as debtors and debtors in possession (the "Debtors") hereby move the Court pursuant to Rule 9006(c) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), Del.Bankr.LR 9004-1(e), and 11 U.S.C. § 105 for an Order shortening the notice period under Bankruptcy Rule 2002(a)(2) with respect to the attached *Emergency Motion for Continuance of Hearing Date on, and Deadline for Responding to, the Motion of Official Committee of Unsecured Creditors for Entry of an Order (I) Authorizing the Filing of a Plan of Reorganization Without An Accompanying Disclosure Statement Pursuant to Bankruptcy Rule 3016(B), (II) Compelling the*

<sup>1</sup> 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.

BKRPO1

*Debtors to Provide the Committee with the Information Necessary to Complete the Disclosure Statement and (III) Enjoining the Debtors from Transferring, Selling or Cosigning Estate Assets Until Confirmation of a Plan* (the "Motion for Continuance").

1. The hearing on the Committee Motion was set for May 21, 2003 with response due by no later than May 16, 2003 at 4:00 p.m. The relief sought in the Committee Motion is not jeopardized, nor will the Debtors be prejudiced, by this continuance. In fact, the continuance is necessary to ensure that there has not been a breach of the Non-Disclosure Agreement by and between the debtors and the Committee with respect to the proposed purchaser identified in the Committee Motion. If the hearing on the Committee Motion goes forward on May 21, 2003, the Debtors will not have been afforded the opportunity to depose individuals related to any such potential breach which may result in undue prejudice to certain creditors of the Debtors' estates or have placed the prospective purchasers in a position of an unfair advantage as against other potential purchasers. Further, the Debtors have not been afforded adequate time to respond to and prepare for the Committee Motion which was served on the Debtors without proper time for notice pursuant to Del.Bankr.LR 9006-1(c). This situation was caused entirely by the Committee without excuse. Therefore, the Debtors seek an Order from this Court shortening the notice period on this Motion for Continuance.

2. Given the nature of the Committee Motion and the lack of prejudice to the Committee of a continuance of this matter and the limited timing otherwise available to respond absent such relief, the Debtors respectfully submit that this Motion for Continuance must be heard on an expedited basis. Accordingly, under the circumstances the debtors have requested

an emergency telephonic hearing at the Court's convenience to hear this Motion for Continuance which the Debtors submit will not prejudice the rights of any party in interest and is in the best interest of the estates and the Debtors' creditors.

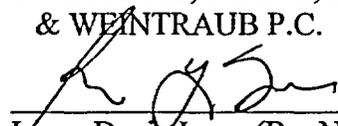
3. This Motion to Shorten Time will be immediately served on the United States Trustee, counsel to the Committee, and all parties who have requested notice in this case.

Dated: May 12, 2003

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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.,<sup>1</sup> ) Case No. 02-10109 (JJF)  
) (Jointly Administered)  
Debtors. )  
)  
Hearing Date: Scheduled for Telephonic Hearing  
at the Court's Convenience

**ORDER SHORTENING TIME FOR DEBTORS' EMERGENCY MOTION FOR CONTINUANCE OF HEARING DATE ON MOTION OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR ENTRY OF AN ORDER (I) AUTHORIZING THE FILING OF A PLAN OF REORGANIZATION WITHOUT AN ACCOMPANYING DISCLOSURE STATEMENT PURSUANT TO BANKRUPTCY RULE 3016(b), (II) COMPELLING THE DEBTORS TO PROVIDE THE COMMITTEE WITH THE INFORMATION NECESSARY TO COMPLETE THE DISCLOSURE STATEMENT AND (III) ENJOINING THE DEBTORS FROM TRANSFERRING, SELLING OR COSIGNING ESTATE ASSETS UNTIL CONFIRMATION OF A PLAN**

Upon the Debtors' Motion to Shorten Time for its Emergency Motion for Continuance of Hearing Date on, and Deadline for Responding to, the Motion of Official Committee of Unsecured Creditors for Entry of an Order (I) Authorizing the Filing of a Plan of Reorganization Without An Accompanying Disclosure Statement Pursuant to Bankruptcy Rule 3016(B), (II) Compelling the Debtors to Provide the Committee with the Information Necessary to Complete the Disclosure Statement and (III) Enjoining the Debtors from Transferring, Selling or Cosigning Estate Assets Until Confirmation of a Plan (the "Motion for Continuance"), and it appearing that the relief requested is well taken and will benefit the estates and the Debtors'

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<sup>1</sup> 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.

creditors, it is hereby

ORDERED that the time for hearing of the Motion for Continuance is shortened.

