UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:	:	
	:	Case No. 06-06-61796
CEP HOLDINGS, LLC, et al.,[1]	:	(Jointly Administered)
	:	
Debtors.	:	Chapter 11
	:	
	:	Honorable Russ Kendig

AFFIDAVIT OF JOSEPH MALLAK IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS

STATE OF OHIO)
) ss:
COUNTY OF SUMMIT)

Joseph Mallak, being duly sworn, states that the following is true to the best of my knowledge, information and belief:

1. I am the Chief Executive Officer of each of the above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**"). I have held these positions with the Debtors since March of 2006. As a result of these positions, I am familiar with the day-to-day operations, businesses, financial affairs and books and records of the Debtors. I submit this Affidavit (the "**Affidavit**") in support of (a) the Debtors' petitions for relief under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**") filed on the date hereof (the "**Petition Date**") and (b) the "first day" relief that the Debtors have requested in certain motions and applications filed with the Court (collectively, the "**First Day Pleadings**"),[2] and to assist the

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

[2] Capitalized terms not otherwise defined herein shall have the meanings given to them in the First Day Pleadings.

Court and other parties in understanding the circumstances that compelled the commencement of these chapter 11 cases (the "**Cases**").

2. The relief sought in the First Day Pleadings is intended to enable the Debtors to transition effectively into chapter 11 and to avoid and minimize certain adverse consequences that might otherwise result from the commencement of these Cases. In particular, the First Day Pleadings seek relief aimed at maintaining employee morale, which is critical to the Debtors' reorganization efforts. I have reviewed the First Day Pleadings and I believe that the relief sought therein is essential to ensure uninterrupted operation of the Debtors' businesses and to the success of the Debtors' reorganization.

3. Except as otherwise indicated, all facts set forth in this Affidavit are based upon personal knowledge, my review of relevant documents or my opinion based upon experience, knowledge and information concerning the operations of the Debtors. If called upon to testify, I would testify competently to the facts set forth in this Affidavit. I am authorized to submit this Affidavit on behalf of the Debtors.

4. Part I of this Affidavit provides an overview of the Debtors' businesses and the circumstances surrounding the commencement of the Cases. Part II of this Affidavit, sets forth the relevant facts in support of the First Day Pleadings.

PART I

Background

A. Summary of Capital Structure and Current Business Operations

5. Creative Engineered Polymer Products, LLC, ("**CEPP**") is a limited liability company formed under the laws of the State of Ohio. CEPP 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 CEPP. CEPP has three subsidiaries: (i) Composite Parts Mexico S.A. de C.V. (the "**CEP Mexico**"), a Mexican corporation which is 99.9% owned by CEPP and .01% owned by non-debtor Reserve Capital Group, Ltd; (ii) Thermoplastics Acquisition, LLC ("**Thermoplastics**"), an Ohio limited liability company which is wholly owned by CEPP and is a debtor in these cases; and (iii) CEP Latin America, LLC ("**CEP LA**"), a non-debtor Ohio limited liability company which is wholly owned by CEPP. 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.

6. The Debtors operate 10 manufacturing plants in Ohio, Michigan, Alabama, South Carolina and Mexico, including a plant in Canton, Ohio. CEPP operates six plants in Ohio, Michigan and Alabama. Non-debtor CEP Mexico operates two plants in Mexico. Thermoplastics operates one plant in Ohio and one in South Carolina.

7. CEP and its debtor subsidiaries are custom molders and extruders of rubber and plastic products, primarily for the OEM automotive market. The Debtors have achieved a unique position as preferred suppliers of high quality products to major customers, including General Motors, Delphi Corporation, Visteon, Nissan, Daimler-Chrysler, Honda and GKN Automotive. CEP has maintained this position as a leader in the marketplace through innovative manufacturing techniques and by continuously improving its broad base of material and process technology.

8. Gross sales for the Debtors' businesses are projected to be approximately $190 million for fiscal 2006. The Debtors' nearly 1,106 employees manufacture the Debtors' products at ten strategically located manufacturing facilities in Ohio, Michigan, South Carolina,

Alabama and Mexico.[3] The Debtors also maintain a Technical Center in Livonia, Michigan which offers design assistance and program management services for the Debtors' businesses.

B. Prepetition Debt Structure

9. 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 CEPP and CEP Mexico businesses were purchased from the Carlisle Companies. In conjunction with the transaction, CEP Acquisition LLC n/k/a CEPP entered into a Loan and Security Agreement, dated as of August 16, 2005 (the "**Prepetition CEPP Credit Agreement**") with Wachovia Capital Finance Corporation (Central) ("**WCFC**"), as both Agent and Lenders thereunder. The Prepetition CEPP Credit Agreement provided two term loans and a revolving credit facility to CEPP in the maximum amount of $45 million (collectively, the "**CEPP Prepetition Loan**"). The CEPP Prepetition Loan is secured by substantially all the assets of CEPP, including, without limitation, all accounts, general intangibles, goods, inventory, equipment, real property, accounts receivable, other personal property and proceeds thereof (collectively, the "**Prepetition CEPP Collateral**"). As of the Petition Date, the amount outstanding under the CEPP 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 Prepetition CEPP Credit Agreement and applicable law).

10. As part of the December 20, 2005 transaction, CEPP purchased the Thermoplastics business from Parker Hannifan Corporation. In conjunction with the transaction, Thermoplastics entered into a Loan and Security Agreement, dated as of December 21, 2005 (the "**Prepetition Thermoplastics Credit Agreement**" and together with the Prepetition CEPP

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[3] CEP Mexico, a non-debtor, produces high quality plastic products at two factories in Mexico.

Credit Agreement, the "**Prepetition Credit Agreements**") with WCFC, as both Agent and Lenders. The Prepetition Thermoplastics Credit Agreement provided a term loan and a revolving credit facility to Thermoplastics in the maximum amount of $5 million (collectively, the "**Thermoplastics Prepetition Loan**" and together with the CEPP 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 CEPP 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 Prepetition Thermoplastics Credit Agreement and applicable law). The Prepetition Credit Agreements are cross-defaulted and cross-collateralized.

11. Prior to the Petition Date, Visteon Corporation, General Motors Corporation and Delphi Corporation (collectively, the "**Customers**") and WCFC 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 Customers purchased subordinated, last out participation interests (the "**Participation Interests**") in the Prepetition Loan Facilities. The Customers purchased $2.9 million of Participation Interests, the proceeds of which were used by the Debtors to fund their operations and the building of the Customers' parts.

C. Events Leading To The Filing Of These Chapter 11 Cases

12. The Debtors and other automotive suppliers and manufacturers have faced a series of unanticipated operational and market challenges that have adversely affected their

operations and cash flows. These challenges have impaired both the Debtors' suppliers and customers which in turn have severely affected the Debtors' operations and businesses.

13. With respect to suppliers, 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. The Debtors have continued to experience significantly higher costs for raw materials.

14. With respect to the Debtors' customers, the Debtors have been 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 manufacturers such as the Debtors to pass rising material costs on to customers. Faced with rising costs, the Debtors have expended substantial effort in attempting to source cheaper alternatives (such as recycled materials and alternative formulations) for substitution of higher cost materials. Despite these efforts, most of the Debtors' customers have delayed approving these material substitutions. Although the Debtors are now starting to experience success in receiving approvals of the material substitutions, the damage to the Debtors' liquidity is irreversible outside the protections of the Bankruptcy Code.

15. In addition to increased material costs, the general instability of the industry has directly harmed the Debtors' liquidity. For example, the Debtors have been impaired by the bankruptcy filing of several large OEM's, including Delphi Corporation, 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.

16. In addition to bankruptcy filings in the industry, the general credit downgrade has 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 reimburses the Debtors. The increased delays and failure of customers to pay for these programs have decreased the portion of accounts receivable against which Wachovia will lend under the Prepetition Credit Agreements. This, in turn, has further impaired the Debtors' liquidity.

17. The Debtors have further experienced excess capacity at their plants due to decisions by their customers. For example, GM's transfer from the GMT800 platform to the GMT900 platform has 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 have been harmed by this action because (i) the Debtors have significant up front costs invested in the GMT800 platform and (ii) GM has not provided the Debtors with replacement work in the new GMT900 platform. Thus, the Debtors have not recovered their costs associated with the GMT800 platform and are operating at significantly lower capacity at several manufacturing plants due to a failure to receive work under the GMT900 platform.

D. Prepetition Activities

18. In an attempt to create maximum value for the Debtors' creditors, the Debtors worked with the Customers and WCFC to allow the Debtors to formulate a restructuring plan which 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 WCFC and the Customers, which agreements provided a 120-day

window for the Debtors to effectuate an out-of-court restructuring plan. This window expired September 6, 2006.

