

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

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In re : Case Nos. 06-51848
: (Jointly Administered)
: CEP HOLDINGS, LLC, *et al.*, : Chapter 11
: : Honorable Marilyn Shea-Stonum
Debtors. :
: :
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**APPLICATION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR
ORDER PURSUANT TO 11 U.S.C. §§ 105 AND 1103(a) OF THE BANKRUPTCY
CODE AUTHORIZING AND APPROVING THE EMPLOYMENT AND
RETENTION OF MCGUIREWOODS LLP AS COUNSEL
FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
NUNC PRO TUNC AS OF SEPTEMBER 20, 2006**

The Official Committee of Unsecured Creditors of CEP Holdings, LLC (“CEP”) and its debtor affiliates (collectively referred to hereinafter as the “Debtors”), having been duly appointed by the Office of the United States Trustee on September 28, 2006 (the “Committee”), hereby applies to the Court pursuant to section 1103(a) of the Bankruptcy Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”) and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for entry of an order authorizing and approving the Committee’s employment and retention of McGuireWoods LLP as counsel for the Committee in these chapter 11 cases *nunc pro tunc* as of September 20, 2006 (the “Application”). In support of this Application, the Committee respectfully represents as follows:

JURISDICTION AND VENUE

1. On September 20, 2006 (the “Petition Date”), the Debtors each filed their respective voluntary petitions for relief under chapter 11 of title 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their affairs pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been requested or appointed in these cases.

2. Jurisdiction to consider this matter is vested in the Court 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 before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate for the relief requested in this Application is 11 U.S.C. §§ 105 and 1103(a) and Rule 2014 of the Bankruptcy Rules.

BACKGROUND

3. During the last half of 2005, The Reserve Group and certain individual insiders thereof acquired substantially all of the assets that now comprise the Debtors through two highly leveraged transactions. Collectively, the pre-petition Debtors (as well as a non-debtor Mexican affiliate, Composite Parts Mexico S.A. de C.V.), are a ten (10) facility operation with approximately \$190 Million in gross annual revenue.

4. Shortly after the closing of these highly leveraged transactions, the pre-petition Debtors used practically every dollar of secured financing available to them. By March 2006, CEP had overdrawn its revolving credit availability with Wachovia Capital Finance Corporation (“Wachovia”) by over \$2.0 million. By April 2006, the Debtors were subject to an initial forbearance agreement with Wachovia due to a multitude of alleged defaults under their various loan agreements with Wachovia. Likewise, the Debtors requested and obtained a variety of financial accommodations from General Motors Corporation, Visteon Corporation and Delphi Corporation (collectively, the “Customers”) necessary to sustain operations in order to satisfy the purchase orders of the Customers. To that end, the Customers also funded the pre-petition Debtors approximately \$2.9 million in pre bankruptcy loans on a junior participating basis in the Wachovia revolving credit facilities.

5. By the end of the first quarter of 2006, the obligations of the pre-petition Debtors ballooned from approximately \$18.9 million to \$27.9 million. The pre-petition Debtors consistently lost money resulting in liquidity problems and the rapid deepening of the Debtors’ insolvency.

6. In June 2006, the pre-petition Debtors encouraged their trade vendors to organize an unofficial committee for purposes of representing the interests of trade creditors in an out-of-court restructuring effort by the Debtors. The trade creditors did organize in July 2006, and formed the trade committee (the “Unofficial Trade Committee”), which was comprised of six (6) members – Lanxess Corporation, DuPont, Rhodia Inc., BASF Corporation, Gold Key Processing, LTD. and Excel Polymers LLC.

7. Notwithstanding the Debtors’ pre-petition endeavors to “restructure”, it became readily apparent to the Unofficial Trade Committee that the pre-petition Debtors could not feasibly reorganize, with the more likely scenario being a liquidation.

8. The Debtors filed their bankruptcy cases in order to accomplish the wind down of their affairs and the liquidation of their assets.

9. On the Petition Date, the Debtors filed numerous first day pleadings (the “First Day Pleadings”), including, but not limited to the following:

(i) Motion of Debtors and Debtors in Possession for Emergency Order Authorizing Debtors to: (A) Use Cash Collateral on an Emergency Basis; (B) Incur Postpetition Debt on an Emergency Basis; (C) Grant Adequate Protection and Provide Security and Other Relief to Wachovia Capital Finance Corporation (Central); and (D) Grant Certain Related Relief (the “DIP Motion”);

(ii) Motion of Debtors and Debtors in Possession, Pursuant to Sections 105(a), 363(b), 507(a)(4), 507(a)(5) and 541(d) of the Bankruptcy Code, for Entry of an Order (I) Authorizing Them to Pay: (A) Prepetition Employee and Independent Contractor Wages, Salaries and Related Items; (B) Prepetition Employee and Independent Contractor Business Expenses; (C) Prepetition Contributions to and Benefits Under Employee Benefit Plans; (D) Prepetition Employee Payroll Deductions and Withholdings; (E) Additional Workforce Costs; and (F) All Costs and Expenses Incident to the Foregoing Payments and Contributions; and (II) Granting Certain Other Related Relief (“Wage Motion”);

