

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

IN RE:	)	Case No. 06-51848
	)	(Jointly Administered)
CEP HOLDINGS, LLC, et.al., <sup>1</sup>	)	Chapter 11
	)	
Debtors.	)	Honorable Marilyn Shea-Stonum
	)	United States Bankruptcy Judge

**FIRST AMENDED DISCLOSURE STATEMENT TO ACCOMPANY  
FIRST AMENDED JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE  
BANKRUPTCY CODE PROPOSED BY THE DEBTORS AND THE OFFICIAL COMMITTEE  
OF UNSECURED CREDITORS DATED MAY 25, 2007**

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<sup>1</sup> The Debtors include: CEP Holdings, LLC, Creative Engineered Polymer Products, LLC and Thermoplastics Acquisition, LLC

## IMPORTANT NOTICE

**This Disclosure Statement<sup>2</sup> and its related documents are the only documents authorized by the Bankruptcy Court to be used in connection with the solicitation of votes to accept the Plan. No representations have been authorized by the Bankruptcy Court concerning the Debtors, their business operations or the value of their assets, except as explicitly set forth in this Disclosure Statement.**

**Please refer to the Plan (or, where indicated, certain motions filed with the Bankruptcy Court) for definitions of the capitalized terms used in this Disclosure Statement.**

**The Plan Proponents reserve the right to file an amended Plan and Disclosure Statement from time to time. The Plan Proponents urge you to read this Disclosure Statement carefully for a discussion of voting instructions, recovery information, classification of claims, the history of the Debtors and the Cases and a summary and analysis of the Plan.**

**The Plan and this Disclosure Statement have not been required to be prepared in accordance with federal or state securities laws or other applicable non-bankruptcy law. This Disclosure Statement has been approved by the Bankruptcy Court as containing “adequate information”; however, such approval does not constitute endorsement of the Plan or Disclosure Statement by the Bankruptcy Court and none of the United States Securities and Exchange Commission, any state securities commission or similar public, governmental or regulatory authority has approved this Disclosure Statement, or the Plan, or has passed on the accuracy or adequacy of the statements in this Disclosure Statement. Persons trading in or otherwise purchasing, selling or transferring securities, if any, of the Debtors should evaluate the Plan in light of the purposes for which it was prepared.**

**This Disclosure Statement contains only a summary of the Plan. This Disclosure Statement is not intended to replace a careful and detailed review of the Plan, only to aid and supplement such review. This Disclosure Statement is qualified in its entirety by reference to the Plan, and the exhibits attached thereto and the agreements and documents described therein. If there is a conflict between the Plan and this Disclosure Statement, the provisions of the Plan will govern. In the event of a conflict between this Disclosure Statement and the Agreement, the Agreement shall control. Further, in the event of a conflict between the Plan and the Agreement, the Agreement shall control. You are encouraged to review the full text of the Plan and to read carefully the entire Disclosure Statement, including all exhibits, before deciding how to vote with respect to the Plan.**

**Except as expressly otherwise indicated, the statements in this Disclosure Statement are made as of May 25, 2007, and the delivery of this Disclosure Statement will not, under any circumstances, imply that the information contained in this Disclosure Statement is correct at any time after May 25, 2007. Any estimates of claims or interests in this Disclosure Statement may vary from the final amounts of claims or interests allowed by the Bankruptcy Court. In addition, the treatment of creditors under the Plan described herein is subject to change as such treatment continues to be negotiated.**

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<sup>2</sup> Unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the First Amended Joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and the Official Committee of Unsecured Creditors Dated May 25, 2007 (the “Plan”).

**YOU SHOULD NOT CONSTRUE THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. YOU SHOULD, THEREFORE, CONSULT WITH YOUR OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS AS TO ANY SUCH MATTERS IN CONNECTION WITH THE PLAN, THE SOLICITATION OF VOTES ON THE PLAN AND THE TRANSACTIONS CONTEMPLATED BY THE PLAN.**

**As to contested matters, adversary proceedings and other actions or threatened actions, this Disclosure Statement is not, and is in no event to be construed as, an admission or stipulation as to any fact or allegation.**

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## **EXHIBITS**

- Exhibit A -- Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and The Official Committee of Unsecured Creditors Dated May 25, 2007
- Exhibit B -- Order of the Bankruptcy Court Approving the Disclosure Statement Dated [DATE]
- Exhibit C -- Distribution Analysis

UNITED STATES BANKRUPTCY COURT  
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IN RE:	)	Case No. 06-51848
	)	(Jointly Administered)
CEP HOLDINGS, LLC, et.al., <sup>1</sup>	)	Chapter 11
	)	
Debtors.	)	Honorable Marilyn Shea-Stonum
	)	United States Bankruptcy Judge

**I. OVERVIEW OF THE DISCLOSURE STATEMENT**

**PURPOSE OF DISCLOSURE STATEMENT**

CEP Holdings, LLC, Creative Engineered Polymer Products, LLC and Thermoplastics Acquisition, LLC, the above-captioned debtors and debtors-in-possession, together with the Official Committee of Unsecured Creditors prepared this First Amended Disclosure Statement to accompany and in connection with their solicitation of acceptances of the First Amended Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code Proposed by the Debtors and The Official Committee of Unsecured Creditors Dated May 25, 2007, filed in the Debtors' reorganization proceedings under the Bankruptcy Code, pending in the Bankruptcy Court. After notice and hearing, and upon order of the Bankruptcy Court entered [DATE], the Bankruptcy Court approved this Disclosure Statement as containing information of a kind and in sufficient detail that would enable a hypothetical reasonable investor, typical of holders of claims and interests of the classes being solicited, to make an informed judgment whether to vote to accept or reject the Plan.

A copy of the Plan is attached to this Disclosure Statement and incorporated into this Disclosure Statement by reference as Exhibit A. [A copy of the order of the Bankruptcy Court approving this Disclosure Statement is attached to this Disclosure Statement as Exhibit B.] Unless otherwise specifically noted, all capitalized terms utilized herein shall have the meaning ascribed to such terms as set forth in the Plan.

You should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. No statements or information concerning the Debtors, their subsidiaries or affiliates or any other entity described in this Disclosure Statement or the Plan, particularly, but not limited to, the Debtors' profits, financial condition, assets or liabilities are authorized by the Plan Proponents other than as set forth in this Disclosure Statement or Exhibits hereto.

The financial information set forth in this Disclosure Statement has not been audited by independent certified public accountants, nor has it necessarily been prepared in accordance with generally accepted accounting principles, except as specifically set forth herein. For that reason, and as a result of the complexity of the financial affairs of the Debtors (and their subsidiaries and/or affiliates, to the extent applicable), the Plan Proponents are not able to represent and warrant that the information set forth in this Disclosure Statement is without any inaccuracy. To the extent possible, however, the

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<sup>1</sup> The Debtors include: CEP Holdings, LLC, Creative Engineered Polymer Products, LLC and Thermoplastics Acquisition, LLC

information has been prepared from the Debtors' financial books and records, and every reasonable effort has been made to ensure that all information in this Disclosure Statement has been fairly presented.

## **PROCEDURAL INFORMATION**

### **Voting**

Each holder of a Claim or Equity Interest of a Class that is "Impaired" under the Plan, but is not deemed to have rejected the Plan, will receive this Disclosure Statement, the Plan, the Voting Procedures Order, notice of the Confirmation Hearing and a ballot for accepting or rejecting the Plan. Any holder of a Claim or Equity Interest whose legal, contractual or equitable rights are altered, modified or changed by the proposed treatment under the Plan, or whose treatment under the Plan is not provided for in section 1124 of the Bankruptcy Code, is considered "Impaired." Each holder of a Claim or Equity Interest of a Class that is deemed to accept or reject the Plan will receive the Voting Procedures Order, notice of the Confirmation Hearing and a notice of non-voting status in the form approved by the Bankruptcy Court, but will not receive a ballot and will not be eligible to vote on the Plan. Holders of Claims or Equity Interests of a Class deemed to accept or reject the Plan will not receive copies of the Plan or the Disclosure Statement, but may obtain copies of these documents by mailing a written request for such materials to the Balloting Agent identified below.

#### **Which Classes of Claims are Entitled to Vote on the Plan?**

Classes of Claims are entitled to vote on the Plan as follows:

- Claims in Classes 1 and 4 are Impaired and entitled to vote on the Plan (each a "Voting Class" and together the "Voting Classes").
- Claims in Classes 2 and 3 are unimpaired under the Plan, are deemed to have accepted the Plan and will not be entitled to vote on the Plan.
- Equity Interests in Class 5 are not expected to receive a distribution under the Plan, are deemed to have rejected the Plan and will not be entitled to vote on the Plan.

For a description of the Classes of Claims and Equity Interests and their respective treatment under the Plan, see Section II and Section VI D below.

You may only vote on the Plan with respect to a Claim or Equity Interest if that Claim belongs to a Voting Class under the Plan. All holders of Equity Interests are deemed to have rejected the Plan and will not be entitled to vote. The Bankruptcy Court has fixed [DATE], as the voting record date. To be eligible to vote on the Plan, persons with Claims that belong to the Voting Classes must have held them on the voting record date.

Under the Bankruptcy Code, the Plan will be deemed accepted by an Impaired Class of Claims if BMC Group, Inc. (the "Balloting Agent") receives votes accepting the Plan representing at least:

- two-thirds of the total dollar amount of the allowed Claims in the Class that cast a vote;  
and



- more than one-half of the total number of allowed Claims in the Class that cast a vote.

The Voting Procedures Order will set forth which Claims are “allowed” for purposes of voting and designate the form of ballot to be used by each Voting Class. For more information on voting procedures, please consult the Voting Procedures Order.

All properly completed ballots received by the Balloting Agent on [DATE] (the “Voting Deadline”), will be counted in determining whether each Impaired Class entitled to vote on the Plan has accepted the Plan. Any ballots received after the Voting Deadline will not be counted. All ballots must contain an original signature to be counted. No ballots received by facsimile will be accepted.

#### **Voting on the Plan**

***When does the vote need to be received?*** The deadline for the receipt by the Balloting Agent of properly completed ballots [DATE].

***Which Classes may vote?*** Persons may vote to accept or reject the Plan only with respect to Allowed Claims that belong to a Class that is Impaired under the Plan and is not deemed to have rejected the Plan. These are Classes 1 and 4.

***Which members of the Impaired Classes may vote?*** The *voting record* date for determining which members of Impaired Classes may vote on the Plan is [DATE]. Persons may vote on the Plan only with respect to Claims that were held on the voting record date.

***How do I vote on the Plan?*** For a vote to be counted, the Balloting Agent must receive an original signed copy of the ballot form approved by the Bankruptcy Court. Faxed copies and votes sent on other forms will not be accepted.

***Who should I contact if I have questions or need a ballot?*** You may contact the Balloting Agent at the address or phone number listed below.

This Disclosure Statement and the Plan are the only materials that you should use in determining how to vote on the Plan. The Plan Proponents believe that approval of the Plan provides the greatest return to holders of Claims in the Voting Classes.

#### **Voting Recommendations**

The Plan Proponents believe that the Plan presents the best opportunity for holders of Claims to maximize their respective recoveries. **The Plan Proponents encourage holders of Impaired Claims to vote to accept the Plan.**

The ballots have been specifically designed for the purpose of soliciting votes on the Plan from each Class entitled to vote. For this reason, in voting on the Plan, please use only the ballot sent to you with this Disclosure Statement. If you hold Claims in more than one Class, you must use a separate ballot for voting with respect to each Class of Claims that you hold. If you believe you have received the incorrect form of ballot, you need another ballot or you have any questions concerning the form of ballot, please contact the Balloting Agent.

Please complete and sign your ballot and return it in the enclosed pre-addressed envelope to the Balloting Agent. All correspondence in connection with voting on the Plan should be directed to the Balloting Agent at the following address:

**Balloting Agent**

**By mail:**

CEP Ballot Process Center  
c/o BMC Group, Inc.  
Attn: CEP Holdings, LLC Balloting Agent  
P.O. Box 903  
El Segundo, CA 90245-0903

**By overnight delivery:**

CEP Ballot Process Center  
c/o BMC Group, Inc.  
Attn: CEP Holdings, LLC Balloting Agent  
1330 E. Franklin Avenue  
El Segundo, CA 90245  
Phone: 888-909-0100

The Balloting Agent will prepare and file with the Bankruptcy Court a certification of the results of the voting on the Plan on a Class-by-Class basis.

Additional copies of the ballots, this Disclosure Statement and the Plan are available upon request made to the Balloting Agent. Please contact the Balloting Agent with any questions relating to voting on the Plan.

**Your Vote Is Important**

Your vote on the Plan is important because:

- Under the Bankruptcy Code, a chapter 11 plan can only be confirmed if certain majorities in dollar amount and number of claims (as described above) of each Voting Class under the plan vote to accept the plan, unless the “cram down” provisions of the Bankruptcy Code are used.
- Under the Bankruptcy Code, only the votes of those holders of claims or interests who actually submit votes on a plan are counted in determining whether the specified majorities of votes in favor of the plan have been received.
- If you are eligible to vote with respect to a Claim and do not deliver a properly completed ballot relating to that Claim by the Voting Deadline, you will be deemed to have abstained from voting with respect to that Claim and your eligibility to vote with respect to that Claim will *not* be considered in determining the number and dollar amount of ballots needed to make up the specified majority of that Claim’s Class for the purpose of approving the Plan.

All pleadings and other documents referred to in this Disclosure Statement as being on file with the Bankruptcy Court are available for inspection and review during normal business hours at the Office of the Clerk of the United States Bankruptcy Court for the Northern District of Ohio (Eastern Division), 455 United States Courthouse, 2 South Main Street, Akron, Ohio, 44308; telephone 330.252.6100, or on-line at the Bankruptcy Court's website: <http://www.ohnb.uscourts.gov>.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN AND OTHER DOCUMENTS RELATING TO THE PLAN. WHILE THE PLAN PROPONENTS SUBMIT THAT THOSE SUMMARIES PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, THESE SUMMARIES ARE QUALIFIED BY THE COMPLETE TEXT OF SUCH DOCUMENTS. IF ANY INCONSISTENCIES EXIST BETWEEN THE TERMS AND PROVISIONS OF THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR OTHER DOCUMENTS DESCRIBED HEREIN, THE TERMS AND PROVISIONS OF THE PLAN AND OTHER DOCUMENTS ARE CONTROLLING. EACH HOLDER OF AN IMPAIRED CLAIM SHOULD REVIEW THE ENTIRE PLAN AND ALL RELATED DOCUMENTS AND SEEK THE ADVICE OF ITS OWN COUNSEL AND FINANCIAL CONSULTANT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. ANY CHANGES TO THESE DOCUMENTS WILL BE DESCRIBED AT THE HEARING ON THE CONFIRMATION OF THE PLAN.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON BY ANY PERSON OR ENTITY FOR ANY PURPOSE OTHER THAN BY HOLDERS OF IMPAIRED CLAIMS OR INTERESTS ENTITLED TO VOTE ON THE PLAN IN DETERMINING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT WILL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS OR EQUITY INTERESTS.

EXCEPT TO THE EXTENT OTHERWISE SPECIFICALLY NOTED HEREIN, THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS GENERALLY INTENDED TO DESCRIBE FACTS AND CIRCUMSTANCES ONLY AS OF [DATE], AND NEITHER THE DELIVERY OF THIS DISCLOSURE STATEMENT NOR THE CONFIRMATION OF THE PLAN WILL CREATE ANY IMPLICATION, UNDER ANY CIRCUMSTANCES, THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS CORRECT AT ANY TIME AFTER [DATE], OR THAT THE PLAN PROPONENTS WILL BE UNDER ANY OBLIGATION TO UPDATE SUCH INFORMATION IN THE FUTURE.

THE PLAN PROPONENTS BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF EVERY CREDITOR AND RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

## **II. SUMMARY AND OVERVIEW OF THE PLAN**

The following table briefly summarizes the classifications and treatment of Claims and Equity Interests under the Plan.