A telephonic hearing on this Motion for Continuance will be heard on May \_\_\_\_, 2003, at \_\_:\_\_\_  
\_\_m. Counsel for the Debtors is to arrange a telephone conference call call-in number for that  
hearing, and circulate same to the Court and all parties requesting notice of same.

Dated: May \_\_\_\_, 2003

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Honorable Joseph J. Farnan, Jr..  
United States Bankruptcy Judge

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: ) Chapter 11  
)  
FANSTEEL INC., et al.,<sup>1</sup> ) Case No. 02-10109 (JJF)  
) (Jointly Administered)  
Debtors. )  
) Related Document No. 897

Hearing Date: Scheduled for Telephonic Hearing  
at the Court's Convenience

**NOTICE OF DEBTORS' EMERGENCY MOTION FOR CONTINUANCE OF  
HEARING DATE ON, AND EXTENSION OF DEADLINE FOR RESPONDING TO,  
MOTION OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR ENTRY  
OF AN ORDER (I) AUTHORIZING THE FILING OF A PLAN OF REORGANIZATION  
WITHOUT AN ACCOMPANYING DISCLOSURE STATEMENT PURSUANT TO  
BANKRUPTCY RULE 3016(b), (II) COMPELLING THE DEBTORS TO PROVIDE  
THE COMMITTEE WITH THE INFORMATION NECESSARY TO COMPLETE THE  
DISCLOSURE STATEMENT AND (III) ENJOINING THE DEBTORS FROM  
TRANSFERRING, SELLING OR COSIGNING ESTATE ASSETS  
UNTIL CONFIRMATION OF A PLAN**

To: (a) the Office of the United States Trustee, (b) counsel for the Committee, and (c)  
those persons who have requested notice pursuant to Rule 2002 of the Federal Rules of  
Bankruptcy Procedure:

Fansteel Inc. ("Fansteel"), a Delaware corporation, and its direct and indirect  
subsidiaries, as debtors and debtors in possession (the "Debtors") have filed with the United  
States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware  
19801 (the "Bankruptcy Court") the attached *Emergency Motion for Continuance of Hearing  
Date on, and Extension of Deadline for Responding to, Motion of Official Committee of  
Unsecured Creditors for Entry of an Order (I) Authorizing the Filing of a Plan of*

<sup>1</sup> 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.

*Reorganization Without An Accompanying Disclosure Statement Pursuant to Bankruptcy Rule 3016(B), (II) Compelling the Debtors to Provide the Committee with the Information Necessary to Complete the Disclosure Statement and (III) Enjoining the Debtors from Transferring, Selling or Cosigning Estate Assets Until Confirmation of a Plan* (the "Motion for Continuance").

By the Motion for Continuance, the Debtors seek entry of an order granting an extension of the deadline to respond to and a *continuance* of the hearing on the Motion of Official Committee of Unsecured Creditors for Entry of an Order (I) Authorizing the Filing of a Plan of Reorganization Without An Accompanying Disclosure Statement Pursuant to Bankruptcy Rule 3016(B), (II) Compelling the Debtors to Provide the Committee with the Information Necessary to Complete the Disclosure Statement and (III) Enjoining the Debtors from Transferring, Selling or Cosigning Estate Assets Until Confirmation of a Plan (the "Committee Motion"), currently scheduled for May 16, 2003 and May 21, 2003 respectively, in order to afford sufficient time: (1) for Fansteel's board of directors to review and respond to the substance of the Committee Motion, including but not limited to, the proposal for a sale certain of the Debtors' assets as set forth in the Committee's proposed joint plan of reorganization annexed thereto<sup>2</sup>; (2) as provided in accordance with Local Rule 9006-1(c), for the Debtors to evaluate and respond to the Committee Motion, and (3) for the Debtors to conduct Rule 2004 examinations under the Federal Rules of Bankruptcy Procedures of the prospective purchasers identified in the Committee Motion, and all other relevant parties, to determine, among other things, if the Committee or any of its members have violated the terms and provisions of a

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<sup>2</sup> Although the Committee's proposed joint plan of reorganization makes reference to an asset purchase, the Asset Purchase Agreement was not provided to the Debtors.

certain Confidentiality Agreement dated December 4, 2002 by and between the Debtors and the Committee members.<sup>3</sup>

The Court shall conduct a telephonic hearing to consider the Motion for Continuance at the discretion of that Court.

