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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

_____)	Chapter 11
In re:)	
THE BUDD COMPANY, INC.,)	Case No. 14 B 11873
)	
Debtor.)	
_____)	

**DISCLOSURE STATEMENT FOR FIRST AMENDED CHAPTER 11 PLAN FOR THE
BUDD COMPANY, INC. DATED NOVEMBER 19, 2015**

THIS DRAFT DISCLOSURE STATEMENT REMAINS SUBJECT TO APPROVAL OF THE BANKRUPTCY COURT. IT HAS NOT BEEN APPROVED AS PROVIDING ADEQUATE INFORMATION ABOUT THE PLAN AND IS NOT BEING USED TO SOLICIT VOTES FOR THE PLAN AT THIS TIME. IF THE BANKRUPTCY COURT APPROVES THIS DISCLOSURE STATEMENT, IT MAY BE CIRCULATED TO PARTIES IN INTEREST IN SUPPORT OF THE PLAN AT A LATER DATE.

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DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE FIRST AMENDED CHAPTER 11 PLAN FOR THE BUDD COMPANY, INC. DATED NOVEMBER 19, 2015 (AS IT MAY BE AMENDED IN ACCORDANCE WITH THE TERMS THEREOF AND APPLICABLE LAW, THE "PLAN"). THE INFORMATION CONTAINED HEREIN MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT OR OTHERWISE AUTHORIZED BY THE BANKRUPTCY COURT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT, THE TKNA SETTLEMENT AGREEMENT, THE AMENDED ASBESTOS COST SHARING AGREEMENT, AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ANNEXED TO THE PLAN. IN THE EVENT OF ANY DISCREPANCY BETWEEN THE DESCRIPTIONS OF THE TKNA SETTLEMENT AGREEMENT AND/OR THE AMENDED ASBESTOS COST SHARING AGREEMENT IN THIS DOCUMENT AND THOSE DOCUMENTS, THE TERMS OF THE TKNA SETTLEMENT AGREEMENT AND AMENDED ASBESTOS COST SHARING AGREEMENT SHALL CONTROL. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN SHALL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF THE DEBTOR AND DEBTOR IN POSSESSION IN THIS CASE SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTOR.

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I. INTRODUCTION

The Budd Company, Inc. (the “Debtor” or “Budd”) is the debtor in the chapter 11 case pending before the United States Bankruptcy Court for the Northern District of Illinois (Eastern Division) under case number 14 B 11873 (the “Bankruptcy Case”).

The Debtor provides this Disclosure Statement for the First Amended Chapter 11 Plan For the Budd Company, Inc. Dated November 19, 2015 (as it may be amended, the “Disclosure Statement”) pursuant to section 1125 of title 11 of the United States Code (the “Bankruptcy Code”) for use in the solicitation of votes on the First Amended Chapter 11 Plan For the Budd Company, Inc. Dated November 19, 2015 (as may be amended, the “Plan”). Each capitalized term used in this Disclosure Statement but not otherwise defined herein has the meaning ascribed to such term in the Plan, including the exhibits to the Plan. In addition, all references in this Disclosure Statement to monetary figures refer to United States currency, unless otherwise expressly provided.

This Disclosure Statement sets forth certain information regarding the Debtor’s prepetition history, the circumstances surrounding its bankruptcy and significant events that have occurred during the Bankruptcy Case. This Disclosure Statement also describes terms and provisions of the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which Distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims entitled to vote to accept or reject the Plan must follow for their votes to be counted.

The Retiree Committee and TKNA each support the Plan and urge all Retirees and other creditors to vote for the Plan.

II. OVERVIEW OF THE PLAN

A. The Debtor’s Largest Assets: Cash on Hand and Affiliate Claims

As of October 31, 2015, the Debtor had approximately \$293 million in cash. As set forth in monthly reports filed with the Bankruptcy Court, during the course of the Bankruptcy Case to date, the Debtor generally has spent between \$4 million and \$5 million each month on Retiree Benefits.

The Debtor believes that it holds claims and Causes of Action against ThyssenKrupp North America, Inc. (“TKNA”) and other parties that have substantial value. These claims and Causes of Action are described beginning on page 15 below.

B. The TKNA Settlement Agreement

To monetize the Debtor’s largest Causes of Action, the Plan seeks approval of the TKNA Settlement Agreement attached to the Plan as Exhibit B.

