

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF KENTUCKY
ASHLAND DIVISION

ROBERT ADKINS, et al.,

Plaintiffs,

v.

SPECIAL METALS CORPORATION, et al.,

Defendants.

CASE NO. 09-cv-00116-HRW

Judge Henry R. Wilhoit, Jr.

**IMPORTANT NOTICE ABOUT YOUR FUTURE MEDICAL BENEFITS
FROM SPECIAL METALS CORPORATION**

You should read this notice carefully if you (or a member of your family):

1. Worked for Special Metals Corporation (“SMC” or “Special Metals”), Huntington Alloys Corporation (“HAC”), or a predecessor company (which will be referred to collectively as “SMC” or “Special Metals”) in Burnaugh, Kentucky, or Huntington, West Virginia, or Dunkirk, NY, or currently work at those facilities, having been hired on or before November 1, 2008; and
2. Are or were represented by the United Steelworkers or a predecessor union in collective bargaining; and
3. Retired (or died) having received or having satisfied the requirements to receive retiree health care benefits under the applicable collective bargaining agreements and/or under the current eligibility requirements of the governing documents of the Special Metals Retiree Benefits Trust, or who – because of current employment may – eventually satisfy the requirements to receive such benefits.

THIS NOTICE CONCERNS A PROPOSED CLASS ACTION SETTLEMENT.

**A FEDERAL COURT AUTHORIZED THIS NOTICE—IT IS NOT A SOLICITATION
FROM A LAWYER.**

WHAT THIS NOTICE CONTAINS

BASIC INFORMATION.....	3
1. Why did I get this notice package?	
2. What is the lawsuit about?	
3. Why is this a class action?	
4. Why is there a settlement?	
WHO IS IN THE SETTLEMENT.....	5
5. How do I know if I am part of the settlement?	
6. Do I need to do anything to join the case and share in the settlement?	
7. Can I exclude myself from the settlement?	
THE SETTLEMENT BENEFITS – WHAT YOU GET.....	6
8. What does the settlement provide?	
9. When will I get my share of the settlement?	
10. What am I giving up in the settlement?	
THE LAWYERS REPRESENTING YOU.....	7
11. Do I have a lawyer in this case?	
12. How will the lawyers be paid?	
OBJECTING TO THE SETTLEMENT.....	8
13. What does it mean to object?	
14. How do I tell the Court that I don't like the settlement?	
THE COURT'S FAIRNESS HEARING.....	9
15. When and where will the Court decide whether to approve the settlement?	
16. Do I have to go to the fairness hearing?	
17. May I speak at the hearing?	
IF YOU DO NOTHING.....	10
18. What happens if I do nothing at all?	
GETTING MORE INFORMATION.....	10
19. Are there more details about the settlement?	
20. How do I get more information?	

BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family:

1. Worked for Special Metals Corporation, Huntington Alloys Corporation, or a predecessor company in Burnaugh, Kentucky, or Huntington, West Virginia, or Dunkirk, NY; and
2. Were represented by the United Steelworkers or a predecessor union in collective bargaining; and
3. Retired (or died) before January 5, 2010, having received or having satisfied the requirements to receive retiree health care benefits under the applicable collective bargaining agreements and/or under the current eligibility requirements of the governing documents of the Special Metals Retiree Benefits Trust.

Or you or someone in your family:

1. Was, on or after January 5, 2010, an employee of SMC, HAC, or any of their predecessors represented by the USW for purposes of collective bargaining in Burnaugh, Kentucky, or Huntington, West Virginia, or Dunkirk, NY; and
2. Was hired on or before November 1, 2008; and
3. Who because of their employment may eventually receive, or satisfy the requirements to receive, retiree health care benefits under the applicable collective bargaining agreements and/or under the current eligibility requirements of the governing documents of the Special Metals Retiree Benefits Trust.