<b><u>Class</u></b>	<b><u>Type of Claim or Equity Interest</u></b>	<b><u>Treatment</u></b>	<b><u>Estimated Recovery</u></b>	<b><u>Impairment</u></b>	<b><u>Voting</u></b>
N/A	Administrative Expense Claims (other than those set forth separately below)	Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, on the Effective Date, or as soon thereafter as is reasonably practicable, the Disbursing Agent shall pay to each holder of an Allowed Administrative Expense Claim, in full satisfaction of such Claim, an amount in Cash equal to the Allowed amount of such Claim.	100%	N/A	No
N/A	Compensation and Reimbursement Claims	All Professionals or other Persons seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under sections 327, 328, 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code (i) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is thirty (30) days after the Confirmation Date, unless otherwise ordered by the Bankruptcy Court, and (ii) shall be paid in full by the Disbursing Agent in such amounts as are allowed by the Bankruptcy Court (A) upon the date upon which the order relating to any such Administrative Expense Claim is entered, or (B) upon such other terms as may be mutually agreed upon between the holder of such an Administrative Expense Claim and the Committee.	100%	N/A	No
N/A	U.S. Trustee Fees	Paid on a quarterly basis as required by statute until the Cases are closed.	100%	N/A	No
N/A	Wachovia Secured Claim	Except to the extent that the Wachovia Secured Claim has been paid and satisfied prior to the Effective Date in accordance with	100%	N/A	No

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Estimated Recovery</u>	<u>Impairment</u>	<u>Voting</u>
		the Final DIP Order, on or as soon as reasonably practicable after the Effective Date, Wachovia shall receive in full satisfaction of such Claim, Cash in an amount equal to one hundred percent (100%) of the unpaid amount of the Allowed Wachovia Secured Claim. The liens securing such Allowed Wachovia Secured Claim shall be deemed released at such time as the Wachovia Secured Claim is paid in full.			
N/A	Priority Tax Claims	Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, on the Effective Date, or as soon thereafter as is reasonably practicable, the Disbursing Agent shall pay to each holder of an Allowed Priority Tax Claim, in full satisfaction of such Claim, an amount in Cash equal to the Allowed amount of such Claim. To the extent that the holder of an Allowed Priority Tax Claim is not paid Cash equal to the Allowed amount of such Claim on the Effective Date, such holder shall be entitled to interest at a rate determined under applicable non-bankruptcy law.	100%	N/A	No
<b>Class 1</b>	Subordinated Participating Customers Secured Claims	Except to the extent that the Subordinated Secured Participation Claims have not been indefeasibly paid and satisfied prior to the Effective Date in accordance with the Final DIP Order on or as soon as reasonably practicable after the Effective Date, the Participating Customers shall receive in full satisfaction of their respective Subordinated Secured Participation Claims Cash in an amount equal to one hundred percent (100%) of the unpaid amount of the Allowed Subordinated Secured Participation Claims, plus interest accrued thereon from and after the Petition Date, less the amount of Agreed AR due from each respective Participating Customer. The Liens securing such Allowed Subordinated Secured Participation Claims shall be deemed	100%	Unimpaired	No

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Estimated Recovery</u>	<u>Impairment</u>	<u>Voting</u>
		released at such time as the Subordinated Secured Participation Claims are paid in full.			
<b>Class 2</b>	Other Secured Claims	On or as soon as reasonably practicable after the Effective Date, each holder of an Allowed Other Secured Claim shall receive, at the option of the Liquidating Trustee, and in full satisfaction of such Claim, either (i) Cash in an amount equal to one hundred percent (100%) of the Allowed Other Secured Claim (taking into account sections 506(a)(1) and 506(b) of the Bankruptcy Code); (ii) the proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim to the extent of the value of the holder's secured interest in such Collateral, net of the costs of disposition of such Collateral; (iii) such other distribution as necessary to satisfy the requirements of the Bankruptcy Code, including the surrender of any such collateral; or (iv) such other treatment as the Liquidating Trustee and such Other Secured Claim holder may agree.	100%	Unimpaired	No
<b>Class 3</b>	Priority Non-Tax Claims	Except to the extent that a holder of an Allowed Priority Non-Tax Claim against the Debtors agrees to a different treatment of such Claim, on the Effective Date, or as soon thereafter as is reasonably practicable, each holder of an Allowed Priority Non-Tax Claim shall receive the greater of one hundred percent (100%) of the Allowed Amount of such Priority Non-Tax Claims or a Pro Rata Share of all remaining Cash after payment of all Allowed Claims in sections 2.1, 2.2, 2.3, 2.4, 2.5 and 4.2 of the Plan, on the Effective Date or as soon thereafter as is practicable. On the Effective Date, cash in the distributable amount of any Disputed Class 3 claim shall be paid into the Disputed Claim Reserve consistent with Sections 8.3 and 8.5 of the Plan.	100%	Unimpaired	No

<b><u>Class</u></b>	<b><u>Type of Claim or Equity Interest</u></b>	<b><u>Treatment</u></b>	<b><u>Estimated Recovery</u></b>	<b><u>Impairment</u></b>	<b><u>Voting</u></b>
<b>Class 4</b>	General Unsecured Claims	The holders of Allowed General Unsecured Claims shall receive their Pro Rata Share of all remaining Cash, or instead with respect to Disputed Class 4 Claims, amounts shall be paid into the Disputed Claim Reserve consistent with Section 8.3 and 8.5 of the Plan, after payment in full of all Allowed Claims pursuant to sections 2.1, 2.2, 2.3, 2.4, 2.5, 4.1, 4.2 and 4.3 of the Plan at such times as the Trustee deems practicable, however, in the event that cash available for distribution to Allowed Class 4 Claims exceeds \$1.5 million an initial distribution to Allowed Class 4 Claims be made no later than ninety (90) days from the date on which the Trust Assets available for distribution to Class 4 Claims exceeds \$1.5 million.	30% (est.)	Impaired	Yes
<b>Class 5</b>	Equity Interests	Allowed Class 5 Equity Interests will receive no distribution under the Plan. All Equity Interest issued by the Debtors shall be merged into Holdings (by operation of Section 5.1 of the Plan) on the Effective Date.	0%	Impaired	No

**Estimated Allowed Claims and Projected Distributions**

Class and Type of Claim	Estimated Allowed Amounts	Projected Distribution
N/A Administrative (other than as specified below)	\$890,000 <sup>4</sup>	100%
N/A Compensation and Reimbursement Claims	\$680,000 <sup>5</sup>	100%
N/A U.S. Trustee Fees	-0- <sup>6</sup>	100%
N/A Wachovia Secured Claim	-0-	100%
N/A Priority Tax		100%
Class 1 Subordinated Participating Customers Secured Claims	\$2,300,000	100%
Class 2 Other Secured Claims	-0-	100%
Class 3 Priority Non-Tax Claims	Unknown <sup>7</sup>	100%
Class 4 General Unsecured Claims	\$30,000,000	30% <sup>8</sup>
Class 5 Equity Interests	N/A	-0-

<sup>4</sup> Estimates based upon internal records and assumptions. Administrative Expense Claim bar date is [DATE].

<sup>5</sup> Through carveout period of December 31, 2006.

<sup>6</sup> Estimated maximum.

<sup>7</sup> Certain amounts may be due with respect to the Ohio Bureau of Workers Compensation that may be entitled to priority status, although the Co-Proponents dispute the validity of any such claims.

<sup>8</sup> The estimated return to unsecured creditors based upon estimated Cash (without taking into account any potential value of Causes of Action) available for distribution to Allowed Unsecured Claims, estimated Allowed Claims with priority senior to General Unsecured Claims and estimated General Unsecured Claims.



### **III. GENERAL INFORMATION**

#### **A. Overview of Chapter 11**

Chapter 11 is the primary business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business and affairs for itself, its creditors and its equity interest holders. In addition to permitting the rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to distributions of the value of a debtor's assets.

The commencement of a chapter 11 case creates a bankruptcy estate that is comprised of all of the legal and equitable interests of a debtor as of the Petition Date of the chapter 11 case. The Bankruptcy Code provides that a debtor may continue to operate its business and affairs and remain in possession of its property as a "debtor-in-possession".

The consummation of a plan of reorganization is the fundamental objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for restructuring a debtor's business and satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan, and any creditor or equity interest holder of a debtor. Pursuant to section 1123(a)(5), a debtor is permitted to distribute its property to those Persons with an interest in such property. Also, pursuant to section 1129(a)(11) of the Bankruptcy Code, a plan may provide for the liquidation of the debtor.

Certain holders of claims against and interests in a debtor are permitted to vote to accept or reject the plan. Prior to soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding the plan. The Plan Proponents are submitting this Disclosure Statement to holders of claims against and equity interests in the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code.

#### **B. Description of Debtors**

##### **1. The Debtors**

The Debtors were formed as part of two separate purchase transactions on August 16, 2005 and December 20, 2005, respectively. As part of the August 16, 2005 transaction, the Debtors purchased the businesses associated with CEP and CEP Mexico (as defined herein) businesses were purchased from the Carlisle Companies (the "Carlisle Transaction"). As part of the December 20, 2005 transaction, the Debtors purchased the business associated with Thermoplastics (as defined herein) from Parker-Hannifin Corporation (the "Parker-Hannifin Transaction").

Creative Engineered Polymer Products, LLC ("CEP") is a limited liability company formed under the laws of the State of Ohio. CEP is wholly owned by CEP Holdings, LLC ("Holdings"), a privately-held limited liability company formed under the laws of the State of Ohio. Holdings is a holding company whose sole asset is its membership interests in CEP. CEP has three subsidiaries: (i) Composite Parts Mexico S.A. de C.V. ("CEP Mexico"), a Mexican corporation which is 99.9% owned by CEP and .01% owned by non-debtor The Reserve Capital Group, Ltd; (ii) Thermoplastics Acquisition, LLC ("Thermoplastics"), an Ohio limited liability company which is wholly owned by CEP and is a debtor in

the Cases; and (iii) CEP Latin America, LLC (“CEP LA”), a non-debtor Ohio limited liability company which is wholly owned by CEP. CEP LA was never funded and has no operations or debt. The principal place of business of the Debtors is 3560 West Market Street, Suite 340, Akron, Ohio 44333.

The Debtors, collectively with CEP Mexico, operated nine (9) manufacturing plants as of the Petition Date in Ohio, Michigan, Alabama, South Carolina and Mexico. CEP operated six plants in Ohio, Michigan and Alabama (one of which closed prior to the Petition Date). CEP Mexico operated two plants in Mexico. Thermoplastics operated one plant in Ohio and one in South Carolina.

CEP and its subsidiaries were custom molders and extruders of rubber and plastic products, primarily for the original equipment manufacturer (“OEM”) automotive market.

Gross sales for the Debtors’ businesses was approximately \$174,815,367 for fiscal 2006. As of the Petition Date, the Debtors employed approximately 1,106 hourly and salaried employees of whom approximately 455 were represented by collective bargaining units. In addition to the Debtors’ manufacturing facilities in Ohio, Michigan, South Carolina, and Alabama, the Debtors also maintained a technical center in Livonia, Michigan which offered design assistance and program management services for the Debtors’ businesses. CEP Mexico produced plastic products at two factories in Mexico.

As of December 31, 2006, the Debtors and CEP Mexico were no longer engaged in any ongoing business operations. As described more fully below, the Debtors utilized the chapter 11 process for the purpose of an orderly wind down and liquidation of their businesses, assets and affairs. The businesses and assets of CEP Mexico were likewise wound down and liquidated in conjunction with the Debtors’ Cases.

#### **IV. PREPETITION SECURED DEBT**

In conjunction with the Carlisle Transaction, CEP Acquisition LLC n/k/a CEP entered into a Loan and Security Agreement, dated as of August 16, 2005, the CEP Loan Agreement, with Wachovia, as both Agent and Lenders thereunder. The CEP Loan Agreement provided two term loans and a revolving credit facility to CEP in the maximum amount of \$45 million (collectively, the “CEP Prepetition Loan”). The CEP Prepetition Loan funded the Carlisle Transaction. The CEP Prepetition Loan was secured by substantially all the assets of CEP, including, without limitation, all accounts, general intangibles, goods, inventory, equipment, real property, accounts receivable, other personal property and proceeds thereof (collectively, the “Prepetition CEP Collateral”). As of the Petition Date, the amount outstanding under the CEP Prepetition Loan was not less than \$21,693,507.60 (not taking into account pre-petition and post-petition interest, fees and expenses to which Agent may be entitled under the CEP Loan Agreement and applicable law).

In conjunction with the Parker-Hannifin Transaction, Thermoplastics entered into a Loan and Security Agreement, dated as of December 21, 2005 (the “Thermoplastics Loan Agreement”), with Wachovia, as both Agent and Lenders. The Thermoplastics Prepetition Loan (as defined herein) substantially funded the Parker-Hannifin Transaction. The Thermoplastics Loan Agreement provided a term loan and a revolving credit facility to Thermoplastics in the maximum amount of \$5 million (the “Thermoplastics Prepetition Loan”, and together with the CEP Prepetition Loan, the “Prepetition Loans”). The Thermoplastics Prepetition Loan is secured by substantially all the assets of Thermoplastics, including, without limitation, all accounts, general intangibles, goods, inventory, equipment, accounts receivable, other personal property and proceeds thereof (collectively, the “Prepetition Thermoplastics Collateral”, and together with the Prepetition CEP Collateral, the “Prepetition Collateral”). As of the

Petition Date, the amount outstanding under the Thermoplastics Prepetition Loan was not less than \$4,219,688.58 (not taking into account pre-petition and post-petition interest, fees and expenses to which Agent may be entitled under the Thermoplastics Loan Agreement and applicable law). The Prepetition Loans are cross-defaulted and cross-collateralized.

Although intended to be entity specific, in actuality, the CEP Prepetition Loan and the Thermoplastics Prepetition Loan were not, in practice, entity specific, as there were intercompany loans, transactions and other financial accommodations such that the CEP Prepetition Loan, in part funded operations of Thermoplastics and CEP Mexico and the Thermoplastics Prepetition Loan, in part funded operations of CEP and CEP Mexico.

As a result of severe liquidity constraints of the Debtors, prior to the Petition Date, Visteon, GM and Delphi (collectively, the “Subordinated Participating Customers”) and Wachovia entered into a Subordinated Participation Agreement dated June 30, 2006 and a First Amendment to Subordination Participation Agreement dated August 18, 2006 pursuant to which the Subordinated Participating Customers purchased subordinated, last out participation interests (the “Participation Interests”) in the Prepetition Loans. The Participating Customers purchased, in the aggregate, \$2.9 million of Participation Interests in the Prepetition Loans, the proceeds of which were used by the Debtors to fund their operations, including, *inter alia*, the building of the Subordinated Participating Customers’ parts. In consideration of the purchase of Participation Interests by the Participating Customers, the Debtors were required to execute a Customer Agreement. The Customer Agreement required, among other things, the following: (i) the Participating Customers to (a) make Cash Infusions (as that term is defined in the Final DIP Order) to the Debtors for the funding of, among other things, Restructuring Charges and Wind Down Charges (as those terms are defined in the Final DIP Order); (b) purchase certain of the Debtors’ (and CEP Mexico’s) inventory; (c) purchase some or all of the Designated Equipment (as that term is defined in the Final DIP Order); and (d) continue accelerated payments terms to the Debtors on terms of “net immediate” (approximately 10 days); and (ii) the Debtors, on behalf of themselves and CEP Mexico, to (x) maintain production and produce parts banks requirements of the Participating Customers; and (y) assume the Access and Security Agreement (as that term is defined in the Final DIP Order) subject to certain modifications in the Customer Agreement, which provided the Participating Customers access to the Debtors’ facilities and granted security in certain equipment.

## **V. THE CHAPTER 11 CASES**

### **A. Debtors’ Chapter 11 Filings**

The Debtors allege that the Debtors and other automotive suppliers and manufacturers faced a series of unanticipated operational and market challenges that adversely affected their operations and cash flows. These challenges allegedly impaired both the Debtors’ suppliers and customers which in turn have severely affected the Debtors’ operations and businesses. With respect to suppliers, the Debtors allege that the September 2005 hurricanes in the Gulf Coast region have disproportionately damaged manufacturers who rely on plastic resins. Shortly after the hurricanes, the Debtors began experiencing sharp increases in their principal raw materials (plastic resins) which increases were attributable to interrupted refining capacity. With prices already high due to increased global demand, insecurity and supply constraint issues, the hurricanes magnified the rise in the price of crude oil and natural gas. With respect to the Debtors’ customers, the Debtors were unsuccessful in recovering much of these increases in raw material costs from their customers through price increases. The structure of the American automotive industry is such that it is difficult for some manufacturers such as the Debtors to pass rising material costs on to customers.

In addition to increased material costs, the Debtors allege that the general instability of the industry directly harmed the Debtors' liquidity. For example, the Debtors were impaired by the bankruptcy filing of several large OEM's, including Delphi, the Debtors' second largest customer. The bankruptcy filing of Delphi in October 2005 alone resulted in a cash loss to the Debtors of nearly \$1.7 million based on the Debtors' unpaid prepetition claim in that case. In addition to bankruptcy filings in the industry, the general credit downgrade led to delays and increasingly delinquent customer payments for approved tooling programs. These programs are typically managed and paid for by the Debtors for the benefit of a particular customer which subsequently reimbursed the Debtors. The increased delays and failure of customers to pay for these programs decreased the portion of accounts receivable against which Wachovia would lend under the CEP Loan Agreement and Thermoplastics Loan Agreement. This, the Debtors allege, further impaired the Debtors' liquidity.

The Debtors also allege that they experienced excess capacity at their plants due to certain operational decisions by their customers. For example, GM's transfer from the GMT800 platform to the GMT900 platform led to substantial idling of capacity. In late 2005, GM started phasing out the GMT800 platform, a manufacturing platform in which the Debtors were heavily involved. The Debtors allege that they were harmed by this action because (i) the Debtors had significant up front costs invested in the GMT800 platform and (ii) GM did not provide the Debtors with replacement work in the new GMT900 platform. Thus, the Debtors did not recover their costs associated with the GMT800 platform and operated at significantly lower capacity at several manufacturing plants due to a failure to receive work under the GMT900 platform.