19. Given the size and complexity of the Debtors' operations and the continuation of the market circumstances described above, the Customers, WCFC and the Debtors ultimately determined that an out-of-court restructuring was not feasible. Thus, after exploring all options and faced with a severe liquidity crisis, the Debtors have no choice but to commence these cases as the only means of preserving the Debtors as going concerns, and, thus, maximize the value of the Debtors' assets for their creditors.

20. With the aide of this Court and the support of WCFC and the Customers, the Debtors' goal is to stabilize their business operations and financial situation and sell their assets in a manner to maximize value for the Debtors' Creditors. As detailed in the Debtors' DIP Financing Motion,[4] filed contemporaneously herewith, WCFC and the Customers have agreed to provide post-petition financing and cash infusions to the Debtors which financing and cash infusions will fund the Debtors' costs of operations, wind down, restructuring and liquidation until such time that the Debtors' assets are sold pursuant to section 363 of the Bankruptcy Code. The Debtors believe that this course of action will maximize the value of their assets for all creditors.

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[4] The full title of the DIP Financing Motion is CEP Holdings, LLC's Motion 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.

PART II

First Day Pleadings

The Case Administration Motions

a. Joint Administration

21. The Debtors are related entities, parent and wholly owned subsidiaries. I am informed by counsel that the joint administration of the Cases will permit the Clerk of the Court to utilize a single general docket for these Cases and combine notices to creditors of the Debtors' respective estates and other parties in interest, which will result in savings to the Debtors' estates. Accordingly, I believe that the joint administration of the Debtors' respective estates is warranted and will ease the administrative burden for the Court and the parties.

b. Waiver of Local Rules

22. The Debtors will file a motion seeking the waiver of Local Bankruptcy Rules 9013-1(a), 9013-2(a) and 9013-2(d). The Debtors will provide applicable statutory authority and case law within their First Day Motions and will support any Future Motions with applicable and appropriate authority. Providing a memorandum in support of each First Day Motion and/or Future Motions would, therefore, be duplicative. Additionally, the Debtors will file certain First Day Motions and Future Motions that will exceed 20 pages in length when necessary and appropriate to describe the relief requested therein. Finally, the Debtors will file several First Day Motions citing Unreported Orders. These Unreported Orders are voluminous, support well-established propositions of law, and are adequately described in the First Day Motions and will be adequately described in the Future Motions. Accordingly, the Debtors believe that it is appropriate to waive Local Bankruptcy Rules 9013-1(a), 9013-2(a) and 9013-2(d).

c. Extension of Time to File Schedules and Statements

23. Because of the substantial size and complexity of the Debtors' organizations, the tremendous volume of materials that must be assembled and compiled, the multiple locations of such information, and the limited staff available to review such information in the early stage of these proceedings, the Debtors were unable to assemble, prior to the Petition Date, all of the information necessary to complete and file the required schedules of assets and liabilities, schedules of current income and expenditures, schedules of executory contracts and unexpired leases and statements of financial affairs (collectively, the "**Schedules and Statements**"). Accordingly, the Debtors will seek the entry of an order extending by 15 days, or until October 20, 2006, the date by which the Schedules and Statements must be filed pursuant to Bankruptcy Rule 1007.

d. Filing Consolidated Lists of Creditors in Lieu of a Matrix, Mailing Initial Notices and Approving Form of Initial Notice

24. The Debtors will request authority to prepare a consolidated list of creditors and a list of equity security holders in electronic format only, identifying their creditors in the format or formats currently maintained in the ordinary course of business in lieu of any required creditor matrix. The Debtors further will seek authority not to file either list with the Court concurrently with the filing of their bankruptcy petitions, but instead to make such lists available only upon request.

25. Permitting the Debtors to maintain a consolidated list of their creditors in electronic format only in lieu of filing a creditor matrix is warranted under the circumstances. Converting the Debtors' computerized information to a format compatible with the matrix requirements would be an exceptionally burdensome task and would greatly increase the risk and

recurrence of error with respect to information already intact on computer systems maintained by the Debtors or their agents.

26. The Debtors will file an application (the "**Notice and Claims Agent Application**") seeking the appointment of BMC Group, Inc. ("**Agent**") as claims, noticing and balloting agent in these Cases. Prepetition, Agent assisted with the consolidation of the Debtors' computer records into a creditor database which database is maintained by Agent. If the Notice and Claims Agent Application is granted, Agent will, among other things, complete the mailing of the Notices to the parties in such database and perform all noticing and solicitation of parties in the database.

27. After consultation with Agent, I believe preparing the consolidated list in the format or formats currently maintained by Agent will be sufficient to permit Agent to notice promptly all applicable parties. Accordingly, I believe it is in the best interest of the Debtors' estates to avoid the cost and risks associated with preparing and filing a separate matrix with this Court.

28. The Debtors also will propose that Agent undertake all mailings directed by the Court, the United States Trustee or as required by the Bankruptcy Code. Additionally, Agent will assist the Debtors in preparing creditor lists and mailing required notices. With the assistance of Agent, the Debtors will be prepared to file a computer readable consolidated list of creditors and a list of equity security holders upon request, and will be capable of undertaking all necessary mailings. I believe that the noticing procedures proposed herein are beneficial to the Debtors' estates and creditors because they provide actual notice to all of the Debtors' creditors in an efficient and cost-effective manner.

29. The Debtors also will seek approval of the Initial Notice of the commencement of the Cases and the meeting of creditors pursuant to section 341 of the Bankruptcy Code. I believe that the Initial Notice complies with the requirements of Bankruptcy Rule 2002(a) and (f) and is beneficial to the Debtors' estates and creditors because it provides actual notice to all of the Debtors' creditors in an efficient and cost-effective manner.

e. Case Management Order

30. The Debtors will present a motion requesting that this Court enter an order establishing certain notice, hearing and other case management procedures in these Cases. The Debtors submit that by establishing these case management procedures at the outset of these Cases, the administration of these Cases will be simplified and the cost associated therewith will be dramatically reduced for all parties in interest. Given the large volume of pleadings that will be filed in these Cases and the number of interested parties, the Debtors believe that special hearing procedures should be established to assist in administering the case docket and avoid constant (and unpredictable) hearings before this Court. Among other things, the Debtors have proposed that such hearing procedures include the creation of regularly scheduled omnibus hearings at which the Court, the Debtors and other parties in interest can address several motions at once, thereby avoiding the substantial time and expense of scheduling separate hearings on each discrete matter. The Debtors further seek the establishment of a number of other case management procedures to be utilized in these Cases for the benefit of the Court and parties in interest.

f. Adequate Assurance of Payment of Utilities

31. The Debtors currently use electric, natural gas, heat, water, sewer and other similar services under 97 separate accounts provided by approximately 32 different utility companies (collectively, the "**Utilities Companies**"). The Debtors estimate that their aggregate

average monthly obligations to the Utility Companies on account of services rendered total approximately $486,039.40. Uninterrupted utility service is essential to the Debtors' ongoing operations and, therefore, to the success of the Debtors' reorganization. The Debtors are an important manufacturer of automotive parts, operate eight manufacturing and various other facilities throughout the United States. The Debtors could not maintain these facilities and, therefore, could not operate their business, in the absence of continuous utility service. Should any Utility Company refuse or discontinue service, even for a brief period, the Debtors would be forced to cease the operation of each affected facility, resulting in a substantial disruption of operations and loss of revenue. The temporary or permanent discontinuation of utility services at any of the Debtors' facilities could irreparably harm the Debtors' efforts to maximize the value of its assets.

32. Pursuant to section 366(c)(2) of the Bankruptcy Code, I understand that a utility may alter, refuse or discontinue a chapter 11 debtor's utility service if the utility does not receive from the debtor or the trustee adequate "assurance of payment" within 30 days of the commencement of the debtor's chapter 11 case. To comply with the requirements of section 366 of the Bankruptcy Code, the Debtors will seek an order of the Court authorizing them to provide a deposit to any requesting Utility Company in an amount equal to the Debtors' calculation of the cost of two weeks' worth of utility service, based on the historical average over the past 52 weeks, as set forth on the Utility Service List attached as Exhibit A to the motion. In addition, if any Utility Company believes additional assurance is required, it may request such assurance, pursuant to specific procedures set forth in the motion (the "**Adequate Assurance Procedures**"). Moreover, because some Utility Companies might assert that the Adequate Assurance Procedures are not strictly in compliance with section 366 of the Bankruptcy Code

and because a final hearing on adequate assurance may not be conducted within the first 30 days of these Cases under these procedures, the Debtors are proposing certain "opt out" procedures to resolve disputes with Utility Companies in the first 30 days of theses Cases.

g. Cash Management Systems

33. Prior to the commencement of these Cases, in the ordinary course of business, the Debtors maintained a substantially integrated and complicated centralized cash management system (the "**Cash Management System**") consisting of various accounts (collectively, the "**Accounts**"). The Cash Management System is organized by entity. Products and Thermoplastics each have lockbox accounts (the "**Products Lockbox Account**" and "**Thermoplastics Lockbox Account**," respectively, and collectively, the "**Lockbox Accounts**") at Wachovia Bank, N.A. ("**Wachovia Bank**"), an affiliate of Wachovia.

