

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

IN RE:)	Chapter 11
)	
CEP HOLDINGS, INC., d/b/a)	Case No. 07-71810
www.colonendparenthesis.net, a/d/b/a)	
Coastin88.com, a/d/b/a CEPCoast.com,)	Judge Massey
)	
Debtor.)	
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)	
IN RE:)	Chapter 11
)	
COLON END PARENTHESIS)	Case No. 07-71813
TRUST, LLC,)	
)	Judge Massey
Debtor.)	
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MOTION TO ESTABLISH NOTICE PROCEDURES

COME NOW, Debtors CEP Holdings, Inc. (“Holdings”) d/b/a www.colonendparenthesis.net, a/d/b/a Coastin88.com, a/d/b/a CEPCoast.com and Colon End Parenthesis Trust, LLC (“Trust”) (collectively, the “Debtors”), and hereby move the Court for an Order establishing notice procedures in their Chapter 11 cases, and in support thereof, show the Court as follows:

INTRODUCTION

1. On July 27, 2007 (the “Petition Date”), the Debtors filed their respective voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). The Debtors are managing their affairs as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. To date, no official committee of unsecured creditors has been appointed pursuant to section 1102 of the Bankruptcy Code.

2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of the Debtors' Chapter 11 cases in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND

3. On July 9, 2007, the Securities and Exchange Commission (the "SEC") filed its Complaint for Injunctive and Other Relief in the United States District Court for the Eastern District of North Carolina, Raleigh Division (the "District Court"), commencing the lawsuit styled Securities and Exchange Commission v. CEP Holdings, Inc., d/b/a colonendparenthesis.net, Trevor Reed, Clayton Kimbrell and Colon End Parenthesis Trust, LLC, Case No. 5:07-cv-00256-BO (the "SEC Action"). On July 10, 2007, the District Court entered the Order Granting Preliminary Injunction, Freezing Assets, Appointing a Receiver and Ordering Other Ancillary Relief (the "District Court Order"). The Defendants consented to the entry of the District Court Order and, as a result, the Debtors' businesses were shut down. William F. Perkins was appointed receiver for the Debtors pursuant to the District Court Order and has since managed the Debtors' assets and financial affairs from his office in Atlanta, Georgia, but he has neither operated the business nor incurred any debt.

4. The SEC has alleged that Trevor Reed ("Reed") and Clayton Kimbrell ("Kimbrell"), through an entity they owned and controlled called Holdings, were involved in a fraudulent and unregistered offering of securities sold via the internet.

5. Perkins' investigation is continuing, but his preliminary findings include the following:

- (a) Since May 2006, over \$16 million has flowed into the bank accounts of Trust from more than 10,000 participants in one of the three "investment" programs operated by Holding's d/b/a websites.
- (b) The only bank accounts identified with the Debtors were in the name of Trust, which was also owned by Reed and Kimbrell. Trust, therefore, served as an internet processor through which participants received and disbursed money. Trust records include over 15,000 participant accounts.
- (c) Holding's "investment" programs included a passive, interest-only investment format at colonendparenthesis.net. This program required a minimum initial investment of \$20 and promised a daily return of 2% (more than 700% per annum) that was payable every thirty days by credit to the participant's Trust account. The participant committed to either a 180-day or 360-day option but the original principal was not returned to the participant. The programs at CEPcoast.com and Coastin88.com were auto-surf sites whereby participants "purchased" advertising packages starting at \$5 each for website that the participant wishes to expose or advertise. Then, the participant may choose to recover up to 130% (CEPcoast) or 115% (Coastin88) of their advertising expense by participating in a program that sends 15 websites to them to view and rate. It appears to have taken less than a month for the participant to recover cost plus the profit if an advertising purchaser also viewed and rated all 15

websites every day. The caveats of these auto-surf programs were that (i) only advertising purchasers were eligible to view and rate websites that earned credits, (ii) to participate in a daily payout, the participant had to review all 15 websites sent to him or her that day, (iii) CEPCoast.com paid out 90% of daily ad purchases and Coastin88 paid out 88%, and (iv) the payout to viewers each day was dependent on that day's advertising purchases (cash inflow), not the number of websites you viewed and rates.