By way of summary, and subject to the express terms and conditions set forth in the TKNA Settlement Agreement, the TKNA Settlement Agreement provides for, among other things, the following

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1. TKNA will pay on behalf of the Debtor directly to the UAW VEBA for the benefit of the UAW Retirees \$285 million Cash, subject to adjustment as set forth in the TKNA Settlement Agreement.
2. If the Confirmation Order includes the Waupaca Claims Release, then TKNA will pay on behalf of the Debtor directly to the UAW VEBA for the benefit of the UAW Retirees an additional \$35 million Cash, subject to adjustment as set forth in the TKNA Settlement Agreement. If the Confirmation Order does not include the Waupaca Claims Release, then the Independent Fiduciary shall have authority to prosecute claims against KPS (defined below) for the sole benefit of the UAW Retirees.
3. TKNA will pay on behalf of the Debtor directly to the E&A VEBA for the benefit of the E&A Retirees \$15 million Cash, subject to upward adjustment as set forth in the TKNA Settlement Agreement.
4. The Cash contributed by TKNA, as well as what is projected to be more than \$250 million of the Debtor's Effective Date Cash, will fund the Debtor's Retiree Benefits obligations as modified by the Plan (discussed in greater detail below).
5. TKNA will issue the Letter of Credit in an amount not less than \$35 million, which Letter of Credit will secure TKNA's payment obligations to the UAW VEBA.
6. TKNA will assume the Pension Plans (which means that the ERISA Pension Plans and the SERP would remain in effect without change). This assumption will have the effect of eliminating the claims filed by the PBGC, asserting liability well over \$100 million.
7. TKNA affirms that it is solely responsible for the Debtor's Workers Compensation Claims.
8. TKNA will assume financial responsibility for Claim number 521 Filed by Waupaca Foundry, Inc. in the Chapter 11 Case.
9. TKNA will continue to provide administrative services to the Debtor under the terms of the Amended Services Agreement (which is attached to the TKNA Settlement Agreement).
10. TKNA and the other Affiliates will waive and release all of their respective Claims and potential Claims against the Debtor, which Claims TKNA asserts may be worth hundreds of millions of dollars, if not more, subject to TKNA's reserved setoff rights as set forth in the TKNA Settlement Agreement.
11. TKNA will continue to own the Equity Interests of the Debtor.
12. TKNA will appoint an Independent Fiduciary acceptable to the UAW, who will be responsible for enforcing the TKNA Settlement Agreement and will oversee contributions to the Retiree VEBAs pursuant to the Plan.
13. The UAW VEBA and the E&A VEBA are third party beneficiaries of the TKNA Settlement Agreement and have authority to enforce the TKNA Settlement Agreement.

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In exchange for the benefits to be received by the Debtor and its creditors, the Debtor would release TKNA, other Affiliates, Clark Hill, and the officers, directors, and other agents of the foregoing from all potential claims and Causes of Action, including the Causes of Action related to the Debtor's Actual Tax Sharing Agreement and the Waupaca transaction that are described in Article V below.

The Debtor encourages all parties in interest to review the TKNA Settlement Agreement. In the event of any discrepancy between the TKNA Settlement Agreement and the description of the TKNA Settlement Agreement in the Disclosure Statement or the Plan, the TKNA Settlement Agreement will control.

C. The UAW Can Elect to Preserve Claims Against Certain Third Parties

If the Confirmation Order does not include the Waupaca Claims Release, then the Estate shall retain Causes of Action against KPS that are described below, and the Independent Fiduciary shall have authority to pursue such Causes of Action for the benefit of the UAW Retirees. The Independent Fiduciary will have access to the \$5 million of Operating Cash to pursue such claims. All Net Proceeds of these Causes of Action would be contributed 100% to the UAW VEBA.

Alternatively, if the Confirmation Order includes the Waupaca Claims Release, then TKNA shall make the Additional Payments to the UAW VEBA totaling \$35 million, payable in eight installments of \$4.375 million each, as set forth in section 3(b) of the TKNA Settlement Agreement.

The UAW, in the first instance, may elect between these two options. If the UAW does not make any election, then the Estate shall retain Causes of Action against KPS, and the Independent Fiduciary shall have authority to pursue such Causes of Action for the benefit of the UAW Retirees.

