

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF KENTUCKY
ASHLAND DIVISION**

IN RE:) Chapter 11
)
SPECIAL METALS CORPORATION, et al.) Bankruptcy Nos. 02-10335 -
) 02-10338
)
) JOINTLY ADMINISTERED
)
) JUDGE WILLIAM S. HOWARD

**ORDER AUTHORIZING THE EMPLOYMENT OF HATCH ASSOCIATES
CONSULTANTS, INC. AS BUSINESS CONSULTANT
TO THE DEBTORS NUNC PRO TUNC TO SEPTEMBER 24, 2003**

Upon the application (the "Application") of the Debtors for an order approving the employment and retention of Hatch Associates Consultants, Inc. ("Hatch") to serve as business consultant to the Debtors; and upon the affidavit of Richard McLaughlin of Hatch (the "McLaughlin Affidavit"); and the Court being satisfied, based on the representations made in the Application and the McLaughlin Affidavit, that said firm represents no interest adverse to the Debtors' estates with respect to the matters upon which they are to be engaged, and that the employment of Hatch, as provided in the Application, is necessary and in the best interests of the Debtors and their estates; and it appearing that notice of the Application having been given to the parties specified in the Application, and that no other or further notice need be given; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefore,

IT IS HEREBY FOUND AND DETERMINED THAT:

A. On or about September 24, 2003, the Debtors filed an application seeking authorization to employ and retain Hatch.

B. The terms and conditions of Hatch's employment, including details regarding the services to be performed by Hatch and the compensation to be paid by the Debtors to Hatch on account of such services, are set forth in an engagement letter between the Debtors and Hatch dated September 24, 2003 (the "Engagement Letter").

C. The Engagement Letter specifies that Hatch's engagement shall proceed in two phases.

- (a) In Phase I Hatch Consulting and SMC management will carry out a joint review of the SMC lines of business with the goal of building a revised business strategy that focuses on those product/markets where the prospects for growth and profitability are most promising. The objective of this phase is the definition of viable product/market related options to confirm that the required level of benefits exists and are realistically achievable. As part of this process, relevant facility and support areas will be assessed and incorporated at a high level.
- (b) Phase II will focus on defining detailed implementation actions – facility, process, product and operations changes and timing to realize the Phase I strategy, provided that the outcome of Phase I work is sufficiently positive.

D. Hatch has indicated its willingness to act in these cases and render the Business Consulting Services to the Debtors.

E. As compensation for providing the services outlined above and in the Engagement Letter, the Engagement Letter provides that Hatch shall be entitled to compensation on a time plus expenses basis, estimated to be approximately \$310,000 for Phase I and \$350,000 for Phase II, not including expenses. However, these amounts are

estimates only, and Court approval is not required for payment of fees in excess of the estimated amounts.

G. The Debtors and Hatch have acknowledged and agreed that the fees payable to Hatch under the Engagement Letter are reasonable. The Debtors and Hatch have further acknowledged and agreed that the hours worked, the results achieved and the ultimate benefit to the Debtors of the work performed, in each case, in connection with this engagement, may be variable, and that the Debtors and Hatch have taken this into account in setting the fees under the Engagement Letter.

H. The method for calculating the compensation to be paid to Hatch set forth in the Engagement Letter is consistent with the methods for calculating compensation to be paid to engineering consultants under similar circumstances and is reasonable in comparison to fees charged by similar professionals performing similar tasks.

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, DECREED AND DETERMINED THAT:

1. The engagement of Hatch as business consultants to the Debtors, as set forth under the terms of the Engagement Letter dated September 24, 2003, are hereby authorized and approved *nunc pro tunc* to September 24, 2003.
2. In accordance with the Engagement Letter, upon performing the services set forth in therein and described generally in paragraph C above, Hatch shall have earned the compensation set forth in the Engagement Letter.
3. The Debtors shall pay Hatch pursuant to the terms of the Engagement Letter, for services rendered to the Debtors, and shall reimburse Hatch for reasonable out-of-pocket expenses incurred in connection with such services as set forth in the Engagement Letter.

4. The indemnification provisions of the Engagement Letter are hereby approved.

Pursuant to Local Rule 9022 1(c), Counsel for the Debtors shall cause a copy of this order to be served on the parties listed on the current short service list on file with the court pursuant to Local Rule 9022 1(a) and shall file with the court a certificate of service of the order upon such parties within ten (10) days hereof.

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***The affixing of this Court's electronic seal below is proof this document has been signed by the Judge and electronically entered by the Clerk in the official record of this case.***



**Signed By:**  
**William S. Howard**  
**Bankruptcy Judge**  
**Dated: Friday, November 14, 2003**  
**(jms)**