You were sent this notice because you have the right to know about a proposed settlement of a class action lawsuit and about your options before the Court decides whether to approve the settlement.

The Court in charge of this case is the United States District Court for the Eastern District of Kentucky, Ashland Division, and the case is known as *Adkins v. Special Metals Corp.*, Case No. 09-cv00116-HRW. The persons who sued are called Plaintiffs and the people or entities they sued are called Defendants. The Plaintiffs who brought this suit are the United Steelworkers, as well as two retirees and an active employee from Special Metals who were represented by the United Steelworkers and who were affected by Special Metals' refusal to fund retiree health benefits. The Defendants are Special Metals and related corporations.

If the Court approves the settlement, and after any objections and appeals are resolved, your retiree health benefits will be paid from a trust fund operated separately and independently from Special Metals. The trust is what is known as a voluntary employees' beneficiary association or VEBA trust, and is referred to in this Notice as the VEBA. Special Metals will pay \$38 million to the VEBA for the purpose of providing retiree health coverage for all Class Members, and will

set aside another \$200,000 to pay attorneys' fees for services of Plaintiffs' counsel at the District Court level, with any unused amount being paid to the VEBA. Once the settlement receives final Court approval, Class Members will not be able to sue Special Metals to increase the level or scope of their retiree health benefits or to restore their previous retiree health benefits.

This package explains the lawsuit, the settlement, your legal rights, what benefits are available, who is eligible for them, and how those benefits will be provided.

2. What is this lawsuit about?

The VEBA was originally created when Special Metals emerged from bankruptcy in 2003, and its purpose was to provide retiree health benefits both to those already retired and to persons retiring in the future. The Board of Trustees of the VEBA consisted of three trustees appointed by the Union and three trustees appointed by the Company. The lawsuit arises out of Special Metals' announcement in late 2008 that it would refuse to fund the VEBA at levels that the United Steelworkers, the union-represented employees, and the retirees considered to be adequate. The failure to adequately fund the VEBA could have the effect of shifting a large part of the costs of retiree health benefits to retirees and their spouses. At the same time, Special Metals took the position that it was entitled to reduce funding further at any time, or even to terminate funding altogether. Ultimately, the United Steelworkers, two retirees, and an employee filed this lawsuit, and it alleges that Special Metals' refusal to adequately fund the VEBA violated federal laws known as the Labor Management Relations Act (or LMRA) and the Employee Retirement Income Security Act (or ERISA). Special Metals disputes Plaintiffs' claims and contends that it was authorized to unilaterally refuse to fund the benefits.

3. Why is this a class action?

In a class action, one or more persons called Class Representatives sue on behalf of people who have similar claims. All of these people are a Class or Class Members. One court resolves the issues for all Class Members and all Class Members are bound by the court decision or settlement. United States District Judge Henry R. Wilhoit, Jr., is in charge of this class action.

4. Why is there a settlement?

The Court has not decided which parties are right in this lawsuit. By agreeing to a settlement, the parties avoid the costs and risk of a trial and an appeal, and the Class Members will get funding for future benefits. The Class Representatives and attorneys think the settlement is in the best interest of Class Members.

WHO IS IN THE SETTLEMENT

5. How do I know if I am part of the settlement?

The Court has conditionally certified this suit as a class action, and the Class consists of persons who fit the following definition”:

(a) All former employees of SMC, HAC, or any of their predecessors who, before January 5, 2010, were represented by the USW for purposes of collective bargaining in Burnaugh, Kentucky, or Huntington, West Virginia, or Dunkirk, NY, and who have received or have satisfied the requirements to receive retiree health care benefits under the applicable collective bargaining agreements and/or under the current eligibility requirements of the governing documents of the Benefits Trust, described below (herein, “Retirees”); and