- (d) Investors were led to believe that their funds were used to invest in safe "brick and mortar" type businesses that produced the promised yields. Perkins has found no significant investment of participant funds in any third-party business or investment other than a money market account yielding approximately 4%.
- (e) There was no review or audit of financial transactions of the Debtors, and records consist almost entirely of databases created by website transactions. Over 6 million transaction items are being evaluated in order to determine the sources and uses of the participant funds. Neither Reed nor Kimbrell invested personal funds in the programs described above.
- (f) Several millions of dollars were transferred out of the Debtors' accounts to Reed, Kimbrell, their family, as well as to employees and sub-contractors, for which it is believed that the Debtor's did not receive reasonably equivalent value.

- (g) The Receiver has thus far found no source of funding for the profits paid to participants in these schemes other than the deposits of subsequent investors.

RELIEF REQUESTED

6. There are at least several thousand parties in interest in the Debtors' Chapter 11 cases (the "Cases") and possibly as many as 18,000. Of these potential parties in interest, Trust's records show that more than 10,000 of these parties have no balance, almost 6,500 parties have balances between \$1 and \$99, for a total balance of less than \$90,000, about 975 parties have balances of between \$100 and \$999, for a total balance of less than \$290,000, about 210 parties have balances between \$1,000 and \$9,999 for a total of approximately \$545,000 and only three individuals have balances in excess for \$10,000, totaling about \$47,000. Also, approximately one-third of the parties do not reside in the United States. Holdings' does not have records showing it has any creditors, although its investors may assert tort claims against it for the recovery of their investment. The Debtors (a) may have claims or setoffs against many of these persons for receipt of excessive returns in this Ponzi scheme, (b) dispute the claims of these persons at this time and (c) have not determined whether these persons should be classified as creditors or investors.

7. Because of the nature of the Debtors' former business, its investors did business over the internet: therefore, the Debtors have or had at one time, valid e-mail addresses for all of their investors.

8. In addition, W.G. Hays & Associates has established a website (www.wfperkinsforcepc.com) that contains relevant information about these proceedings and which will also contain copies of all material papers, notices, and pleadings filed in this case (the "Website"). If any party in interest were to enter the address of or otherwise attempt to contact the Debtors' former websites, they will be re-directed to the Website in the near future. The Debtors propose to send an e-mail to all parties in interest for whom they have a valid e-mail address in these Cases advising them of the Website so the parties in interest can keep themselves apprised of the status of these cases. Perkins is already receiving calls and e-mails from investors who have viewed the Website.

9. Service of all pleadings, notices, and other papers on such a large number of parties in interest by mail would be extremely burdensome and would require the Debtors to expend a substantial portion of their assets in copying costs, postage charges, and other handling expenses. The administrative burden associated with such a task would also be substantial.

10. Because many matters do not impact, or materially impact, the interests of all parties, providing notice to every party is often wasteful and unnecessary. This is particularly true in this case where the vast majority of the parties in interest have only a nominal claim. Accordingly, the Debtors request that the Court establish noticing requirements, as proposed below, that will limit the administrative costs and time associated with the Cases.

11. Pursuant to Rule 9007 of the Fed. R. Bankr. P., the Court shall "designate, if not otherwise specified herein, the time within which, the entities to whom, and the

form and manner in which the notice shall be given.” Furthermore, Fed. R. Bankr. P. 2002(l) provides for notice by publication if service by mail is not practical, including when the number of nominal creditors or parties in interest is large.

