

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:)	Case No. 06-51848
)	(Jointly Administered)
CEP HOLDINGS, LLC, <i>et al.</i>)	Chapter 11
)	
Debtors.)	Honorable Marilyn Shea-Stonum
)	United States Bankruptcy Judge
)	
)	Document No. _____
)	
)	Related to Doc. No. 331
)	
)	Hearing Date: March 6, 2006
)	at 10:00 a.m.

**OBJECTION TO THE APPROVAL OF THE DISCLOSURE STATEMENT TO
ACCOMPANY JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE
BANKRUPTCY CODE PROPOSED BY THE DEBTORS AND THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS DATED FEBRUARY 5, 2007**

AND NOW comes Washington Penn Plastic Company, Inc. (the “Washington Penn”), by and through its undersigned counsel, and file the within Objection to the Approval of the Disclosure Statement to Accompany Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and the Official Committee of Unsecured Creditors Dated February 5, 2007 (the “Disclosure Statement”).

The Case

1. On September 20, 2006 (the “Petition Date”), CEP Holdings, LLC, Creative Engineered Polymer Products, LLC, and Thermoplastics Acquisition, LLC (the “Debtors”) filed Voluntary Petitions for relief under Chapter 11 of the Bankruptcy Code, 11 U.S.C. §101 *et seq.*

2. On February 5, 2007, the Debtors filed the Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and the Official Committee of Unsecured Creditors Dated February 5, 2007 (the “Joint Plan”).

3. Contemporaneous with the filing of the Joint Plan, the Debtors filed a Disclosure Statement to Accompany Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and the Official Committee of Unsecured Creditors Dated February 5, 2007 (the “Disclosure Statement”).

4. The Debtor now seeks approval of the Disclosure Statement.

**THE DISCLOSURE STATEMENT FAILS TO PROVIDE “ADEQUATE
INFORMATION” WITHIN THE MEANING OF 11 U.S.C. §1125
AND, THEREFORE, SHOULD NOT BE APPROVED**

5. Section 1125 of the Bankruptcy Code requires that a Disclosure Statement contain adequate information for it to be approved. The Disclosure Statement fails to contain “adequate information”, which means sufficient information “...that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan...” 11 U.S.C. §1125(a)(1).

6. It is the understanding of Washington Penn that 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 which were financed by Wachovia Capital Finance Corporation (“Wachovia”) (the “Wachovia Financing”). This information was contained in Committee’s Counsel’s 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 (“McGuirewoods Retention Application”).

7. The highly leveraged transactions leave questions as to what percentage of the approximately \$25 million in debt may be subject to avoidance actions under section 548 of the Bankruptcy Code and under other various state and/or federal law.

8. Upon information and belief, during the negotiations of the DIP Order near the beginning of this Chapter 11 proceeding, the Committee entered into an agreement with Wachovia on the recommendation of Committee Counsel to release Wachovia from any of the Debtors’ derivative or Committee’s direct claims for state and federal fraudulent conveyance, fraudulent transfer, deepening insolvency and the like (the “Release”).

9. Subsequent to the entry of the Release, counsel for Washington Penn had opportunity to meet with Committee counsel regarding the Debtors’ Chapter 11 proceeding. Among other things that were discussed, counsel for Washington Penn requested information regarding what due diligence was undertaken as to the Wachovia Financing, what portion of the Wachovia Financing financed the purchase price of the Debtors as opposed to being used for working capital for the Debtors, and what, if any, potential causes of action might exist against Wachovia related to the Wachovia Financing.

10. Counsel for Washington Penn later contacted counsel for the Committee to determine why the Release was given, as well as what consideration did the Committee receive on behalf of the unsecured creditors for granting the Release.

11. Washington Penn has received no response to its inquiries and does not have any information to, *inter alia*, determine what the Committee did to analyze the Wachovia Financing, whether an action could be brought on behalf of the Debtors' Estates or any other related party against Wachovia, and details regarding the Release including what consideration was given for the Release.

12. During the meeting between Washington Penn's counsel and Committee Counsel described above, Committee Counsel informed Washington Penn's counsel that Wachovia is a significant ongoing client of McguireWoods, LLP. Committee's counsel further indicated that it would not be in a position to take any action against Wachovia because of its relationship with Wachovia.

13. The McguireWoods Retention Application sets forth that Wachovia has been a client of McguireWoods, LLP but does not provide any information regarding the extent of McguireWoods, LLP's active, ongoing relationship with Wachovia.

14. Based upon Committee's counsel's comments regarding its relationship with Wachovia, it appears that there is a conflict of interest in McguireWoods, LLP's representation of the Committee.

15. Further the Disclosure Statement contains an exculpation clause which provides, in summary, that none of the Debtors, Committee nor any of their respective members, officers, directors, employees, advisors, professionals or agents shall have or incur any liability to any holder of a Claim or Equity Interest for any act or omission in connection with, related to, or arising out of the Cases, except for willful misconduct or gross negligence (the "Exculpation Clause"). The Exculpation Clause seeks to release professionals, including the Committee's Counsel from any claims or actions related to

the Chapter 11 proceedings. There is no information in the Disclosure Statement that provides any reason why such a release of the Committee Counsel is necessary or appropriate.

16. The Disclosure Statement and the Joint Plan fail to provide any information regarding, *inter alia*, (i) the analysis, if any, that was undertaken with regard to any potential theories of liability against Wachovia, (ii) details of the Release and why it was granted (iii) what consideration was given in exchange for the Release, (iv) whether the consideration given for the Release was valid, (v) the extent of McguireWoods, LLP relationship with Wachovia, and (vi) the reason for and appropriateness of the Exculpation Clause which provides a release to the Committee Counsel from any claims related to the Chapter 11 proceedings.

17. Without such information, the Disclosure Statement fails to contain adequate information “that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan...”

WHEREFORE, the Movants, respectfully requests that this Honorable Court deny approval of the Disclosure Statement to Accompany Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and the Official Committee of Unsecured Creditors Dated February 5, 2007, and grant such other and further relief as may be just and proper.

RESPECTFULLY SUBMITTED,

Leech Tishman Fuscaldo & Lampl, LLC

/s/ David W. Lampl_____

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