34. The Debtors derive their revenue from customer payments. Customers of each Debtor remit payment to the Debtors via deposit into their respective Lockbox Accounts. Prepetition, domestic customer payments owing to CEP Mexico are also deposited into the Products Lockbox. As part of the Cash Management System, each day, the Lockbox Accounts are swept by Wachovia. The swept amounts reduce the obligations owed by the Debtors to Wachovia Capital.

35. In addition, Products and Thermoplastics have separate operating accounts (the "**Products Operating Account**" and "**Thermoplastics Operating Account**," respectively, and collectively, the "**Operating Accounts**") into which Wachovia funds the Debtors under the Prepetition Loan Agreements. Each day, based on availability, the Debtors request funding from Wachovia under the Prepetition Loan Agreements. If availability exists, Wachovia funds the Operating Accounts as requested by the Debtors. The funds held in the Operating Accounts are used by the Debtors to make all payments that are made by wire transfer, including, but not

limited to: (a) payroll, (b) insurance premiums, and (c) large vendor payments. All of the Operating Accounts are located at Wachovia Bank.

36. In addition, Products and Thermoplastics have separate controlled disbursement accounts (the "**Products Disbursement Account**" and "**Thermoplastics Disbursement Account**," respectively, and collectively, the "**Disbursement Accounts**") at Wachovia Bank. All of the Debtors' checks are drawn on the Disbursement Accounts. The Disbursement Accounts are zero-balance accounts which are solely funded with the amount of a check once the check is issued by a Debtor. Thus, funds in the Disbursement Accounts are equal to the amount of issued, but outstanding checks at any given time.

37. Although prepetition, the Cash Management System was intertwined with the operations of non-debtor affiliate, CEP Mexico, the Debtors are required under the proposed DIP Financing Order to separate the business operations of CEP Mexico. The Debtors have sought authority to establish a bank account for CEP Mexico at Wachovia which will serve to segregate CEP Mexico's receivables and payables from the Debtors. As provided in the DIP Financing Motion, CEP Mexico shall operate as a stand alone entity postpetition and will be supported by the Debtors' customers at such facilities.

38. The Debtors further maintain a bank account (the "**National City Account**") at National City Bank (account #982674652) with a balance of approximately $3,200. It is not necessary for the Debtors to maintain the National City Account and the Debtors will request the authority to close this account.

39. Continuation of the Cash Management System with its complex structure of lockboxes and accounts is essential to maintaining the stability of the Debtors' financial structure while operating in Chapter 11. By preserving business continuity and avoiding the

operational and administrative paralysis that would accompany the closing of all accounts and the re-establishment of new ones, the relief requested herein is in the best interests of the Debtors' estates and all parties in interest. The Debtors likewise require continued use of their Cash Management System so that they may continue the operation of their businesses without disruption and unnecessary confusion. This will assist the Debtors in their efforts to maximize the value of their assets.

40. The operation of the Debtors' businesses require that their Cash Management System remain in place during the pendency of these Cases. Requiring the Debtors to adopt a new, segregated cash management architecture at this early and critical stage of their Cases would be expensive, disruptive and create unnecessary administrative difficulties. Any disruption in the Debtors' operations could have a severely adverse impact upon the Debtors' operations especially given the Debtors' acute liquidity problems. Accordingly, maintenance of the existing Cash Management System is not only essential, but is in the best interests of all creditors and parties in interest.

41. The foregoing practices directly and indirectly help maintain and preserve the value of the Debtors' enterprise. Indeed, the Debtors' operations and asset values depend on the continuation of these cash management practices. Otherwise, the Debtors might not be able to trace their receipts and disbursements or efficiently manage their liquid assets. As a result: (a) the Debtors would not be able to timely meet postpetition obligations; (b) interest on the Debtors' funds would be lost; (c) payroll for thousands of employees would be disrupted; and (d) the Debtors' ability to service its customers would be impeded.

42. The Debtors believe that the continuation of the Cash Management System with its complex structure of lockboxes and accounts is essential to maintaining the

stability of the Debtors' financial structure while operating in Chapter 11. By preserving business continuity and avoiding the operational and administrative paralysis that would accompany the closing of all accounts and the re-establishment of new ones, the relief requested herein is in the best interests of the Debtors' estates and all parties in interest.

43. The Debtors likewise require continued use of their Cash Management System and intercompany transfer system so that they may continue the operation of their businesses without disruption and unnecessary confusion. The Cash Management System utilized by the Debtors is similar to those commonly employed by other parties in the automotive industry. Because the aforementioned cash management procedures constitute the Debtors' usual, ordinary and essential business practices, the Debtors seek this Court's authorization to continue such practices during these Cases. If this relief is granted, the Debtors will maintain records of all postpetition intercompany transfers so that all transactions can be readily ascertained.

44. The operation of the Debtors' businesses require that their Cash Management System remain in place during the pendency of these Cases. Requiring the Debtors to adopt a new, segregated cash management architecture at this early and critical stage of their Cases would be expensive, disruptive, and create unnecessary administrative difficulties. Any disruption in the Debtors' operations could have a severe adverse impact upon the Debtors' operations and prospects for a successful reorganization especially given the Debtors' acute liquidity problems. Accordingly, I believe that the maintenance of the existing Cash Management System is not only essential, but is in the best interests of all creditors and parties in interest.

45. I submit that the foregoing practices directly and indirectly help maintain and preserve the value of their enterprise. Indeed, the Debtors' operations and asset values depend on the continuation of these cash management practices. Otherwise, the Debtors might not be able to trace their receipts and disbursements or efficiently manage their liquid assets. As a result: (a) the Debtors would not be able to timely meet postpetition obligations; (b) interest on the Debtors' funds could potentially be lost; (c) payroll for thousands of employees could be disrupted; and (d) the Debtors' ability to service their customers could be impeded which in turn could shut down production lines at GM, Delphi, Visteon and other customers. Accordingly, absent the relief requested herein, the Debtors' businesses could be disrupted and their asset values and estates irreparably harmed.

46. In the ordinary course of their businesses, the Debtors use a multitude of checks and other business forms. Due to the nature and scope of the Debtors' business operations and the large number of suppliers of goods and services with which the Debtors deal on a regular basis, it is important that the Debtors be permitted to continue to use their existing checks and other business forms without alteration or change. To avoid disruption of their Cash Management System and unnecessary expense, moreover, the Debtors will request that they not be required to include the legend "Debtor in Possession" or a "debtor in possession number" on any checks or other business forms.

47. I also believe that cause exists to waive the requirements imposed by section 345(b) of the Bankruptcy Code. The Lockbox and Disbursement Accounts are maintained as zero balance accounts and do not maintain balances over time. The Accounts that do maintain balances, such as the Operating Accounts, maintain minimal balances and are kept at Wachovia. The Debtors believe that Wachovia is financially stable and is otherwise FDIC or

FSLIC insured. For this reason, I believe that the funds held in deposit are safe, and that any risks associated with such accounts are so *de minimus* that it would be a waste of estate resources to incur the cost required to close such accounts and establish entirely new ones.

h. Protection of Confidential and Privileged Information

48. The Debtors operate in a highly competitive industry and rely on confidential and proprietary information in the conduct of their businesses. As such, the dissemination of the Debtors' Confidential Information to parties who are not bound by any confidentiality agreement directly with the Debtors could have disastrous results for the Debtors. If the Debtors' general creditors could require the Creditors' Committee to give them access to Confidential Information, such information easily could become public and could be used by the Debtors' competitors and other parties to the direct detriment to the Debtors and their business operations. This concern is amplified because certain of the Debtors' competitors are creditors or potential creditors of the Debtors.

49. There can be little doubt that the public dissemination of the Debtors' Confidential Information would cause serious harm to the Debtors' estates. Among other things, if the Debtors' business strategies and initiatives become known to the Debtors' competitors, the effectiveness of these competitive strategies would be undermined. Disclosure of business costs and proprietary practices could allow competitors to compete for business on an unfair basis. In addition, other Confidential Information of the Debtors, such as compensation levels or other employee information, is of a sensitive nature, and public disclosure of such information would cause morale and similar problems for the Debtors, as well as potentially violate federal and state privacy laws.

50. If there were a risk that Confidential Information given by the Debtors to the Creditors' Committee could be disclosed to any creditor, the Debtors would be strongly

discouraged from giving Confidential Information to the Creditors' Committee in the first place. In fact, the Debtors likely would conclude that they could not give any such information to the Creditors' Committee for fear of the substantial adverse impact that would result from such disclosure. The inability of the Creditors' Committee to gain access to Confidential Information, in turn, would limit its ability to fulfill its statutory obligations under the Bankruptcy Code.