(iii) Motion of Debtors and Debtors in Possession, Pursuant to Sections 105(a) and 363(b), of the Bankruptcy Code, for Entry of an Order (I) Authorizing the Debtors to: (A) Continue Their Existing Workers’ Compensation Programs and (B) Pay Certain Prepetition Worker’s Compensation Premiums, Claims and Related Expenses; and (II) Granting Certain Other Related Relief (“Workers’ Compensation Motion”); and

(iv) Motion of Debtors and Debtors in Possession for Entry of an Order Authorizing the Maintenance of Bank Accounts, Continued Use of Existing Cash

Management System and Business Forms, and Waiving Investment and Deposit Guidelines of Section 345(b) of the Bankruptcy Code (“Cash Management Motion”).

10. The First Day Pleadings were voluminous and complicated and in certain instances sought extraordinary relief, which, if granted, as requested by the Debtors, would have resulted in potentially irreversible diminution in value of the Debtors’ estates thereby reducing or eliminating a potential return to general unsecured creditors.

11. The Unofficial Trade Committee promptly reviewed the First Day Pleadings and on September 21, 2006 filed an objection (the “DIP Objection”) to the DIP Motion [Doc. No. 36], an Omnibus Response of the Unofficial Committee of Unsecured Creditors of CEP Holdings, LLC, *et al.*, to Certain First Day Motions (the “Omnibus Response”) [Doc. No. 46] and the Motion to Convert the Debtors’ Chapter 11 Cases to Chapter 7 Cases Pursuant to 11 U.S.C. § 1112(b) (the “Motion to Convert”) [Docket No. 40], in an effort to (i) publicly identify the extraordinary relief then-sought by the Debtors, (ii) preserve the rights of unsecured creditors with respect to the First Day Motions, and (iii) prevent potentially irreparable harm to the Debtors’ liquidating bankruptcy estates to the detriment of general unsecured creditors.

12. The Unofficial Trade Committee was successful in its efforts, obtaining concessions from the Debtors, Wachovia and the Customers that preserved the rights and interests of the unsecured creditors pending formation of an official committee of unsecured creditors.

13. On September 28, 2006, the Office of the United States Trustee appointed an Official Committee of Unsecured Creditors (the “Committee”) comprised of five (5) members; including four (4) of whom served on the Unofficial Trade Committee that was represented by McGuireWoods LLP.

14. In recognition of its knowledge of the Debtors’ cases and the efforts on behalf of unsecured creditors to date, on October 3, 2006, the Committee selected McGuireWoods LLP

to represent its interests in the Debtors' cases, subject to this Court's approval. Attached hereto and marked as Exhibit "A" is the notice of Appointment of Committee of Unsecured Creditors.

RETENTION OF MCGUIREWOODS LLP

15. By this Application, the Committee seeks to employ and retain the law firm of McGuireWoods LLP ("McGuireWoods" or the "Firm") as its counsel with regard to these chapter 11 cases, and all related matters, effective *nunc pro tunc* as of the Petition Date. Accordingly, the Committee respectfully requests entry of an order pursuant to Section 1103(a) of the Bankruptcy Code and Bankruptcy Rule 2014(a) authorizing it to employ and retain McGuireWoods as its counsel to perform the legal services that will be necessary during these cases.

16. The Committee submits that *nunc pro tunc* relief is appropriate under the circumstances of these cases as: (i) the delay in seeking such relief was not due to neglect of any member of the Committee or its professionals, (ii) the Committee (which is comprised of four (4) members of the pre-petition Unofficial Trade Committee) required immediate representation upon commencement of these bankruptcy cases to preserve the interests of the unsecured creditors and protect the bankruptcy estates and their creditors from suffering potentially irreparable harm by way of the First Day Motions and (iii) the compensation for the services provided by McGuireWoods since the Petition Date will not prejudice third parties, rather, those services preserved the value of the bankruptcy estates. See In re EWI, Inc., 208 B.R. 885, 896 (Bankr. N.D. Ohio 1997) citing Matter of Platinum Power Co., 105 B.R. 381 (Bankr. N.D. Ohio 1989); Matter of Arkansas Co., 798 F.2d 645, 650 (3d Cir. 1986).

17. The Committee seeks to retain McGuireWoods as its counsel because of the Firm's experience and expertise in complex chapter 11 cases. The Committee submits that McGuireWoods is both well qualified and uniquely able to represent it in these cases in an efficient and timely manner, especially in light of its pre-petition representation by McGuireWoods of the Unofficial Trade Committee.

18. Subject to Court approval under section 330(a) of the Bankruptcy Code, compensation will be payable to McGuireWoods on an hourly basis, plus reimbursement of actual, necessary expenses and other charges incurred by the Firm. The hourly rates charged by McGuireWoods are consistent with the rates charged by the Firm in comparable non-bankruptcy matters and are subject to periodic adjustments to reflect economic and other conditions.

