

**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:	)	
CRUCIBLE MATERIALS CORPORATION, <sup>1</sup>	)	Chapter 11
Debtor.	)	Case No. 09-11582
	)	
In re:	)	Chapter 11
CRUCIBLE DEVELOPMENT CORPORATION, <sup>1</sup>	)	Case No. 09-11583
Debtor.	)	Joint Administration Requested

**APPLICATION FOR ORDER AUTHORIZING THE RETENTION AND  
EMPLOYMENT OF K&L GATES LLP AS BANKRUPTCY COUNSEL, *NUNC PRO  
TUNC* AS OF THE PETITION DATE, PURSUANT TO BANKRUPTCY CODE  
SECTIONS 327(A) AND 1107(A), FED. R. BANKR. P. 2014(A) AND 2016(A), AND  
LOCAL BANKRUPTCY RULE 2014-1**

Crucible Materials Corporation (“Crucible”) and Crucible Development Corporation (“CDC”), debtors and debtors in possession (collectively, the “Debtors”) hereby submit this application (the “Application”) for entry of an order authorizing the retention and employment of K&L Gates LLP (“K&L Gates”) as their general bankruptcy counsel pursuant to sections 327(a) and 1107(a) of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”), Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 2014-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”). In support of this Application, the Debtors rely on: (i) the Affidavit of David W. Robbins in

---

<sup>1</sup> The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Crucible Materials Corporation (9229); Crucible Development Corporation (3475). The Debtors’ headquarters is located at 575 State Fair Boulevard, Syracuse, NY 13209.

Support of the Debtors' Chapter 11 Petitions and First Day Motions and Applications, which is being filed contemporaneously herewith, (ii) the Affidavit of Jeffrey N. Rich (the "Rich Affidavit"), which is annexed hereto as Exhibit A, and (iii) K&L Gates' statement pursuant to Bankruptcy Rule 2016, which is annexed hereto as Exhibit B. In further support of this Application, the Debtors respectfully state as follows:

### **Jurisdiction and Venue**

1. This Court has jurisdiction to consider this Application pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory bases for the relief requested herein are sections 105, 327, and 1107 of the Bankruptcy Code and Bankruptcy Rules 2014 and 2016.

### **Background**

3. On May 4, 2009 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code, thereby commencing these chapter 11 cases. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code

4. Crucible is an employee-owned company, and has been a leader and innovator in the specialty metals industry for more than one hundred years, manufacturing stainless steel, alloy steel, tool steel, and valve steel for use in the automotive, aerospace, petrochemical, and other industries. Crucible also maintains a significant research division, which is devoted to advanced metallurgical research and the development of new products and processes and the continuous improvement of current ones.

5. CDC is a wholly-owned subsidiary of Crucible, which owns certain real property utilized in the operations of Crucible's business.

### **Relief Requested**

6. The Debtors seek to retain and employ K&L Gates as their general bankruptcy counsel to assist in all aspects of the administration of these chapter 11 cases. The Debtors, therefore, request entry of an order authorizing the Debtors to retain and employ K&L Gates pursuant to 11 U.S.C. §§ 327(a) and 1107(a), *nunc pro tunc* as of the Petition Date.

### **K&L Gates' Qualifications**

7. The Debtors seek to retain K&L Gates because the firm is particularly well qualified to serve as the Debtors' counsel in these chapter 11 cases. K&L Gates is an international law firm of more than 1,900 lawyers, with 32 offices in the United States and abroad, and has significant experience in all aspects of the law that may arise in this chapter 11 case including bankruptcy, commercial transactions, employee benefits, commercial litigation, finance, intellectual property, labor and employment, real estate, mergers and acquisitions, tax and environmental.

8. K&L Gates' Bankruptcy & Restructuring Practice Group consists of approximately 60 attorneys practicing in offices throughout the United States and overseas.

9. K&L Gates is also familiar with the Debtors business, having served as outside counsel to Crucible on various matters for nearly 20 years. K&L Gates' professionals have worked closely with the Debtors' management and, as a result, are well-acquainted with the Debtors' corporate history, debt structure, business and litigation matters, and other major operational issues. As a result of this experience, K&L Gates has developed substantial knowledge concerning the Debtors that will enable its lawyer to provide effective and efficient services in these chapter 11 cases.

### Services to Be Provided by K&L Gates

10. The professional services that K&L Gates will render to the Debtors

include, but shall not be limited to, the following:

- (a) assisting the Debtors in preparing schedules of assets and liabilities and statement of financial affairs;
- (b) providing legal advice with respect to the Debtors' powers and duties as a debtor in possession in the continued operation of its business and management of its property;
- (c) preparing and filing all necessary motions, notices, and other pleadings necessary to sell some or substantially all of the Debtors' assets;
- (d) attending meetings and negotiating with representatives of the Debtors' creditors and other parties in interest;
- (e) advising the Debtors with respect to any potential sale of assets or business combinations, including negotiating agreements, formulating and implementing appropriate procedures with respect to the closing of any such transactions, and counseling the Debtors in connection with such transactions;
- (f) assisting the Debtors in reviewing and maintaining its executory contracts and unexpired leases, and negotiating with parties thereto;
- (g) preparing and pursuing approval of a disclosure statement and confirmation of a plan of reorganization;
- (h) preparing on behalf of the Debtors all necessary applications, motions, answers, orders, reports and other legal papers;
- (i) reviewing the nature and validity of liens asserted against the Debtors' property and advising the Debtors concerning the enforceability of any liens;
- (j) appearing in Court on behalf of the Debtors and protecting the interests of the Debtors before the Court;
- (k) prosecuting and defending litigation matters and such other matters that might arise during these chapter 11 cases; and
- (l) performing all other legal services for the Debtors which may be necessary and proper in these proceedings.