51. The Debtors and the Creditors' Committee face similar risks if the committee could be required to provide creditors who are not committee members with access to Privileged Information. If there is a risk that Privileged Information would be turned over to creditors generally, with the possible loss of the relevant privilege at that time, the entire purpose of such privilege would be eviscerated, and the Creditors' Committee would be unable to obtain the independent and unfettered advice and consultation that such privileges are designed to foster. As a result, the Creditors' Committee would be hampered in its ability to fulfill its statutory role in these chapter 11 cases.

52. For all of these reasons, the Debtors will seek the entry of an order confirming that the Creditors' Committee is not authorized or required to provide any creditor it represents who is not a member of the Creditors' Committee with access to the Debtors' Confidential Information or Privileged Information. Such relief not only will assist in preserving and maximizing the value of the Debtors' estates, but also will protect the Creditors' Committee by allowing it to review Confidential Information and obtain privileged advice of counsel without risk of violating the Bankruptcy Code by refusing to provide such information to creditors generally.

i. Expedited Hearing on the First Day Pleadings

53. Given the importance of the relief sought in the First Day Pleadings to the Debtors' ability to continue their business operations, the Debtors will move for entry of an order scheduling an expedited hearing on the First Day Pleadings.

The Employee Motions

a. Employee Wages and Benefits

54. The Debtors' workforce currently includes approximately 1,106 full-time and part-time hourly and salaried employees, including approximately 455 union employees (collectively, the "**Employees**") as well as approximately 4 independent contractors who perform essential employee functions on a cost-effective basis (collective, the "**Independent Contractors**"). In addition to the Employees and the Independent Contractors, the Debtors also rely on other individuals to provide essential employee services (collectively, the "**Additional Workforce**"). The Additional Workforce is comprised of employees of various temporary agencies (collectively, the "**Temporary Agencies**"). As of the Petition Date, the Debtors' Additional Workforce consists of 203 employees that fulfill various positions, including engineers, accounting professionals, direct labor and supervisory staff, at the Debtors' manufacturing facilities.

55. Any delay or disruption in the provision of employee benefits or the payment of compensation will imperil the Debtors' relationship with the Employees, the Independent Contractors and the Temporary Agencies and irreparably impair workforce morale at the very time when the dedication, confidence and cooperation of the Employees, the Independent Contractors and the Temporary Agencies are most critical. In addition, the Debtors believe that many of the Independent Contractors and Additional Workforce will cease providing services to the Debtors, to the direct detriment of the Debtors' businesses, if the Independent

Contractors and the Temporary Agencies are not paid amounts owing to them as of the Petition Date. At this critical stage, the Debtors simply cannot risk the substantial disruption of business operations that would inevitably result from any decline in workforce morale attributable to the Debtors' failure to make prepetition compensation payments in the ordinary course of business.

56. Accordingly, the Debtors will request the entry of an order authorizing the Debtors, in accordance with their stated policies (as such polices may be modified from time to time) and in the Debtors' sole discretion, to pay: (a) certain prepetition wages, salaries, overtime pay, incentive pay, contractual compensation, sick pay, vacation pay, holiday pay and other accrued compensation (collectively, the "**Prepetition Compensation**") to Employees and Independent Contracts; (b) prepetition business expenses, including travel, lodging, moving and other relocation expenses and other reimbursable business expenses (collectively, the "**Prepetition Business Expenses**") to Employees and Independent Contractors; (c) prepetition contributions to, and benefits under, the Employees' benefit plans; (d) prepetition payroll deductions and withholdings with respect to Employees; (e) certain prepetition Additional Workforce Costs; and (f) all costs and expenses incident to the foregoing payments and contributions (including payroll-related taxes and processing costs).

57. In the instant case, the Debtors believe that the amount of prepetition wages, salaries and contractual compensation owing to or on account of any particular Employee and Independent Contractor will not exceed the sum of $10,000 allowable as a priority claim under section 507(a)(4) or section 507(a)(5) of the Bankruptcy Code.

b. Workers' Compensation Programs

58. The Debtors maintain workers' compensation coverage for employees in Alabama, Michigan, Ohio, Pennsylvania and South Carolina.

59. The Debtors, as successors in interest to the Carlisle Corporation ("**Carlisle**"), operate as self-insured employers in Ohio. The Debtors assumed certain liabilities arising under the workers' compensation program maintained by Carlisle in September of 2005. As a result, the Debtors currently maintain a self-insured workers' compensation program in Ohio (the "**Self-Insured Program**") under which they pay applicable workers' compensation claims (collectively, the "**Self-Insured Claims**") as they arise. The Self-Insured Program was administered by Specialty Risk Services. Based on historical experience, the Debtors estimate that the aggregate amount of Self-Insured Claims accrued but not yet paid as of the Petition Date (collectively, the "**Prepetition Self-Insured Claims**") is approximately $300,784.82.

60. The Debtors may be required to modify or terminate the Self-Insured Program and participate in Ohio's "monopolistic" workers' compensation program funded through, and administered by, the Ohio Bureau of Workers' Compensation. Accordingly, the Debtors will request authority to so modify or terminate the Self-Insured Program, as required by applicable state law, and participate in Ohio's workers' compensation program postpetition, if necessary.

61. In Alabama, Michigan, Pennsylvania and South Carolina, the Debtors maintain certain workers' compensation and employers' liability insurance programs (collectively, the "**Insured Programs**") with Hartford Fire Insurance Company ("**Hartford**"). Under the Insured Programs: (a) insurance coverage is provided for losses up to $1 million per claim; and (b) the Debtors are obligated to (i) pay an annual premium that is adjustable retroactively based on the Debtors' final audited payroll for the coverage period (collectively, the "**Insured Premiums**") and (ii) make any other payments required under the Insured Programs, including any payments in excess of the benefits provided by Hartford (collectively, the

"**Insured Claims**"). The Debtors estimate that the aggregate amount of Insured Premiums and the Insured Claims accrued but not yet paid as of the Petition date (collectively, the "**Prepetition Insured Premiums**") is approximately $37,578.00.

62. It is critical that the Debtors be permitted to continue the Workers' Compensation Programs and ensure that the Prepetition Workers' Compensation Claims described herein continue to be processed and paid. If the Workers Compensation Programs are not maintained, the Debtors would be required to make alternative arrangements for workers' compensation coverage — almost certainly at a much higher cost — because such coverage is required under many state laws, with severe remedies if an employer fails to comply with such laws. In fact, if workers' compensation coverage is not maintained as required by such laws, without interruption, (a) employees could bring lawsuits for potentially unlimited damages, (b) the Debtors' ongoing business operations in certain states could be enjoined and (c) the Debtors' officers could be subject to personal liability. Furthermore, if the Workers' Compensation Programs are not maintained, there is a risk that eligible claimants will not receive timely payments with respect to employment-related injuries. This could have a negative impact on the financial well-being and morale of the Debtors' employees and their willingness to remain in the Debtors' employ at a time when a significant deterioration in employee morale will have a substantially adverse impact on the Debtors and the value of their assets and businesses.

63. Accordingly, the Debtors will request an order of the Court authorizing them to continue their Workers' Compensation Programs in all applicable states. In connection therewith, the Debtors also request that the Court authorize them to pay, in their sole discretion, Prepetition Self-Insured Claims and Prepetition Insured Premiums.

64. In addition, the Debtors will request that they be authorized, in their sole discretion, to pay all costs incident to the Self-Insured Program and the Insured Programs, such as state assessments, as processing costs and accrued but unpaid prepetition charges for the administration of these programs (collectively, the "**Prepetition Processing Costs**"). The Debtors estimate that the aggregate amount of Prepetition Processing Costs accrued but unpaid as of the Petition Date was approximately $55,143.56.

65. I believe that the payment of the Prepetition Processing Costs is justified because the failure to pay any such amounts might disrupt services of third party providers with respect to the Self-Insured Program and the Insured Programs. By paying the Prepetition Processing Costs, the Debtors may avoid even temporary disruptions of such services and thereby ensure that their employees obtain all workers' compensation benefits without interruption.

Other Prepetition Claim Motions

a. Prepetition Taxes

66. The Debtors, in the ordinary course of their business, incur various tax liabilities, including sales and use taxes (collectively, "**Sales and Use Taxes**"). Prior to the Petition Date, the Debtors paid the Sales and Use Taxes to the appropriate taxing authorities (collectively, the "**Taxing Authorities**") as they became due. On average, the Debtors' quarterly obligations for the Sales and Use Taxes, including for certain taxes and duties owed to certain Taxing Authorities, were collectively and approximately $2,500.00.