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<sup>3</sup> The Debtors intend to file, within 24 hours of filing this Motion for Continuance, to a file a motion with the Court seeking authority to conduct Rule 2004 examinations of the prospective purchasers identified by the Committee Motion.

A TELEPHONIC HEARING ON THE MOTION FOR CONTINUANCE WILL BE HELD BEFORE THE HONORABLE JOSEPH J. FARNAN, JR. UNITED STATES DISTRICT COURT JUDGE, AT THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, MARINE MIDLAND PLAZA, 824 MARKET STREET, 5<sup>TH</sup> FLOOR, WILMINGTON, DELAWARE 19801 AT A TIME AT THE CONVENIENCE OF THE COURT.

Dated: May 12, 2003

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Counsel for Debtors and Debtors In Possession

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**DEBTORS' EMERGENCY MOTION FOR CONTINUANCE OF HEARING DATE ON,  
AND DEADLINE FOR RESPONDING TO, MOTION OF OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS FOR ENTRY OF AN ORDER (I) AUTHORIZING THE  
FILING OF A PLAN OF REORGANIZATION WITHOUT AN ACCOMPANYING  
DISCLOSURE STATEMENT PURSUANT TO BANKRUPTCY RULE 3016(b), (II)  
COMPELLING THE DEBTORS TO PROVIDE THE COMMITTEE WITH THE  
INFORMATION NECESSARY TO COMPLETE THE DISCLOSURE STATEMENT  
AND (III) ENJOINING THE DEBTORS FROM TRANSFERRING, SELLING OR  
COSIGNING ESTATE ASSETS UNTIL CONFIRMATION OF A PLAN**

Fansteel Inc. ("Fansteel"), a Delaware corporation, and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), hereby move this Court for entry of an order extending the deadline for responses, currently scheduled for May 16, 2003 and continuing the hearing on, currently scheduled for May 21, 2003, the Motion of Official Committee of Unsecured Creditors for Entry of an Order (I) Authorizing the Filing of a Plan of Reorganization Without an Accompanying Disclosure Statement Pursuant to Bankruptcy Rule 3016(B), (II) Compelling the Debtors to Provide the Committee with the Information Necessary to Complete the Disclosure Statement and (III) Enjoining the Debtors from

<sup>1</sup> 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.

Transferring, Selling or Cosigning Estate Assets until Confirmation of a Plan (the "Committee Motion").

### Jurisdiction

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334.

This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (D).

2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. By order entered on January 22, 2002 [Docket No. 39], the United States District Court for the District of Delaware withdrew the reference of these chapter 11 cases; the cases are being administered by the bankruptcy court, but under the jurisdiction of the United States District Court for the District of Delaware as an Article III court [Docket No. 75].

4. Section 105 of the Bankruptcy Code and Del.Bankr.LR 9006-1 provide the basis for the relief sought in this Motion.

### Background

5. On January 15, 2002 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. During the course of the first day hearings on the Debtors' motions, the Court entered an order directing the joint administration of the Debtors' cases (the "Chapter 11 Cases"), for procedural purposes only.

6. Since the Petition Date, the Debtors have continue in possession of their properties and are operating and managing their businesses as debtors and debtors in possession pursuant to Bankruptcy Code §§ 1107 and 1108.

7. No request has been made for the appointment of a trustee or examiner.

On January 28, 2002, an Official Committee of Unsecured Creditors (the "Committee") was appointed by the United States Trustee.

8. This motion for continuance (the "Motion for Continuance") is

necessitated by the Committee's filing of the Committee Motion without regard to the provisions of due process, namely the Committee's disregard for Del.Bankr.LR 9006-1(c) & (e) which requires service of the Motion a minimum of 15 days, plus three days for mailing, prior to the scheduled hearing date absent an order of the Court authorizing shortened notice. Here, the Committee Motion was filed on Friday, May 9, 2003, only 12 days prior to the scheduled hearing date on the Committee Motion. To the Debtors' knowledge, the Committee has not obtained an order from the Court in accordance with Del.Bankr.LR 9006-1(e) to shorten the notice requirements and could not, in any event, demonstrate any exigency that would warrant such shortened notice had the Committee made the proper request of the Court.