(b) Deceased Retirees’ spouses who also received or satisfied the requirements to receive such benefits; and spouses of former employees who were represented by the USW for purposes of collective bargaining in Burnaugh, Kentucky, or Huntington, West Virginia, or Dunkirk, NY, who died during the period of their employment with SMC, HAC or any of their predecessors with such deaths occurring before January 5, 2010, and who also have received or have satisfied the requirements to receive such benefits (herein, both categories of spouses are referred to as “Surviving Spouses”); and

(c) Dependents (including dependent spouses of living Retirees and dependent children) of either Retirees and Surviving Spouses, who also have received or satisfied the requirements to receive such benefits (herein, “Dependents”); and

(d) Persons who were, on or after January 5, 2010, employees of SMC, HAC, or any of their predecessors represented by the USW for purposes of collective bargaining in Burnaugh, Kentucky, or Huntington, West Virginia, or Dunkirk, NY, who were hired on or prior to November 1, 2008, and who because of their employment may eventually satisfy the requirements to receive such benefits (herein, “Employees”).

The capitalized terms in the Class definition above, and elsewhere in this Notice, are defined in the parties’ Settlement Agreement, a copy of which can be obtained by writing to Class Counsel or by visiting www.usw.org or www.employmentjusticelaw.com. There are approximately 1500 persons in the Class.

6. Do I need to do anything to join the case and share in the settlement?

You do not need to take any action to join the case. If the proposed settlement is approved by the Court, and you are a member of the Class, your retiree health benefits will continue, but may be altered in the future in the trustees of the VEBA decide that benefits should be re-designed in light of funding that is available.

7. Can I exclude myself from the settlement?

Unlike in some class actions, you do not have the option to exclude yourself (or “opt out”) of the class. If the settlement is approved, you will be bound by any judgments or orders that the Court enters in this case, you will be deemed to have released the Defendants from any and all claims that were or could have been asserted in this case, and you will not be able to sue the Defendants on those claims. Although you cannot exclude yourself from the case, you can object to the settlement and ask the Court not to approve it.

THE SETTLEMENT BENEFITS—WHAT YOU GET

8. What does the settlement provide?

In summary, the settlement provides for the re-structuring of the governing Board of Trustees of the VEBA (so that Special Metals will have no part in running the VEBA), funding the VEBA with a contribution of at least \$38 million, and the payment of up to \$200,000 in attorneys’ fees for the work of Plaintiffs’ counsel in the District Court (with any unused amount being paid to the VEBA).

Funding of the VEBA and Attorneys’ Fees

Once the settlement becomes effective (which could be as early as June 2010), Special Metals will make a one-time cash contribution to the VEBA in the total amount of \$38 million. In addition, on March 1, 2010, Special Metals will set aside another \$200,000 for attorneys’ fees for the work of Plaintiffs’ counsel in the District Court, with any unused portion of the \$200,000 to be paid to the VEBA. In addition, should there be an appeal of the District Court’s approval of this settlement by someone other than any of the Plaintiffs, Defendants will make an additional one-time payment of \$75,000 for Plaintiffs’ counsel’s work on appeal. Payment of the Settlement amounts pursuant to the terms of this Agreement will satisfy all claims made in the Lawsuit, including all alleged damages incurred by Plaintiffs and Class Members related to retiree health benefits claimed in the Lawsuit. All of these amounts -- the \$38 million for the VEBA, the reserves of \$200,000 and possibly another \$75,000 for counsel fees with the unused portions going to the VEBA -- represent a compromise between the parties as to the issues involved in the case, and were extensively negotiated by the parties.

The Board of Trustees and Benefit Levels

After the settlement becomes effective, the VEBA will be administered by a Board of Trustees that will serve as a fiduciary. Special Metals will have no representative on that Board and Special Metals will not act for or on behalf of the Board. Instead, the Board will consist of five members, two of whom will be appointed by the United Steelworkers (“Union Trustees”), three of whom will not be affiliated with the United Steelworkers (“Public Trustees”), and one of whom will be elected by, and from among, the retirees (“Retiree Trustee”). The Board will have the power to establish benefit levels, including the ability to raise or lower benefits for Class

Members. The names and backgrounds of the initial Public Trustees are included in an attachment to this Notice.