67. The Debtors will move for entry of an order allowing them, in their sole discretion, to pay all prepetition Sales and Use Taxes owed to the Taxing Authorities, including all Sales and Use Taxes subsequently determined upon audit to be owed for periods prior to the Petition Date. Payment of the Sales and Use Taxes in full and on time to the Taxing Authorities

is both necessary and in the estates' best interests. Failure to timely pay, or precautionary withholding by Debtors of payment of, the Sales and Use Taxes likely would cause Taxing Authorities to take aggressive actions, such as the filing of multiple liens and a marked increase in audits which would unnecessarily divert the Debtors' attention from the reorganization process. Prompt and regular payment of the Sales and Use Taxes would avoid any such unwarranted governmental action and disruption.

b. Reclamation Procedures

68. Prior to the Petition Date and in the ordinary course of their business, the Debtors purchased certain components, raw materials and other goods used in their manufacturing and business operations (collectively, the "**Goods**") on credit. As of the Petition Date, the Debtors may be in possession of certain Goods that had been delivered to them, but for which they had not yet been invoiced by, or made payment to, the suppliers. As a result of the commencement of these bankruptcy cases, the Debtors expect to receive written reclamation demands from various vendors or other parties (collectively, the "**Sellers**") with respect to the Goods. Most, if not all, of these reclamation demands will be subject to the secured claims of Wachovia. The Debtors also anticipate that a number of Sellers, after becoming aware of the commencement of these Cases, might attempt to interfere with the delivery of Goods to the Debtors, or attempt forcibly to repossess delivered Goods from the Debtors. Accordingly, to avoid piecemeal litigation that would interfere with the Debtors' reorganization efforts, the Debtors will seek authority to establish procedures for the reconciliation and treatment of all asserted reclamation claims.

69. The Debtors' business will be severely disrupted if Sellers are allowed to exercise their reclamation rights without a uniform procedure that is fair to all parties (collectively, the "**Reclamation Procedures**"). Further, the attention of the Debtors'

management and operational personnel would be diverted from more important operational issues if the Reclamation Procedures are not approved and the Debtors instead are required to respond to and resolve each Reclamation Claim on an *ad hoc* basis, as numerous, individual adversary proceedings or contested matters are filed or as other actions are taken by the Sellers seeking to enforce their reclamation rights. Instead, the Reclamation Procedures effectively and efficiently will streamline the process of resolving the Reclamation Claims for the Debtors and the Sellers alike, without impacting the parties' substantive rights to pursue or contest the Reclamation Claims.

c. Order Confirming Administrative Expense Priority for Postpetition Goods and Services

70. In the ordinary operation of the Debtors' businesses, numerous vendors and suppliers provide the Debtors with thousands of dollars of goods necessary for the operation of the Debtors' businesses, such as certain irreplaceable resins and other raw plastics. The majority of the Debtors' trade vendors will only deliver based on cash in advance. Nevertheless, some of the Debtors, vendors provide the Debtors with terms. As of the Petition Date, and in the ordinary course of their businesses, the Debtors had numerous prepetition purchase orders outstanding (the "**Outstanding Orders**") with various vendors and suppliers (the "**Vendors**") for such goods. Additionally, certain amounts may be due for charges by common carriers related to the delivery of the Outstanding Orders (the "**Common Carrier Charges**").

71. As a consequence of the commencement of these Cases, many of the Vendors which provide terms are concerned or assume that delivery of goods subject to prepetition Outstanding Orders after the Petition Date will leave those Vendors, who make such shipments postpetition, general unsecured creditors of the Debtors' estates with respect to such shipments. Accordingly, such Vendors may refuse to ship or deliver goods to the Debtors on

prepetition orders unless the Debtors issue substitute purchase orders or obtain an order of the Court providing that undisputed obligations of the Debtors arising from the postpetition delivery of merchandise subject to prepetition Outstanding Orders are afforded administrative expense priority with respect to the goods received by the Debtors postpetition. In addition, the Debtors' failure to pay the Common Carrier Charges may give rise to claims secured by various liens, including liens on goods and supplies or possessory liens under state and other applicable law.

72. In order to obtain delivery of the goods subject to the Outstanding Orders, which are necessary for the continued operation of the Debtors' businesses, the Debtors will seek entry of an order (a) granting administrative expense priority status under section 503(b) of the Bankruptcy Code for undisputed obligations arising from the Outstanding Orders in respect of goods received by the Debtors postpetition and Common Carrier Charges that are requested or incurred by the Debtors; and (b) authorizing, but not requiring, the Debtors to pay undisputed obligations arising from the Outstanding Orders and Common Carrier Charges in the ordinary course of business.

Motions and Applications Relating to Professionals

a. Profession Retention Applications

73. The retention of certain chapter 11 professionals is essential to the Debtors' reorganization efforts. Accordingly, concurrently with, or shortly after, the filing of these Cases, the Debtors will seek to retain various professionals to represent and assist them. These professionals include: (a) Baker Hostetler, LLP, as bankruptcy counsel; (b) Glass & Associates, as financial advisors; (c) Giuliani Capital Advisors LLC, as investments bankers; and (d) BMC Group, Inc., as claims and noticing agent. The Debtors believe that (a) the foregoing professionals are well qualified to provide the services contemplated by their various retention applications, (b) the services to be provided by the foregoing professionals are necessary for the

Debtors' reorganization and (c) the foregoing professionals will coordinate their services to avoid any duplication of effort. The Debtors may find it necessary to seek to retain additional professionals to assist them as their Cases progress.

b. Interim Compensation

74. Given the size and complexity of the Debtors' Cases and the amounts of fees and expenses that will be incurred by the Debtors' professionals, the Debtors will seek the entry of an administrative order establishing an orderly, regular process for the monthly compensation and reimbursement of the Debtors' attorneys and other professionals that are consistent with the procedures adopted by courts in this District for the interim compensation of professionals in other large Chapter 11 cases.

Postpetition Financing Motion

75. The Debtors have requested authority to incur postpetition senior secured financing on an Emergency Basis. Key to the Postpetition Financing Motion is the fact that the Debtors are receiving accommodations, including cash infusions, from their largest customers. The Postpetition Financing and Cash Infusions will fully fund the Debtors through the sale of their assets.

76. Through the Postpetition Financing Motion, the Debtors request authority to: (a) use cash collateral of Lender on an emergency basis, (b) incur postpetition secured indebtedness (the "**Postpetition Facility**") on an emergency basis, (c) grant adequate protection to Lender and provide and other related relief to Lender, and (d) the setting of a the Final Hearing pursuant to Rule 4001(c) of the Federal Rules of Bankruptcy Procedure, all as more fully described in the Emergency Order, a the proposed form of which is attached thereto as **Exhibit A**.

77. The following is a summary of the key provisions of the Emergency Order:[5]

General Terms of Postpetition Financing

78. Pursuant to the Postpetition Agreement and Emergency Order, the principal terms of the Postpetition Financing generally are:[6]

a. Borrowers: CEP Holdings, LLC, Creative Engineered Polymer Products, LLC and Thermoplastics Acquisition, LLC

b. Guarantors: Composite Parts Mexico S.A. DE C.V. and CEP Latin America, LLC

c. Lender: Wachovia Capital Finance Corporation (Central).

d. Accommodation Parties: General Motors Corporation, Visteon Corporation, Delphi Automotive Systems, LLC (collectively, the "**Participating Customers**") are providing accommodations to the Debtors, including Cash Infusions, more fully described in the Emergency Order. The Participating Customers may also purchase Postpetition Interests in the Postpetition Facility as described more fully in the Emergency Order.

e. Maximum Amount. The maximum principal amount of the Aggregate Debt shall be $30,880,000, exclusive of Postpetition Charges and Allowable 506(b) Amounts.

f. Use of Proceeds. In accordance with the four month budget attached to the Emergency Order (the "Budget").

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5 The following is intended as a summary of certain terms of Emergency Order and should not be relied upon as a complete description of the terms of the Emergency Order. All parties are encouraged to review and rely on the terms of the Emergency Order. In case of any inconsistency between the terms of the Postpetition Financing as described in this Affidavit and the Emergency Order or Postpetition Agreement, the Emergency Order and Postpetition Agreement shall control.

6 All capitalized terms not otherwise defined in this Motion shall have the meaning ascribed to them in the Emergency Order.

g. DIP Commitment Fee: $430,000

h. Interest. The Postpetition Debt shall bear interest at a per annum rate equal to the non-default Interest Rate (as defined in the Loan Agreements).

i. Term. The Postpetition Facility shall immediately and automatically terminate (except as Lender may otherwise agree in writing), and all Aggregate Debt (as defined in the Emergency Order) shall be immediately due and payable (except as Lender may otherwise agree in writing) upon the earliest to occur of (such earliest date, the "**Termination Date**"):

1. Three business days after the date of the Final Hearing, unless a Final Order has been entered by that date in which case the Final Order shall identify a later applicable termination date, which date shall be the later of (i) the date the last of the Closing Facilities closes or (ii) the date the sale of the last of the Sale Facilities closes;

2. if the Emergency Order is modified at the Final Hearing in a manner unacceptable to Lender, the date of the Final Hearing; and

3. the date on which Lender provides, via facsimile or overnight mail, written notice to counsel for Debtors, counsel to Participating Customers, and counsel for any Committee of the occurrence of an Event of Default (or, if any cure period is applicable with respect to such Event of Default, the expiration of such cure period), pursuant to which notice Lender has elected to declare the occurrence of the Termination Date.

j. Carve Out. A professional and statutory fee carve out described more particularly in the Emergency Order is included.