9. The Debtors have been involved in extensive negotiations with the

Committee and other significant parties in interest since the inception of these Chapter 11 Cases in an effort to develop the terms and conditions for a consensual plan of reorganization. The negotiations, among other things, resulted in the execution of non-disclosure agreements among the primary creditor constituents in late 2002, including, without limitation, a non-disclosure agreement (the "Non-Disclosure Agreement") by and between the Debtors and the Committee dated December 4, 2002. Pursuant to this Non-Disclosure Agreement, the Debtors delivered certain materials to the Committee that might not have otherwise been made available in a

further effort on the part of the Debtors to reach a mutually satisfactory basis and structure for a plan of reorganization.

10. The Debtors subsequently engaged the Committee and other significant creditor constituents, such as the Nuclear Regulatory Commission, the Environmental Protection Agency, the Pension Benefit Guaranty Corporation, the Department of the Navy, the various regulatory agencies in Illinois, Kentucky, Iowa and Oklahoma, among others, (collectively, the "Interested Parties") in a series of meetings and teleconferences intended to finalize a term sheet that would form the basis for the Debtors' consensual joint plan of reorganization. On or about March 14, 2003, the Committee participated in one of such meetings by teleconference but elected to discontinue its participation in that meeting several hours prior to its conclusion. The Debtors, nonetheless, continued efforts with the remaining parties and, other than a single phone call to inquire as to whether the Debtors had reached an agreement with the Interested Parties, did not hear from the Committee representatives until some time several weeks later. At that time the Committee presented the Debtors with an informal discovery request for certain information, much of which constitute work-product of the debtors' professionals and are protected by privileged unless a joint interest agreement would be executed. Accordingly, the Debtors agreed to respond to the Committee requests for non-privileged information only and suggested that the parties execute a joint interest agreement. The Committee subsequently provided a draft of such a joint interest agreement that was reviewed by the Debtors and their representatives and returned to the Committee with the Debtors' comments. The Committee never responded to the Debtors' comments to the draft of the joint interest agreement but rather,

on May 7, 2003, sent an email to counsel for the Debtors which purported to attach a draft of the proposed joint plan of reorganization. Debtors' counsel received the email from the Committee while in the midst of further meetings to attempt to finalize negotiations with certain of the Interested Parties but was unable to open the attachment and immediately advised the Committee. The following day, the proposed plan of reorganization, without the Committee Motion was forwarded to counsel for the Debtors in response to which they immediately called counsel of the Committee to inquire as to their intent. During this conversation, counsel for the Debtor's was advised that the Committee intended to file a motion seeking, among other things, authorization to file the proposed joint plan of reorganization. The Debtors, through counsel, advised the Committee both during that telephone call and in a subsequent letter that they were close to a final agreement with all Interested Parties and requesting that the Committee afford the Debtors a few days to conclude negotiations before filing any such motion. A copy of the Debtor's letter to the Committee is attached hereto as Exhibit "A". Notwithstanding the Debtors' request, the Committee Motion was filed this past Friday, May 9, 2003.

11. Despite the Committee's silence, the Debtors continued a collaborative effort to reach a mutually acceptable basis for a Plan of Reorganization. The Debtors, in fact, believe that they are extremely close to resolving the few remaining issues and that they will be in a position to file with the Court a final term sheet between the Debtors and the various Interested Parties on or before the hearing date scheduled for the Committee Motion. Thereafter the Debtors anticipate that within 3 weeks thereafter they will file a joint plan of reorganization and disclosure statement in respect of such plan term sheet.

12. In addition to the inadequacy of the notice provided by the Committee as provided by the Local Rules, the extension requested by the Debtors is warranted for several other reasons. The Debtors believe that the Committee Motion raises several substantive issues that must be addressed before a hearing on the Committee Motion. After a preliminary review of the proposed plan of reorganization attached to the Committee Motion, the Debtors have reason to believe that the Committee and/or certain of its members, may have violated the terms and conditions of the Non-Disclosure Agreement and shared certain confidential information and/or materials with the prospective purchasers identified therein. Among other things, this breach could result in an uneven playing field in any auction for a sale of the Debtors' assets and consequently may prejudice, or perhaps inappropriately prefer, certain creditors of the Debtors' estates. The Debtors, in light of these concerns, intend to file a motion with the Court, within 24 hours of filing this Motion for Continuance, seeking authority to conduct examination under Fed. R. Bankr. P. 2004 of the prospective purchasers designated in the Committees proposed plan, attached as Exhibit A to the Motion. The Debtors believe these examinations are essential to determine where, how and what information was shared with the prospective purchasers to avoid any potential harm to the Debtors' estates and to assess if the Committee or its representatives have acted inappropriately.

