

**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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**SUMMARY OF SECOND FEE APPLICATION FOR INTERIM ALLOWANCE OF
COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR THE PERIOD
FEBRUARY 1, 2007 THROUGH AND INCLUDING MAY 31, 2007, FILED BY BAKER &
HOSTETLER LLP AS GENERAL COUNSEL TO DEBTORS**

Name of Applicant: Baker & Hostetler LLP

Authorized to provide Professional Services to:	Debtors
Date of Retention:	October 13, 2006 (effective as of September 20, 2006)
Period for Which Compensation and Reimbursement is Sought:	February 1, 2007 through May 31, 2007
Amount of Compensation for Services Sought as Actual, Reasonable and Necessary	\$ 470,731.00
Amount of Expenses Sought to be Reimbursed as Actual, Reasonable and Necessary	\$ 5,103.71
Total Amount of Fees and Expenses Sought to be Reimbursed as Actual, Reasonable and Necessary	\$ 475,834.71

This is the second application for an allowance of compensation and reimbursement of expenses incurred pursuant to 11 U.S.C. §§ 330 and 331.

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

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Baker & Hostetler LLP (“Baker & Hostetler”) as counsel to Debtors submits its Second Fee Application for Interim Allowance of Compensation and Reimbursement of Expenses for the period February 1, 2007 through and including May 31, 2007 (the “Application”) under 11 U.S.C. §§ 330 and 331. In support of this Application, Baker & Hostetler states as follows:

I. INTRODUCTION

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

² The Debtors are: CEP Holdings, LLC, Creative Engineered Polymer Products, LLC and Thermoplastics Acquisition, LLC.

States Trustee appointed an official committee of unsecured creditors. No trustee or examiner has been appointed.

3. On September 20, 2006, Debtors filed an Application for Entry of an Order, Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code and Bankruptcy Rule 2014(a), Authorizing Debtors to Employ and Retain Baker & Hostetler, LLP as General Bankruptcy Counsel Effective as of the Petition Date. Baker & Hostetler’s retention was approved by Court Order entered on October 13, 2006.

II. SUMMARY OF COMPENSATION AND EXPENSE REIMBURSEMENT REQUESTED

4. Baker & Hostetler files this second fee application seeking allowance for services performed and expenses incurred during the period from February 1, 2007 through May 31, 2007 (the “Application Period”). The Application is subject to, *inter alia*, this Court’s Order dated October 13, 2006 (the “Administrative Order”) [D.I. 51]. Baker & Hostetler has received a retainer in connection with its engagement as general counsel for the Debtors, and has received interim compensation pursuant to the Administrative Order. A summary of the compensation and expense reimbursement requested and paid during the Application Period is as follows:

Date of Monthly Statement	Period Covered	Requested Fees/Expenses	Fees/Expenses Paid
March 21, 2007	February 1, 2007 – February 28, 2007	Fees: \$119,200.00 Expenses: \$1,080.33	Fees: \$95,360.00 Expenses: \$1,080.33
April 20, 2007	March 1, 2007 – March 31, 2007	Fees: \$152,195.00 Expenses: \$954.37	Fees: \$121,756.00 Expenses: \$954.37
May 18, 2007	April 1, 2007 – April 30, 2007	Fees: \$83,386.00 Expenses: \$1,415.15	Fees: \$66,708.80 Expenses: \$1,415.15
June 20, 2007	May 1, 2007 – May 31, 2007	Fees: \$115,950.00 Expenses: \$1,653.86	Fees: \$0.00 Expenses: \$0.00

5. Baker & Hostetler has received no promise of payment for professional services rendered in these cases other than in accordance with the provisions of the Bankruptcy Code.

6. Each of the persons who performed services kept daily time records detailing the services performed and the time expended in connection therewith by category of service (the “Categories”) reflected in the Guidelines for Reviewing Applications For Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330 dated March 22, 1995, issued by the Office of the United States Trustee (the “Guidelines”).

