

UNITED STATES BANKRUPTCY COURT  
 NORTHERN DISTRICT OF OHIO  
 EASTERN DIVISION

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In re	:	Case Nos. 06-51848	
	:	(Jointly Administered)	
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CEP HOLDINGS, LLC, <i>et al.</i> ,	:	Chapter 11	
	:	Honorable Marilyn Shea-Stonum	
Debtors.	:		
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**RESERVATION OF RIGHTS OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS TO THE MOTION FOR ORDER (A) GRANTING AUTHORITY FOR THE SALE OF ASSETS PURSUANT TO § 363(b); (B) APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN CONNECTION WITH SUCH SALE AND DETERMINING AND ADJUDICATING CURE AMOUNTS WITH RESPECT TO SUCH CONTRACTS AND LEASES PURSUANT TO § 365; (C) ESTABLISHING BIDDING PROCEDURES; (D) SETTING DATE FOR AUCTION AND HEARING ON APPROVAL OF SALE OF ASSETS; AND (E) APPROVING FORM OF NOTICE**

The Official Committee of Unsecured Creditors (the “Committee”), by and through its proposed undersigned counsel, files this Reservation of Rights (the “Reservation”) to the Motion for Order (A) Granting Authority for the Sale of Assets Pursuant to § 363(b); (B) Approving the Assumption and Assignment of Certain Executory Contracts in Connection With Such Sale and Determining and Adjudicating Cure Amounts With Respect to Such Contracts and Leases Pursuant to § 365; (C) Establishing Bidding Procedures; (D) Setting Date for Auction and Hearing on Approval of Sale of Assets; and (E) Approving Form of Notice (the “Motion”), and in support hereof states as follows:

**BACKGROUND**

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. In July 2006, at the suggestion of the pre-petition Debtors that their trade vendors organize and form 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 formed an unofficial trade committee (the "Unofficial Trade Committee").

3. 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. On October 12 2006, the Office of the U.S. Trustee expanded the Committee by adding two additional members, one of which was a participant on the Unofficial Trade Committee.

4. On October 3, 2006, the Committee selected McGuireWoods LLP to represent its interests in the Debtors' cases, subject to this Court's approval. The Committee's application to engage McGuireWoods as counsel is currently pending.

5. On October 4, 2006, the Debtors filed their Motion requesting that the Court:

- (a) approve the sales procedures for the Debtors' facilities;
- (b) approve the form of the sale auction and hearing notice;
- (c) approve the sale of substantially all of the Debtors' assets free and clear of all liens, encumbrances, interests and claims; and
- (d) order that such liens, encumbrances, interests and claims will attach to the proceeds of such sales.

6. The Committee understands that the Debtors are in the process of soliciting proposals from five (5) nationally recognized auctioneers, with a deadline for submissions of guaranteed bids by October 20, 2006. The Debtors also continue to receive offers to purchase substantially all machinery and equipment assets of individual

facilities from time to time. It is expected that the auctioneer with the prevailing proposal (the “Auctioneer”) will be charged with the task of liquidating all machinery and equipment assets and other related items owned by the Debtors’ bankruptcy estates (other than items permissibly designated by Participating Customers) at “Closing Facilities” pursuant to the guidelines set forth in the Order on the Motion.<sup>1</sup>

### **COMMITTEE’S RESERVATION OF RIGHTS**

7. Given the significant number of moving parts to the liquidation process and the likelihood that return to general unsecured creditors—if any—will in large part be dependent upon the maximization of machinery and equipment assets, the Committee submits that any sale procedures and process authorized by the Court must include substantive input from the party charged with the task of maximizing the value of the Closing Facilities – the Auctioneer.

8. It is therefore appropriate to defer entry of an order establishing sale procedures and the process by which valuable estate assets will be liquidated until (i) the Auctioneer has been selected, which selection process should involve Wachovia Capital Finance Corporation (“Wachovia”), the Committee and Participating Customers, and (ii) the Auctioneer has consulted with the Debtors, Wachovia, the Committee and Participating Customers concerning sale procedures, bidding qualifications, the auction(s), and other matters relating to the sale and liquidation of assets of the Debtors’ bankruptcy estates.

9. The Committee reserves the right to subsequently object to any sale, bidding, or auction procedure proposed by the Debtors inconsistent with or in disregard of the determinations and recommendations of the Auctioneer.

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<sup>1</sup> All undefined capitalized terms shall have the meaning ascribed to them in the Motion.

WHEREFORE, the Official Committee of Unsecured Creditors respectfully requests that this Court deny the Debtors' Motion and enter an order consistent with the recommendations set forth herein.

Date: 10/20/2006

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