D. The Plan Modifies Retiree Benefits

The Plan modifies Retiree Benefits by replacing the Retiree Benefits currently available to the UAW Retirees and the E&A Retirees with new benefits that will be funded with Cash from the Debtor and the TKNA Settlement Agreement. The Cash allocated for Retirees shall be contributed to the UAW VEBA and the E&A VEBA, respectively. From and after the Effective Date until the respective E&A VEBA Effective Date and the UAW VEBA Effective Date, the Debtor shall continue to provide Retiree Benefits to the E&A Retirees and the UAW Retirees pursuant to the terms and conditions of the Debtor's existing retiree medical plans, the cost of which shall be paid by the Estate. Claims for Retiree Benefits that are incurred but not paid prior to the applicable E&A VEBA Effective Date or UAW VEBA Effective date shall likewise be paid by the Estate pursuant to the terms and conditions of the Debtor's existing retiree medical plans.

E. Asbestos Claims Given Access to Asbestos Insurance Policies and Asbestos Funds

Asbestos Claims that are not Disallowed by the Bankruptcy Court or a court of competent jurisdiction will be liquidated by a court of competent jurisdiction and satisfied by: (1) proceeds of Asbestos Insurance Policies, which remain in effect and provide substantial coverage for

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defense and indemnity costs of Asbestos Claims, (2) the Insured Asbestos Fund, which provides \$900,000 for defense and indemnity costs of Asbestos Claims that are covered in part by the Amended Asbestos Cost Sharing Agreement and Asbestos Insurance Policies, and (3) the Uninsured Asbestos Fund, which provides \$100,000 for defense and indemnity costs of Asbestos Claims that are not covered by the Amended Asbestos Cost Sharing Agreement and Asbestos Insurance Policies. Other than from one of the two Asbestos Funds, there will be no Distributions of Cash from the Estate on account of Asbestos Claims, now or in the future. The Amended Asbestos Cost Sharing Agreement sets forth details regarding the manner in which Asbestos Claims will be administered.

F. Classified Claims: Classification and Treatment

The Plan classifies holders of Claims and Equity Interests into the following eight categories.

1. Class 1 Non-Tax Priority Claims

Estimated¹ Number of Allowed Claims – 0

Estimated Aggregate Allowed Amount - \$0

Estimated Percentage Recovery – 100%

(a) *Classification:* Class 1 consists of all Non-Tax Priority Claims. The Debtor estimates there will be no Allowed Non-Tax Priority Claims.

(b) *Treatment:* Each holder of an Allowed Class 1 Non-Tax Priority Claim shall receive, in the sole discretion of the Debtor, in full satisfaction, settlement, release, extinguishment, and discharge of such Claim: (i) Cash equal to the amount of such Allowed Non-Tax Priority Claim on or as soon as practicable after the latest of (x) the Effective Date, (y) the date that such Claim becomes Allowed, and (z) a date agreed to by the Debtor and the holder of such Claim; or (ii) such other, less favorable treatment on such other terms and conditions as may be agreed upon in writing by the holder of such Claim and the Debtor, or as the Bankruptcy Court may order.

(c) *Voting:* Class 1 is not Impaired, and holders of Non-Tax Priority Claims are not entitled to vote to accept or reject the Plan.

¹ Estimates of the number of Allowed Claims, amounts of Allowed Claims, and recoveries for each Class of Claims are set forth below. Estimates have been calculated based upon a number of assumptions and no representation can be or is being made with respect to whether the estimates shown will actually be realized.

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2. Class 2 Secured Claims

Estimated Number of Allowed Claims – 0

Estimated Aggregate Allowed Amount - \$0

Estimated Percentage Recovery – 100%

(a) *Classification:* Class 2 consists of all Secured Claims. The Debtor estimates there will be no Allowed Secured Claims. The Indiana Department of Revenue Filed one Secured Claim, but the Debtor is unaware of any collateral securing such Claim. Accordingly, this Claim is and will be treated as a Class 6 General Unsecured Claim.

(b) *Treatment:* Each holder of an Allowed Class 2 Secured Claim shall receive, in the sole discretion of the Debtor, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (i) Cash equal to the amount of such Allowed Secured Claim on or as soon as practicable after the latest of (x) the Effective Date, (y) the date that such Secured Claim becomes Allowed, and (z) a date agreed to by the Debtor and the holder of such Class 2 Secured Claim; (ii) treatment that such Secured Claim is reinstated; (iii) the property securing such Secured Claim, with any deficiency to result in a Class 6 General Unsecured Claim; or (iv) such other, less favorable treatment on such other terms and conditions as may be agreed upon in writing by the holder of such Claim and the Debtor, or as the Bankruptcy Court may order.