Cash Collateral

79. With respect to the Debtors' use of Lender's cash collateral, the Postpetition Agreement and Emergency Order generally provide:

a. Authorization to Use Cash Collateral. Debtors are authorized to use Cash Collateral solely in accordance with and pursuant to the terms and provisions of the Emergency Order.

b. Delivery of Cash Collateral to Lender. Debtors are authorized and directed to deposit all Cash Collateral now or hereafter in their possession or under their control into the existing Blocked Accounts (or to otherwise deliver all such Cash Collateral to Lender in a manner satisfactory to Lender) promptly upon receipt thereof. Lender shall thereafter apply such Cash Collateral in accordance with Paragraph 6(e) of the Emergency Order.

c. Cash Collateral in Lender's Possession. Lender is authorized to collect upon, convert to cash and enforce checks, drafts, instruments and other forms of payment now or hereafter coming into its possession or under its control which constitute Aggregate Collateral or proceeds of Aggregate Collateral.

Postpetition Indebtedness and Priority

80. With respect to the incurrence of postpetition indebtedness by the Debtors, the Postpetition Agreement and Emergency Order generally provide:

a. Postpetition Documents. Debtors seek authorization to: (1) execute the Postpetition Documents, including all documents that Lender finds necessary to implement the transactions contemplated by the Postpetition Documents, and to make immaterial modifications thereto as the parties deem necessary, without further order of this Court; and (2) perform their obligations under and comply with all of the terms and provisions of the Postpetition Documents and the Emergency Order.

b. Permitted Uses of Postpetition Debt. Debtors seek authority to incur Postpetition Debt: (1) solely in accordance with and pursuant to the terms of the

Emergency Order and the Postpetition Documents; and (2) solely to the extent required to pay those expenses enumerated in the Budget as and when such expenses become due and payable.

c. Certain Terms of Postpetition Debt.

i. Conditions to Postpetition Advances. At Lender's election, no Postpetition Debt shall be incurred under the Emergency Order until: (A) the Postpetition Agreement has been executed and delivered by Debtors and it has become effective in accordance with Section 5.5 of the Postpetition Agreement; (B) the Participating Customer Participation Agreement has become effective; (C) the Prepetition Guarantors have ratified the Prepetition Guarantees on terms satisfactory to Lender in its sole discretion; and (D) the Postpetition Guarantors have executed and delivered the Postpetition Guarantees.

ii. Overadvance Sublimits. Subject to the terms of the Postpetition Agreement, Lender shall make "Revolving Loans" under the "Overadvance Sublimits" (as such terms are defined in the Postpetition Agreement) only on the following terms: (A) Unless the involved Participating Customers otherwise agree in writing to a greater amount, the Overadvance Sublimits shall not exceed $1,500,000 in the aggregate, provided, that upon the written agreement of the Debtors, Lender and Participating Customers, and subject to limitations on the maximum aggregate amount of the Aggregate Debt, the Overadvance Sublimits may be increased from time to time without further Order of the Court; (B) the Overadvance Sublimits (i) shall not be applied by Lender to any of the Aggregate Debt or other charges owing to Lender the Emergency Order, (ii) shall be provided by Lender to Debtors unless the Termination Date has occurred and (iii) shall be used by Debtors according to the Budget, unless otherwise agreed to by the Debtors, Lender and the Participating Customers; (C) Unless otherwise agreed to in writing by the Participating Customers, the Participating Customers shall have no obligation to purchase Postpetition Participations after the occurrence of an Event of Default (as defined below); and (D) The Overadvance Sublimits shall be used to pay, to the extent Debtors can not fully pay, each Participating Customer's Initial Allocable Percentage and Amended Allocable Percentage, as the case may be, of the charges listed in Paragraph 8(a)(i) through 8(a)(iv) of the

Emergency Order for the Sale Facilities only. For each Sale Facility, the Overadvance Sublimits shall be funded only by Postpetition Participations by the Participating Customers who are subject to a no-resource pledge (pursuant to Paragraph 7(d) the Emergency Order) or for those Participating Customers who are not subject to a no-resource pledge but who allow their business to be sold.

iii. Affiliate Use Restriction. The Postpetition Debt shall not be used to fund expenses of CEP Mexico and CEP Latin America, LLC.

d. Superpriority Administrative Expense Status; Postpetition Liens. The Debtors have requested that the Postpetition Debt be granted superpriority administrative expense status under Code § 364(c)(1), with priority over all costs and expenses of administration of the Case that are incurred under any provision of the Code, except for the carve out. In addition, Lender shall be granted the Postpetition Liens to secure the Postpetition Debt. The Postpetition Liens: (1) are and shall be in addition to the Prepetition Liens; (2) pursuant to Code §§ 364(c)(2), (c)(3) and 364(d), are and shall be First Priority Liens (subject only to Permitted Liens) without any further action by Debtors or Lender and without the execution, filing or recordation of any financing statements, security agreements, mortgages or other documents or instruments; (3) shall not be subject to any security interest or lien which is avoided and preserved under Code § 551; and (4) shall remain in full force and effect notwithstanding any subsequent conversion or dismissal of the Case.

Adequate Protection

81. With respect to adequate protection of Lender's Prepetition Collateral, the Postpetition Agreement and Emergency Order generally provide:

a. Adequate Protection of Interests of Lender in the Prepetition Collateral and the Prepetition Liens/Consideration for Postpetition Debt. As adequate protection

of the interests of Lender in the Prepetition Collateral and in consideration of the Postpetition Debt, the Debtors have agreed to the following:

b. Sublimit Reductions. The Debtors have agreed to sublimit reductions more fully described in the Emergency Order.

c. Priority of Prepetition Liens/Allowance of Lender's Prepetition Claim. Subject to the terms of Paragraph 16(a) of the Emergency Order: (1) the Prepetition Liens shall constitute First Priority Liens, subject only to the Postpetition Liens and the Permitted Liens; (2) the Prepetition Debt constitutes the legal, valid and binding obligation of Debtors, enforceable in accordance with the terms of the Prepetition Documents; (3) the Debtors have agreed that no offsets, defenses or counterclaims to the Prepetition Debt exist, and no portion of the Prepetition Debt is subject to avoidance or subordination pursuant to the Code or applicable nonbankruptcy law; (4) Lender's claim with respect to the Prepetition Debt as of the Petition Date shall for all purposes constitute an allowed secured claim within the meaning of Code § 506 in an amount not less than $29,330,000 in the aggregate; and (5) Debtors request a authority to release, discharge, and acquit Lender, each of the Participating Customers and their respective officers, directors, principals, attorneys, predecessors in interest, and successors and assigns of and from any and all claims, demands, liabilities, responsibilities, disputes, remedies, causes of action, indebtedness, and obligations, of every type as described more fully in the Emergency Order.

d. Replacement Liens. Debtors request authority to grant Lender the Replacement Liens as security for payment of the Prepetition Debt.

e. Allowed Code § 507(b) Claim. If and to the extent the adequate protection of the interests of Lender in the Prepetition Collateral granted to Lender pursuant to

the Emergency Order proves insufficient, Lender shall have an Allowed Claim under Code § 507(b), subject to the Carve out, in the amount of any such insufficiency, with priority over: (1) all costs and expenses of administration of the Case (other than Lender's claims under Code § 364 that are incurred under any provision of the Code, including Code §§ 503(b), 506(c), 507(a), or 552(b); and (2) the claims of any other party in interest under Code § 507(b).

