

Joseph J. Wielebinski, Esq.
Texas Bar No. 21432400
Kevin M. Lippman, Esq.
Texas Bar No. 00784479
Deborah M. Perry, Esq.
Texas Bar No. 24002755
MUNSCH HARDT KOPF & HARR, P.C.
4000 Fountain Place
1445 Ross Avenue
Dallas, Texas 75202-2790
Telephone: (214) 855-7500
Telecopier: (214) 978-4335
E-mail: jwielebinski@munsch.com
E-mail: klippman@munsch.com
E-mail: dperry@munsch.com

PROPOSED ATTORNEYS FOR THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

IN RE: § CHAPTER 11
CEI ROOFING, INC., *et al.*, §
DEBTORS. § (Jointly Administered)

**OBJECTION TO DEBTORS' EXPEDITED MOTION TO APPROVE
KEY EMPLOYEE RETENTION PLAN**

TO THE HONORABLE HARLIN D. HALE, U.S. BANKRUPTCY JUDGE:

The Official Committee of Unsecured Creditors of CEI Roofing, Inc., *et al.* (the "Committee") files this Objection ("Objection") to Debtors' Expedited Motion to Approve Key Employee Retention Plan (the "Motion"), filed herein by CEI Roofing, Inc. and its affiliated debtors (collectively, the "Debtors"), and in support thereof would respectfully show the Court as follows:

I.

BACKGROUND

1. On May 3, 2004 (the "Petition Date"), the Debtors filed their voluntary petitions for relief under Chapter 11 of title 11, United States Code. The Debtors continue to operate their

businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. On May 14, 2004, the Committee was appointed by the United States Trustee.

3. On May 25, 2004, the Debtors filed the instant Motion, requesting authority from the Bankruptcy Court, pursuant to 11 U.S.C. § 105(a), to implement a Key Employee Retention Plan (“KERP”) which provides for retention bonuses to certain employees of the Debtors totaling in excess of \$1.1 million. *See* Motion ¶ 5.

II.

OBJECTION

4. The Committee recognizes and supports the Debtors' need to retain critical employees who are an important component of a successful reorganization. However, a decision on the Motion should not be made when the Committee and the other parties in interest in the case have only been given 36 hours notice, and when the Debtors seek to bind the estates to making \$1.1 million in payments even though a final order on the Debtors' DIP Finance Motion (“Final DIP Order”) has not been approved.

5. The Committee, therefore, respectfully requests that the Court approve the Motion and authorize the initial payments in June 2004, but make all subsequent payments subject to the entry of the Final DIP Order

6. It is not the Committee's intention to unnecessarily or unreasonably withhold its approval of the KERP payments. Nevertheless, considering the expedited nature of the relief requested, coupled with the relatively sizeable amount of the retention bonuses, it is not unreasonable to approve further retention payments but subject them to the entry of the Final DIP Order. Otherwise, if no final agreement on DIP financing is reached and the Motion is granted as requested, the estates could be subject to potentially significant claims that may have

little, if any, benefit and the desired purpose of the KERP will not be achieved because the Debtors, in all likelihood, will no longer be operating.

III.

CONCLUSION

WHEREFORE, the Committee respectfully requests that the Court approve the KERP Motion subject to the limitations outline above, and the Court grant the Committee such other and further relief to which the Committee may be justly entitled.

Dated this 27th day of May, 2004.

MUNSCH HARDT KOPF & HARR, P.C.
4000 Fountain Place
1445 Ross Avenue
Dallas, Texas 75202-2790
Telephone: (214) 855-7500
Telecopier: (214) 978-4335
E-mail: jwielebinski@munsch.com
E-mail: klippman@munsch.com

By: /s/ Kevin M. Lippman
Joseph J. Wielebinski, Esq.
Texas Bar No. 21432400
Kevin M. Lippman, Esq.
Texas Bar No. 00784479
Deborah M. Perry, Esq.
Texas Bar No. 24002755

PROPOSED ATTORNEYS FOR THE
OFFICIAL COMMITTEE OF UNSECURED
CREDITORS

CERTIFICATE OF SERVICE

This is to certify that the undersigned caused a true and correct copy of the foregoing Objection to Debtors' Expedited Motion to Approve Key Employee Retention Program to be served via telecopy on Charles Gibbs and Keith Aurzada, counsel for the Debtors (214.969.4343) and on the parties listed on the service list attached hereto as **Exhibit "A"** by depositing same in the United States Mail, first class postage prepaid, and properly addressed, on the 27th day of May, 2004.

/s/ Kevin M. Lippman

Kevin M. Lippman, Esq.