**K&L Gates' Compensation and Charges**

11. Subject to Court approval in accordance with sections 330(a) and 331 of the Bankruptcy Code, compensation will be payable to K&L Gates on an hourly basis, together with reimbursement of actual and necessary expenses and other charges incurred and regularly charged by K&L Gates.

12. The standard hourly rates for K&L Gates' partners, associates, and paralegals that are likely to perform work in connection with the chapter 11 cases are as follows:<sup>2</sup>

<b><u>Professional</u></b>	<b><u>Rates</u></b>
Partners	\$500 - \$900
Associates	\$290 - \$520
Paralegals	\$260 - \$270

13. These rates are set at a level designated to fairly compensate K&L Gates for the work of its attorneys and paralegals, and to cover fixed and routine overhead expenses. These rates are the standard rates charged by K&L Gates for work performed for other clients on similar matters and are customary rates in the industry for attorneys with similar experiences and expertise.

14. The ordinary and customary charges include, without limitation, telephone and telecopier tolls and other charges, mail and express mail charges, special or hand delivery charges, photocopying, travel expenses, computerized research, transcription costs, and non-overhead expenses, including overtime relating to the specific needs of these chapter 11 cases.

---

<sup>2</sup> These hourly rates are subject to periodic adjustments to reflect economic and other conditions.

Subject to Court approval, K&L Gates will bill for legal services in accordance with its ordinary and customary rates in effect on the date services are rendered.

15. On or about April 30, 2009, K&L Gates received from the Debtors \$677,500.00 of which \$107,500 was applied for services rendered between April 1, 2009 and April 30, 2009 on matters unrelated to the restructuring and \$570,000.00 was applied for services rendered in connection with the restructuring including services rendered up through and including May 5, 2009. After application of the monies received from the Debtors for services rendered in connection with the restructuring, there is a balance of \$18,000.00. Such balance constitutes an advance security retainer to be applied against K&L Gates' allowed post-petition fees and expenses, as permitted by the Court (the "Post-Petition Retainer"). According to the terms of K&L Gates' engagement, the Post-Petition Retainer will be treated as an "evergreen retainer.

16. A statement of the compensation received by K&L Gates for services rendered to the Debtors in the one year preceding the Petition Date, including the source of the compensation, is set forth in the statement under Bankruptcy Rule 2016 and section 329 of the Bankruptcy Code, attached hereto as Exhibit B.

#### **Disclosure Concerning Disinterestedness**

17. To the best of the Debtors' knowledge, K&L Gates has not provided legal advice or representation to any other entity having a claim or interest adverse to the Debtors in connection with these chapter 11 cases nor, at any material time, provided legal advice or representation to any other entity in connection with a matter adverse to the Debtors.

18. As described in the Rich Affidavit, K&L Gates has searched its client data base which contains the identity of all the firm's present and former clients and has compared that list with the list of the Debtors' creditors to determine whether K&L Gates represents or has

ever represented, any of the Debtors' creditors or any other parties in interest in any capacity. K&L Gates searched all of the Debtors' known 1,023 creditors. K&L Gates identified approximately 200 persons or entities that it has or may have previously represented. To the best of K&L Gates' knowledge, however, those prior representations were wholly unrelated to the Debtors or these chapter 11 cases. The names of such creditors or affiliates of such creditors of the Debtors, none of which represent more than 1% of K&L Gates' overall revenue, are set forth in Schedule 1 to the Rich Affidavit attached hereto.

19. To the extent that K&L Gates does or has represented any party identified in Schedule 1, K&L Gates will not represent any party, whether or not listed on attached Schedule 1, in connection with any matter adverse to the Debtors or their bankruptcy estates. In the event that the Debtors have an interest in conflict with any such parties, the law firm of Saul Ewing LLP will serve as conflicts counsel to the Debtors, with such ethical barriers being erected as necessary and appropriate under the circumstances. K&L Gates will not duplicate the services rendered by Saul Ewing LLP.

20. While K&L Gates identified these prior representations and arranged for conflicts counsel, given the large number of creditors and other parties in interest that may be involved in these cases, K&L Gates may have represented additional creditors or other parties in interest in matters wholly unrelated to these chapter 11 cases. K&L Gates has informed the Debtors that it will conduct an ongoing review of its files to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new material facts or relationships are discovered, K&L Gates will supplement its disclosure to the Court.

21. As such, to the best of the Debtors' knowledge, K&L Gates does not hold or represent any interest adverse to the Debtors' estates and K&L Gates is a "disinterested person" as that phrase is defined in section 101(14) of the Bankruptcy Code.

**Notice**

22. Notice of this Application has been given to: (i) the Office of the United States Trustee; (ii) those creditors listed on the Debtors' Consolidated List of Creditors Holding the 20 Largest Unsecured Claims; (iii) the Office of the United States Attorney for the District of Delaware; (iv) the Internal Revenue Service; and (v) counsel to the Debtors' pre-petition lender.

**No Prior Request**

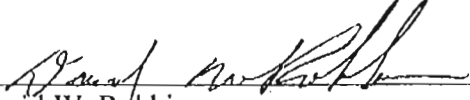
23. No prior motion or application for the relief requested herein has been made to this or any other court.

Dated: May 4, 2009

Respectfully submitted,

CRUCIBLE MATERIALS CORPORATION and  
CRUCIBLE DEVELOPMENT CORPORATION

By: \_\_\_\_\_

  
David W. Robbins  
Chairman and CEO of Crucible Materials  
Corporation and Chairman and President  
of Crucible Development Corporation