19. The Firm's hourly rates are set at a level designed to fairly compensate the Firm for the work of its attorneys and paralegals and to cover fixed and routine overhead expenses. Hourly rates vary with the experience and seniority of the individuals assigned and may be adjusted by the Firm from time to time. Current customary hourly rates of McGuireWoods for the individuals expected to participate in these cases range from \$255 to \$525 for attorneys and \$145 for paralegals. It is the policy of McGuireWoods to charge its clients in all areas of practice for all expenses incurred in connection with a client's case. The expenses routinely charged to clients include, among other things, photocopying, witness fees, travel expenses, filing and recording fees, long distance telephone calls, postage, express mail and messenger charges, computerized legal research charges and other computer services, expenses for working meals and telecopier charges. The Firm will charge the Committee for these expenses in a manner and at rates consistent with charges made generally to its other clients.

20. The professional services that McGuireWoods will render to the Committee may include, but shall not be limited to, the following:

(a) advise the Committee with respect to its powers and duties under section 1103 of the Bankruptcy Code;

(b) take all necessary action to preserve, protect and maximize the value of the Debtors' estates for the benefit of the Debtors' unsecured creditors, including but not limited to, investigating the acts, conduct, assets, liabilities, and financial condition of the Debtors, the operation of the Debtors' businesses and the desirability of the continuance of such businesses, and any other matter relevant to these cases or to the formulation of a plan;

(c) prepare on behalf of the Committee motions, applications, answers, orders, reports and papers that may be necessary to the Committee's interests in these chapter 11 cases;

(d) participate in the formulation of a plan as may be in the best interests of general unsecured creditors of the Debtors' estates;

(e) represent the Committee's interests with respect to the Debtors' efforts to obtain postpetition secured financing;

(f) advise the Committee in connection with any potential sale of assets;

(g) appear before this Court, any appellate courts, and protect the interests of the Committee and the value of the Debtors' estates before such courts;

(h) consult with the Debtors' counsel on behalf of the Committee regarding tax, intellectual property, labor and employment, real estate, corporate, litigation matters, and general business operational issues; and

(i) perform all other necessary legal services and provide all other necessary legal advice to the Committee in connection with these chapter 11 cases.

21. To the best of the Committee's knowledge, and except as disclosed in the Affidavit of Mark E. Freedlander, Esq. (the "Freedlander Affidavit") attached hereto as Exhibit "B", McGuireWoods has not represented the Debtors, their creditors, equity security holders, or any other parties in interest or their respective attorneys and accountants, the United States Trustee or any person employed in the office of the United States Trustee, in any matter relating to the Debtors or their estates.

22. The Committee desires to retain McGuireWoods. To the best of the Committee's knowledge, based on the information contained in the Freedlander Affidavit, McGuireWoods does not hold or represent any interest adverse to the Debtors' estates or to the Committee's interests therein and therefore is a "disinterested person" as that phrase is defined in section 101(14) of the Bankruptcy Code. Further, McGuireWoods' employment is necessary and in the best interests of the Committee, all unsecured creditors and the Debtors' estates.

23. McGuireWoods intends to apply to the Court for allowance of compensation and reimbursement of expenses in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, orders of this Court, and the Fee Guidelines

promulgated by the Executive Office of the United States Trustee (the "Fee Guidelines"). All attorneys who will be rendering services on behalf of the Committee will maintain billing records setting forth complete and detailed activity descriptions, including a time allotment billed in increments of one-tenth of an hour. Each activity will include a description of the type and subject matter of the activity undertaken.

24. The Committee, subject to the provisions of the Bankruptcy Code, the Bankruptcy Rules, orders of this Court, and the Fee Guidelines, proposes that McGuireWoods be paid its customary hourly rates in effect from time to time as set forth in the Freedlander Affidavit and submits that such rates are reasonable.

25. The name, address and telephone number of the lead attorneys of McGuireWoods who will be the attorneys of record herein are:

Mark E. Freedlander, Esq.
Sally E. Edison, Esq.
McGUIREWOODS LLP
Dominion Tower
625 Liberty Avenue, 23rd Floor
Pittsburgh, PA 15222-3142
Telephone: 412-667-6000
Facsimile: 412-667-6050

Other attorneys will participate in the representation of the Committee as necessary.

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

WHEREFORE, the Official Committee of Unsecured Creditors of CEP Holdings, LLC, *et al.*, respectfully requests that this Court enter an order, substantially in the form annexed hereto, granting the relief requested herein and such other and further relief as is just.

Dated: October 6, 2006

OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF CEP HOLDINGS, LLC, *et al.*

By: 
Bruce D. Tobiansky, DuPont
Title: Committee Chairperson,

MCGUIREWOODS, LLP

By: */s/Mark E. Freedlander*
Mark E. Freedlander, Esquire
Pa. I.D. #70593
Sally E. Edison, Esquire
Pa I.D. #78678)
Michael J. Roesenthaler
Pa I.D. #87647
625 Liberty Avenue, 23rd Floor
Pittsburgh, PA 15222
Phone: (412) 667-6000
Fax: (412) 667-6050