

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION**

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In re: : Case No. 06-51848
: (Jointly Administered)
CEP HOLDINGS, LLC, et al.,¹ :
: Chapter 11
Debtors. :
: Honorable Marilyn Shea-Stonum
: :
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**REPLY TO OBJECTION TO FIRST FEE APPLICATION
FOR INTERIM ALLOWANCE OF COMPENSATION AND
REIMBURSEMENT OF EXPENSES FOR THE PERIOD SEPTEMBER
20, 2006 THROUGH AND INCLUDING JANUARY 31, 2007, FILED BY
BAKER & HOSTETLER LLP AS GENERAL COUNSEL TO DEBTORS**

Baker & Hostetler LLP (“**Baker**”), as general bankruptcy counsel to CEP Holdings, LLC and its affiliated debtors and debtors in possession (each a “**Debtor**” and collectively, the “**Debtors**” or “**CEP**”) in the above-captioned Chapter 11 cases (the “**Cases**”) hereby files this reply (the “**Reply**”) to the *Objection to First Fee Application for Interim Allowance of Compensation and Reimbursement of Expenses for the Period September 20, 2006 Through and Including January 31, 2007, Filed by Baker & Hostetler LLP as General Counsel to Debtors* (Docket No. 493) (the “**Objection**”) filed by Washington Penn Plastic Company, Inc. (“**Washington Penn**”). In support of this Reply, Baker respectfully represents as follows:

BACKGROUND

General Background

1. On September 20, 2006, each Debtor filed a voluntary petition for relief under Chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”). Pursuant to an order

¹ The Debtors are: CEP Holdings, LLC, Creative Engineered Polymer Products, LLC and Thermoplastics Acquisition, LLC.

entered by the Court on September 26, 2006, the Cases are being jointly administered for procedural purposes only.

2. The Debtors are operating their businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. On September 28, 2006, the United States Trustee appointed an official committee of unsecured creditors (the “**Committee**”). No trustee or examiner has been appointed.

The DIP Order

3. On October 27, 2006, the Court entered the *Final Order Authorizing Debtors to: (A) Use Cash Collateral; (B) Incur Postpetition Debt; (C) Grant Adequate Protection and Provide Security and Other Relief to Wachovia Capital Finance Corporation (Central); and (D) Grant Certain Related Relief* (Docket No. 192) (the “**DIP Order**”).

4. Section 8(b)(5) of the DIP Order generally released Wachovia Capital Finance Corporation (Central) (“**Wachovia**”) “from any and all claims, demands, liabilities, responsibilities, disputes, remedies, causes of action, indebtedness, and obligations, of every type, which occurred on or prior to the date of the entry of this [DIP] Order,” hereinafter, the “**Release.**” DIP Order at § 8(b)(5).

The Plan

5. On February 5, 2007, the Debtors and the Committee filed the *Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and the Official Committee of Unsecured Creditors* (Docket No. 330) (the “**Plan**”).

The Fee Applications

6. On February 28, 2007, the Baker filed the *First Fee Application for Interim Allowance of Compensation and Reimbursement of Expenses for the Period September 20, 2006*

Through and Including January 31, 2007, Filed by Baker & Hostetler LLP as General Counsel to Debtors (Docket No. 392) (the “**Fee Application**”).

7. Also on February 28, 2007, McGuireWoods LLP (“**McGuireWoods**”) filed the *First Interim Fee Application of McGuireWoods LLP for Interim Allowance of Compensation and Reimbursement of Expenses as Counsel to the Official Committee of Unsecured Creditors for the Period from September 20, 2006 Through January 31, 2007* (Docket No. 390) (the “**McGuireWoods Application**”).

The Examiner Motion

8. On March 20, 2007, Washington Penn filed the *Motion to Appoint Examiner Pursuant to 11 U.S.C. § 1104(c)(1)* (Docket No. 485) (the “**Examiner Motion**”). The Debtors have responded to the Examiner Motion pursuant to a separate pleading. *See* Docket No. 519.

The Objection to the Fee Application

9. On March 23, 2007, Washington Penn filed the Objection. By the Objection, Washington Penn makes the follow statement in opposition to the Fee Application:

Washington Penn objects to the Fee Application only to the extent that this Court appoints an Examiner and to the extent that the Examiner makes a determination that Committee Counsel inappropriately recommended the Committee agree to a release of Wachovia under the DIP Order, was not disinterested, or had an adverse interest to the Committee.

Objection at ¶ 12. The Objection further states: “If the Court does not appoint an Examiner, then Washington Penn has no objection to the Fee Application.” Objection at ¶ 13.

REPLY

10. The Debtors find Washington Penn’s Objection unintelligible. The Objection to the Fee Application does not cite sections 330 or 331 of the Bankruptcy Code. The Objection does not cite any case law applying sections 330 or 331 of the Bankruptcy Code. Indeed, the

Objection fails to make any argument related to sections 330 or 331 of the Bankruptcy Code as to why the allowance of the fees and expenses sought by the Fee Application is improper.

11. Further, the Objection does not concern Baker. While the language in paragraph 12 of the Objection makes no sense, the Debtors' interpretation of this paragraph is that Washington Penn objects to Bakers' fees and expenses on the grounds that McGuireWoods recommended that the Committee agree to the Release. Although this interpretation may be incorrect, the facts and circumstances surrounding the Committee's decision to release Wachovia do not reflect on the services rendered to the Debtors' estates by Baker and have no relevance to whether the fees and expenses sought by Baker should be allowed by the Court.

CONCLUSION

For the foregoing reasons, the fee and expenses sought by the Fee Application should be allowed and the Objection should be overruled.

Dated: March 26, 2007
Cleveland, OH

CEP HOLDINGS, LLC, et al.,
Debtors and Debtors-in-Possession

By: /s/ Joseph F. Hutchinson, Jr.
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