7. Set forth in **Exhibit A** is a listing of the name and position of each Baker & Hostetler professional, together with that person’s hourly billing rate, and the amount billed for each professional who rendered services during the Application Period. Set forth in **Exhibit B** is a chronological listing of services provided for each category for the Application Period. Set forth in **Exhibit C** is a chart showing the actual and necessary expenses in the amount of \$5,103.71 incurred in the rendition of actual and necessary services by Baker & Hostetler during the Application period.

8. To the best of Baker & Hostetler’s knowledge, it has complied with the monthly reporting requirements.

III. SUMMARIES OF SERVICES RENDERED

9. Baker & Hostetler seeks the sum of \$470,731.00 for actual, reasonable and necessary legal services rendered on behalf the Debtors during the Interim Period and \$5,103.71 for reimbursement of actual, reasonable and necessary expenses incurred in connection with the rendition of such services. The fees sought reflect an aggregate of 1,454.0 hours of attorney and paraprofessional time spent and recorded in performing services for the Debtors during the Interim Period, at a blended hourly rate of \$323.75 for both professionals and paraprofessionals.

10. A narrative summary of the Categories under which material and substantial services were performed by Baker & Hostetler during the Application Period is set forth below. A more detailed description of the services provided by Baker & Hostetler appears

on **Exhibit B**. As the narrative summary demonstrates, Baker & Hostetler focused its efforts during the Application Period on the following categories of service: Case Administration; Claims Administration and Objections; Employee Benefits/Pension; Executory Contracts and Leases; Fee/Employment Applications; Financing/Cash Collateral; Plan and Disclosure Statement; Relief from Stay/Adequate Protection Proceedings; Research; Sale/Auction of Business and Trustee/Examiner Matters. Each of these Categories is summarized as follows:

11. **Case Administration**. The category of Case Administration includes the general legal support for the administration of the case, strategic planning, and the monitoring of the events and progress of the case necessary to assure that the estate and the creditors were protected. Time in this category also includes general coordination of the regularly scheduled status conferences/hearings pursuant to this Court's General Order No. 1.

12. We have classified 52.9 hours with a time value of \$13,867.50 as being devoted to Case Administration. The composite rate for this category is \$262.15 based on the hours for which we are requesting compensation.

13. **Claims Administration and Objections**. We have classified 301.5 hours with a time value of \$93,273.50 as being devoted to Claims Administration and Objections. This category includes time spent responding to requests for administrative priority under Section 503(b)(9) and various other claims responses and reconciliations. During the Interim Period, Baker & Hostetler coordinated and filed the First Omnibus Claims Objection which objected to certain duplicative claims and was a necessary step toward the solicitation and confirmation of the Debtors' plan. Baker & Hostetler has also worked to resolve issues with several of the Debtors' customers that overpaid the Debtors and were entitled to repayment. Baker & Hostetler also investigated, researched and began drafting an objection to a large unsecured claim filed by

one of the Participating Customers which will have a significant effect on distributions in these cases. The composite rate for this category is \$309.36 based on the hours for which we are requesting compensation.

14. **Employee Benefits/Pensions.** We have classified 528.5 hours with a time value of \$187,973.00 as being devoted to Employee Benefits/Pensions. Given the importance of employee related issues to the Debtors' estates, Baker & Hostetler has expended substantial time and effort regarding this category which included resolution of issues related to, among other things, the Debtors' pension plan, union contracts, healthcare plan and workers compensation. During the Interim Period, Baker & Hostetler has negotiated and successfully obtained the termination of the Debtors' healthcare plan which was a necessary step in concluding these cases. In addition, Baker & Hostetler has, together with the Committee, negotiated with the Pension Benefit Guaranty Corporation ("PBGC"), Steelworkers' Union and The Reserve Group regarding assumption of the Debtors' pension plans by a Reserve Group affiliate. This settlement will effect the removal of the PBGC's claim from the Debtors' estates. This negotiation and settlement, which was filed with the Court in June 2007, was necessary to conclude these cases and confirm a plan which is scheduled for hearing on July 24, 2007. Baker & Hostetler also negotiated a settlement with the United Steelworkers regarding the effects of the shutdown of the Canton and Crestline facilities. Completion of effects bargaining was necessary in order to pursue confirmation of the plan. Baker & Hostetler has also investigated and negotiated with the Ohio Bureau of Workers' Compensation regarding the claims the Bureau has asserted against the Debtors' estates. The composite rate for this category is \$355.67 based on the hours for which we are requesting compensation.