9. When will the settlement amounts be paid and the new Board of Trustees take over administration of the VEBA?

The Court will hold a hearing at 9:00 a.m. on April 21, 2010 to decide whether to approve the settlement. It may take the Court several weeks after the hearing before it decides. If the Court approves the settlement, there may be appeals. If appeals are filed, it is uncertain how long it will take to resolve them.

10. What am I giving up in the settlement?

Under this settlement, Class Members will give up or “release” the right to sue the Defendants and their affiliates over the same events and subject matter involved in this case, including whether the Defendants’ refusal to fund retiree health benefits violated the Labor Relations Management Act (LMRA) or the Employee Retirement Income Security Act (ERISA), and any similar claims under state or federal law.

That means that even if you discover facts in the future that were not known at the time of the settlement, which you think demonstrate further violations by the Defendants related to this case, you may not sue them. Each class member assumes the risk that he or she may discover new information. Even if new information is discovered, the settlement will be binding.

You will retain your legal rights with respect to normal individual disputes about coverage of particular claims, amounts to be paid for claims, and similar day-to-day issues of plan administration.

THE LAWYERS REPRESENTING YOU

11. Do I have a lawyer in this case?

The Court has appointed the following lawyers to represent the Class:

David M. Cook
Jennie G. Arnold
Cook, Portune & Logothetis, LLC
22 W. 9th Street
Cincinnati, Ohio 45202

These lawyers are called Class Counsel. You will not be charged fees or expenses by these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

12. How will the lawyers be paid?

No payment will be made to Class Counsel by Class Members or out of the \$38 million minimum amount to be paid to the VEBA. Under the proposed settlement, Special Metals will pay court-awarded attorneys' fees and expenses for Plaintiffs' counsel so long as counsel seek no more than \$200,000 for work in the District Court. Any amount of this \$200,000 not paid in counsel fees and expenses will be paid to the VEBA. If the case goes on appeal, another \$75,000 will be set aside for work of Plaintiffs' counsel on appeal, and any portion of the \$75,000 not used for counsel fees and expenses will be paid to the VEBA.

Class Counsel's motion and brief supporting its fee request for work on the District Court (including estimated fees and expenses for such future work) will be filed with the Court at least six weeks before the Fairness Hearing scheduled for April 21, 2010. USW counsel's stipulation as to its fee request will also be filed at that time.

In addition to objecting to the proposed settlement, any Class Member may also advise the Court about any objections he or she has to the adequacy of representation by Class Counsel or to Class Counsel's motion for attorneys' fees and expenses.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the settlement or some part of it.

13. What does it mean to object?

Objecting is simply telling the Court that you do not like something about the settlement. It will not have any bearing on your right to settlement proceeds if the settlement is approved.

14. How do I tell the Court that I don't like the settlement?

You can object to the settlement if you dislike any part of it, including the amount of the settlement or the fees requested by Class Counsel. You can give reasons why you think the Court should not approve the settlement. To object, you must send a letter saying that you object to the settlement in *Adkins v. Special Metals Corp.*, Case No. 09-cv-00116-HRW. Be sure to include your name, address, telephone number, your signature, and reasons you object to the settlement (and, if applicable, the name, address and telephone number of your attorney). Mail the objection to all of the addresses below postmarked no later than April 1, 2010. You must mail your objection by this date.

United States District Court
Eastern District of Kentucky
336 Carl Perkins Federal Building
1405 Greenup Avenue
Ashland, KY 41101

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Pittsburgh, PA 15219

*Attorneys for the United Steel, Paper and Forestry,
Rubber, Manufacturing, Energy, Allied Industrial and
Service Workers International Union, AFL-CIO/CLC*

If you fail to mail your objection in a timely manner, the Court will not consider it. Be sure to include "Case No. 09-cv-00116-HRW" on the first page of all documents.

THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the settlement. You may attend and you may ask to speak, but you are not required to.

15. When and where will the Court decide whether to approve the settlement?

The Court will hold a Fairness Hearing at 9:00 a.m. on April 21, 2010, in Courtroom A, at the United States Courthouse, Carl D. Perkins Federal Bldg, 1405 Greenup Avenue, Ashland, KY 41101-7542 Ashland, Kentucky 41101-7542. At this hearing, the Court will consider whether the

settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Judge will determine whether and to what extent parties will be permitted to address the Court at the hearing. The Court will also decide the amount of Class Counsel's fees and expenses. After the hearing, the Court will decide whether to approve the settlement. We do not know how long these decisions will take.

16. Do I have to go to the fairness hearing?

No, Class Counsel will answer questions the Court may have. You are, however, welcome to come at your own expense. If you send an objection, you do not have to go to Court to talk about it. As long as your objection is postmarked by April 1, 2010 the Court will consider it. You also may pay your own lawyer to attend, but it is not necessary.

17. May I speak at the hearing?

You may ask the Court for permission to speak—with or without an attorney—at the Fairness Hearing. To do so, you must send a letter to the address indicated above in the answer to question 14, saying that it is your “Notice of Intention to Appear.” Be sure to include your name, address, telephone number, and your signature (and, if applicable, the name, address and telephone number of your attorney). Your Notice of Intention to Appear must be postmarked no later than April 1, 2010.

IF YOU DO NOTHING

18. What happens if I do nothing at all?

The settlement does not require you to do anything and there is no penalty for doing nothing at all.

GETTING MORE INFORMATION

19. Are there more details about the settlement?

This Notice summarizes the proposed settlement. More details are in the parties' Settlement Agreement. You may obtain a copy of the Settlement Agreement by requesting a copy from Class Counsel or by visiting www.usw.org and www.stemberfeinstein.com.

You can also inspect any of the documents filed in this case, free of charge, by visiting the Clerk of Court, United States District Court for the Eastern District of Kentucky, United States Courthouse, Ashland, Kentucky 41101-7542, during regular business hours. You can purchase copies of those documents from the Clerk of Court.

20. How do I get more information?

You can call 1-513-287-6987 toll free to find answers to common questions about the settlement, plus other information to help you determine whether you are a Class Member. PLEASE DO NOT CONTACT THE COURT. Court personnel cannot or are not authorized to answer your questions.

DATE: FEBRUARY 19, 2010

ATTACHMENT

PUBLIC TRUSTEES OF VEBA

James T. Carney (Public Trustee): Mr. Carney is a retired Vice President of U.S. Steel Corporation where he headed a staff of 60 which administered the various employee benefit plans sponsored by U.S. Steel. He was a member of the steel industry and USS employee benefit bargaining teams in negotiations with the USW between 1971 and 1999. Since retirement, he has been engaged in the private practice of law, specializing in ERISA litigation. He is a member of the Academy of Social Science. He has written a number of law review articles in the general labor and employment law area. He was a director of Advanced Health Corporation

Howard Kline (Public Trustee): Mr. Kline is a shareholder with the law firm Buchanan, Ingersoll & Rooney PC, where he has specialized in employee benefit plan matters, including retiree group health plans, for more than 19 years. Prior to joining the law firm, Mr. Kline served as Director of Compensation and Benefits at a Fortune 200 corporation, Counsel for Employee Benefits at the United Steelworkers of America, an associate attorney at a large Philadelphia, Pennsylvania law firm and as Counsel to the Pension Task Force of the United States House of Representatives. He also serves as a trustee for other VEBAs providing group health benefits to retirees. Mr. Kline served on the United States Department of Labor's Advisory Council on Employee Welfare and Pension Benefit Plans.

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