12. Pursuant to Rule 2002(m) of the Fed. R. Bankr. P., the Debtors propose to establish a service list (the “CEP Service List”) which would include and limit notice in the Cases (except as described in paragraph 13 below) to the following parties by mail:

- (a) Debtors and their bankruptcy counsel;
- (b) the United States Trustee;
- (c) members of any committee that may be appointed in the Cases and its counsel;
- (d) counsel for U.S. Securities and Exchange Commission;
- (e) the District Director of the Internal Revenue Service for this district;
- (f) the persons listed on the Debtors’ List of Claimants Holding 20 Largest Unsecured Claims (but in the event that an official committee is appointed in these Cases, the committee members will replace the 20 largest unsecured claimants on the CEP Service List); and
- (g) those persons who file and serve on counsel for the Debtors a notice of appearance in the Cases pursuant to Fed. R. Bankr. P. 2002, 3017(a), and/or 9010.

The initial proposed CEP Service List is attached hereto as Exhibit A. All pleadings and notices will otherwise be served on all other parties in interest through publication of such pleadings and notices on the Website pursuant to Fed. R. Bankr. P. 2002(l) and 9008.

13. The parties in interest required to receive notice of proceedings in the Cases would be limited to those parties included on the CEP Service List and any other persons whose rights or interests are directly affected by a specific pleading or proceeding in the Cases (“Other Affected Parties”). The proceedings with respect to which notice would be limited to the CEP Service List and Other Affected Parties would be all pleadings, notices, and other papers that relate to the Cases, except as provided in paragraph 13 below.

14. Subject to further Order of the Court, Debtors propose that service of the following notices and pleadings will not be limited pursuant to this Motion:

- (a) notice of the deadline to file proofs of claims pursuant to Bankruptcy Rule 3003(c);
- (b) notice of the time fixed for filing objections to and any hearing to consider the approval of the confirmation of any plan of reorganization;
- (c) any disclosure statement approved by the Court and any plan of reorganization related thereto, together with ballots for accepting or rejecting such plan and notice of the time within which acceptances or rejections of such plan must be filed;
- (d) notice of the time fixed for accepting or rejecting a proposed modification of a plan of reorganization; and
- (e) the meeting of creditors under Section 341 or Section 1104(b) of the Code.

15. Counsel for the Debtors will file an amended CEP Service List on or before the tenth day of any month following a month in which counsel for the Debtors has received a written and filed notice of appearance and request for service in

accordance with Bankruptcy Rules 2002, 3017(a), and/or 9010, which amended service list will be posted on the Website. After the filing of same, the Debtors propose that, subject to the exceptions described above, the CEP Service List shall be the official list for service in the Cases whenever notice of a proceeding is required by the Bankruptcy Code, Bankruptcy Rules or any Local Bankruptcy Rule to be given to creditors or parties in interest. The CEP Service List would be presumed to comply with due process requirements and to be consistent with service and notice requirements under the Bankruptcy Code, the Bankruptcy Rules and Local Bankruptcy Rules, other than as specifically set forth above; however, this Motion would not preclude the Debtors or any other party in interest from seeking to broaden or shorten notice if the facts and circumstances so warrant.

16. Any party in interest may be added to the CEP Service List by filing and serving upon counsel for the Debtors an appropriate notice of appearance and request for service under Bankruptcy Rules 9010, 2002, and/or 3017(a). Further, any party on the CEP Service List that no longer desires to be served with notices, pleadings and papers for which service is limited, may serve counsel for the Debtors with a written request that it be removed from the CEP Service List or that it only receive such pleadings and notices by e-mail.

17. Debtors request that a copy of the Order granting this Motion be served on all parties in interest by the Clerk of the Court at the same time the Notice of the Commencement of the Case is served.

18. The relief requested in the Motion will preserve the Debtors' assets that otherwise would be consumed by unnecessary copying, postage, and related expenses.

Such relief will benefit the Debtors' estate and their creditors and will not prejudice the rights of any parties in interest in the Cases.