15. **Executory Contracts and Leases.** We have classified 73.5 hours with a time value of \$19,364.50 as being devoted to Executory Contracts and Leases. This category includes fees related to analysis and rejection of the Debtor's various executory contracts and leases. During the Interim Period, Baker & Hostetler prosecuted the Second Omnibus Rejection Motion which rejected all remaining executory contracts in the Debtors' estates and was a necessary step in the conclusion of these cases. The composite rate for this category is \$263.46 based on the hours for which we are requesting compensation.

16. **Fee/Employment Applications.** We have classified 42.9 hours with a time value of \$11,155.00 as being devoted to Fee/Employment Applications. The composite rate for this category is \$260.02 based on the hours for which we are requesting compensation.

17. **Financing/Cash Collateral.** We have classified 113.2 hours with a time value of \$38,475.00 as being devoted to Financing/Cash Collateral. The fees in this category relate to the final negotiation and proposed termination of financing for the Debtors' estates through the Wachovia Capital Financing Corporation (Central) DIP facility. Baker & Hostetler and the Committee negotiated a final resolution of accounts receivable with the Participating Customers, payment of the Participating Customers' loan participation and termination of the DIP facility. This successful negotiation enables the Debtors to avoid costly litigation with the Participating Customers. An agreed order to this effect was recently submitted to the Court for approval. The composite rate for this category is \$339.89 based on the hours for which we are requesting compensation.

18. **Plan and Disclosure Statement.** We have classified 63.8 hours with a time value of \$20,630.00 as being devoted to Plan and Disclosure Statement. During this fee period, the Debtors negotiated with the Committee and jointly filed an amended plan and

amended disclosure statement. Baker & Hostetler was substantially active in the negotiation and resolution of issues related to amended plan. Baker & Hostetler also took the laboring oar on the motion for approval of the amended disclosure statement and the motion regarding voting and solicitation procedures. The composite rate for this category is \$323.35 based on the hours for which we are requesting compensation.

19. **Relief from Stay/Adequate Protection Proceedings.** We have classified 14.2 hours with a time value of \$5,472.50 as being devoted to Relief from Stay/Adequate Protection Proceedings. Fees in this category relate to the successful negotiation and settlement by Baker & Hostetler with Parker Hannifin Corporation and Citicapital Finance Corporation regarding their respective motions for relief from stay. The composite rate for this category is \$385.39 based on the hours for which we are requesting compensation.

20. **Research.** We have classified 44.6 hours with a time value of \$9,545.50 as being devoted to Research. In order to adequately respond to pleadings filed in these cases and issues that have arisen in these cases, Baker & Hostetler has needed to conduct legal research on issues including application of constructive trust theories, various issues related to labor and employment law and issues related to executory contracts. The composite rate for this category is \$214.02 based on the hours for which we are requesting compensation.

21. **Sale/Auction of Business.** We have classified 138.7 hours with a time value of \$45,540.00 as being devoted to Sale/Auction of Business. The focus of the Debtors' case has been with swift liquidation of their assets. Baker & Hostetler has contributed successfully to these efforts. Although the sales were substantially completed during the prior fee period, Baker & Hostetler has incurred fees related to tying up trailing issues on such sales. Baker & Hostetler attorneys have also coordinated the successful wind down of the Debtors'

Mexican subsidiary which was a necessary step in providing funding for distributions to the Debtors' creditors. The composite rate for this category is \$328.33 based on the hours for which we are requesting compensation.

