

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

40-7580

In re: ) Chapter 11  
)  
FANSTEEL INC., *et al.*,<sup>1</sup> ) 02-10109 (JF)  
) (Joint Administration)  
Debtors. )

**NOTICE OF FILING COLLATERALIZATION AGREEMENT**

PLEASE TAKE NOTICE that on April 12, 2002, the captioned debtors and debtors-in-possession ("Debtors") filed an executed copy of the District of Delaware Collateralization Agreement, dated March 19, 2002 between Debtors and National City Bank of Michigan/Illinois ("Collateralization Agreement"). The Collateralization Agreement was approved as to form by the Office of the United States Trustee for the District of Delaware. The

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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.; American Sintered Technologies, Inc.; and Fansteel Schulz Products, Inc.

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Collateralization Agreement is attached hereto as Exhibit A.

Dated: April 12, 2002

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and

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



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Co-Counsel for the Debtors and

Debtors in Possession

DISTRICT OF DELAWARE  
COLLATERALIZATION AGREEMENT

This Agreement is entered into as of March 19, 2002, between  
, a National City Bank of Michigan/Illinois ("Financial Institution"), with its principal  
place of business at Bannockburn, Illinois  
and Fansteel Inc, a Corporation with its  
principal place of business at Number One Tantalum Place, North Chicago, IL 60064  
which is a debtor in possession in the bankruptcy case of  
No. 02-CV-44-10109 (the "Bankruptcy Case").

RECITALS

A. Under Section 345 of the Bankruptcy Code ("Section 345"), a debtor in possession in a bankruptcy case shall require from the entity with which bankruptcy estate monies are deposited or invested, a bond, or the deposit of specified securities with respect to such deposits or investments which are not insured or guaranteed by the United States.

B. Debtor has established deposit accounts (the "Deposit Accounts") with Financial Institution for the purpose of depositing and investing the money of the bankruptcy estate of the Debtor ("Estate"). It is expected that a portion of the Estate money in the Deposit Accounts will not be insured or guaranteed by the United States.

C. Financial Institution is willing to comply with Section 345 and any other laws and regulations relating to the deposit or investment of Estate money.

D. Financial Institution is an insured financial institution under the Federal

(Revised October 15, 2001)

Deposit Insurance Act as evidenced by the Certification from the Federal Deposit Insurance Corporation ("FDIC") attached to this Agreement as Attachment A.

E. The United States Trustee for Region 3 (the "U.S. Trustee") is required to supervise Debtor in connection with Debtor's compliance with Section 345.

In consideration of Debtor's maintaining the Deposit Accounts with Financial Institution, and intending to be legally bound hereby, Financial Institution and Debtor agree as follows:

1. With respect to Estate money on deposit or invested with Financial Institution which is not insured or guaranteed in accordance with Section 345, Financial Institution shall deposit and maintain with the Federal Reserve Bank of ("Fed") only those securities belonging to Financial Institution which are of the kind specified in 31 U.S.C. § 9303 - namely, public debt obligations of the United States Government or obligations whose principal and interest is unconditionally guaranteed by the United States (the "Pledged Securities"). The par value of the Pledged Securities will always be at least equal to the total amount of all monies of the Estate, including accrued interest, on deposit with Financial Institution at any time, less the amount of any Estate deposits insured by the United States or by a department, agency or instrumentally of the United States including the FDIC.

2. Financial institution hereby grants to the U.S. Trustee a security interest in the Pledged Securities and agrees that all such Securities shall be pledged and assigned to the U.S. Trustee to secure Estate monies deposited with Financial Institution. Financial Institution will instruct Fed to designate U.S. Trustee as the pledgee with respect to the Pledged Securities, and to maintain such securities held in a

(Revised October 15, 2001)

"31 C.F.R. Part 225" account which shall have a sub-account in the name of the U.S. Trustee (the "Sub-account"). The deposit of Pledged Securities by Financial Institution with Fed shall be subject to the terms and conditions of Fed's standard operating circular relating to its provision of securities custodial services.