WHEREFORE, the Debtors respectfully request that the Court enter an order immediately granting this Motion and establishing the notice procedures provided for herein, and grant to the Debtors such other and further relief as may be appropriate.

Respectfully submitted, this 31st day of July, 2007.

GREENBERG TRAURIG, LLP

/s/ James R. Sacca
James R. Sacca
Georgia Bar No. 621843
John D. Elrod
Georgia Bar No. 246604
3290 Northside Parkway, N.W.
Suite 400
Atlanta, Georgia 30327
Telephone: (678) 553-2100
Telecopier: (678) 553-2259

PROPOSED ATTORNEYS FOR THE
DEBTORS

EXHIBIT A

CEP SERVICE LIST

Office of United States Trustee
362 Richard B. Russell Building
75 Spring Street, SW
Atlanta, GA 30303

Alex Rue, Esq.
Senior Trial Counsel
Securities and Exchange Commission
3475 Lenox Road, N.E., Suite 1000
Atlanta, GA 30327-1323
ruea@sec.gov

Internal Revenue Service
Attn: District Director
401 West Peachtree Street
Atlanta, GA 30308

CEP Holdings, Inc.
c/o William F. Perkins
W. G. Hays & Associates, LLC
Suite 450
1100 Spring Street, N.W.
Atlanta, GA 30309-2847
bperkins@wghays.com

Kho Yulianita
Darmo Baru Barat 10 No 1
Surabaya, Indonesia 60189
khoyulianita@yahoo.co.id

Dima Ivanov
Zenkulinkel Mordi Nen 44-16
Mordi, AS Libya 17124
username dimon@yahoo.com

Denny Jayapranata
Neserke Majer 23/11,
Kolly, KS 17124 Burundi
qwerty852654@yahoo.com

Sal Frausto
12045 E. Copperopils Rd.
Stockton, CA 95215
saljr007@yahoo.com

Eric Clement
2057 Du Sablon Cr.
St. Lazare, QC Canada J7T2C6
clemeric@gmail.com

Diana Mika
19409 129th St. E
Bonney Lake, WA 98391
jndmika@gmail.com

Kenichi Honda
1717 Malcolm Ave #203
Los Angeles, CA 90024
niyan716dacha@gmail.com

Teppo R
1122 L Street, S-501
Sacramento, CA 95814
ceptrust@redcellcorp.com

Javier Hita
2623 NW 24th St., #3
Miami, FL 33142
javier_hita65@yahoo.com

IT Group Inc.
1795 North Fry Rd., #196
Katy, TX 77449
admin@dailyroi.com

Maurice Garner
4013 Izlar Lane
Ooltewah, TN 37363
Chasek9@juno.com

Lina Hall
153 Pierces Mill Rd.
Amherst, VA 24521
linahallnd@safe-mail.net

Kevin Copeland
17880 S. 543 Road
Tahlequah, OK 74464
kcopeland@xtremeinet.net

Tanya Talley
304 East Ridge Rd.
Scottsboro, AL 35768
tdtalley3@hotmail.com

Steven Wadsworth
3406 Azalea Drive
Temple, TX 76502
wadsworthsteven@yahoo.com

Tami McBryde
P O Box 9699
1229 Hwy 45 North
Columbus, MS 39705
thm@zoomlinx.net

Mary Dukett
3192 Greenhaven Dr.
Springfield, IL 62707
dukettmom4@insightbb.com

John Petrelli
617 Sherwin Avenue
P.O. Box 10426
Pittsburgh, PA 15234
yackerelli@gmail.com

Nanami Bombassei
8120 Canby Ave., #3
Reseda, CA 91335
nana2rin@hotmail.com

Molly Boyd
107 Heatherwood Cove
Jackson, TN 38305
mmcboyd2000@yahoo.com

James R. Sacca
John D. Elrod
Greenberg Traurig LLP
Suite 400
3290 Northside Parkway, N.W.
Atlanta, GA 30327
saccaj@gtlaw.com
elrodj@gtlaw.com