Given the Debtors' liquidity issues, the Debtors worked with the Subordinated Participating Customers and Wachovia to allow the Debtors to formulate a restructuring plan that would reorganize the Debtors outside of a chapter 11 proceeding. As part of this plan, in May 2006 the Debtors entered into a series of forbearance, accommodation and access and security agreements with Wachovia and the Subordinated Participating Customers, which agreements provided a 120-day window for the Debtors to effectuate an out-of-court restructuring plan. During the out-of-court restructuring efforts by the Debtors, the Debtors caused an unofficial committee of trade creditors (the "Unofficial Trade Committee") to be organized, of which five (5) of the seven (7) members of the Committee were participants. The Unofficial Trade Committee as well as the Participating Customers rejected the Debtors' out-of-court restructuring proposals, and accordingly, the Debtors filed for bankruptcy protection on September 20, 2006. The Participating Customers determined to resource the work then being performed by the Debtors and CEP Mexico rather than work with the Debtors and CEP Mexico through a going concern restructuring. Without full support from the Participating Customers, the Committee determined that no feasible going concern restructuring plan could be proposed, and to this end; the Committee determined that return to unsecured creditors would be maximized through liquidation of the Debtors and CEP Mexico.

#### **B. Debtor-in-Possession Financing<sup>9</sup>**

On the Petition Date, the Debtors filed the Motion of the Debtors and Debtors in Possession for Emergency Order Authorizing Debtors to: (A) Use Cash Collateral on an Emergency Basis; (B) Incur Postpetition Debt on an Emergency Basis; (C) Grant Adequate Protection and Provide Security and Other Relief to Wachovia Capital Finance Corporation (Central); and (D) Grant Certain Related Relief (the

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<sup>9</sup> Capitalized terms related to the Debtor-in-Possession financing that are not defined herein, shall have the meanings ascribed to them in the Plan or the Final DIP Order, in that order.

“DIP Motion”). The Unofficial Trade Committee filed an Objection to the DIP Motion. By Order dated September 26, 2006, the Bankruptcy Court granted the DIP Motion on an interim basis and authorized the Debtors to obtain interim postpetition financing on a secured, superpriority basis. The Debtors, Wachovia, the Subordinated Participating Customers and the Unofficial Trade Committee reach a resolution with respect to the Unofficial Trade Committee’s objections to the DIP Motion; however, the Bankruptcy Court would not enter the order submitted by the Debtors in connection with the DIP Motion. Further negotiations by and among the Debtors, Wachovia, the Subordinated Participating Customers and the Committee led to a consensual resolution of the issues presented by the Unofficial Trade Committee and the Bankruptcy Court. Thereafter, on October 27, 2006, by Order of the Bankruptcy Court granted the DIP Motion on a final basis (the “Final DIP Order”), which authorized the Debtors to enter into the First Amendment to Postpetition Agreement, Customer Agreement and Postpetition Documents (as those terms are defined in the Final DIP Order) for an aggregate maximum principal amount of \$30,880,000.00. In accordance with the Final DIP Order, Wachovia was granted a security interest in substantially all of the Debtors assets on a superpriority basis for funding related to the Final DIP Order. Further, the Final DIP Order required the Subordinated Participating Customers to provide Cash Infusions (as that term is defined in the Final DIP Order) to the Debtors for the administration of the Estates.

Subject to the terms and conditions of the Plan, all amounts due and owing Wachovia and the Subordinated Participating Customers under the Final DIP Order will be paid in full or the Disputed Amount funded into the Disputed Claim Reserve on the Effective Date, if not sooner paid.

#### **C. The Official Committee of Unsecured Creditors**

On September 28, 2006, the Office of the United States Trustee filed its Notice of Appointment of Creditors’ Committee and appointed five (5) members to serve on a single committee and to represent the interests of all general unsecured creditors of the Debtors. The five (5) members were (i) E.I. du Pont de Nemours and Company (“DuPont”); (ii) Rhodia, Inc.; (iii) The Brown Corporation of Greenville; (iv) Lanxess Corp.; and (v) Excel Polymers LLC. Thereafter, on October 12, 2006, the Office of the United States Trustee filed an Amended Appointment of Committee of Unsecured Creditors and appointed two (2) additional members to serve on a single committee and to represent the interests of all general unsecured creditors of the Debtors. The two (2) additional members were (i) Gold Key Processing Ltd.; and (ii) Washington Penn Plastic Co. Inc.

DuPont and Rhodia, Inc. serve as co-chairpersons of the Committee. The Committee’s counsel is the law firm of McGuireWoods LLP. The financial advisor to the Committee is Grant Thornton LLP, as successor to Stout Risius Ross.

#### **D. Compliance with Bankruptcy Code, Bankruptcy Rules, Local Court Rules and U.S. Trustee Deadlines**

On October 30, 2006, the Debtors filed their Statement of Financial Affairs, Schedules of Assets and Liabilities, and lists of Equity Security Holders, each as amended from time to time. On October 25, 2006, the Office of the United States Trustee conducted a meeting of creditors pursuant to section 341 of the Bankruptcy Code. Additionally, the Debtors have filed all monthly operating reports and timely paid all statutory quarterly fees as required by the Office of the U.S. Trustee. To the best of the Debtors’ knowledge, information and belief, the Debtors have complied with all other applicable requirements of the Bankruptcy Code and Bankruptcy Rules, as well as local Bankruptcy Court rules and deadlines of the Office of the U.S. Trustee.

**E. Sale of Substantially All of the Debtors' Assets**

1. Liquidating Facilities Sale.

By Order dated November 21, 2006, the Bankruptcy Court approved the sale of substantially all of the Debtors' machinery and equipment located at Vandalia, Ohio; Bishopville, South Carolina; Crestline, Ohio; Canton, Ohio; Lapeer, Michigan; Belleville, Michigan; and Middlefield, Ohio (the "Liquidating Facilities Sale"). In furtherance of the Liquidating Facilities Sale, the Bankruptcy Court approved the Debtors retention of Biditup Auctions Worldwide, Inc. (the "Auctioneer") to facilitate the Liquidating Facilities Sale under an Asset Marketing Agreement by and between the Debtors and the Auctioneer, as amended (the "Asset Marketing Agreement"). Under the Asset Marketing Agreement, the Auctioneer guaranteed the net sum of \$5,015,000 (the "Guaranteed Minimum") for the auctions for the Debtors' machinery and equipment located at the following facilities: (i) Vandalia, Ohio; (ii) Belleville, Michigan; (iii) Canton, Ohio; (iv) Crestline, Ohio; and (vi) Lapeer, Michigan (the "First Auction Sites"). In connection with the sales of the First Auction Sites and the Auctioneer's Guaranteed Minimum, the Auctioneer caused to be issued for the benefit of the Estates and their secured lender, Wachovia, a letter of credit (the "Auctioneer Line of Credit") in the amount of \$5,015,000. The Auctioneer has successfully completed the sale of the First Auction Sites for the net sale amount of approximately \$5,602,000. Wachovia drew against the Auctioneer Line of Credit for satisfaction of the Guaranteed Minimum and applied all such amounts to the claim of Wachovia. Under the Asset Marketing Agreement, the Auctioneer was entitled to retain an amount equal to the Auctioneer Line of Credit (\$5,015,000), plus \$480,000, plus one-half of the Auctioneer's actual operating expenses for the month January 2007 related to the First Auction Sites. After application of the amounts related to the immediately preceding sentence, the Auctioneer and the Debtors shared the remaining proceeds fifteen percent (15%) for the Auctioneer and eighty-five percent (85%) for the Debtors.

Under the Asset Marketing Agreement, the Auctioneer was also responsible for the sale of the machinery and equipment located at the following facilities: (i) Bishopville, South Carolina; and (ii) Middlefield, Ohio (the "Second Auction Sites"). With respect to the sales related to the Second Auction Sites, the Auctioneer was solely entitled to retain the following: (i) ten percent (10%) for bids made in person; (ii) fourteen percent (14 %) for bids made via the internet; and (iii) three percent (3%) for all payments made in a method other than cash, cashier's check or money order (the "Buyer's Premium"). The sales at the Second Auction Sites occurred on January 30 and 31, 2007 and yielded approximately \$1.12 million.

2. Tuscaloosa, Alabama Sale.

The Estates sold substantially all of their assets (including machinery, equipment and inventory, but excluding accounts receivable) located at their Tuscaloosa, Alabama facility to Visteon for \$1,750,000.

3. CEP Mexico Sales.

The Debtors sold the assets located in the facilities (including machinery, equipment and inventory) of CEP Mexico pursuant to Orders of the Bankruptcy Court dated November 28, 2006 and November 29, 2006, respectively. The sale of assets located in the facilities of CEP Mexico were sold as follows: (i) Hermosillo, Mexico assets to Delphi Automotive Systems, LLC, or its Mexican maquiladora subsidiary, Alambrados Y Circuitos Electricos S.A. de C.V. (the "Hermosillo Sale"); and (ii) Chihuahua,

Mexico assets to Century Mold Mexico, LLC (the “Chihuahua Sale” together with the Hermosillo Sale, collectively the “CEP Mexico Sales”).

The Estates hold in escrow \$5,408,597 in principal in an interest bearing account, which represents the net proceeds of the CEP Mexico Sales. See section VI (C) herein for a more detailed description of the dissolution of CEP Mexico and the disposition of the \$5,408,597 principal proceeds of the CEP Mexico Sales.

4. Real Estate Sales.

Real estate located at the Debtors’ Lapeer, Michigan facility was sold with Bankruptcy Court approval to Marvin Engineering Co. and Daniel Schreiber in the amount of approximately \$2,042,000. Real estate located at the Debtors’ Crestline, Ohio facility was also sold with Bankruptcy Court approval in the amount of approximately \$650,000.

5. Parker-Hannifin Real Estate Sales.

Under the terms of the Parker-Hannifin Transaction, the Debtors submit that they possess an equitable interest in the real estate located at the Debtors’ Vandalia, Ohio and Bishopville, South Carolina facilities. Parker-Hannifin retained a purchase money mortgage in the Vandalia and Bishopville facilities as part of the Parker-Hannifin Transaction. Parker-Hannifin filed a motion for relief from the automatic stay with respect to the Vandalia and Bishopville properties. Each of Parker-Hannifin and the Plan Proponents obtained appraisals with respect to these properties. Parker-Hannifin thought that it had a buyer for the Vandalia property at a price acceptable to the Plan Proponents and as such a consensual order for relief was negotiated with respect to Vandalia, however, the proposed buyer for Vandalia withdraw its offer. The parties negotiated and the Bankruptcy Court approved a consensual order for relief relating to both properties that fixes the Allowed Secured Claim of Parker-Hannifin, subject, however, to avoidance rights under section 502(d) of the Bankruptcy Code. The Committee is also investigating potential Causes of Action against Parker-Hannifin relating to the Parker-Hannifin Transaction.

**F. Assumption of Pension Plans**

(i) CEP by virtue of UNITE representation at its Middlefield, OH facility, is a participant in the Unite Textile Workers Pension Plan (“UNITE Plan”). CEP understands that the UNITE Plan is fully funded. CEP will terminate its participation in the UNITE Plan, and there is no expectation of withdrawal liability arising from CEP’s termination of participation in the UNITE Plan.

(ii) CEP assumed the Pension Plan for Bargaining Unit Employees of Carlisle Engineered Products-Crestline as part of the Carlisle Transaction. The Crestline Pension Plan is a defined benefit plan for members of the United Steelworkers of America Local 563-L. The Crestline Pension Plan is underfunded and as a result of the underfunding, it is believed that certain non-Debtor entities owned or controlled by the ultimate equity owners of the Debtors are part of the ERISA controlled group and accordingly have joint and several liability for underfunding of the Crestline Pension Plan in the event of termination of the Crestline Pension Plan. As discussed in more detail below, the Plan Proponents and The Reserve Group Management Company have negotiated accommodations such that the Crestline Pension Plan and the Canton Pension Plan will be assumed by a non-Debtor entity within the ERISA controlled group, Superior Fabrication Company, LLC.

(iii) CEP assumed the pension plan for Bargaining Unit Employees of the Canton, Ohio Plan of Geauga Company Division of Carlisle Corporation as part of the Carlisle Transaction. The Canton Pension Plan is a defined benefit plan for members of the United Steelworkers of America Local 3610-04. The Canton Pension Plan is underfunded and as a result of the underfunding, it is believed that certain non-Debtor entities owned or controlled by the ultimate equity owner(s) of the Debtors are part of the ERISA controlled group and accordingly have joint and several liability for underfunding of the Canton Pension Plan in the event of termination of the Canton Pension Plan. The Plan Proponents and The Reserve Group Management Company have negotiated accommodations such that the Crestline Pension Plan and Canton Pension Plan will be assumed by non-Debtor entity within the ERISA controlled group, Superior Fabrication Company, LLC.

(iv) The Plan Proponents and The Reserve Group Management Company contemplate filing a Bankruptcy Rule 9019 motion that seeks Bankruptcy Court approval of a settlement among the Debtors, Committee, The Reserve Group Management Company and affiliates that provides, *inter alia*, (a) Superior Fabrication Company, LLC, an affiliate of The Reserve Group Management Company, will assume the Pension Plans; (b) The Reserve Group Management Company will release all claims against the Debtors and their Estates, other than those to which The Reserve Group Management Company may, through subrogation to Washington Penn Plastics Company, become a party; (c) The Debtors, the Estates and the Committee will release The Reserve Group Management Company and its affiliates of claims and Causes of Action connected with their dealings and involvement with/on behalf of the Debtors; and (d) the Estates will pay (i) to the PBGC an amount not to exceed \$42,482 with respect to post-Petition Date premiums due under the Pension Plans; (ii) as a contribution to the Pension Plans an amount not to exceed \$29,776 with respect to normal costs charged to funding standard accounts under the Pension Plans post-Petition Date; and (iii) as reimbursement to the Pension Plans an amount not to exceed \$20,000 with respect to post-Petition Date in respect of actuarial services provided by Watson Wyatt to the Pension Plans.

(v) The settlement referenced herein contains several conditions precedent including Bankruptcy Court approval; agreement by the USW to freeze accrual of benefits under the Pension Plans as of a date certain (contemplated to be June 30, 2007); and agreement by the PBGC to withdraw its proofs of claim for unfunded liabilities relating to the Pension Plans.

(vi) The PBGC filed a total of eighteen (18) proofs of claim against the Debtors. In actuality, six identical claims are asserted by the PBGC against each of the three Debtors. Three claims are asserted with respect to the Canton Pension Plan as follows:

- estimated contribution claim totaling \$20,060 of which \$4,414 is estimated to have administrative priority;
- estimated general unsecured underfunding claim of \$1,325,313; and
- estimated premiums claim totaling \$843,610 of which approximately \$18,172 represents an administrative priority claim for variable rate premiums; \$802,500 represents an administrative claim for termination premiums; and \$22,938 represents an unsecured claim for variable rate premiums.

Three claims are also asserted by the PBGC with respect to the Crestline Pension Plan as follows:



- estimated contribution claim totaling \$90,958 of which \$25,362 is estimated to have administrative status;
- estimated general unsecured underfunding claim of \$1,996,582; and
- estimated premiums claim totaling \$1,127,496 of which approximately \$24,310 represents an administrative priority claim for variable rate premiums; \$1,072,500 represents an administrative claim for termination premiums; and \$30,686 represents an unsecured claim for variable rate premiums.

With respect to unfunded benefit claims, the PBGC also asserts a lien for up to 30% of the collective net worth of all liable parties and administrative or alternatively unsecured priority status with respect to all such Claims. Assuming termination of the Pension Plans rather than assumption of the Pension Plans by Superior Fabrication Company, LLC as proposed in the settlement outlined above, and further assuming that the Claims asserted by the PBGC would be Allowed Claims (although not in triplicate and although the Claims of the PBGC may be subject to defenses including but not limited to the discount rate utilized by the PBGC in calculating its Claims), the Plan Proponents estimate that termination of the Pension Plans would cause a dilution in potential return to unsecured creditors other than the PBGC of approximately eleven cents (\$.11) or approximately thirty percent (30%). The Plan Proponents submit that litigating the Claims of the PBGC would be costly and time consuming such that litigating these claims may have a significant negative impact on returns to general unsecured creditors.

#### **G. Termination of Collective Bargaining Agreements**

The Debtors continue to engage in good faith effects bargaining with the unions representing former represented employees of the Debtors, in accordance with applicable non-bankruptcy law. Among the requests by the Debtors of the unions in such bargaining is the agreed termination of collective bargaining agreements. In the event, however, that agreed upon consensual termination of the collective bargaining agreements does not promptly occur, the Debtors will file one or more motions with the Bankruptcy Court pursuant to section 1113 of the Bankruptcy Code seeking authorization to terminate collective bargaining agreements effective as of the Confirmation Date. It is expected that termination – either voluntarily or by order of the Bankruptcy Court pursuant to section 1113 of the Bankruptcy Code – may give rise to termination claims of the respective unions the amounts that have not been fully calculated as of the date this Disclosure Statement. The United Steelworkers have filed two unliquidated proofs of claim—one specifically relating to claims for the Debtors’ alleged violation of the WARN Act, and the other a catch-all for alleged unpaid wages, benefits and other considerations.