(c) *Voting:* Class 2 is not Impaired, and holders of Secured Claims are not entitled to vote to accept or reject the Plan.

3. Class 3 UAW Retiree Benefit Claims

Estimated Number of Allowed Claims – Approximately 4,000

Estimated Aggregate Allowed Amount – Approximately \$830.5 million²

Recovery – modified Retiree Benefits

(a) *Classification:* Class 3 consists of UAW Retiree Benefits Claims.

(b) *Allowance of UAW Retiree Benefits Claims for Voting:* Each UAW Retiree Benefits Claim shall be allowed for purposes of voting on the Plan in the amount set forth in Schedule F of the Schedules.

(c) *Treatment:* In satisfaction of the UAW Retiree Benefits Claims, the UAW Retirees will receive Retiree Benefits through the UAW VEBA. On or as soon as practicable after the Effective Date, the Debtor shall deposit into the UAW VEBA the UAW Cash. Thereafter, as soon as practicable after receipt, the Debtor shall deposit into the UAW VEBA 100% of Net Proceeds of Causes of Action not released pursuant to the

² The Debtor's estimate of aggregate Allowed amount of Class 3 Claims is derived from Schedule F.

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Plan. In accordance with the TKNA Settlement Agreement, the Debtor shall irrevocably direct TKNA to deposit directly into the UAW VEBA on behalf of Budd, Settlement Payments on the dates set forth in the TKNA Settlement Agreement. Under the TKNA Settlement Agreement, TKNA shall deposit the UAW Settlement Payments in the amount of either, at the UAW's election: (i) \$285 million or (ii) if the Confirmation Order includes the Waupaca Claim Release, \$320 million, in each case subject to increase or other adjustment under the TKNA Settlement Agreement. If the UAW fails to make such an election, it shall be deemed to have elected to receive \$285 million and the Confirmation Order shall not include the Waupaca Claim Release. Unless the UAW reasonably requests or directs other treatment of such funds, each UAW Retiree shall receive an allocation from the UAW VEBA to his or her HRA on an annual basis. Retirees can then use their HRA to pay eligible medical expenses, including premiums for insurance policies and Medicare supplement plans purchased on the individual insurance market and certain medical expenses that are not covered by insurance policies, Medicare, or the Medicare supplemental plans. The UAW VEBA Trust Agreement and UAW VEBA Trust Plan will be filed with the Plan Supplement. From and after the Effective Date and until the UAW VEBA Effective Date, the Debtor shall continue to provide Retiree Benefits to the UAW Retirees pursuant to the terms and conditions of the Debtor's existing retiree medical plans, the cost of which shall be paid by the Estate. Claims for Retiree Benefits that are incurred but not paid prior to the UAW VEBA Effective date shall likewise be paid by the Estate pursuant to the terms and conditions of the Debtor's existing retiree medical plans.

(d) *Voting*: Class 3 is Impaired, and holders of UAW Retiree Benefits Claims are entitled to vote to accept or reject the Plan.

4. Class 4 E&A Retiree Benefit Claims

Estimated Number of Allowed Claims – Approximately 1,000

Estimated Aggregate Allowed Amount - \$101.5 million³

Recovery – modified Retiree Benefits

(a) *Classification*: Class 4 consists of E&A Retiree Benefits Claims.

(b) *Allowance of E&A Retiree Benefits Claims for Voting*: Each E&A Retiree Benefits Claim shall be allowed for purposes of voting on the Plan in the amount set forth in Schedule F of the Schedules.

(c) *Treatment*: In satisfaction of the E&A Retiree Benefits Claims, the E&A Retirees will receive Retiree Benefits through the E&A VEBA. On or as soon as practicable after the Effective Date, \$70 million shall be deposited into the E&A VEBA, consisting of \$15 million (the E&A Payment) payable by TKNA under the TKNA

³ The Debtor's estimate of aggregate Allowed amount of Class 4 Claims is derived from Schedule F.