Customer Participation and Accommodations

82. With respect to customer participation and accommodations, the Postpetition Agreement and Emergency Order generally provide:

a. Participating Customer Accommodations. To induce Lender to enter into the Postpetition Agreement and to advance the Postpetition Debt to Debtors, and in consideration and reliance upon the assumption of the Access and Security Agreement, the Emergency Order provides that the Participating Customers shall continue to provide the following accommodations:

i. Accelerated Payment Terms. The Participating Customers will make payment of their respective accounts payable due and owing to Debtors on terms of "net immediate" (approximately 10 day) terms.

ii. Limitation of Setoffs. Except for certain "Allowed Setoffs" set forth in the Emergency Order, the Participating Customers agree not to exercise at any time any rights of setoff, recoupment or deduction with respect to any bona fide accounts payable to Debtors arising from any Component Parts shipped by Debtors from the Petition Date through the Termination Date.

iii. Inventory Buy-Back. In order to provide the Debtors' Estate with more certainty, the Participating Customers have agreed to purchase and pay for within the later of (a) seven (7) days of the Inventory Purchase Trigger Date or (b) five (5) days after a Participating Customer takes possession or control of the Subject Inventory (defined below), all raw materials, work in process and finished goods inventory related to the Component Parts that are at

such time both "useable" by the Participating Customers and in a "merchantable" condition (the "**Subject Inventory**").

iv. Resourcing Limitation. For each Sale Facility, the Participating Customers that have elected to designate such facility as a Sale Facility shall forbear from resourcing out of such Sale Facility absent (i) an Event of Default; or (ii) the resourcing of other customers at such Sale Facility to the extent that such Sale Facility is no longer viable as a separate going concern business as determined jointly by Debtors' investment banker and the applicable Participating Customers. Each Participating Customer shall support in good faith the sale efforts of Debtors with respect to the designated Sale Facilities but only to the extent such Participating Customer is purchasing Component Parts from the affected Sale Facility. For clarity, a Participating Customer's designation of a facility as a Sale Facility shall not prevent another Participating Customer from treating such facility as a Closing Facility.

b. Participating Customer Cash Infusions. In order ensure production and ultimately facilitate the liquidation of the Debtors' assets, the Participating Customers have agreed to certain cash infusion requirements. Specifically:

i. Upon approval of the Emergency Order, and thereafter, on or before the first day of each calendar month that a Participating Customer will have production in any Closing Facility or Sale Facility for which it does not support a sale process, such Participating Customer shall pay lump sum Cash Infusions equal to the projected expenses in the Budget (as may be amended from time to time) for the next month (or for the remaining calendar month with respect to the first Cash Infusion, i.e., September, 2006) related to the Closing Facilities (and as to each Participating Customer, its allocable portion of projected expenses for the Sale Facilities of which it does not support a sale process) less Debtors' projected aggregate "Excess Availability" under and as defined in the Loan Agreements (as modified by the Postpetition Agreement) as set forth in the Budget. In all events, the Participating Customers shall make Cash Infusions sufficient to fund each Participating Customer's Initial Allocable Percentage and Amended Allocable Percentage, as the case may be, to the extent Debtors do not have Postpetition Debt otherwise sufficient to fully pay:

1. The forecast cash burn, pursuant to the Budget, incurred at such facilities that are required to produce the Participating Customers' Component Parts sufficient to meet releases plus manufacture requested part banks subject to Capacity through the Exit Date;
2. The manufacturing and administrative overhead allocable to such facilities' operations through the Exit Date,
3. The Restructuring Charges (which shall be allocated to specific facilities where possible but shall be exclusive of the closing fee of Lender in accordance with this Order) shall be fully payable with the first Cash Infusion according to the Initial Allocable Percentage; and
4. Wind Down Charges.

ii. The Cash Infusions required each month prior to the Exit Date of Participating Customers pursuant to their respective Initial Allocable Percentage or Amended Allocable Percentage, as the case may be, shall be paid in full into a trust account ("**BBK Trust Account**") maintained by BBK, Ltd ("**BBK**"). All such payments pursuant to the Amended Allocable Percentage for October must be paid on October 21, 2006, and so on. Funds in the BBK Trust Account shall be released by BBK to Debtors or a Carve out Professional, as the case may be, when due pursuant to this Emergency Order, the Budget, the Interim Compensation Order with respect Professional Fees and Disbursements or as approved by the Court.

iii. The Participating Customers shall have 10 days from the Petition Date to designate a facility as a Sale Facility. In the event that a Participating Customer decides to designate and support a facility as a Sale Facility, any Cash Infusion already paid by such Participating Customer for that particular facility shall be deemed recharacterized as a Postpetition Participation. Debtors and the Participating Customers agree to execute and deliver such documents or agreements reasonably necessary to document the foregoing recharacterization.

iv. An Assisting or Participating Customer's obligation to make Cash Infusions with respect to a given facility shall cease beginning the first day of the calendar month following receipt by counsel for Debtors and counsel for Lender of a Resourcing Completion Notice regarding such

facility, except for its Initial Allocable Percentage or Amended Allocable Percentage, as the case may be, for the month in which a Resourcing Completion Notice is so delivered, provided that an Assisting or Participating Customer shall deliver a Resourcing Completion Notice no later than 7 day prior to the end of the calendar month in which it is delivered.

v. Once Resourcing Completion Notices have been delivered by all Assisting or Participating Customers with respect to a facility, it shall be deemed a "Liquidating Facility" and such customers shall have no further responsibility or obligations with respect to such facility. For clarity, this provision does not amend the allocation of costs for such Liquidating Facility as to each Assisting or Participating Customer as such exit the facility.

vi. As long as any Assisting or Participating Customer is receiving Component Parts from Debtors, it shall be liable for its full Amended Allocable Percentage. For clarity, if only one Assisting or Participating Customer remains at any given facility, its Amended Allocable Percentage shall be 100%.

vii. Once a facility is deemed a Liquidating Facility, its allocation of costs under Section 8(a)(ii) and (iii) of the Emergency Order shall be reallocated in full going forward to all facilities that are not yet Liquidating Facilities including the Sale Facilities, so that all costs under Section (8)(a)(ii) and (iii) continue to be funded hereunder.

viii. Subject to Debtors' compliance with the Participating Customers' bank build requirements, the Participating Customers shall resource the production of Component Parts out of a Closing Facility as soon as commercially reasonable but in no event later than the Exit Date; provided, however, that the Exit Date may be extended by the parties up to a date that is no later than 210 days from the Petition Date in the event Debtors have not completed a Participating Customer's bank build by the Exit Date, subject to the parties negotiating in good faith a revised budget as it relates to the particular Closing Facility.

c. Support of Other Customers. Immediately upon entry of the Emergency Order, Debtors shall, on a facility by facility basis, including the Mexican facilities, contact all customers representing their top 22 customers by sales revenue for the first six

months of 2006 other than the Participating Customers to permit such customers to become an "Assisting Customer" by agreeing to the following accommodations:

i. Net Immediate (approximately 10 day or equivalent) payment terms;

ii. Provide Cash Infusions sufficient to fund each Assisting Customer's Initial Allocable Percentage or Amended Allocable Percentage, as the case may be of:

1. The forecast cash burn, pursuant to the Budget, incurred at a Closing Facility, that is required to produce each Assisting Customer's parts sufficient to meet releases plus manufacturing of each Assisting Customer's respective parts bank subject to Capacity through the Exit Date;
2. The manufacturing and administrative overhead necessary to operate the manufacturing operations through the Exit Date;
3. Restructuring Charges; and
4. Wind Down Charges.

iii. Agree to a limitation of setoff with terms similar to the covenants of the Participating Customers set forth in Paragraph 7 of this Order and an inventory buy back agreement at 100% of Debtors' actual cost regarding raw material and work in process and 100% of the selling price of finished goods.

iv. Debtors shall not use any of the Postpetition Debt or Cash Infusions to produce Component Parts for any of their top 22 respective customers who are not Participating Customers or Assisting Customers and who do not opt to become Assisting Customers as of the close of business on the date that is five (5) business days of the date of the filing of the Motion; provided, however, upon consent of the Participating Customers at a subject facility (which consent shall be granted only one time at each facility), Debtors may continue to produce Component Parts with a positive profit margin for a customer that is not a Participating Customer or Assisting Customer if such other customer resources production away from Debtors without requiring production of a bank build not later than 10 days after the Petition Date; provided further that such other customer agrees to (i) waive all claims for setoff that may exist with respect to accounts owed by such customer to

Debtors (other than recoupments or deductions for defective or nonconforming products, quality problems, unordered or unreleased parts returned to Debtors, short shipments, misshipments, premium freight charges, improper invoices, mispricing, duplicate payments or billing errors existing) and (ii) purchase all inventory used in the production of its Component Parts at 100% of Debtors' cost regarding raw material and work in process and 100% of the selling price of finished goods.

v. A top 22 customer who has parts produced by the Debtors in multiple facilities may become an Assisting Customer with respect to one, some or all facilities. In which case, it shall only be liable for its Initial Allocable Percentage or Amended Allocable Percentage, as the case may be, for the facilities in which it opts to be an Assisting Customer. An Assisting Customer may not receive parts from any facility in which it is not an Assisting Customer, except as provided below.