#### **H. Extension of the Debtors’ Exclusivity Periods**

Section 1121(b) of the Bankruptcy Code provides for an initial period of 120 days after the filing of a voluntary petition for relief under chapter 11 during which a debtor has the exclusive right to file a plan of reorganization in the reorganization proceeding. Section 1121(c)(3) of the Bankruptcy Code provides that if a debtor files a plan of reorganization within such 120 day period, the debtor has a period of 180 days from the filing of its voluntary petition for relief to obtain acceptances of such plan, during which time competing plans may not be filed. The Debtors’ initial exclusive periods were set to expire on January 18, 2007, and March 19, 2007, respectively. On December 22, 2006, the Debtors filed a motion seeking to extend the exclusivity deadlines set forth in section 1121(b) of the Bankruptcy Code. The

Committee has consented to an extension of the Debtors' exclusive period to file a plan until January 31, 2007. At this time, exclusivity has expired.

## **VI. PLAN OF LIQUIDATION**

THE FOLLOWING DISCUSSION OF THE PLAN CONSTITUTES A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY THE TERMS OF THE PLAN ITSELF. YOU SHOULD READ THE PLAN BEFORE DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. CHANGES MAY BE MADE TO THE PLAN. ANY SUCH CHANGES MADE TO THE PLAN WILL BE DESCRIBED AT THE CONFIRMATION HEARING. A copy of the Plan is attached as Exhibit A to this Disclosure Statement.

### **A. General Description of the Plan**

This Disclosure Statement has been submitted by the Plan Proponents in order to afford the Debtors the opportunity to confirm a Plan on or before July 31, 2007, that will be consummated on or before August 31, 2007.

### **B. Substantive Consolidation**

The Plan contemplates "substantive consolidation" of the assets and liabilities of the Debtors. Substantive consolidation means that on the Effective Date (i) all assets (and all proceeds thereof) and liabilities of the Estate of Holdings, and, likewise, all assets (and proceeds thereof) of the Estates of CEP and Thermoplastics and all liabilities of CEP and Thermoplastics shall be deemed merged or treated as though they were merged into and with the assets and liabilities of the Estate of Holdings; (ii) no distributions shall be made under the Plan on account of inter-company claims among the Debtors and all such Claims be eliminated; (iii) all guarantees of the Debtors of the obligations of any other Debtors shall be deemed eliminated and extinguished such that any Claim against any Debtor and any guaranty thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of Consolidated Holdings; and (iv) each and every claim filed or to be filed in any of the Cases shall be deemed to be filed against Consolidated Holdings; provided, however, that (a) for the purposes of determining the availability of the right of set-off under section 553 of the Bankruptcy Code, the Debtors shall be treated as separate entities so that, subject to the other provisions of section 553 of the Bankruptcy Code debts due to any of the Debtors may not be set-off against the debts of any of the other Debtors, and (b) for purposes of determining the Plaintiff of, and availability of defenses to, Avoidance Actions, the Debtors may, at the option of the Trustee, be treated as separate entities. To the extent that a creditor is holding an Allowed Claim against more than one of the Debtors' Estates, such creditors shall be treated as a holder of an Allowed Claim as against Consolidated Holdings.

### **C. Treatment of CEP's 99.9% Ownership Interest in CEP Mexico**

Notwithstanding any provision of the Plan or Disclosure Statement to the contrary, CEP, through the Effective Date and, to the extent applicable, Consolidated Holdings thereafter shall continue to own a 100% interest in CEP Mexico. As 99.9% owner of the stock of CEP Mexico, CEP is in the process of causing the dissolution and liquidation of CEP Mexico to occur in accordance with applicable Mexican law. CEP understands that at this time, CEP Mexico has no creditors other than the contingent and unliquidated ERISA-controlled group liability claims of the PBGC and inter-company claims of the Debtors. As part of the Mexican liquidation and dissolution process, a liquidator will be appointed on behalf of CEP Mexico, and this liquidator will replace the board of directors of CEP Mexico.

Given the Plan Proponents' understanding of claims (or actually, the lack thereof) against CEP Mexico, and CEP's understanding of the liquidation process for CEP Mexico under Mexican law, CEP has or will cause CEP Mexico to pay over all funds of CEP Mexico other than \$50,000, which is the maximum estimated cost of the dissolution process for CEP Mexico. Currently, a principal amount of \$5,408,597.00 is held in an interest bearing escrow by CEP pursuant to the applicable provisions of the Final DIP Order, which amount represents the proceeds of Bankruptcy Court authorized Mexican Sal Transactions. It is the position of the Plan Proponents that such proceeds represent the value of CEP's 99.9% ownership interest in CEP Mexico, and/or (b) such proceeds are proceeds of assets actually owned by CEP pursuant to a bailment agreement between CEP and CEP Mexico. Under the Plan, the proceeds referenced in this paragraph will be available for distribution to creditors of the Estates.

**D. Unclassified Allowed Claims and Their Treatment**

1. Administrative Expense Claims.

Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, on the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Trustee shall pay to each holder of an Allowed Administrative Expense Claim, in full satisfaction of such Claim, an amount in Cash equal to the Allowed amount of such Claim.

2. Bar Date For Administrative Expense Claims.

THE DEADLINE TO FILE PROOFS OF ADMINISTRATIVE EXPENSE CLAIMS AND REQUESTS FOR PAYMENT OF ADMINISTRATIVE EXPENSE CLAIMS THAT AROSE PRIOR TO THE CONFIRMATION DATE IS NO LATER THAN THIRTY (30) DAYS FOLLOWING THE CONFIRMATION DATE. THIS DEADLINE, HOWEVER, DOES NOT INCLUDE CLAIMS FOR COMPENSATION AND REIMBURSEMENT WHICH SHALL BE TREATED PURSUANT TO SECTION VI (C)(3) HEREUNDER AND BANKRUPTCY CODE SECTION 503(b)(9) CLAIMS, WHICH WERE TO BE FILED ON OR BEFORE MARCH 1, 2007 PURSUANT TO THE BAR DATE ORDER.

Notwithstanding anything to the contrary herein, no proof of Administrative Expense Claim or application for payment of an Administrative Expense Claim that arose or arises after the Petition Date, need be filed for the allowance of any: (i) claims for professional fees; or (ii) fees of the U.S. Trustee arising under 28 U.S.C. § 1930. All Claims described in clause (i) and (ii) of the immediately preceding sentence shall be paid by the Liquidating Trustee in accordance with the terms of the Plan.

ANY PERSONS THAT FAILED TO FILE A PROOF OF ADMINISTRATIVE EXPENSE CLAIM OR REQUEST FOR PAYMENT THEREOF ON OR BEFORE THE APPLICABLE ADMINISTRATIVE BAR DATE AS REQUIRED HEREIN OR PURSUANT TO OTHER APPLICABLE ORDER OF THE BANKRUPTCY COURT SHALL BE FOREVER BARRED FROM ASSERTING SUCH CLAIM AGAINST ANY OF THE DEBTOR, THE ESTATE, OR ITS PROPERTY AND THE HOLDER THEREOF SHALL BE ENJOINED FROM COMMENCING OR CONTINUING ANY ACTION, EMPLOYMENT OF PROCESS OR ACT TO COLLECT, OFFSET OR RECOVER SUCH ADMINISTRATIVE EXPENSE CLAIM.

3. Compensation and Reimbursement Claims.

All Professionals or other Persons seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under sections 327, 328, 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code (i) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is thirty (30) days after the Confirmation Date, unless otherwise ordered by the Bankruptcy Court, (ii) shall be paid in full by the Liquidating Trustee in such amounts as are allowed by the Bankruptcy Court (A) upon the date upon which the order relating to any such Administrative Expense Claim is entered, or (B) upon such other terms as may be mutually agreed upon between the holder of such an Administrative Expense Claim and the Committee, and (iii) to the extent applicable, shall be subject to terms and provisions of the Final DIP Order relating to payment of Professionals.

4. U.S. Trustee.

All fees payable in the Cases under 28 U.S.C. §1930, as agreed by the Debtors and Committee or as determined by the Bankruptcy Court, will, if not previously paid in full, be paid in Cash on the Effective Date and will continue to be paid by the Liquidating Trustee as required under 28 U.S.C. §1930 until such time as an order is entered by the Bankruptcy Court closing the Cases.

5. Wachovia Secured Claims.

Except to the extent that the Wachovia Secured Claims has been paid and satisfied prior to the Effective Date in accordance with the Final DIP Order, on or as soon as reasonably practicable after the Effective Date, Wachovia shall receive in full satisfaction of such Claim, Cash in an amount equal to one hundred percent (100%) of the unpaid amount of the Allowed Wachovia Secured Claim. The liens securing such Allowed Wachovia Secured Claim shall be deemed released at such time as the Wachovia Secured Claim is paid in full.

6. Priority Tax Claims.

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, on the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Trustee shall pay to each holder of an Allowed Priority Tax Claim, in full satisfaction of such Claim, an amount in Cash equal to the Allowed amount of such Claim. To the extent that the holder of an Allowed Priority Tax Claim is not paid Cash equal to the Allowed amount of such Claim on the Effective Date, such holder shall be entitled to interest at a rate determined by applicable non-bankruptcy law.

**E. Classification and Treatment of Allowed Claims and Equity Interests**

The Plan divides Allowed Claims against and Equity Interests in the Debtors into various classes that the Plan Proponents believe are in accordance with the classification requirements established by the Bankruptcy Code. Distribution of Cash to the holders of Allowed Claims under the Plan are in full satisfaction of such Allowed Claims (including any and all interest or costs accrued and allowable thereon). All Claims against and Equity Interests in the Debtors arising prior to the Petition Date will be discharged under the Plan on the Effective Date of the Plan to the extent provided in the Plan or the Confirmation Order.

A summary of the classification and treatment of Allowed Claims and Allowed Interests under the Plan is set forth below.

1. Class 1: Subordinated Secured Participation Claims

Distribution: Except to the extent that the Subordinated Secured Participation Claims have not been indefeasibly paid and satisfied prior to the Effective Date in accordance with the Final DIP Order or as soon as reasonably practicable after the Effective Date, the Participating Customers shall receive in full satisfaction of their respective Subordinated Secured Participation Claims Cash in an amount equal to one hundred percent (100%) of the unpaid amount of the Allowed Subordinated Secured Participation Claims, plus interest accrued thereon from and after the Petition Date, less the amount of Agreed AR due from each respective Participating Customer. The Liens securing such Allowed Subordinated Secured Participation Claims shall be deemed released at such time as the Subordinated Secured Participation Claims are paid in full.

**Class 1 is unimpaired under the Plan. Each holder of an Allowed Class 1 Claim is conclusively presumed to have accepted the Plan and, consequently, is not entitled to vote to accept or reject the Plan.**

2. Class 2: Other Secured Claims

Distribution: On or as soon as reasonably practicable after the Effective Date, each holder of an Allowed Other Secured Claim shall receive, at the option of the Trustee, and in full satisfaction of such Claim, either (i) Cash in an amount equal to one hundred percent (100%) of the Allowed Other Secured Claim (taking into account sections 506(a)(1) and 506(b) of the Bankruptcy Code), (ii) the proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim to the extent of the value of the holder's secured interest in such Collateral, net of the costs of disposition of such Collateral, (iii) such other distribution as necessary to satisfy the requirements of the Bankruptcy Code, including the surrender of any such collateral; or (iv) such other treatment as the Trustee and such holder other Secured Claim may agree. In the event the Debtor treats a Claim under clause (i) or (ii) of this section 3.2, the Liens securing such other Secured Claim shall be deemed released.

**Class 2 is unimpaired under the Plan. Each holder of an Allowed Class 2 Claim is conclusively presumed to have accepted the Plan, and, consequently, is not entitled to vote to accept or reject the Plan.**

3. Class 3: Priority Non-Tax Claims

Distribution: Except to the extent that a holder of an Allowed Priority Non-Tax Claim against the Debtors agrees to a different treatment of such Claim, on the Effective Date, or as soon thereafter as is reasonably practicable, each holder of an Allowed Priority Non-Tax Claim shall receive the greater of 100% of the Allowed Amount of such Priority Non-Tax Claims or a Pro Rata Share of all remaining Cash after payment or treatment consistent with Section 8.3 and 8.5 of the Plan of all Allowed Claims in sections 2.1, 2.2, 2.3, 2.4, 2.5, 4.1 and 4.2 of the Plan, on the Effective Date or as soon thereafter as is practicable.

**Class 3 is unimpaired under the Plan. Each holder of an Allowed Class 3 Claim is conclusively presumed to have accepted the Plan, and, consequently, is not entitled to vote to accept or reject the Plan.**

4. Class 4: General Unsecured Claims

Distribution: The holders of Allowed General Unsecured Claims shall receive their Pro Rata Share of all remaining Cash after payment in full of all Allowed Claims, or treatment consistent with Sections 8.3 and 8.5 of the Plan, pursuant to sections 2.1, 2.2, 2.3, 2.4, 2.5, 4.1, 4.2 and 4.3 of the Plan, at such times as the Trustee deems practicable, however, in the event that cash available for distribution to Allowed Class 4 Claims exceeds \$1.5 million an initial distribution to Allowed Class 4 Claims be made no later than ninety (90) days from the date on which the Trust Assets available for distribution to Class 4 Claims exceeds \$1.5 million.

**Class 4 is impaired under the Plan. Holders of Allowed Class 4 Claims are entitled to vote to accept or reject the Plan**

5. Class 5: Equity Interests

Treatment: All Equity Interests issued by the Debtors, other than Equity Interests in Holdings, shall be merged into Holdings on the Effective Date. Each holder of an Equity Interest shall neither receive nor retain any property or interest in property on account of such Equity Interest unless and until all Allowed Claims are paid in full with interest. It is not anticipated that any distributions will be made to Class 5 Equity Interest Holders.

**Class 5 is impaired under the Plan, and the holders of Allowed Class 5 Equity Interests are deemed to reject the Plan. Consequently, holders of Allowed Class 5 Equity Interests are not entitled to vote to accept or reject the Plan.**

**F. Claims Bar Date**

On December 15, 2006, the Bankruptcy Court entered the Order, Pursuant to Sections 501 and 502 of the Bankruptcy Code and Bankruptcy Rules 2002 and 3003(c)(3), Establishing Bar Dates and Filing Proofs of Claim and Approving Form and Manner of Notice Thereof (the “Bar Date Order”), which established a Bar Date for the filing of proofs of claim or interest for all creditors of the Debtors, including, without limitation, holders of executory contracts and unexpired leases of the Debtors (other than for Administrative Expense Claims) of March 1, 2007 (“Bar Date”) and on or before March 19, 2007, for governmental units. Paragraph 13 of the Bar Date Order provides: “Pursuant to Bankruptcy Rule 3003(c)(2), any entity that is required to file a proof of claim in these Cases pursuant to the Bankruptcy Code, the Bankruptcy Rules or this Order with respect to a particular claim against a Debtor, but that fails to properly do so by the applicable Bar Date, shall be forever barred, estopped and enjoined from: (a) asserting any claim against the Debtors that the entity has that (i) is in an amount that exceeds the amount, if any, that is identified in the Schedules on behalf of such entity as undisputed, noncontingent and liquidated or (ii) is of a different nature or a different classification than any claim identified in the Schedules on behalf of such entity; or (b) voting upon, or receiving distributions under, the Plan or any other plan of reorganization in these Cases in respect of an Unscheduled Claim.” Accordingly, to the extent a proof of claim was not filed by the applicable bar date, such Claim shall not be an “Allowed Claim” as defined in the Plan.

## **G. Treatment and Status of Certain Claims**

### 1. Environmental Claims

The Plan Proponents are not aware of any environmental claims that have been timely filed by any government agency or Person alleging claims based on environmental contamination or reclamation costs.

### 2. Tort and Litigation Claims

The Debtors, or CEP Mexico, are a party to a variety of legal proceedings and administrative actions. The legal actions pending against the Debtors, or CEP Mexico, are summarized below:

#### (a) Civil Actions.

(i) Washington Penn Plastic Company, Inc. Case No. 06 CV 1224. United States District Court for the Northern District of Ohio. Nature of Relief – Breach of Contract. This claim also names certain non-Debtor insiders of the Debtors as defendants.

(ii) Advanced Communications Co. Case No. 06CV-11340. Akron Municipal Court Small Claims Division Summit County, Ohio. Nature of Relief – Complaint on Account.

(iii) KW Plastics, Recycling Division. Case No. CV2006000124. Pike County Circuit Court, Troy, Alabama. Nature of Relief – Complaint on Security Agreement.