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Settlement Agreement and \$55 million of Effective Date Cash. Thereafter, as soon as practicable after receipt, 12.5% of any Settlement Increase shall be deposited into the E&A VEBA at such time(s) and on such terms as any Settlement Increase is paid to the UAW VEBA. From and after the E&A VEBA Effective Date, each E&A Retiree will receive Retiree Benefits funded by the E&A VEBA pursuant to the terms of the E&A VEBA Trust Plan, as the same may be amended from time to time. The E&A VEBA Trust and E&A VEBA Trust Plan will be filed with the Plan Supplement. From and after the Effective Date until the E&A VEBA Effective Date, the Debtor shall continue to provide Retiree Benefits to the E&A Retirees pursuant to the terms and conditions of the Debtor's existing retiree medical plans, the cost of which shall be paid by the Estate. Claims for Retiree Benefits that are incurred but not paid prior to the E&A VEBA Effective Date shall likewise be paid by the Estate pursuant to the terms and conditions of the Debtor's existing retiree medical plans.

(d) *Voting*: Class 4 is Impaired, and holders of E&A Retiree Benefits Claims are entitled to vote to accept or reject the Plan.

5. Class 5 Asbestos Claims

Estimated Number of Allowed Claims – Unknown

Estimated Aggregate Allowed Amount - \$ Unknown

Estimated Percentage Recovery – 67%, net of applicable insurance

(a) *Classification*: Class 5 consists of Asbestos Claims.

(b) *Allowance*: Unless otherwise explicitly Allowed prior to the Effective Date, each Asbestos Claim: (i) shall be deemed contested as of the Effective Date, and (ii) must be filed and prosecuted by the claimant in a court of competent jurisdiction (not the Bankruptcy Court) in order to receive a Distribution.

Upon the later of (a) 180 days after the Effective Date or (b) if an objection has been filed in the Bankruptcy Court or a court of competent jurisdiction before the end of such 180-day period, the entry of a Final Order overruling any objection to an Asbestos Claim, the holder of such Asbestos Claim shall be relieved of the injunction contained in the Plan and the Confirmation Order and may thereafter pursue such Claim against the Debtor in the appropriate state or federal court for the sole purposes of determining the validity of such Asbestos Claim, and with respect to Insured Asbestos Claims, possible recovery from the Insurers and/or the Insured Asbestos Claim Fund, or with respect to Uninsured Asbestos Claims, the Uninsured Asbestos Claim Fund. Notwithstanding anything in the Plan to the contrary, if the Bankruptcy Court or another court of competent jurisdiction has entered an order disallowing any Asbestos Claim within 180 days of the Effective Date, and such order is subject to an unexpired appeal or challenge period or has been appealed or otherwise challenged, then unless such order has been reversed and is no longer subject to any appeal or challenge period or a pending appeal or challenge, all stays or injunctions provided for in the Plan and the Confirmation Order shall continue to apply to any applicable Asbestos Claim.

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(c) *Treatment*: On the Effective Date, the Debtor shall fund the Asbestos Funds. If an Asbestos Claim is Allowed by a court of competent jurisdiction or by agreement with the Debtor, then (1) payments on account of an Allowed Insured Asbestos Claim shall be made solely from Asbestos Insurance Policies and the Asbestos Insured Claim Fund; and (2) payments on account of an Allowed Uninsured Asbestos Claim shall be made solely from the Uninsured Asbestos Claim Fund; *provided however*, in no event shall the holder of an Allowed Asbestos Claim receive from an Asbestos Fund more on account of its Allowed Asbestos Claim (or that portion of the Allowed Asbestos Claim allocable to an Asbestos Fund under the Plan and/or the Amended Asbestos Cost Sharing Agreement) than it would have received if such Asbestos Claim (or the portion of the Asbestos Claim) had been an Allowed Class 6 Claim. Except with respect to the Asbestos Funds, no holder of an Asbestos Claim shall have the right to seek payment on account of such Asbestos Claim from the Debtor or its property other than under an Asbestos Insurance Policy, even if there are insufficient funds in the Asbestos Funds to pay the holder of an Allowed Asbestos Claim the Distribution to which he or she otherwise would be entitled under the Plan. Any amount allocable to an Asbestos Fund pursuant to the Amended Asbestos Cost Sharing Agreement shall be deducted from the amount to be paid by an Insurer to the holder of an Allowed Insured Asbestos Claim.

(d) *Voting*: Class 5 is Impaired, and holders of Allowed Asbestos Claims are entitled to vote to accept or reject the Plan. All Asbestos Claims that have not been Disallowed and that are not subject to a pending objection (in each case, as of the Voting Record Date) shall be allowed in the amount of \$1 solely for the purpose of voting on the Plan.