13. Further, Fansteel is a public company with numerous employees, creditors and equity interest holders. Accordingly, its board of directors, in furtherance of their fiduciary duties and in keeping with basic rules of corporate governance, should be given sufficient opportunity to review and consider the Committee Motion, the proposed terms and conditions for

a sale of a significant portion of the Debtors' assets and the structure for the plan of reorganization as proposed therein, in order to make an informed decision as to how best to proceed. Fansteel is not able to convene a quorum of their board of directors for several days such that it would be impossible for the board to have fully reviewed the Committee Motion by the current deadline for any response to the Committee Motion. By failing to provide the requisite notice and time to respond to the Committee Motion, the Committee ignores the fact that the Debtors have responsibilities to a broader group of interests than those represented solely by the Committee. The timing of the Committee Motion simply does not permit sufficient time for the board of directors to properly exercise their fiduciary duties under the circumstances.

14. As the Committee did not previously advise the Debtors that they would be breaking from the efforts of the collaborative group nor provide the Debtors with sufficient time to review and respond to the Committee Motion, the Debtors have no alternative but to seek a continuance of the May 21, 2003 hearing date and a corresponding extension of the May 16, 2003 response deadline. The Debtors believe that the Committee will suffer no undue prejudice<sup>2</sup> should the Court grant this Motion for Continuance. Further, the Debtors believe that they are extremely close to resolving any remaining issues with the various Interested Parties such that they will be in a position to file a plan term sheet on or before May 21, 2003. The Debtors believe that the Committee Motion, if heard on the May 21, 2003, could undermine these efforts and could ultimately immeasurably prejudice creditors of the Debtors' estates. If the Debtors are

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<sup>2</sup> To the extent that the Committee has asserted that the Debtors must be enjoined from the sale of assets outside the ordinary course of business, the Debtors acknowledge that all such transactions require approval of the Court and that, effectively, the Debtors are already enjoined from such transaction absent Court approval. The Debtors do not believe, therefore, a continuance prejudices the Committee or any creditors in this regard.

required to devote their efforts to immediately address the Committee Motion on this shortened schedule, they will not be able to conclude these negotiations in the time frame currently expected and may lose the ability to conclude a plan term sheet overall.

15. The Debtors, as they have previously discussed with the Committee, are prepared to share with the Committee certain information requested.<sup>3</sup> The Debtors, however, must now be certain that any such information provided is not being used inappropriately and in violation of the Non-Disclosure Agreement. The Debtors believe that a continuance of the Committee Motion, as requested herein, would also, therefore, permit the parties to work towards a resolution of the information requests presented by the Committee.

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<sup>3</sup> The Debtors, as indicated herein, previously provided comments to a joint interest agreement provided by the Committee. The Committee failed to respond to same such that the agreement was never executed. The Debtors remain, subject to certain conditions including those set forth in the Non-Disclosure Agreement, willing to share information with the Committee but will not now provide copies of any work product that are subject to privilege or work-product doctrines.

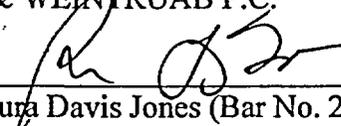
WHEREFORE, the Debtors respectfully requests that this Motion for Continuance be granted and that the hearing on the Committee Motion be continued, and the response deadline to such Committee Motion be extended, until such time as the Committee is afforded an opportunity to depose, in person, each of the persons that the Debtors will seek to notice for deposition in respect of a potential breach of the Non-Disclosure Agreement by the Committee, the Debtors' board of directors has had an opportunity to evaluate and determine how to proceed with respect to the Committee Motion and the sale of assets and plan of reorganization presented thereunder.

Dated: May 12, 2003

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Counsel for Debtors and Debtors In Possession

**EXHIBIT "A"**  
**Letter to Committee**

**SCHULTE ROTH & ZABEL LLP**

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May 8, 2003

**VIA FACSIMILE**

Frances Gecker, Esq.  
Freeborn & Peters  
311 South Wacker Drive, Suite 3000  
Chicago, Illinois 60606

Re: Fansteel Inc.  
Chapter 11 Case No. 02-10109 (JJF)

Dear Frances:

We have now had an opportunity to meet with our client and review, at least on a preliminary basis, the Creditor's Committee's draft reorganization plan that you forwarded yesterday afternoon. We have not yet had a chance to review the plan with Fansteel's board of directors, but expect to do so in the near future.