22. **Trustee/Examiner Matters.** We have classified 37.6 hours with a time value of \$11,125.00 as being devoted to Trustee/Examiner Matters. Baker & Hostetler was active in the successful objection to the Motion of Washington Penn for appointment of a Chapter 11 Trustee. The composite rate for this category is \$295.88 based on the hours for which we are requesting compensation.

23. Set forth below is a chart summarizing the time spent by Baker & Hostetler on each of these Categories:

Category	Fees
Accounts Receivable Collections	\$ 1,260.00
Asset Analysis and Recovery	\$ 1,644.50
Case Administration	\$ 13,867.50
Claims Administration and Objections	\$ 93,273.50
Creditors' Committee Communication	\$ 1,642.50
Employee Benefits/Pension	\$ 187,973.00
Environmental Matters	\$ 163.00
Executory Contracts and Leases	\$ 19,364.50
Fee/Employment Applications	\$ 11,155.00
Fee/Employment Objections	\$ 3,442.00
Financing/Cash Collateral	\$ 38,475.00
Meetings and Communications with Creditors	\$ 1,358.00
Non-Working Travel	\$ 500.00
Other Contested Matters	\$ 3,857.50
Plan and Disclosure Statement	\$ 20,630.00
Reclamation	\$ 392.00
Relief from Stay/Adequate Protection Proceedings	\$ 5,472.50
Research	\$ 9,545.50
Sale/Auction of Business	\$ 45,540.00
Tax Issues	\$ 50.00
Trustee/Examiner Matters	11,125.00
Total Fees For the Application Period	\$ 470,731.00

IV. FACTORS TO BE CONSIDERED IN AWARDING ATTORNEYS' FEES

24. The factors to be considered in awarding attorneys' fees are enumerated in In re First Colonial Corporation of America, 544 F.2d 1291, 1298-99 (5th Cir. 1977), reh'g denied, 547 F.2d 573, cert. denied, 431 U.S. 904. These standards have been adopted by most courts. Baker & Hostetler respectfully submits that a consideration of these factors should result in this Court's allowance of the full compensation sought.

25. **The Time and Labor Required.** The professional services rendered by Baker & Hostetler on behalf of the Debtors have required continuous expenditure of substantial time and effort, under time pressures that on a regular basis required the performance of services late into the evening and during weekends, often to the exclusion of other clients. The services rendered required a high degree of professional competence and expertise to be administered with skill and dispatch.

26. **The Novelty and Difficulty of Questions.** Effective advocacy and a creative approach have been and will continue to be crucial to clarify and resolve new and often challenging issues raised in these cases.

27. **The Skill Requisite to Perform the Legal Services Properly.** The firm's recognized expertise in the area of corporate reorganization, its ability to draw from highly experienced professionals in other areas of its practice, and its creative approach to the resolution of issues have and will contribute to the maximization of distributions to creditors.

28. **The Customary Fee.** The fees sought herein are based upon the firm's normal hourly rates for services of this kind. Baker & Hostetler respectfully submits that the fees sought are not unusual given the magnitude and complexity of these cases and the time expended in attending to the representation of the Debtors. The fees requested are

commensurate with fees Baker & Hostetler has been awarded in other cases, as well as with fees charged by other attorneys of comparable experience.

29. **Whether the Fee is Fixed or Contingent.** Pursuant to Sections 330 and 331 of the Bankruptcy Code, all fees sought by professionals employed under Section 327 of the Code are contingent pending final approval by this Court, and are subject to adjustment dependent upon the services rendered and the results obtained.

30. **Time Limitations Imposed by Client or Other Circumstances.** The firm has been required to address certain issues arising in these cases in a compressed and urgent time-frame. As a result, Baker & Hostetler attorneys have had to perform services under significant time constraints requiring attorneys assigned to these cases to work evenings and weekends.