6. Class 6 General Unsecured Claims

Estimated Number of Allowed Claims– 11

Estimated Aggregate Allowed Amount - \$5,000,000

Estimated Percentage Recovery– 67%

(a) *Classification*: Class 6 consists of General Unsecured Claims.

(b) *Description*: The Debtor believes that the significant majority of General Unsecured Claims asserted consist of Claims (1) asserted by the MDEQ, EPA, or other Persons related to alleged environmental damage / response costs; and (2) miscellaneous Claims for professional services and other services related to the operation of the Debtor prior to the Petition Date.

(c) *Treatment*: Each Allowed Class 6 General Unsecured Claim shall receive from the Debtor and in full satisfaction, settlement, release, extinguishment, and discharge of such Claim, Cash equal to the amount of 67% of the Allowed amount of such Allowed Class 6 General Unsecured Claim on or as soon as practicable after the later of (x) the Effective Date, (y) the date that such Claim becomes Allowed.

(d) *Voting*: Class 6 is Impaired, and holders of General Unsecured Claims are entitled to vote to accept or reject the Plan.

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7. Class 7: Claims Assumed by TKNA

Estimated Number of Allowed Claims– 78

Estimated Aggregate Allowed Amount - \$228 million

Estimated Percentage Recovery– 100%

(a) *Classification:* Class 7 consists of Claims that TKNA will assume under the TKNA Settlement Agreement, which are: (i) approximately 24 Claims of Retirees arising under the SERP, which plan TKNA is assuming as of the Effective Date; (ii) Claims arising under either of the ERISA Pension Plans (both of which TKNA is assuming as of the Effective Date); (iii) Claim number 521 Filed by Waupaca Foundry, Inc. in the Chapter 11 Case; and (iv) all Workers Compensation Claims (estimated to be 51 claims).

(b) *Description:* Class 7 Claims are: (i) Claims of Retirees arising under the SERP, which plan TKNA is assuming as of the Effective Date; (ii) Claims arising under either of the ERISA Pension Plans (both of which TKNA is assuming as of the Effective Date); (iii) Claim number 521 Filed by Waupaca Foundry, Inc. in the Chapter 11 Case; and (iv) all Workers Compensation Claims.

(c) *Treatment:* Each Allowed Class 7 Claim shall be assumed by TKNA and, as of the Effective Date, TKNA shall bear full financial responsibility for payment and/or other satisfaction in full of all such Claims. No holder of a Class 7 Claim shall receive or retain any property of the Estate on account of such Claim.

(d) *Voting:* Class 7 is Impaired, and holders of Class 7 Claims are entitled to vote to accept or reject the Plan.

8. Class 8 Equity Interests

Estimated Number of Allowed Equity Interests – 1

(a) *Classification:* Class 8 consists of Equity Interests.

(b) *Treatment:* TKNA shall retain 100% of the Equity Interests in the Debtor, in accordance with the TKNA Settlement Agreement.

(c) *Voting:* Class 8 is Impaired, and holder of Equity Interests is entitled to vote to accept or reject the Plan.

G. Unclassified Claims: Allowance and Treatment

The Plan includes the following categories of Claims that, in accordance with the Bankruptcy Code, are not classified for purposes of voting or distributions under the Plan:

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1. Administrative Claims

Estimated Additional Administrative Claims – approximately \$5.8 million

(a) Time for Filing Administrative Claims

The holder of any Administrative Claim that is incurred, accrued or in existence prior to the Effective Date, other than an Allowed Administrative Claim or a claim incurred in the ordinary course of business, must File and serve on all parties required to receive such notice a request for the allowance of such Administrative Claim on or before the date that is twenty-eight (28) days after the Effective Date. Such request must comply with applicable sections of the Bankruptcy Code, the Bankruptcy Rules, and orders of the Bankruptcy Court, and must include: (a) the name of the holder of the Claim, (b) the amount of the Claim, and (c) the basis of the Claim. Failure to timely and properly File and serve an application for payment of an Administrative Claim may result in such Administrative Claim being forever barred and discharged. Objections to Administrative Claim applications must be filed and served pursuant to the Bankruptcy Rules and served on the requesting party and the Debtor within twenty-eight (28) days after the filing of such application.

(b) Allowance of Administrative Claims

An Administrative Claim that is not incurred and paid by the Debtor in the ordinary course of business shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order.