Sale Covenants

83. The Emergency Order contains the following sale covenants:

a. Sale Covenants for Sale Facilities. The Participating Customers may amend the facilities listed in the definition of Sale Covenants contained in this Order on or before 10 days of the Petition Date. To effectuate the sale process for each proposed Sale Facility as designated by the Participating Customers pursuant to paragraph 7(d) of this Order the Debtors shall:

i. File a sales procedure motion no later than 12 days after the Petition Date to (i) approve a sale process for those facilities agreed to by Debtors, Lender and the Participating Customers; and (ii) retain an investment banker to assist in the sale of the Sale Facilities;

ii. As to each Sale Facility, obtain court approval no later than December 1, 2006 to close a sale transaction no later than December 19, 2006;

iii. Produce a parts bank, subject to Capacity and otherwise cooperate with the Participating Customers to orderly resource production after the Termination Date out of a Sale Facility that Debtors are unable to successfully sell (or where an Event of Default has occurred allowing Participating Customer resourcing out of such Sale Facility), or otherwise cooperate in good faith to extend any financing necessary to operate such facility beyond the Termination Date.

b. Sale Covenants for Closing Facilities. The Participating Customers shall provide Debtors and Lender a list of all Closing Facilities on or before 10 days of the Petition Date. To effectuate the sale process for each proposed Closing Facility the Debtors shall:

i. File a sales procedure motion no later than 12 days after the Petition Date to (i) approve a sale process acceptable to Lender; and (ii) retain an auctioneer to assist in the sale of the Closing Facilities; and

ii. As to each Closing Facility, close one or more transactions to sell substantially all of Debtors' assets at the Closing Facility on terms acceptable to Lender within 14 days of the later of (i) the Exit Date or (ii) the expiration of the Occupancy Period under the Access and Security Agreement if a Right of Access at the Closing Facility is exercised by a Participating Customer.

Additional Terms

84. The Emergency Order additionally provide for the following terms:

a. Tooling and Equipment. The Debtors have agreed to certain tooling acknowledgements and equipment purchase options in favor of the Participating Customers described more fully in the Emergency Order.

b. Assumption of Customer Agreements. The Debtors have agreed that the Access and Security Agreement, as amended by the Emergency Order, shall be deemed assumed by the Debtors upon entry of the Emergency Order; provided however, the exercise by a Participating Customer of its Right of Access (as defined in the Access and Security Agreement) after the Exit Date shall obligate it to negotiate in good faith a revised budget for that particular Closing Facility, (ii) the Access and Security Agreement shall apply to, and continue to be enforceable against, CEP Mexico by a Participating Customer, and (iii) that any obligations of Debtors to cure any existing defaults under the Access and Security Agreement as of the date of the Emergency Order shall not be deemed to constitute administrative expenses (i.e. cure claims) against Debtors' estates, but remain prepetition claims of the Participating Customers. Thus, no administrative claim may arise from the assumption of the Access and Security Agreement.

c. Maintain Production; Parts Bank. Debtors shall maintain production at each of their respective facilities pursuant to ordinary releases for the Participating Customers pursuant to the Purchase Orders, and produce parts bank requirements of the Participating Customers and Assisting Customers subject only to Capacity, through earlier of (a) the Exit Date, or such later date on a facility by facility basis as is necessary to allow all Participating Customers to orderly resource its respective production at such facility, or (b) the date which a Participating Customer delivers a Resourcing Completion Notice with respect to a facility. In the event Debtors fail to maintain production and build the requested parts bank

subject to Capacity, such failure shall constitute cause for the appointment of a Chapter 11 trustee or a "Default" under the Access and Security Agreement.

d. Events of Default. Events of Default include:

i. the occurrence of any Event of Default first arising after the Petition Date under Section 10.1 of the CEP Loan Agreement or Section 10.1 of the Thermoplastics Loan Agreement (other than by reason of Sections 10.1(g) or 10.1(h) of each Loan Agreement with respect to Debtors), as such Loan Agreements are amended and ratified by the Postpetition Agreement;

ii. any Debtor fails to perform any of its obligations in strict accordance with the terms of the Emergency Order;

iii. Debtors or Guarantors fail to comply with any of the Sale Covenants or fail to comply with any term of the sales procedures orders entered by the Court in connection therewith;

iv. any Debtor, without Lender's consent, seeks the use of Cash Collateral other than in accordance with the terms of the Emergency Order;

v. any Debtor, without Lender's consent, files a motion to incur debt secured by a lien with priority equal to or superior to the Postpetition Liens or which is given superpriority administrative expense status under Code § 364(c) other than in accordance with the terms of the Emergency Order;

vi. any Debtor files a motion to conduct a Code § 363 sale of all or part of the Aggregate Collateral on terms unacceptable to Lender;

vii. commencement of any "Occupancy Period" under and as defined in the Access and Security Agreement;

viii. any representation or warranty made by Debtors in any certificate, report or financial statement delivered to Lender proves to have been false or misleading in any material respect as of the time when made or given (including by omission of material information necessary to make such representation, warranty or statement not misleading);

ix. the Case is dismissed or converted to a case under chapter 7 of the Code;

x. Glass & Associates, Inc. is no longer serving as financial advisor to Debtors;

xi. the appointment of a chapter 11 trustee that is not acceptable to Lender; or

xii. Debtors file a chapter 11 plan that is not acceptable to Lender.

85. Having determined that financing was available only under sections 364(c) and (d) of the Bankruptcy Code, and having explored other options for secured and unsecured lending, the Debtors have negotiated the terms of the Emergency Order pursuant to its business judgment with the Lender and Customers.

86. The Postpetition Facility is for the benefit of the Debtors' estate and creditors. Such financing is the sole means of preserving and enhancing the Debtors' going concern value. With the credit provided by the Postpetition Facility, including the Cash Infusions, the Debtors will be able to obtain goods and services in connection with its operations, pay its employees, and operate its business in order to preserve the ongoing value of its business for the benefit of all parties-in-interest. In addition, the availability of credit under the Postpetition Facility should give the Debtors' vendors and suppliers the necessary confidence to resume ongoing relationships with Debtors, including the extension of credit terms for the payment of goods and services. It will also likely be viewed favorably by the Debtors' employees and customers and thereby help promote the Debtors' successful sale. Indeed, as previously discussed, without the Postpetition Facility, and related Customer Accommodations, the Debtors will lose their customers, be unable to meet payroll and other direct operating expenses, and a forced liquidation will likely result. Accordingly, this Court should authorize the Debtors to obtain the Postpetition Facility.

87. In addition to the need for debtor in possession financing, Debtors' other pressing concern is the continuing need for immediate use of the Lender's Cash Collateral

pending a final hearing on the Postpetition Financing Motion. Debtors require use of the Cash Collateral to pay present operating expenses including payroll and to pay vendors to ensure a continued supply of materials essential to Debtors' continued viability.

88. The Debtors believe that this proposed adequate protection is fair and reasonable and sufficient to satisfy any diminution in value of the Collateral.

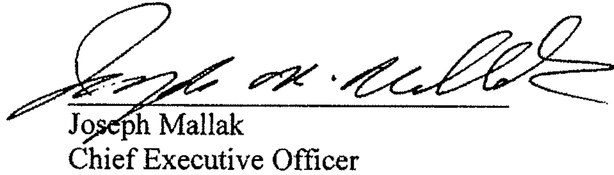
89. The Debtors seek authority to assume the Access and Security Agreement under § 365 of the Bankruptcy Code. Assumption of the Access and Security Agreement is an integral part of the proposed Postpetition Financing and the related sale of the Debtors facilities and should be approved by the Court.

90. Adequate business justifications merit judicial approval to assume the Access and Security Agreement. As noted above, the Debtors have determined that it is in the best interest of their estates to sell their assets. The Participating Customers have agreed to fund, through Cash Infusions and accommodations, this process and to support certain facilities as going concern sales. A prerequisite to this funding by the Participating Customers is the agreement to assume the Access and Security Agreement. Accordingly, based on the foregoing, and the importance of the assumption of the Access and Security Agreement is a valid exercise of the Debtors' sound business judgment.

91. The Debtors request that the Court conduct an expedited preliminary hearing on the Motion and authorize Debtors from and after the entry of the Emergency Order until the Final Hearing to utilize the Cash Collateral as provided in the Emergency Order. This will enable the Debtors to maintain ongoing operations and avoid immediate and irreparable harm and prejudice to the estate and all parties in interest pending finalization of debtor in possession financing documents.

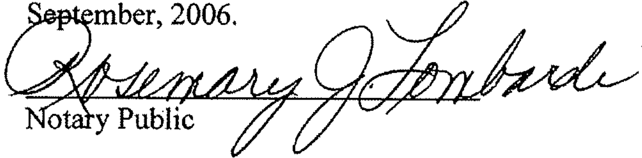
For all of the foregoing reasons, I respectfully request that the Court grant the relief requested in each of the First Day Pleadings filed concurrently herewith. To the best of my knowledge and belief, I declare that the foregoing is true and correct under penalty of perjury as provided for by 28 U.S.C. § 1746.

Date: September 20, 2006
Akron, Ohio



Joseph Mallak
Chief Executive Officer

Sworn to and subscribed before me, a notary public for the State of Ohio, this 20th day of September, 2006.



Notary Public

Notary Public, State of Ohio
No. ______________
Commission Expires: 4-1-07

ROSEMARY J. LOMBARDI
NOTARY PUBLIC - STATE OF OHIO
My Commission Expires April 1, 20
Recorded in Summit County