31. **The Amount Involved and Results Obtained.** The firm has been an active participant in these chapter 11 cases, and has provided constructive assistance to resolving major obstacles. The firm believes its efforts will enhance recoveries available to the Debtors' creditors, and assist the efficient administration of these cases.

V. ALLOWANCE OF COMPENSATION

32. The allowance of interim compensation for services rendered and reimbursement of expenses in bankruptcy cases is expressly provided for in section 331 of the Bankruptcy Code:

Any professional person...may apply to the court not more than once every 120 days after an order for relief in a case under this title, or more often if the court permits, for such compensation for services rendered...as is provided under section 330 of this title.

11 U.S.C. § 331. Moreover, this Court has authorized the filing of this Application in the Administrative Order.

33. With respect to the level of compensation, section 330(a)(1) of the Bankruptcy Code provides, in pertinent part, that the Court may award to a professional person “reasonable compensation for actual, necessary services rendered....” Section 330(a)(3)(A), in turn, provides:

In determining the amount of reasonable compensation to be awarded, the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including –

(A) the time spent on such services;

(B) the rates charged for such services:

(C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;

(D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and

(E) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. § 330(a)(3)(A). The clear Congressional intent and policy expressed in this statute is to provide for adequate compensation in order to continue to attract qualified and competent bankruptcy practitioners to bankruptcy cases.

34. Throughout these cases, Baker & Hostetler has carefully coordinated its efforts with other professionals. The work involved, and thus the time expended, was carefully assigned in light of the experience and expertise required for a particular task. As shown by this Application and supporting documents, the firm spent its time economically and without unnecessary duplication.

35. Baker & Hostetler incurred actual and necessary out-of-pocket expenses in connection with rendering professional services to the Debtors in the sums indicated on **Exhibit C**, for which Baker & Hostetler respectfully requests full reimbursement. The disbursements and expenses have been incurred in accordance with the firm's normal practice of charging clients for expenses clearly related to and required by particular matters. Baker & Hostetler has endeavored to minimize these expenses to the fullest extent possible.

36. Baker & Hostetler's billing rates do not include charges for photocopying, telephone and telecopier toll charges, computerized research, travel expenses, "working meals," secretarial overtime, postage, and certain other office services, since the needs of each client for such services differ. Instead, Baker & Hostetler charges each client only for the services actually used in performing services for that client. In these proceedings, Baker & Hostetler charges \$.20 per page for internal duplicating and actual phone charge for outgoing facsimile transfers. The firm does not charge for incoming facsimile transfers. The expenses incurred by Baker & Hostetler are in compliance with the Administrative Order and Guidelines.

37. No agreement or understanding exists between Baker & Hostetler and any other person for the sharing of any compensation to be received for professional services rendered or to be rendered in connection with these cases.

38. No prior application has been made in this or in any other Court for the relief requested herein for the Interim Period.

WHEREFORE, Baker & Hostetler respectfully requests that this Court enter an Order:

1. approving the allowance for compensation of professional services rendered to the Debtors from February 1, 2007 through and including May 31, 2007, in the sum of \$470,731.00;

2. approving the reimbursement of Baker & Hostetler's out-of-pocket expenses incurred in connection with the rendering of such professional services from February 1, 2007 through and including May 31, 2007, in the sum of \$5,103.71;

3. authorizing and directing the Debtors to pay compensation to Baker & Hostetler in the amount of **\$141,486.96**, representing ninety percent (90%) of fees and one hundred percent (100%) of expenses due and payable pursuant to the Administrative Order but unpaid to date. The Debtors will continue to hold back ten percent (10%) of the fees due and payable to Baker & Hostetler until the final hearing on Baker & Hostetler's fees and expenses; and

4. granting such other and further relief as this Court may deem just and proper.

Dated: July 3, 2007

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

By: /s/ Joseph F. Hutchinson, Jr.
One of Their Attorneys

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