The Debtor estimates that as of the Effective Date there will approximately \$2.9 million of Administrative Claims that will be incurred under the traditional Retiree Benefits claim programs and that will not have been reported. The Debtor will reserve for these amounts and pay these Administrative Claims as they are received in the ordinary course of business.

(c) Payment of Administrative Claims

The Debtor shall pay in Cash in the ordinary course of business and without further order of the Bankruptcy Court all Administrative Claims incurred in the ordinary course of the Debtor's business. All other Allowed Administrative Claims incurred, accrued, or in existence prior to the Effective Date shall be paid in Cash: (1) on the Effective Date or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as practicable thereafter); (2) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter; (3) at such time and upon such terms as may be agreed upon by such holder and the Debtor; or (4) at such time and upon such terms as set forth in any order of the Bankruptcy Court.

The Estate shall pay the cost of all Retiree Benefits incurred by UAW Retirees prior to the UAW VEBA Effective Date, including costs for Retiree Benefits incurred prior to the UAW VEBA Effective Date that are submitted and/or paid on or after the UAW VEBA Effective Date. The Estate shall pay the cost of all Retiree Benefits incurred by E&A Retirees prior to the E&A VEBA Effective Date, including costs for Retiree Benefits incurred prior to the E&A VEBA Effective Date that are submitted and/or paid on or after the E&A VEBA Effective Date. The

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Estate shall pay the costs, fees, and expenses of the Debtor, the UAW, the Retiree Committee, and their respective professionals associated with establishing the UAW VEBA and the E&A VEBA. To the extent incurred after the Effective Date, all of the foregoing amounts shall be paid from administrative reserves established by the Debtor prior to its determination of Effective Date Cash.

2. Priority Tax Claims

Estimated Allowed Claims – approximately \$3,000

All Allowed Priority Tax Claims shall be paid on the later of: (1) the date the Priority Tax Claim becomes an Allowed Priority Tax Claim, or (2) the date a Priority Tax Claim first becomes payable pursuant to any agreement between the Debtor and the holder of such Priority Tax Claim. At the sole option of the Debtor, such holder of an Allowed Priority Tax Claim shall be entitled to receive, on account of such Priority Tax Claim, (i) Cash equal to the unpaid portion of such Allowed Priority Tax Claim, (ii) treatment in any other manner such that its Allowed Priority Tax Claim shall not be Impaired, including periodic payments on a quarterly basis over a period ending not later than five (5) years after the Petition Date, in accordance with the provisions of sections 511 and 1129(a)(9)(C) of the Bankruptcy Code, or (iii) such other treatment as to which the Debtor and such holder shall have agreed upon in writing. Clause (iii) of the preceding sentence shall not be construed to avoid the need for Bankruptcy Court approval of a Priority Tax Claim when such Bankruptcy Court approval is otherwise required by the Bankruptcy Code.

III. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims and Equity Interests

The Bankruptcy Court has approved this Disclosure Statement as providing information of a kind and in sufficient and adequate detail to enable holders of Claims entitled to vote on the Plan to make an informed judgment whether to accept or reject the Plan. The Bankruptcy Court's approval of this Disclosure Statement does not constitute a guaranty of the accuracy or the completeness of the information contained herein or an endorsement of the Plan by the Bankruptcy Court.

B. Voting Requirements to Confirm Plan

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan. Section 1129(a)(7) of the Bankruptcy Code requires that each class of Claims either (a) accepts the Plan or (b) is not Impaired under the Plan. Classes 1 and 2 are not Impaired under the Plan. Under Section 1126 of the Bankruptcy Code, each of Classes 3 through 8 accepts the Plan if creditors holding (i) 2/3 in amount and (ii) 1/2 in number of the Allowed Claims or Equity Interests in such Class vote to accept the Plan.

C. Voting Rights

Pursuant to the provisions of the Bankruptcy Code, only classes of Claims or Equity Interests that are (a) "impaired" by a chapter 11 plan and (b) entitled to receive a distribution under such plan are entitled to vote to accept or reject such plan. In the Bankruptcy Case, Classes 3 through 8 are Impaired by and may be entitled to retain property or receive a Distribution under the Plan on account of such Claims or Equity Interests. Accordingly, the

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holders of Allowed Claims and Equity Interests in Classes 3 through 8 are entitled to vote to accept or reject the Plan. Claims in Classes 1 and 2 are not Impaired by the Plan; accordingly, holders of Class 1 Claims and Class 2 Claims are conclusively presumed to have accepted the Plan and are not eligible to vote on the Plan.