(b) Employee Related Litigation. Maria Monk has filed a workers compensation claim against CEP.

Unless otherwise stated in the Plan, such claims, when and if Allowed, will be included in Class 4.

### 3. Insurance Claims

Notwithstanding the foregoing, all Insurance Claims that arose prior to the Petition Date shall be deemed Allowed in the greater of (i) an amount equal to (x) the amount of any remaining self-insured retention under the Insurance Policy applicable to such Insurance Claim, divided by (y) the number of Insurance Claims to which the applicable Insurance Policy and self-insured retention applies; and (ii) \$0.00. The allowance of an Insurance Claim pursuant to this provision shall not be deemed an admission of liability by CEP, Thermoplastics and/or Holdings, and therefore shall not be conclusive as to the Debtors' liability in any proceeding by the holder of an Insurance Claim against an Insurer.

### 4. Workers' Compensation Claims

The Debtors conducted business in Ohio under self-insured programs for workers compensation coverage. Prior to the Petition Date, the Debtors allegedly learned from the Bureau of Workers' Compensation of the State of Ohio that they were not authorized by the state to operate under the state's self-insurance program for workers' compensation coverage. The Bureau of Workers' Compensation asserts a claim for premiums for the entire period in which the Debtors conducted operations in Ohio as

though they were self-insured. Likewise, the Bureau of Workers' Compensation asserts claims against CEP for a period prior to its ownership and control in August 2005. It is the position of the Co-Proponents that the Debtors paid all workers compensation claims during the period at issue and allowing the Bureau of Workers Compensation a claim for unpaid premiums would unjustly enrich the Bureau of Workers Compensation and is otherwise subject to disallowance. The Plan Proponents will attempt to amicably resolve matters with the Bureau of Workers' Compensation, and in the event that such negotiations are unsuccessful, an objection to the claim of the Bureau of Workers' Compensation will be filed. The Debtors had third party workers' compensation coverage in all other states where they had employees and conducted business. The Debtors' third-party insurer – Hartford Fire Insurance Company – filed a late proof of claim to which an objection will be filed.

#### 5. Reclamation Claims

On October 13, 2006, the Bankruptcy Court entered the Order Establishing Procedures for Resolving Reclamation Claims Asserted Against the Debtors and Granting Certain Related Relief (the "Reclamation Order").

The Reclamation Order required the Debtors to file a report on or before January 18, 2007, identifying those reclamation demands it recognized as valid, and those that were invalid (the "Reclamation Report"). The Reclamation Report evidences the receipt by the Debtors of seven (7) reclamation claims. The Reclamation Report establishes that six of the reclamation claims are invalid in accordance with applicable non-bankruptcy law and one reclamation claim totaling approximately \$119,166.35 is subject to defenses in accordance with Sixth Circuit case law. It is therefore estimated that there are no valid reclamation claims against the Debtors.

#### H. Confirmation Hearing

The Bankruptcy Court will hold the Confirmation Hearing at the following time and place:

##### **Confirmation Hearing**

**Date and Time:** Commencing at [1:30 p.m.] (Eastern time), on [July 24, 2007].

**Place:** The United States Bankruptcy Court, Northern District of Ohio (Eastern Division), Bankruptcy Courtroom Number 260, U.S. Courthouse and Federal Building, 2 South Main Street, Akron, Ohio 44308.

**Judge:** The Honorable Marilyn Shea-Stonum, United States Bankruptcy Judge, Northern District of Ohio.

The Confirmation Hearing may be adjourned from time to time on announcement in the Bankruptcy Court on the scheduled date for the hearing. No further notice will be required to adjourn the hearing.

At the Confirmation Hearing, the Bankruptcy Court will:

- determine whether sufficient majorities in number and dollar amount, as applicable, from each Voting Class have delivered properly executed votes accepting the Plan to approve the Plan;



- hear and determine objections, if any, to the Plan and to confirmation of the Plan that have not been previously disposed of;
- determine whether the Plan meets the confirmation requirements of the Bankruptcy Code; and
- determine whether to confirm the Plan.

Any objection to confirmation of the Plan must be in writing and filed and served as required by the Bankruptcy Court under the order approving this Disclosure Statement. That order requires any objections to the confirmation of the Plan to be served so as to be received on or before 4:00 p.m. on [DATE], by the following persons:

- Counsel for the Debtors, BAKER & HOSTETLER LLP, 3200 National City Center, 1900 East 9th Street, Cleveland, OH 44114, Attn: Joseph F. Hutchinson, Jr., Esquire;
- Counsel for the Committee, MCGUIREWOODS LLP, Dominion Tower, 23rd Floor, 625 Liberty Avenue, Pittsburgh, PA 15222, Attn: Mark E. Freedlander, Esquire;
- The Office of the United States Trustee for the Northern District of Ohio, H.M. Metzenbaum U.S. Courthouse, 201 Superior Avenue East, Suite 441, Cleveland, OH 44114-1240, Attn: Maria Giannirakis, Esquire;

#### **I. Cancellation of Existing Securities and Agreements**

On the Effective Date, except as expressly provided in the Plan, the securities, promissory notes, trust indentures, security agreements, deeds of trust, collateral agency agreement and other instruments evidencing or securing a Claim shall be deemed cancelled without further act or action under any applicable agreement or Law, and the obligations of the Debtors under the agreements, instruments, trust indentures and certificates governing or securing such Claims, as the case may be, shall be discharged.

#### **J. Means of Executing the Plan**

##### **1. Liquidating Trust**

(a) Execution of Agreement. On the Effective Date, the Agreement shall be executed, and all other necessary steps shall be taken to establish the CEP Liquidating Trust and the beneficial interests therein, which shall be for the benefit of all Beneficiaries.

(b) Purpose of CEP Liquidating Trust. The CEP Liquidating Trust shall be established and maintained for the sole purpose of liquidating and distributing assets of the Estates and proceeds thereof, including but not limited to the \$5,408,597 in principal plus interest relating to CEP Mexico contributed to the CEP Liquidating Trust (and constituting Trust Assets), in accordance with Treasury Regulation section 30.1.7701-4(d), and resolving and administering claims, with no objective to continue or engage in the conduct of a trade or business.

(c) Liquidating Trust Assets. On the Effective Date, right, title and interest to all assets as described in Section 7.1(c) of the Plan shall re-vest in the CEP Liquidating Trust as Trust Assets. On the Effective Date, the Estates shall be deemed to assign, set over, transfer, and convey to the CEP Liquidating Trust all of their right, title and interest in assets of the Estates. To the extent that certain assets of the Estates, because of their nature or because they will accrue subsequent to the Effective Date, cannot be assigned, set over, transferred or conveyed to the CEP Liquidating Trust on the Effective Date, such assets shall be deemed assigned, set over, transferred and conveyed to the CEP Liquidating Trust as soon as practical after the Effective Date. On or after the Effective Date, the Liquidating Trustee shall continue as a plaintiff in all litigation or Causes of Action (on behalf of the Beneficiaries) in which the Debtors were plaintiffs prior to the Effective Date. All recoveries and proceeds arising from litigation and Causes of Action shall be deemed assigned, set over, transferred and conveyed to the CEP Liquidating Trust upon receipt thereof. All fees and costs of the Liquidating Trustee (and agents thereof) arising from or relating to pursuing litigation or Causes of Action or other services performed at the request of the Liquidating Trustee on behalf of the CEP Liquidating Trust shall be paid as a first priority in right of distribution from the CEP Liquidating Trust. The transfer of assets of the Estates to the Liquidating Trust shall be made for the benefit of the Beneficiaries, in each case, but only to the extent the Beneficiaries are entitled to distributions under the Plan.

(d) Governance of CEP Liquidating Trust. The CEP Liquidating Trust shall be governed by the Liquidating Trustee in accordance with the Agreement and consistent with the Plan.

(e) The Liquidating Trustee. The Liquidating Trustee shall be designated on or before the Effective Date by the Committee. The designation of the Trustee shall be effective on the Effective Date without the need for a further order of the Bankruptcy Court. The Trustee shall exercise reasonable business judgment to administer Trust Assets and to make timely distributions from the CEP Liquidating Trust to its Beneficiaries.

(f) Nontransferability of CEP Liquidating Trust Interests. The beneficial interests in the CEP Liquidating Trust shall not be certificated and are not transferable (except as otherwise provided in the Agreement).

(g) Cash. The Liquidating Trustee may invest Cash consisting of the Trust Assets (including any earnings thereon or proceeds therefrom) in short term overnight investments or longer term investments as permitted by section 345 of the Bankruptcy Code; provided, however, that such investments are investments permitted to be made by a liquidating trust within the meaning of Treasury Regulation section 301.7701-4(d), as reflected therein, or under applicable Internal Revenue Service guidelines, rulings, or other controlling authorities.

(h) Costs and Expenses of the Liquidating Trustee. The costs and expenses of the CEP Liquidating Trust, including the fees and expenses of the Trustee and its retained professionals, shall be paid out of the CEP Liquidating Trust. Such costs and expenses shall be treated as administrative expenses of the Estates, having, however, a first priority in right of distribution, and without the need for Bankruptcy Court authorization or entry of a Final Order. The Liquidating Trustee shall retain such amounts as are reasonably necessary (at the discretion of the Liquidating Trustee) to meet the future expenses of administering the CEP Liquidating Trust in the Liquidation Expense Reserve Account.

(i) Compensation of the Liquidating Trustee. The Liquidating Trustee shall be entitled to reasonable compensation, which shall be on economic terms agreeable to the Committee and established prior to the Effective Date. The compensation payable to the Liquidating Trustee shall be treated consistent with section 7.1(h) of the Plan.

(j) Distribution of Trust Assets. The Liquidating Trustee shall distribute at least annually and in accordance with the Agreement, beginning on the Effective Date or as soon thereafter as is practicable, the Trust Assets on hand (including any Cash received from the Debtors and/or CEP Mexico on the Effective Date, and treating as Cash for purposes of section 7.1 of the Plan any permitted investments under section 7.1(g) of the Plan), except such amounts (i) as would be distributable to a holder of a Disputed Claim if such Disputed Claim had been Allowed prior to the time of such distribution (but only until such Claim is resolved); (ii) as are reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the CEP Liquidating Trust during liquidation; (iii) to pay reasonable expenses (including, but not limited to, any taxes imposed on the assets of the CEP Liquidating Trust or in respect of the CEP Liquidating Trust); and (iv) to satisfy other liabilities incurred by the CEP Liquidating Trust in accordance with this Plan or the Agreement.

(k) Retention of Professionals by the Liquidating Trustee. The Liquidating Trustee may retain and reasonably compensate counsel and other professionals to assist in its duties as Liquidating Trustee on such terms as the Trustee deems appropriate without Bankruptcy Court approval. The Liquidating Trustee may retain any professional who represented parties in interest (including the Debtors, CEP Mexico or the Committee) in the Cases.

(l) Authority to Grant Releases. Without limiting the generality of section 7.6 of the Plan, in connection with the compromise and settlement of any Causes of Action, the Liquidating Trustee is authorized to release and discharge, to the fullest extent permitted by law, non-Debtor parties to Causes of Action from all Claims and Causes of Action that, the Committee or the Liquidating Trustee (as successor to the Debtors on behalf of the Beneficiaries) has or may have whether known or unknown against such Persons. Any settlement effectuated prior to the Confirmation Date, upon notice thereof to the Bankruptcy Court, shall be deemed incorporated into the Plan and entry of the Confirmation Order including provisions of such settlement shall be deemed a settlement pursuant to section 1123(6)(3)(A) of the Bankruptcy Code.

(m) Attorney-Client Privilege. Any attorney-client privilege, work-product privilege or other privilege or immunity that the Estates or Committee are entitled to assert in the Causes of Action shall vest in the Liquidating Trustee (and the attorneys and agents of the Liquidating Trustee) and the Liquidating Trustee shall be entitled to assert such privilege and immunity to the same extent that the Debtors and Committee were entitled to do so prior to the Effective Date.

(n) Transfer of Claims of Debtors, the Estates to CEP Liquidating Trust. All assets of the Debtors and the Estates, including but not limited to the principal amount of \$5,408,547, plus interest accrued thereon, are to be transferred to and deemed property of the CEP Liquidating Trust for the benefit of the Beneficiaries on the Effective Date. Included among such assets are Causes of Action. A full investigation of potential Causes of Action has not been undertaken by either the Debtors or the Committee. It is, however, the Committee's belief that potential Causes of Action may exist as against, among others, (i) insiders of the Debtors and their respective affiliates arising from or relating to the Carlisle Transaction and/or the Parker-Hannifin Transaction; (ii) the Carlisle Companies and/or Parker-Hannifin Corporation and/or their respective subsidiaries, affiliates, agents or other Persons arising from or relating to the Carlisle Transaction and/or the Parker-Hannifin Transaction; (iii) Persons

(and/or subsidiaries and affiliates thereof) identified in the Debtors' items 3(a) and 3(b) of the respective Debtors' Statements of Financial Affairs with respect to Avoidance Actions (and other Persons subsequently discovered by the Committee or Trustee as having received payments that should have been listed and identified in item 3(a) or 3(b) of the respective Debtors' Statements of Financial Affairs and were not); (iv) unless otherwise settled, any one or more of the Participating Customers, other customers of the Debtors and/or CEP Mexico, or debtors of the Debtors or CEP Mexico, for failure to pay accounts receivable or other amounts due to the Debtors (including Cash Infusions) and/or CEP Mexico in accordance with, inter alia, the Final DIP Order and/or its related agreements, other contracts and course of conduct as between the Debtors, CEP Mexico and any customer of the Debtors or CEP Mexico with unpaid accounts due and owing to the Debtors or CEP Mexico; (v) other Causes of Action identified by the Liquidating Trustee in the course of his post-Effective Date due diligence.

(o) Federal Income Tax Treatment of CEP Liquidating Trust.

(i) Trust Assets Treated as Owned by Creditors. For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Liquidating Trustee, and the holders of beneficial interests in the CEP Liquidating Trust) shall treat the transfer of the Trust Assets to the CEP Liquidating Trust for the benefit of the Beneficiaries thereof, whether Allowed on or after the Effective Date, as (A) a transfer of the Trust Assets directly to the holders of satisfaction of such Claims (other than to the extent allocable to Disputed General Unsecured Claims) followed by (B) the transfer by such holders to the CEP Liquidating Trust of the Trust Assets in exchange for beneficial interests in the CEP Liquidating Trust. Accordingly, the Beneficiaries shall be treated for federal income tax purposes as the grantors and owners of their respective shares of the Trust Assets.

(ii) Tax Reporting.

(A) The Liquidating Trustee shall file returns for the CEP Liquidating Trust as a grantor trust pursuant to Treasury Regulation section 1.671-1 through 4(a) and in accordance with this section 7.1(n) of the Plan. The Liquidating Trustee shall also annually send to each record holder of a beneficial interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction, or credit and will instruct all such holders to report such items on their federal income tax returns or to forward the appropriate information to the beneficial holders with instructions to report such items on their federal income tax returns. The CEP Liquidating Trust's taxable income, gain, loss, deduction, or credit will be allocated (subject to section 7.1(n)(ii)(C) of the Plan, relating to Disputed General Unsecured Claims) to the holders of Allowed General Unsecured Claims in accordance with their relative beneficial interests in the CEP Liquidating Trust.

(B) As soon as possible after the Effective Date, but in no event later than ninety (90) days after the Effective Date, the Liquidating Trustee shall make a good faith valuation of the Trust Assets. Such valuation shall be made available from time to time, to the extent relevant, and used consistently by all parties (including, without limitation the Debtors, the Liquidating Trustee, and the holders of Allowed General Unsecured Claims) for all federal income tax purposes. The Liquidating Trustee shall also file (or cause to be filed) any other statements, returns, or disclosures relating to the CEP Liquidating Trust that are required by any governmental unit.

(C) Subject to definitive guidance from the Internal Revenue Service or a court of competent jurisdiction to the contrary (including the receipt by the Trustee of a private letter ruling if the Liquidating Trustee so requests one, or the receipt of an adverse determination by the Internal Revenue Service upon audit if not contested by the Liquidating Trustee), the Trustee shall

(i) treat any Trust Assets allocable to, or retained on account of, Disputed Claims as held by one or more discrete trusts for federal income tax purposes (the “Disputed Claim Reserve”) in accordance with the trust provisions of the Tax Code (section 641 et seq.); (ii) treat as taxable income or loss of the Disputed Claim Reserve, with respect to any given taxable year, the portion of the taxable income or loss of the CEP Liquidating Trust that would have been allocated to the holders of Disputed Claims had such Claims been Allowed on the Effective Date (but only for the portion of the taxable year with respect to which such Claims are unresolved); (iii) treat as a distribution from any reserve established under CEP Liquidating Trust any increased amounts distributed by the CEP Liquidating Trust as a result of any Disputed Claims resolved earlier in the taxable year, to the extent such distributions relate to taxable income or loss of the CEP Liquidating Trust determined in accordance with the provisions hereof; and (iv) to the extent permitted by applicable law, report consistent with the foregoing for state and local income tax purposes. All holders of Allowed General Unsecured Claims shall report, for tax purposes, consistent with the foregoing.

