

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

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In re: :
: Case No. 06-51848
CEP HOLDINGS, LLC, et al.,¹ : (Jointly Administered)
: :
Debtors. : Chapter 11
: :
: Honorable Marilyn Shea-Stonum
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**STATEMENT OF WACHOVIA CAPITAL FINANCE CORPORATION (CAPITAL) IN
RESPECT OF ENTRY OF 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**

Wachovia Capital Finance Corporation (Central) (“Lender”) hereby submit this statement in support of the motion (the “Motion”) of the above-captioned debtors and debtors-in-possession (the “Debtors”) requesting that this Court enter a final order authorizing Debtors to: (a) use certain Cash Collateral; (b) incur Postpetition Debt; (c) grant adequate protection and provide security and other relief to Lender; and (d) grant certain related relief (the “Final”

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

Order”). Unless otherwise indicated, all capitalized terms used as defined terms herein have the meanings ascribed thereto in the Emergency Order.²

1. Lender submits this Statement in lieu of proposed findings of fact and conclusions of law because it is not a movant or objector in connection with the instant proceeding. Lender is merely a party willing to extend postpetition loans to Debtors on certain terms. However, Lender did not want its position with respect to the Motion not to be of record, for the Court's benefit and to reserve Lender's right to participate (if necessary) in a hearing concerning the Final Order.

2. Prior to the Petition Date, Lender was involved in extended negotiations with the Debtors and the Participating Customers with respect to proposed postpetition financing for the Debtors. Lender also sought to involve input from counsel to the Committee (at the time, counsel to the unofficial committee of trade creditors (the “Unofficial Committee”)), to the extent possible.

3. On September 26, 2006, the Court entered the Emergency Order, which, among other things, provided that the Emergency Order among the Debtors, Lender, Participating Customers (as defined in the Motion) and Unofficial Committee was an agreement binding upon those parties. Since then, the parties have been involved in additional negotiations regarding the terms of a Final Order. While it is not appropriate for Lender to disclose the details of recent negotiations among the parties, Lender believes it has made significant progress in respect of the concerns raised by the Committee. As a result, Lender is simultaneously working on revisions to a Final Order to reflect such potential compromise. As of the filing of

² As used herein, the “Emergency Order” means that certain Emergency Order Re: Motion of Debtors and Debtors in Possession, Pursuant to Sections 362, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 4001(B) and 4001(C), for Interim and Final Orders (I) Authorizing Debtors to Incur Postpetition Secured Indebtedness, (II) Granting Security Interests and Priority Claims, (III) Granting Adequate Protection, (IV) Modifying Automatic Stay and (V) Setting Final Hearing, entered by the Court on September 26, 2006.

this statement, the Lender remains willing to continue to negotiate with the parties in an effort to reach a consensual resolution of the issues in dispute. Lender further believes that it may be possible that it will reach an agreement with the Debtors and the Committee on the terms of a Final Order to which all of the Participating Customers do not agree.

4. The Lender believes that, on a prepetition and postpetition basis, it is oversecured and would receive payment in full in any type of liquidation of the Debtors' assets. The longer the liquidation process, however, the additional risk the Lender believes it faces. The Debtors' needs for postpetition loans from the Lender (in addition to the use of cash collateral) has required, and will continue to require, that the Lender take on additional risk for the benefit of the Debtors' estates and creditors. These risks, among other things, dictate the terms of the postpetition loan facility that the Lender is willing to make available to the Debtors, in the Lender's own sound business discretion.

5. The Lender only requires that it be treated fairly in such circumstances, and it will make loans available to the Debtors under the terms of the order initially proposed by the Debtors with the Motion. The Lender will also consider alternative proposals (including those recently discussed with the Committee), provided that it reserves the right not to agree to all or part of them at this time. The Lender will continue to work with all the parties and appear in Court (as necessary) in order to come to a consensual resolution. However, if Debtors are not permitted to borrow from the Lender on terms acceptable to the Lender, Lender may determine, in its sound business judgment, that it cannot continue to make additional postpetition loans to the Debtors. The Lender believes that this outcome would be detrimental to the Debtors' estates and creditors.

Cleveland, Ohio
October 23, 2006

Respectfully submitted,

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CERTIFICATE OF SERVICE

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