3. Financial Institution shall make arrangements with Fed to insure that, within fifteen (15) days after the end of each calendar month, Fed files with the following office of the U.S. Trustee a pledge holding statement for the Sub-account setting forth the Pledged Securities then on deposit with Fed pursuant to this Agreement:

Office of the United States Trustee  
844 King Street, Room 2313  
Lock Box 35  
Wilmington, DE 19801  
Attention: Assistant United States Trustee

4. The interest coupons or other evidences of income derived from the Pledged Securities with Fed may be administered for the benefit of Financial Institution in such manner as Financial Institution and Fed may agree upon. No order of a court or approval of the Debtor or U.S. Trustee is required to allow Financial Institution to substitute acceptable securities with Fed as long as the total par value of all Pledged Securities deposited by Financial Institution with Fed is maintained at all times in the amount described above. The withdrawal or reduction in amount of any Pledged Securities shall require the prior written consent of the U.S. Trustee, or her designee.

5. Within fifteen (15) days after the end of each calendar month, Financial Institution shall file with the U.S. Trustee, or his designee, a report stating (i) the balance of each Deposit Account, and (ii) the par value of the Pledged Securities

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currently on deposit with Fed with respect to each of the Deposit Accounts.

6. If Financial Institution fails to pay, when due, the whole or any part of any Estate monies deposited with Financial Institution, including accrued interest, or if Financial Institution otherwise violates or fails to perform any of the terms of this Agreement, or if Financial Institution becomes insolvent, or if Financial Institution is closed for business by law or by proper regulatory action, or if a receiver, conservator or liquidator is appointed for the purpose of terminating the business of Financial Institution, then the U.S. Trustee, without prior notice or demand, through such agents as may be designated for the purpose, may redeem, sell, assign or transfer the Pledged Securities, any additions or substitutions of such Securities, in whole or in part, at either public or private sale or sales. Any sale of Pledged Securities will be free from any equity or right of redemption on Financial Institution's part and without a prior appraisal, Financial Institution waives all rights to notice and any right of redemption it might have to the Pledged Securities. The proceeds of any sale or sales, will be applied to the Estate whose monies were deposited with Financial Institution. Surplus proceeds, if available, will be applied to the payment of any damages, demands or deficiencies caused by Financial Institution's default under this Agreement. Any then-remaining surplus proceeds will be paid to Financial Institution.

7. This Agreement shall remain in effect during the pendency of the Bankruptcy Case.

8. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

(Revised October 15, 2001)

9. No consent or waiver under this Agreement shall be effective unless in writing. No waiver of any breach or default shall be deemed a waiver of any breach or default thereafter occurring.

10. This Agreement contains and embodies the entire agreement of the parties hereto, and supercedes all prior agreements between the parties. This Agreement may not be modified or amended other than by an agreement in writing signed by the parties hereto, provided that no such modification or amendment shall be effective without the prior written consent of the U.S. Trustee.

11. This Agreement shall be governed by and interpreted under the laws of the State of Delaware.

12. The Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed, as of the day and year first above written.

Attest:

[Corporate Seal]

Debra Bursell

Title: Vice President 3/26/02  
Treasury Mgmt

Approved as to Form

By: Office of the U.S. Trustee

By: [Signature]

Title: Sr. Assistant U.S.T.

Financial Institution:

National City Bank of Michigan/Illinois

By: [Signature]

Title: Vice President

Debtor: Fansteel INC

By: [Signature]

Title: VP. CFO

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re:

FANSTEEL INC., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 02-10109 (JJF)  
(Jointly Administered)

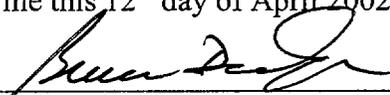
**AFFIDAVIT OF SERVICE**

Marlene Chappe, being duly sworn according to law, deposes and says that she is employed by the law firm of Pachulski, Stang, Ziehl, Young & Jones P.C., and that on the 12<sup>th</sup> day of April 2002, she caused a copy of the following document(s) to be served upon the attached service lists in the manner indicated:

**NOTICE OF FILING COLLATERALIZATION AGREEMENT**

  
Marlene Chappe

Sworn to and subscribed before  
me this 12<sup>th</sup> day of April 2002

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 7/1/03

<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., American Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.  
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