(D) The Liquidating Trustee shall be responsible for payments, out of the Trust Assets, of any taxes imposed on the CEP Liquidating Trust or the Trust Assets, including any Disputed Claim Reserve established under the CEP Liquidating Trust. In the event, and to the extent, any Cash retained on account of Disputed General Unsecured Claims in any Disputed Claim Reserve established under the CEP Liquidating Trust is insufficient to pay the portion of any such taxes attributable to the taxable income arising from the assets allocable to, or retained on account of, Disputed General Unsecured Claims, such taxes shall be (i) reimbursed from any subsequent Cash amounts retained on account of Disputed General Unsecured Claims, or (ii) to the extent such Disputed General Unsecured Claims have subsequently been resolved, deducted from any amounts distributable by the Liquidating Trustee as a result of the resolutions of such Disputed General Unsecured Claims.

(E) The Liquidating Trustee may request an expedited determination of taxes of the CEP Liquidating Trust under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the CEP Liquidating Trust for all taxable periods through the dissolution of the CEP Liquidating Trust.

(p) Dissolution. The CEP Liquidating Trust and the Liquidating Trustee shall be discharged or dissolved, as the case may be, at such time as (i) all Disputed General Unsecured Claims have been resolved, (ii) all Trust Assets have been liquidated and (iii) all distributions required to be made by the Liquidating Trustee under the Plan have been made, but in no event shall the Liquidating Trust be dissolved later than a period that would not adversely affect the status of the CEP Liquidating Trust as a liquidating trust for federal income tax purposes. The CEP Liquidating Trust shall only exist for a period as long as is necessary to facilitate or complete the recovery and liquidation of the Trust Assets and the disposition of their proceeds. The Liquidating Trustee shall not unduly prolong the duration of the CEP Liquidating Trust and shall at all times endeavor to resolve, settle or otherwise dispose of all claims that constitute Trust Assets and to effect the distribution of the Trust Assets in accordance with the terms hereof and terminate the CEP Liquidating Trust as soon as practicable. Prior to and upon termination of the CEP Liquidating Trust, the Trust Assets will be distributed to the Beneficiaries of CEP Liquidating Trust, pursuant to the provisions set forth in sections V.E and V.F of the CEP Liquidating Trust and Articles 2 and 4 of the Plan.

(q) Indemnification of Liquidating Trustee. The Liquidating Trustee, and the Liquidating Trustee’s agents and professionals shall not be liable for actions taken or omitted in his capacity as, or on behalf of, the Trustee, except those acts arising out of its or their own willful misconduct, gross negligence, bad faith, self-dealing, breach of fiduciary duty or ultra vires acts, and each

shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its actions or inactions in its capacity as, or on behalf of, the Liquidating Trustee, except for any actions or inactions involving willful misconduct, gross negligence, bad faith, self-dealing, breach of fiduciary duty; or ultra vires acts. Any indemnification claim of the Liquidating Trustee (and the other parties entitled to indemnification under this subsection 7.1(p) of the Plan) shall be satisfied first from the Trust Assets. The Liquidating Trustee shall be entitled to rely, in good faith, on the advice of its retained professionals.

2. Distributions to Holders as of the Confirmation Date.

As of the close of business on the Confirmation Record Date, the Claims Register, the equity register and transfer and other registers as maintained by the Debtors and/or their respective agents, as applicable, will be closed and there will be no further changes in the record holder of any Claim or Equity Interest. The Liquidating Trustee will have no obligation to recognize any transfer of any Claim or Equity Interest occurring after the Confirmation Date. The Liquidating Trustee will instead be authorized and entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the Claims Register and other registers as of the close of business on the Confirmation Date.

3. Closing of Cases by Charitable Gift.

If at any time the Liquidating Trustee determines with consent of the Committee that the expense of administering the CEP Liquidating Trust so as to make a final distribution to Allowed Claims is likely to exceed the value of the Trust Assets remaining in the CEP Liquidating Trust, the Liquidating Trustee shall apply to the Bankruptcy Court for authority to (i) reserve any amounts necessary to close the Cases, (ii) donate any balance to a charitable organization exempt from federal income tax under section 501(c)(3) of the Tax Code that is unrelated to the Debtors and any insider of the Debtors and (iii) close the Cases in accordance with the Bankruptcy Code and Bankruptcy Rules. Notice of such application shall be given electronically, to the extent practicable, to those parties who have filed requests for notices and whose electronic addresses remain current and operating.

4. Release of Liens.

Except as otherwise specifically provided in or contemplated by the Plan or in any contract, instrument or other agreement or document created in connection with the Plan, (i) each holder of: (a) any purported Secured Claim and/or (b) any judgment, personal property or ad valorem tax, molder, warehouse or artisan or similar Lien Claim, in each case regardless of whether such Claim is an Allowed Claim, shall, on or immediately before the Effective Date and regardless of whether such Claim has been scheduled or proof of such Claim has been filed: (y) turn over and release to the Estates any and all property of the Debtors or Estates that secures or purportedly secures such Claim, or such Lien and/or Claim shall automatically, and without further action by the Debtors or the Liquidating Trustee, as the case may be, be deemed released and (z) execute such documents and instruments as the Debtors or Liquidating Trustee, as the case may be, requires to evidence the holder of a Claim's release of such property or Lien, and if such holder refuses to execute appropriate documents or instruments, the Debtors, CEP Mexico or the Liquidating Trustee, as the case may be, in its discretion, file a copy of the Confirmation Order in the appropriate recording office, which shall serve to release any holder of a Claim's rights in such property; and (ii) on the Effective Date, all right, title and interest in such property shall revert or be transferred to the CEP Liquidating Trust as Trust Assets, free and clear of all Claims, interests, and Liens of any kind.

5. Cancellation of Existing Securities and Agreements.

On the Effective Date, except as expressly provided in the Plan, the securities, promissory notes, trust indentures, share certificates, security agreements, deeds of trust, collateral agency agreements and other instruments evidencing or securing a Claim shall be deemed cancelled without further act or action under any applicable agreement or Law, and the obligations of the Debtors and the Liquidating Trustee, as successor to the Debtors under the agreements, instruments, trust indentures and certificates governing and securing such Claims and Equity Interests, as the case may be, shall be discharged.

6. Liquidating Trustee's Post-Confirmation Role.

All rights and obligations of the Debtors under this Plan that exist or continue on or after the Effective Date shall vest in the Liquidating Trustee and shall be rights and obligations exercisable by the Liquidating Trustee on and after the Effective Date. Further, the Liquidating Trustee shall perform each of the following acts as soon as practicable on or after the Effective Date:

(a) General Powers. In furtherance of and consistent with the purpose of the CEP Liquidating Trust and the Plan, the Liquidating Trustee shall (A) have the power and authority to hold, manage, sell and distribute the Trust Assets in accordance with the Plan, (B) have the power and authority to prosecute, defend and resolve, in the name of the Debtors, CEP Mexico and/or the name of the Liquidating Trustee, Causes of Action, (C) have the power and authority to prosecute and resolve objections to Disputed Claims, (D) have the power and authority to perform such other functions as are provided in the Plan, and (E) have the power and authority to administer the closure of the Cases. The Liquidating Trustee shall be responsible for all decisions and duties with respect to the CEP Liquidating Trust and the Trust Assets. In all circumstances, the Liquidating Trustee shall act in the best interests of all beneficiaries of the CEP Liquidating Trust and in furtherance of the purpose of the CEP Liquidating Trust.

(b) Liquidating Payments and Transfers. On the Effective Date, or as soon thereafter as is reasonably practicable, the Trustee, as disbursing agent, shall make payments and transfers to holders of Allowed Claims to claimants in the manner set forth at sections 2.1, 2.2, 2.3, 2.4, 2.5, 4.1, 4.2, 4.3 and 4.4 of the Plan, and in accordance with section 6.2 of the Plan.

(c) Administration of Taxes. The Liquidating Trustee shall be authorized to exercise all powers regarding the Debtors' tax matters, including filing tax returns, to the same extent as if the Liquidating Trustee were the debtor in possession. The Liquidating Trustee shall (A) complete and file within ninety (90) days of the filing for dissolution by CEP, Thermoplastics, Holdings and CEP Mexico, to the extent not previously filed, the Debtors' final federal, state, and local tax returns; (B) request an expedited determination of any unpaid tax liability of the Debtors under section 505(b) of the Bankruptcy Code for all tax periods of the Debtors ending after the Petition Date through the liquidation of the Debtors as determined under applicable tax laws, to the extent not previously requested; and (C) represent the interest and account of the Debtors before any taxing authority in all matters, including, but not limited to, any action, suit, proceeding, or audit.

(d) Claims Administration and Prosecution and Plan Distributions. The Liquidating Trustee shall have the power and authority to prosecute and resolve objections to Disputed Subordinated Participating Customers Secured Claims, Disputed Administrative Expense Claims, Disputed Priority Tax Claims, Disputed Other Secured Claims, Disputed Priority Non-Tax Claims and Disputed General Unsecured Claims. The Liquidating Trustee shall have the right, power and authority

to retain and assert all defenses, rights of setoff and counterclaims with respect to each of the foregoing. The Liquidating Trustee shall also have the power and authority to hold, manage and distribute Plan distributions to the holders of Allowed Claims consistent with applicable provisions of this Plan.

Notwithstanding the foregoing, all Insurance Claims that arose prior to the Petition Date shall be deemed Allowed in the greater of (i) an amount equal to (x) the amount of any remaining self-insured retention under the Insurance Policy applicable to such Insurance Claim, divided by (y) the number of Insurance Claims to which the applicable Insurance Policy and self-insured retention applies; and (ii) \$0.00. The allowance of an Insurance Claim pursuant to this provision shall not be deemed an admission of liability by CEP, Thermoplastics and/or Holdings, and therefore shall not be conclusive as to the Debtors' liability in any proceeding by the holder of an Insurance Claim against an Insurer.

7. Books and Records.

Unless applicable non-bankruptcy law permits the distribution or destruction of certain of the Debtors' and CEP Mexico's business records at an earlier date, the Liquidating Trustee shall have the responsibility of storing and maintaining books and records until one year after the Effective Date, after which time such books and records may, at the sole discretion of the Liquidating Trustee, be abandoned or destroyed without further Bankruptcy Court order unless applicable non-bankruptcy law requires the retention and maintenance of any such books and records for a longer period, in which instance the Liquidating Trustee shall retain such books and records for at least the minimum period required by applicable non-bankruptcy law. For purposes of this section, books and records include computer generated or computer maintained books and records and computer data, as well as electronically generated or maintained books and records or data, along with books and records of the Debtors and CEP Mexico maintained by or in possession of third parties and all of the claims and rights of the Debtors and CEP Mexico in and to their books and records, wherever located.

8. Corporate Action.

On the Effective Date, the Liquidating Trustee, shall perform each of the actions and effect each of the transfers required by the terms of the Plan in the time period allocated therefor, and all matters provided for under the Plan that would otherwise require approval of the stockholders, directors or comparable governing bodies of the Debtors shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to the applicable general corporation law (or other applicable governing law) of the state in which the Debtors incorporated or organized, without any requirement of further action by the stockholders or directors (or other governing body) of the Debtors.

9. Effectuating Documents and Further Transactions.

The Debtors and/or Liquidating Trustee, as the case may be, are authorized and directed to execute, deliver, file, or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

10. Securities Exempt.

The beneficial interests in the CEP Liquidating Trust satisfy the requirements of section 1145 of the Bankruptcy Code and, therefore, such interests are exempt from registration under the Securities Act of 1933, as amended, and any state or local law requiring registration.



11. Distribution Procedures

(a) Effective Date Payments and Transfers by the Debtors. On the Effective Date, the Debtors shall remit to the Liquidating Trustee all assets and property of the Estates, and the Liquidating Trustee shall pay as soon as practicable holders of Allowed Claims pursuant to sections 2.1, 2.2, 2.3, 2.4, 2.5, 4.1, 4.2 and 4.3 of the Plan an amount in Cash equal to the Allowed amount of such Claims or in such other amounts as set forth in the Plan. The transfer of the assets as described in the preceding sentence to the CEP Liquidating Trust shall be made for the benefit of the Beneficiaries, in each case, but only to the extent that the Beneficiaries are entitled to distributions under the Plan.

(b) Disbursing Agent. All distributions under the Plan will be made by the Liquidating Trustee. The Liquidating Trustee will not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court, and in the event that the Disbursing Agent is otherwise so ordered, all costs and expenses of procuring any such bond or surety will be borne by the CEP Liquidating Trust. The Liquidating Trustee shall be empowered to (i) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Plan and/or CEP Liquidating Trust, (ii) make all distributions contemplated in the Plan, (iii) employ professionals to represent it with respect to its responsibilities under the Plan and (iv) exercise such other powers as may be vested in the Liquidating Trustee by order of the Bankruptcy Court, pursuant to the Plan and/or CEP Liquidating Trust, or as deemed by the Liquidating Trustee to be necessary and proper to implement the provisions of the Plan. Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Liquidating Trustee on or after the Effective Date (including without limitation, taxes) and any reasonable compensation and expense reimbursement claims (including, without limitation, reasonable attorneys' fees and other professional fees and expenses) made by the Liquidating Trustee shall be paid in Cash subject to the terms and conditions of the CEP Liquidating Trust.

(c) Distributions of Cash. At the option of the Liquidating Trustee, any Cash payment to be made hereunder may be made by check or wire transfer or as otherwise required or provided in applicable agreements.

(d) Delivery of Distributions. Subject to Bankruptcy Rule 9010, unless otherwise provided in the Plan, all distributions to any holder of an Allowed Claim will be made to the holder of each Allowed Claim at the address of such holder as listed in the Schedules, or on the books and records of the Debtors' claims agent BMC unless the Debtors or Liquidating Trustee, as the case may be, have been notified, in advance, in writing of a change of address, including, without limitation, by the timely filing of a proof of claim or interest by such holder that provides an address for such holder different from the address reflected in the Schedules or in the Debtors' books and records. In the event that any distribution to any holder is returned as undeliverable, no distribution to such holder will be made unless and until the Liquidating Trustee has been notified of the then current address of such holder, at which time or as soon as reasonably practicable thereafter, such distribution will be made to such holder without interest; provided, however, that, such undeliverable distributions will be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of ninety (90) days after the date of distribution in accordance with the section on unclaimed distributions below. The Liquidating Trustee will have no obligation to attempt to locate any holder of an Allowed Claim other than by reviewing the Schedules and its books and records maintained by BMC (including any proofs of claim filed against the Debtors).

(e) Minimum Distributions. No payment of Cash less than \$50 shall be made by the Liquidating Trustee. Any assets of the Estates and/or Trust Assets that are undistributable in accordance with this section 6.5 of the Plan shall vest in the CEP Liquidating Trust for the benefit of its Beneficiaries.

(f) Date of Distributions. Unless otherwise expressly provided herein, any distributions or deliveries to be made under the Plan shall be made in accordance with the provisions of the Plan and the Agreement, in that order.

12. Transfer of Claims of Debtors, the Estates to CEP Liquidating Trust.

Included among assets and property of the Estates referred to in subsection V(I)(ii)(a) are Causes of Action. A full investigation of potential Causes of Action has not been undertaken by either the Debtors or the Committee. It is, however, the Committee's belief that potential Causes of Action may exist as against, among others, (i) the Carlisle Companies and/or Parker-Hannifin Corporation and/or their respective subsidiaries, affiliates, agents or other Persons arising from or relating to the Carlisle Transaction and/or the Parker-Hannifin Transaction; (ii) Persons (and/or subsidiaries and affiliates thereof) identified in the Debtors' items 3(a) and 3(b) of the respective Debtors' Statements of Financial Affairs with respect to Avoidance Actions (and other Persons subsequently discovered by the Committee or Liquidating Trustee as having received payments that should have been listed and identified in item 3(a) or 3(b) of the respective Debtors' Statements of Financial Affairs and were not); and (iv) other Causes of Action identified by the Committee or Liquidating Trustee in the course of their post-Effective Date due diligence.

**K. Treatment of Disputed, Contingent and Unliquidated Claims**

1. Disputed Claims

The Debtors, and from and after the Effective Date the Liquidating Trustee, shall be entitled to object to Administrative Expense Claims, Priority Tax Claims, Subordinated Participating Customers Secured Claims, Other Secured Claims, Priority Non Tax Claims and General Unsecured Claims.

(a) No Distribution Pending Allowance of Claims. Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

(b) Reserve on Account of Disputed Claims.

(i) Establishment and Maintenance of Reserve for Disputed Claims.