Based on our initial review, we believe that the Creditors' Committee's plan is seriously flawed in many material respects. More important, however, we believe that attaching this incomplete draft as an exhibit to a motion for authority to file a reorganization plan without an accompanying disclosure statement may cause material injury to Fansteel Inc. and its affiliated debtors (the "Debtors") and their creditors. Equally important, we trust that notwithstanding the inclusion of a "stalking horse" bidder in the draft reorganization plan, the Creditors' Committee has continued to observe the letter and spirit of the December 2002 confidentiality agreement executed in connection with our plan formulation meetings in Chicago.

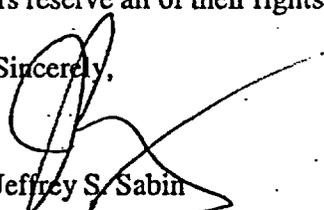
As I indicated to you in our call today, the Debtors are within 24 to 72 hours of reaching agreement with the Nuclear Regulatory Commission, the Pension Benefit Guaranty Corporation and various other governmental and regulatory authorities on the material terms of a consensual reorganization plan. In fact, the Debtors are prepared to deliver to the Creditors' Committee, not later than 5:00 p.m. (Eastern Time) on Tuesday, May 13, 2003, a plan term sheet reflecting resolution of all outstanding issues with these entities, subject, of course, to negotiation and execution of definitive documentation. We thus request that the Creditors' Committee refrain from filing the draft plan, as an exhibit to a motion or otherwise, pending receipt and consideration of the term sheet.

Frances Gecker, Esq.  
May 8, 2003  
Page 2

We would welcome the opportunity to meet with you and your client to discuss the term sheet once you and your client have had an opportunity to review it, perhaps as early as Thursday or Friday of next week.

Of course, if the Committee is unwilling to delay the filing of its motion pending review of the Debtors' plan term sheet, the Debtors reserve all of their rights.

Sincerely,



Jeffrey S. Sabin

cc: Mr. Gary Tessitore (via facsimile)

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: ) Chapter 11  
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FANSTEEL INC., et al.,<sup>1</sup> ) Case No. 02-10109 (JJF)  
) (Jointly Administered)  
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Hearing Date: Scheduled for Telephonic Hearing  
at the Court's Convenience

**ORDER FOR CONTINUANCE OF HEARING DATE ON, AND EXTENSION OF DEADLINE FOR RESPONDING TO, MOTION OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR ENTRY OF AN ORDER (I) AUTHORIZING THE FILING OF A PLAN OF REORGANIZATION WITHOUT AN ACCOMPANYING DISCLOSURE STATEMENT PURSUANT TO BANKRUPTCY RULE 3016(b), (II) COMPELLING THE DEBTORS TO PROVIDE THE COMMITTEE WITH THE INFORMATION NECESSARY TO COMPLETE THE DISCLOSURE STATEMENT AND (III) ENJOINING THE DEBTORS FROM TRANSFERRING, SELLING OR COSIGNING ESTATE ASSETS UNTIL CONFIRMATION OF A PLAN**

Upon the Debtors' *Emergency Motion for Continuance of Hearing Date on, and Extension of Deadline for Responding to, the Motion of Official Committee of Unsecured Creditors for Entry of an Order (I) Authorizing the Filing of a Plan of Reorganization Without An Accompanying Disclosure Statement Pursuant to Bankruptcy Rule 3016(B), (II) Compelling the Debtors to Provide the Committee with the Information Necessary to Complete the Disclosure Statement and (III) Enjoining the Debtors from Transferring, Selling or Cosigning Estate Assets Until Confirmation of a Plan* (the "Motion for Continuance"), it is hereby

ORDERED that the *hearing* on the Committee Motion is continued from May 21,

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<sup>1</sup> 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.

2003 to \_\_\_\_\_, 2003 or a future hearing date to be determined based upon the availability of the witnesses for the Debtors' 2004 examinations to be conducted as described the Motion for Continuance; and it is further

ORDERED that the deadline to file any responses to the Committee Motion shall be changed to \_\_\_\_\_, 2003.

Dated: May \_\_, 2003

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Honorable Joseph J. Farnan, Jr.  
United States Bankruptcy Judge