The Liquidating Trustee shall maintain a reserve (the "Disputed Claims Reserve") at an amount equal to the aggregate of 100% of the distributable amounts to which holders of such Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims in their Disputed Claim Amounts or such lesser amount as required by a Final Order. For purposes of effectuating the provisions of this Section 8.13(a) and the distributions to holders of Allowed Claims, the Bankruptcy Court shall set, may fix or liquidate the amount of Disputed Claims pursuant to section 502(c) of the Bankruptcy Code, in which event the amounts so fixed or liquidated shall be deemed the amounts of the Disputed Claims for purposes of distribution under this Plan. In lieu of fixing or liquidating the amount of any Disputed Claim, the Bankruptcy Court may determine the amount to be reserved for such Disputed Claim or such

amount may be fixed by agreement in writing between the Liquidating Trustee and the holder of a Disputed Claim.

(ii) Distributions Upon Allowance of Disputed Claims. The holder of a Disputed Claim that becomes an Allowed Claim shall receive distributions in Cash from the Disputed Claim Reserve as soon as practical following the date on which such Disputed Claim becomes an Allowed Claim pursuant to a Final Order. Such distributions shall be made in accordance with the Plan based upon the distributions that would have been made to such holder under the Plan if the Disputed Claim had been an Allowed Claim on or prior to the Effective Date. No holder of a Disputed Claim shall have any Claim against the Disputed Claim Reserve or the CEP Liquidating Trust with respect to such Claim until such Disputed Claim shall become an Allowed Claim, and no holder of a Disputed Claim shall have any right to interest on such Disputed Claim except for any proportional Reserve Income earned on the Disputed Claim Reserve.

(c) Resolution of Disputed Claims. Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, following the Effective Date, the Trustee shall have the right to the exclusion of all others (except as to applications for allowances of compensation and reimbursement of expenses under sections 328(a), 330 and 503 of the Bankruptcy Code) to make and file objections to Claims and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than one hundred eighty (180) days after the Effective Date (subject, however, to the right of the Liquidating Trustee to seek an extension of time to file such objections by seeking such extension with approval from the Bankruptcy Court).

(d) Estimation. The Debtors or the Liquidating Trustee (as the case may be) may at any time request that the Bankruptcy Court estimate any contingent, unliquidated or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors previously objected to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, unliquidated or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtors or the Liquidating Trustee (as the case may be) may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. On and after the Confirmation Date, Claims that have been estimated may be compromised, settled, withdrawn or otherwise resolved subsequently, without further order of the Bankruptcy Court.

(e) Distributions to Holders of Allowed Claims Upon Disallowance of Disputed Claims. Subject to section 7.2 of the Plan, upon disallowance of any Disputed Claim, each holder of an Allowed Claim in the same Class as the disallowed Disputed Claim will be entitled to its Pro Rata Share of Cash equal to the distribution that would have been made in accordance with the Plan to the holder of such Disputed Claim had such Disputed Claim been an Allowed Claim on or prior to the Effective Date. Such distributions on account of disallowed Disputed Claims will be made as soon as practicable after the fifteenth business day following allowance or disallowance of the last Disputed Claim. Upon allowance or disallowance of all or a portion of such Disputed Claims, the Debtor, or the Liquidating Trustee, as the case may be, will make appropriate distributions in accordance with the Plan.

**L. The Committee**

The Committee shall disband and be released of its duties and obligations on the Effective Date. Any rights or duties of the Committee under the Agreement shall be exercised by the co-chairs of the Committee as of the Confirmation Date, which Committee co-chairs shall continue to take all actions required of the Committee as of the Effective Date, consistent with section 1103 of the Bankruptcy Code.

**M. Vesting of Property and Discharge of Claims**

1. Vesting of Assets

As of the Effective Date, all property of the Estates shall vest in the CEP Liquidating Trust, and shall constitute the Trust Assets.

As of the Effective Date, all assets of the Estates shall be free and clear of all Claims and Liens, except as provided in the Plan or the Confirmation Order.

2. Discharge of Claims and Debts and Termination of Equity Interests

Except as otherwise specifically provided herein or in the Confirmation Order, the rights afforded in the Plan and the payments and distributions to be made hereunder shall discharge all existing debts and Claims, and terminate all Equity Interests of any kind, nature or description whatsoever, other than Consolidated Holdings, against or in the Estates or any of their assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code. Except as otherwise provided herein or in the Confirmation Order, upon the Effective Date, all existing Claims against the Estates shall be, and shall be deemed to be, discharged and terminated, and all holders of Claims and Equity Interests shall be precluded and enjoined from asserting against the Estates, or any of its assets or properties, any other or further Claim or Equity Interest based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder has filed a proof of Claim or is listed in the Schedules.

**N. Exculpation**

None of the Debtors, Committee nor any of their respective members, officers, directors, employees, advisors, professionals or agents, (collectively, "Exculpation Parties") 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, including, without limitation, negotiations regarding or concerning the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Estates or the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and, in all respects, the Exculpation Parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

**O. Releases**

Various documents previously approved by or pending before the Bankruptcy Court provide for releases or contemplate (subject to Bankruptcy Court approval) providing released on the part of the Debtors, the Estates and the Committee. The Final DIP Order releases Wachovia (and the Participating Customers with respect to chapter 5 Causes of Action) of pre-Petition Date claims. As described in section III (F), herein, the Debtors and Committee have agreed (subject to Bankruptcy Court approval) to

release The Reserve Group Management Company and certain related parties of claims of Causes of Action in consideration of the proposed assumption of the Pension Plans by Superior Fabrication Company, LLC. It is contemplated by the Plan Proponents that other releases may be proposed as additional issues in the Cases are resolved. Prior to the Confirmation Date, any and all such releases shall remain subject to approval by the Bankruptcy Court.

#### **P. Executory Contracts**

On the Effective Date, all executory contracts and unexpired leases to which any one or more Debtors is a party shall be deemed rejected as of the Effective Date, including, without limitation, collective bargaining agreements subject to section 1113 of the Bankruptcy Code and agreements for the provision of retiree benefits subject to section 1114 of the Bankruptcy Code, except for an executory contract or unexpired lease that (i) has been assumed or rejected pursuant to Final Order of the Bankruptcy Court entered prior to the Effective Date or (ii) is the subject of a separate motion to assume or reject (or terminate or modify, as the case may be) filed under sections 365, 1113 and/or 1114 of the Bankruptcy Code by the Debtors prior to the Effective Date.

Notwithstanding the foregoing, any agreements, documents or instruments relating thereto (including Insurance Policies) that, are postpetition contracts shall continue to operate unaffected by the Plan, with the Insurers responsible for claims in accordance with the terms and provisions of such post petition contracts (including Insurance Policies) unless otherwise terminated by the Liquidating Trustee. The Debtors' Insurance Policies that have expired as of the Confirmation Date (whether entered into prior or subsequent to the Petition Date) are not executory contracts subject to assumption or rejection. The Insurers shall be responsible for continuing coverage obligations under such Insurance Policies regardless of the payment status of any retrospective or other insurance premiums.

Nothing contained in the Plan shall constitute or be deemed to be a waiver of any cause of action that the Debtors may hold against any Person, including, without limitation, any Insurer under any of the Debtors' Insurance Policies.

Entry of the Confirmation Order shall constitute the approval, pursuant to sections 365(a), 1113 and/or 1114 of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected as of the Effective Date pursuant to the Plan.

Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected by Operation of the Plan. In the event that the rejection of an executory contract or unexpired lease by the Debtors pursuant to the Plan results in damages to the other party or parties to such contract or lease, a Claim for such damages, if not heretofore evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the Debtors or any property to be distributed under the Plan unless a proof of claim is filed with the Bankruptcy Court and served upon the Trustee on or before the date that is thirty (30) days after the Confirmation Date. The foregoing sentence shall not, however, be applicable to any separate pre-Confirmation Date order of the Bankruptcy Court authorizing rejection of an executory contract or unexpired lease wherein a separate deadline by which rejection damages claims was established.

**Q. Retention of Jurisdiction of the Bankruptcy Court**

The Bankruptcy Court shall retain jurisdiction of all matters arising under, arising out of, or related to the Cases and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes: (a) to hear and determine motions for the assumption, assumption and assignment, or rejection of executory contracts or unexpired leases and the allowance of Claims resulting therefrom; (b) to determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced after the Confirmation Date, including, without limitation, any proceeding to recover a Cause of Action; (c) to ensure that distributions to holders of Allowed Claims are accomplished as provided herein; (d) to consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim; (e) to enter, implement, or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated; (f) to issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court; (g) to hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistency in the Plan, the Disclosure Statement, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof; (h) to hear and determine all applications under sections 328, 330, 331, and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred by Professionals prior to the Confirmation Date; (i) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated hereby, or any agreement, instrument, or other document governing or relating to any of the foregoing; (j) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Agreement, and to hear and determine all matters involving or relating to the CEP Liquidating Trust or the Liquidating Trustee; (k) to take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan or to maintain the integrity of the Plan following consummation; (l) to recover all assets of the Debtors' property of the Estates, wherever located, which jurisdiction shall not be limited as a result of the transfer of such assets and property to the Liquidating Trust pursuant to the Plan; (m) to determine such other matters and for such other purposes as may be provided in the Confirmation Order; (n) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including, without limitation, matters with respect to any taxes payable by a trust or reserve established in furtherance of the Plan); (o) to hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code; and (p) to enter a final decree closing the Cases.

**R. Conditions to Effectiveness of the Plan**

1. Conditions

The following are conditions precedent to the Effective Date of the Plan:

- (a) No stay of the Confirmation Order shall then be in effect;
- (b) The Debtors shall have sufficient Cash to pay the sum of (i) Allowed Wachovia Secured Claim, Allowed Subordinated Participating Customers Secured Claims, Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Other Secured Claims and

Allowed Priority Non-Tax Claims, and the Professional fees that have accrued but not been paid (to the extent that any of the foregoing are not otherwise payable under the Final DIP Order by “Cash Infusions”, as the term is defined in the Final DIP Order); and/or (ii) an amount that would be required to distribute to the holders of Disputed Subordinated Participating Customers Secured Claims, Disputed Administrative Expense Claims, Disputed Priority Tax Claims, Disputed Other Secured Claims, and Disputed Priority Non-Tax Claims if all such Claims are subsequently Allowed, as set forth more fully in Article VII hereof; and

(c) Substantial Consummation will or is likely to occur on or before August 31, 2007.

**S. Reserved**

**T. Other Miscellaneous Provisions**

1. Modification of the Plan

The Plan may be amended, modified, or supplemented by the Debtors and the Committee in the manner provided for by section 1127 of the Bankruptcy Code or as otherwise permitted by law without additional disclosure pursuant to section 1125 of the Bankruptcy Code, except as the Bankruptcy Court may otherwise direct. In addition, after the Confirmation Date, so long as such action does not materially adversely affect the treatment of holders of Claims or Equity Interests under the Plan, the Debtors and Committee may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order, with respect to such matters as may be necessary to carry out the purposes and effects of the Plan. Prior to the Effective Date, the Debtors and Committee may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court, *provided* that such technical adjustments and modifications do not adversely affect in a material way the treatment of holders of Claims or Equity Interests.

2. Revocation and Withdrawal of Plan

The Debtors and Committee reserve the right to revoke or withdraw the Plan at any time prior to the Confirmation Date. If the Debtors and Committee take such action, the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claim by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any other person in any further proceedings involving the Debtors.

3. Cram-Down Reservation

If any impaired class votes to accept the Plan by the requisite statutory majorities provided in sections 1126(c) and 1126(d) of the Bankruptcy Code, as applicable, and/or if any impaired class is deemed to have rejected the Plan, the Debtor reserves the right to undertake to have the Bankruptcy Court confirm the Plan under section 1129(c) of the Bankruptcy Code and/or amend the Plan in accordance with Section 13.10 hereof to the extent necessary to obtain entry of a confirmation order.

## **VII. PROJECTED DISTRIBUTION TO CREDITORS**

Attached as Exhibit C hereto is a distribution analysis. The distribution analysis was prepared by Huron Consulting, the financial advisor to the Debtors and agreed upon by Grant Thornton, the financial advisor to the Committee. It is important to note that distributions to unsecured creditors are substantially impacted by claims asserted against the Debtors. The claims bar date has passed, however, a complete claims analysis has not been finalized, and as such, the attached analysis is entirely premised on assumptions made with respect to claims in the Debtors cases (using the best information available). Actual distributions could be greater than projected in the event that Allowed Claims are less than estimated amounts and actual distributions could be less than projected in the event that Allowed Claims exceed estimated amounts. Likewise, the analysis attributes no value to Causes of Action due to their uncertain nature (solely for purposes of conservative estimation and which shall not be deemed an admission or waiver by the Debtors or Committee with respect to the value or viability of any Causes of Action).

SUBSTANTIAL EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THE ESTIMATED INFORMATION SUMMARIZED IN THE TABLE IN SECTION II HEREOF. ANTICIPATED ALLOWED AMOUNTS OF ALLOWED CLAIMS AND ALLOWED INTERESTS AND THE PROJECTED DISTRIBUTIONS SUMMARIZED IN THE TABLE IN SECTION II HEREOF ARE SUBJECT, HOWEVER, TO THE UNCERTAINTIES OF LITIGATION THAT MAY OCCUR WITH RESPECT TO CERTAIN CLAIMS AND OTHER FACTORS THAT MAY OR MAY NOT BE RESOLVED IN THE DEBTORS' FAVOR. THEREFORE, NO ASSURANCES CAN BE GIVEN THAT THE ESTIMATED AMOUNTS OF ALLOWED CLAIMS AND ALLOWED INTERESTS AND THE PROJECTED DISTRIBUTION WILL BE ACHIEVED.

## **VIII. UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

### **A. Introduction**

The following discussion summarizes certain material United States federal income tax ("Federal Income Tax") consequences of the Plan to certain holders of Allowed Claims (the "Creditors") and the Debtors. This discussion does not address the Federal Income Tax consequences to: (i) Creditors whose claims are entitled to payment in full in cash, or are otherwise unimpaired under the Plan; and (ii) holders of equity interests or claims that are extinguished without a distribution. This discussion is based upon existing provisions of the Tax Code, Treasury regulations promulgated thereunder, judicial authorities and current administrative rulings and practices now in effect. No assurance can be given that future legislation, regulations, administrative pronouncements and/or judicial decisions will not change applicable law and affect the analysis described herein. Any such change could be applied retroactively in a manner that would adversely affect the creditors and the Debtors.

The Federal Income Tax consequences of certain aspects of the Plan are uncertain due to the lack of applicable legal authority and may be subject to administrative or judicial interpretations that differ from the discussion below. Counsel for the Debtors has not sought and will not seek any rulings from the Internal Revenue Service ("IRS") with respect to the Federal Income Tax consequences discussed below. Although the discussion below represents the best judgment as to the matters discussed herein, it does not in any way bind the IRS or the courts or in any way constitute an assurance that the Federal Income Tax consequences discussed herein will be accepted by the IRS or the courts.



The following discussion does not address state, local or foreign tax considerations that may be applicable to the Debtors or creditors and the discussion does not address the tax consequences of the Plan to certain types of creditors (including foreign persons, financial institutions, life insurance companies, tax-exempt organizations and taxpayers who may be subject to the alternative minimum tax) who may be subject to special rules not addressed herein.

THE FOLLOWING SUMMARY OF CERTAIN MATERIAL FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF AN ALLOWED CLAIM OR EQUITY INTEREST. THE DEBTORS ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN WITH RESPECT TO THE DEBTOR OR THE HOLDERS OF ANY CLAIMS OR EQUITY INTERESTS, NOR ARE THE DEBTORS RENDERING ANY FORM OF LEGAL OPINION OR TAX ADVICE ON SUCH TAX CONSEQUENCES. ALL HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN IN GENERAL AND IN PARTICULAR, THE TIMING, CHARACTER AND AMOUNTS OF INCOME, GAIN, LOSS, DEDUCTION, CREDIT OR CREDIT RECAPTURE TO BE RECOGNIZED, AND ANY PROCEDURAL REQUIREMENTS WITH WHICH THE HOLDER MUST COMPLY.

**B. Certain Material United States Federal Income Tax Consequences to the Debtors**

The Debtors do not believe that there will be any material current cash United States federal income tax consequences to the Debtors as a result of the implementation of the Plan.

**C. Certain Material United States Federal Income Tax Consequences to Holders of Claims**

**1. General**

The tax treatment of holders of Claims and the character and amount of income, gain or loss recognized as a consequence of the Plan and the distributions provided for by the Plan will depend upon, among other things, (i) whether the Claim (or any portion thereof) constitutes a Claim for principal or interest; (ii) the type and classification of consideration received by the holder in exchange for the Claim; (iii) whether the holder is a resident of the United States for tax purposes (or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above); (iv) the manner in which a holder acquired a Claim; (v) the length of time the Claim has been held; (vi) whether the claim was acquired at a discount; (vii) whether the holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (viii) whether the holder has previously included accrued but unpaid interest with respect to the Claim; (ix) the method of tax accounting of the holder; (x) whether the claim is an installment obligation for United States federal income tax purposes; and (xi) whether the “market discount” rules are applicable to the holder. Therefore, holders of Claims should consult their tax advisors for information that may be relevant to their particular situation and circumstances and the particular tax consequences to them of the transactions contemplated by the Plan.

A holder of a Claim should generally recognize a gain (or loss) to the extent that the amount realized under the Plan in respect of the Claim exceeds (or is exceeded by) the holder's tax basis in the Claim. The holder's amount realized for this purpose will generally equal the amount of Cash the holder receives under the Plan in respect of its Claim. The timing and amount of income, gain or loss recognized as a consequence provided for by the Plan will depend on, among other things, whether the holder of a Claim receives multiple distributions pursuant to the Plan and whether the Debtors' obligation to make such payments is treated as a new debt for United States federal income tax purposes. Gain or loss may not currently be recognized if the property received does not have an ascertainable fair market value.

## 2. **Market Discount**

The market discount provisions of the Internal Revenue Code of 1986 (the "Tax Code") may apply to holders of certain Claims. In general, a debt obligation other than a debt obligation with a fixed maturity of one year or less that is acquired by a holder in the secondary market (or, in certain circumstances, upon original issuance) is a "market discount bond" as to that holder if its stated redemption price at maturity (or, in the case of a debt obligation having original issue discount, its revised issue price) exceeds the tax basis of the debt obligation will not be a "market discount bond" if such excess is less than a statutory de minimis amount. Gain recognized by the holder of a Claim with respect to a "market discount bond" will generally be treated as ordinary interest income to the extent of the market discount accrued on such bond during the holder's grace period of ownership, unless the holder elected to include accrued market discount in taxable income currently. A holder of a market discount bond that is required under the market discount rules of the Tax Code to defer deduction of all or a portion of the interest on indebtedness incurred or maintained to acquire or carry the bond may be allowed to deduct such interest, in whole or in part, on disposition of such bond.

## 3. **Information Reporting and Backup Withholding**

Certain payments, including the payments with respect to Claims pursuant to the Plan, are generally subject to information reporting by the payor (the Debtors) to the IRS. Moreover, such reportable payments are subject to backup withholding under certain circumstances. Under the Tax Code's backup withholding rules, a holder of a Claim may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan, unless the holder: (1) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact, or (2) provides a correct United States taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income.

Holders of Claims that are non-United States Persons and that receive payments or distributions under the Plan will not be subject to backup withholding, provided that such holders furnish certification of their status as non-United States Persons (and furnish any other required certification), or are otherwise exempt from backup withholding. Generally, such certification is provided on IRS Form W-8BEN.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's United States federal income tax liability and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a United States federal income tax return).

PERSONS CONCERNED WITH THE TAX CONSEQUENCES OF THE PLAN SHOULD CONSULT THEIR OWN ACCOUNTANTS, ATTORNEYS AND/OR ADVISORS. THE DEBTORS MAKE THE ABOVE-NOTED DISCLOSURE OF POSSIBLE TAX CONSEQUENCES FOR THE SOLE PURPOSE OF ALERTING READERS TO TAX ISSUES THEY MAY WISH TO CONSIDER.

## **IX. ALTERNATIVES TO THE PLAN**

The Plan Proponents submit that the Plan is the best means of providing maximum recoveries to creditors. Alternatives to the Plan that have been considered and evaluated by the Plan Proponents during the course of the Cases and include (i) liquidation of the Debtors' assets under chapter 7 of the Bankruptcy Code, and (ii) an alternative chapter 11 plan. The Plan Proponents thorough consideration of these alternatives to the Plan have caused them each respectively to conclude that the Plan, in comparison, provides a greater recovery to creditors on a more expeditious timetable and in a manner which minimizes inherent risks in any other course of action available to the Debtors.

### **A. Other Plans of Reorganization**

If the Plan is not confirmed, the Plan Proponents or any other party in interest (if the Debtors' exclusive period in which to file a chapter 11 plan has expired) could attempt to formulate an alternative chapter 11 plan that might provide for the liquidation of the Debtors' assets other than as provided in the Plan. However, since substantially all of the Debtors' assets (including assets located at the facilities of or relating to CEP Mexico) have already been sold to various parties, the Plan Proponents submit that any alternative chapter 11 plan will not provide greater or more rapid return to impaired creditors than the Plan. Any attempt to formulate an alternative chapter 11 plan would necessarily delay creditors' receipt of distributions and is highly unlikely to formulate a methodology to create greater value (return) to impaired creditors than the Plan. Accordingly, the Plan Proponents submit that the Plan will enable all creditors entitled to distributions to realize the greatest possible recovery on their respective Claims with the least possible delay.

### **B. Liquidation Under Chapter 7 of the Bankruptcy Code**

If the Plan or any other chapter 11 plan for the Debtors cannot be confirmed under section 1129(a) of the Bankruptcy Code, the Cases may be converted to cases under chapter 7 of the Bankruptcy Code, in which event a trustee would be appointed (or subsequently elected) to liquidate any remaining assets of the Debtors for distribution to creditors pursuant to chapter 7 of the Bankruptcy Code. If a trustee is appointed and the remaining assets of the Debtors are liquidated under chapter 7 of the Bankruptcy Code, all creditors holding Allowed Administrative Expense Claims, Allowed Priority Tax Claims and Allowed Priority Non-Tax Claims may receive distributions of a lesser value on account of their Allowed Claims and likely would have to wait a longer period of time to receive such distributions than they would under the Plan. A chapter 7 trustee would be required to invest substantial time and resources to investigate (i) the facts underlying the multitude of Claims filed against the Estates; (ii) inter Debtor and inter-company (including (CEP Mexico) claims; and (iii) ownership rights and interests as between the Debtors and CEP Mexico, thereby substantially increasing both costs and time necessary to fully administer the Estates. Likewise, in addition to fees of professionals retained by a chapter 7 trustee, the chapter 7 trustee would also charge a fee tied to the value of all assets administered by the chapter 7 trustee in accordance with section 326(a) of the Bankruptcy Code, which will not be charged by the Liquidating Trustee.

## **X. CONFIRMATION REQUIREMENTS**

### **A. The Confirmation Hearing**

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing before a plan of reorganization may be confirmed. The Confirmation Hearing to confirm the Plan has been scheduled for the date set forth in the attached notice of confirmation hearing before the Honorable Marilyn Shea-Stonum, United States Bankruptcy Judge in the United States Bankruptcy Court, Northern District of Ohio (Eastern Division), Bankruptcy Courtroom Number 260, U.S. Courthouse and Federal Building, 2 South Main Street, Akron, Ohio 44308. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the claim or number and type of shares of equity security interests held by the objector. Any such objection must be filed with the Bankruptcy Court and served so that it is received by the Bankruptcy Court and certain other parties when and as set forth in the attached notice of confirmation hearing.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. At the hearing on the confirmation of the Plan, the Bankruptcy Court will confirm the Plan only if the requirements of the Bankruptcy Code, particularly those set forth in section 1129 of the Bankruptcy Code, have been satisfied.

### **B. Acceptances Necessary to Confirm the Plan**

At the Confirmation Hearing, the Bankruptcy Court must determine, among other things, whether the Plan has been accepted by the requisite amount and number of Allowed Claims and Allowed Interests in each impaired class. Under the Bankruptcy Code, a class of creditors or equity security holders is impaired if its legal, equitable or contractual rights are altered by a proposed plan of reorganization. If a class is not impaired, each creditor or equity security holder in such unimpaired class is conclusively presumed to have accepted the plan pursuant to section 1126(f) of the Bankruptcy Code. Classes 2 and 3 are not impaired under the Plan and are, therefore, not entitled to vote on the Plan. Classes 1 and 4 are impaired under the Plan and holders of Allowed Claims or Allowed Interests in such classes are entitled to vote for or against the Plan by completing and returning ballots mailed to them with this Disclosure Statement in the manner set forth in the ballots. Class 5 is impaired under the Plan, but is deemed to reject the Plan, and is not entitled to vote.

An impaired class of creditors and each holder of a claim in such class will be deemed to have accepted the Plan if the holders of at least two-thirds in amount and more than one-half of those in number of the Allowed Claims in such impaired class for which complete and timely ballots have been received have voted for acceptance of the Plan. An impaired class of equity securities and each holder of an interest in such class will be deemed to have accepted a plan if the plan has been accepted by at least two-thirds in amount of the interests in such class who actually vote on the Plan.

Because the equity interests held by the members of Class 5 is entirely eliminated under the Plan, Class 5 is deemed to have rejected the Plan, and the Debtors cannot satisfy the requirements of section 1129(a)(8) of the Bankruptcy Code. Accordingly, the Debtors intend to seek confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Under section 1129(b), the Bankruptcy Court must determine, among other things, that the Plan does not discriminate unfairly and that it is fair and equitable

with respect to each class of impaired Allowed Claims and Allowed Interests that have not voted to accept the Plan.

### **C. Best Interests of Creditors**

The Bankruptcy Code requires that each holder of an impaired claim or equity interest either (i) accept the Plan, or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The first step in determining whether this test has been satisfied is to determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The gross amount of cash that would be available for satisfaction of claims and equity interests would be the sum consisting of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtors, augmented by the unencumbered cash held by the Debtors at the time of the commencement of the liquidation cases.

The next step is to reduce that gross amount by the costs and expenses of liquidation and by such additional administrative and priority claims that might result from the use of chapter 7 for the purposes of liquidation. Any remaining net cash would be allocated to creditors and shareholders in strict priority in accordance with section 726 of the Bankruptcy Code. Finally, the present value of such allocations (taking into account the time necessary to accomplish the liquidation) are compared to the value of the property that is proposed to be distributed under the Plan on the Effective Date.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. Other liquidation costs include the expenses incurred during the Cases and subsequently allowed in the chapter 7 cases, such as compensation for attorneys, financial advisors, appraisers, accountants and other professionals for the Debtors, and the Committee, and costs and expenses of members of the Committee, as well as other compensation claims.

The foregoing types of claims, costs, expenses, fees and such other claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition priority and unsecured Claims.

The Plan Proponents submit that each impaired Class will receive under the Plan a recovery at least equal in value to the recovery such Class would receive pursuant to a liquidation of the Debtors under chapter 7 of the Bankruptcy Code, and almost certainly more due to the statutory fees to which a chapter 7 trustee is entitled for administering assets.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Cases, including the chapter 7 trustee's investment of substantial time and resources to investigate the facts underlying the multitude of Claims filed against the Estates, and the chapter 7 trustee's investigation of inter-Debtor and inter-company (including (CEP Mexico) claims and ownership rights and interests as between the Debtors and CEP Mexico, the Plan Proponents have determined that confirmation of the Plan will provide each holder of an Allowed Claim with a recovery that is not less than such holder would receive pursuant to liquidation of the Debtors under chapter 7.

The Plan Proponents also submit that the value of any distributions to each Class of Allowed Claims in a chapter 7 case, including all Other Secured Claims, would be less than the value of distributions under the Plan because such distributions in a chapter 7 case would not occur for a substantial period of time. In the event litigation was necessary to resolve claims asserted in a chapter 7 case, the delay could be prolonged and administrative expenses increased.

**D. Feasibility**

Section 1129(a)(11) of the Bankruptcy Code provides that a chapter 11 plan may be confirmed only if the Court finds that such plan is feasible. A feasible plan is one which will not lead to a need for further reorganization or liquidation of the debtor. Since the Plan provides for the complete liquidation of the Debtors, the Bankruptcy Court will find that the Plan is feasible if it determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and otherwise have sufficient funds to meet its post-Confirmation Date obligations to pay for the costs of administering and fully consummating the Plan and closing the Cases. The Plan Proponents submit that the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

**E. Confirmation of the Plan**

In the event the Bankruptcy Court determines that all of the requirements for the confirmation of the Plan are satisfied, the Bankruptcy Court will issue the Confirmation Order confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

**XI. CERTAIN RISK FACTORS TO BE CONSIDERED**

HOLDERS OF IMPAIRED CLAIMS AGAINST OR INTERESTS IN THE DEBTORS ARE ENCOURAGED TO READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THOSE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

**A. Parties-In-Interest May Object to the Plan Proponents' Classification of Claims**

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. The Plan Proponents submit that the classification of claims and interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, the Plan Proponents cannot give assurances that the Bankruptcy Court will reach the same conclusion.

**B. The Plan Proponents May Not Be Able to Secure Confirmation of the Plan**

The Plan Proponents cannot assure you that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, the Plan Proponents cannot assure you that the Bankruptcy Court will confirm the Plan. A non-accepting creditor or equity security holder of the Debtors might challenge the balloting procedures and results as not being in compliance with the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that the Disclosure Statement and the balloting procedures and results were appropriate, the Bankruptcy Court could still

decline to confirm the Plan if it found that any of the statutory requirements for confirmation had not been met. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of distributions to non-accepting holders of claims and interests within a particular class under the Plan will not be less than the value of distributions such holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. While the Plan Proponents cannot give assurances that the Bankruptcy Court will conclude that these requirements have been met, the Plan Proponents submit that the Plan will not be followed by a need for further financial reorganization and that non-accepting holders within each class under the Plan will receive distributions at least as great as would be received following a liquidation under chapter 7 of the Bankruptcy Code when taking into consideration all administrative claims and the costs and uncertainty associated with any such chapter 7 case.

The confirmation and consummation of the Plan are also subject to certain conditions.

**C. The Plan Proponents and/or the Trustee May Object to the Amount or Classification of Your Claim**

The Plan Proponents reserve the right to object to the amount or classification of any claim or interest. The estimates set forth in this Disclosure Statement cannot be relied on by any creditor whose claim or interest is subject to an objection. Any such claim or interest holder may not receive its specified share of the estimated distributions described in this Disclosure Statement. Such an objection to claim may be prosecuted by the Liquidating Trustee.

**D. Insurance Claims**

There is no guarantee that holders of Insurance Claims that are Allowed Claims will receive any payments on account of their Insurance Claims because such Claims may not be covered under the applicable Insurance Policies.

In addition, holders of Insurance Claims that are Allowed Claims, and that may otherwise be covered under the Insurance Policies, may not have access to or receive any proceeds under the Insurance Policies because the Insurers may deny coverage on otherwise valid claims. The Insurers have issued Insurance Policies to the Debtors that may provide coverage for Insurance Claims. The Insurers, however, may assert that the Plan may alter or violate the Insurers' rights under the Insurance Policies and applicable law and may potentially seek to avoid any coverage otherwise available under the Insurance Policies. In particular, the Insurers may assert that the Plan violates the Insurers' rights to (i) control the defense, investigation, and settlement of Insurance Claims; (ii) require the Debtors' compliance with the terms and conditions of the Insurance Policies; (iii) assert certain subrogation rights available to the Insurers under the Policies; and (iv) assert claims for setoff, contribution and recoupment. The Insurers may also assert that the Plan seeks to provide certain injunctive relief that may alter the Debtors' obligations under the Policies in such a way that would also void any available insurance coverage.

**E. Assumptions Forming the Basis for Calculating Estimated Returns to Creditors Could be Incorrect**

The distribution analysis, at Exhibit C hereto, includes certain assumptions regarding, among others, (a) the costs of administering the CEP Liquidating Trust; (b) the amount of Allowed Claims; (c) the priority of certain Claims; and (d) the recoverable value of accounts receivable. In the event that any

one or more of the assumptions made relating to these items proves to be incorrect, the actual return to creditors, and in particular Allowed General Unsecured Claims, could be less than projected. The assumptions, however, for purposes of being conservative, attribute no value to Causes of Action which may have significant value, and as such, incorrect assumptions in respect of any of the foregoing may be offset by recoveries in respect of Causes of Action.

## **XII. WHERE YOU CAN OBTAIN MORE INFORMATION**

Pursuant to the requirements of the Office of the U.S. Trustee, the Debtors are required to and have filed monthly operating reports for the postpetition period with the Bankruptcy Court. These monthly operating reports may be obtained at prescribed per page copy rates by writing to the Clerk of the United States Bankruptcy Court for the Northern District of Ohio (Eastern Division), 455 United States Courthouse, 2 South Main Street, Akron, Ohio, 44308; (telephone 330.252.6100) or BMC Group, Inc., CEP Holdings, LLC, et al., c/o BMC Group, P.O. Box 903, El Segundo, CA, 90245-0903 (telephone 888.909.0100), or on-line at the Bankruptcy Court's website: <http://www.ohnb.uscourts.gov>, or BMC's website: <http://www.bmcgroup.com/cep>.

## **XIII. CONCLUSION AND RECOMMENDATION**

The Plan Proponents believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims. The Plan Proponents urge holders of Claims entitled to vote on the Plan to vote to accept the Plan.



Dated: May 25, 2007

CEP Holdings, LLC, Creative Engineered Polymer  
Products, LLC and Thermoplastics Acquisition, LLC

By: /s/ Joseph Mallak

Name: Joseph Mallak

Title: President & CEO

The Official Committee of Unsecured Creditors

By: /s/ Bruce D. Tobiansky

Name: Bruce D. Tobiansky

E.I. du Pont de Nemours and Company  
Committee Co-Chair

By: /s/ Doreen Bailey-Wilson

Name: Doreen Bailey-Wilson

Rhodia, Inc.  
Committee Co-Chair

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