D. Solicitation Materials

In soliciting votes for the Plan pursuant to this Disclosure Statement, the Debtor, through the Estate's balloting agent, Epiq Bankruptcy Solutions, LLC (the "Balloting Agent") will send to holders of Claims and Equity Interests who are entitled to vote copies of: (a) the Disclosure Statement and Plan; (b) the notice of, among other things, (i) the date, time and place of the hearing to consider confirmation of the Plan and related matters and (ii) the deadline for filing objections to confirmation of the Plan (the "Confirmation Hearing Notice"); (c) a Ballot (and return envelope) to be used in voting to accept or to reject the Plan; and (d) other materials as authorized by the Bankruptcy Court.

If you are the holder of a Claim that is entitled to vote, but you did not receive a Ballot, or if your Ballot is damaged or illegible, or if you have any questions concerning voting procedures, you may contact the Balloting Agent:

By regular mail to:

The Budd Company, Inc. Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
P.O. Box 4422
Beaverton, OR 97076-4422

By overnight courier or hand delivery to:

The Budd Company, Inc. Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
10300 SW Allen Blvd.
Beaverton, OR 97005

By telephone at: (877) 559-8630

By email to: tabulation@epiqsystems.com (please reference "The Budd Company in the subject line of your email)

E. Voting Procedures, Ballots and Voting Deadline

After reviewing the Plan and this Disclosure Statement, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the accompanying Ballot.

You should complete and sign your original Ballot (copies will not be accepted) and return it to the Balloting Agent in the envelope provided. Do not return your Ballot to the Debtor.

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Each Ballot has been coded to reflect the Claim it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot sent to you with this Disclosure Statement.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED BY THE BALLOTING AGENT BY DELIVERY TO THE US MAIL OR OVERNIGHT DELIVERY ADDRESSES ABOVE NO LATER THAN [REDACTED] (**THE “VOTING DEADLINE”**). BALLOTS WILL NOT BE ACCEPTED VIA FACSIMILE OR OTHER ELECTRONIC MEANS.

Copies of this Disclosure Statement, the Plan and any appendices and exhibits to such documents are available to be downloaded free of charge at <http://dm.epiq11.com/TBC>

F. Confirmation Hearing and Deadline for Objections to Confirmation

The Bankruptcy Court has scheduled a Confirmation Hearing for [REDACTED] at [REDACTED] **p.m. prevailing Central time**. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

Objections to confirmation of the Plan or proposed modifications to the Plan, if any, must: (a) be in writing; (b) conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court; (c) state the name and address of the objecting party and the amount and nature of the claim or interest of such party; (d) state with particularity the basis and nature of any objection to the Plan; and (e) be filed electronically, together with proof of service, with the United States Bankruptcy Court for the Northern District of Illinois, 219 South Dearborn, Chicago, IL 60604, and served on the parties listed in the Confirmation Hearing notice, in each case so as to be actually received on or before [REDACTED].

G. Plan Binding on Creditors and Parties in Interest

If the Plan is approved by the Bankruptcy Court, the Plan will bind all holders of Claims against and Equity Interests in the Debtor, whether or not they were entitled to vote or did vote to accept or reject the Plan and whether or not they receive or retain any distributions or property under the Plan.

IV. DEBTOR’S BACKGROUND AND EVENTS LEADING TO BANKRUPTCY

A. Brief Overview of the Debtor’s Business Operations

The Debtor has a long history of manufacturing related to the automobile and other industries.

In 1978, a predecessor of ThyssenKrupp AG (“TKAG”) acquired the Debtor.

The Debtor currently is a wholly owned subsidiary of TKNA, which is a direct subsidiary of TKAG. Thus, the Debtor is a member of the global ThyssenKrupp group. The ThyssenKrupp group operates in almost 80 countries, employs over 150,000 people world-wide, and in fiscal year ending September 30, 2014, generated sales of approximately €1 billion (Euros). TKNA and its myriad subsidiaries located in the United States employ almost 15,000 people and, in fiscal year ending September 30, 2014, generated sales of almost €7 billion (Euros).

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Budd ceased all manufacturing activity in 2006, divested itself of its last operating subsidiary in 2012 and, as of the Petition Date, did not generate revenue (directly or indirectly) from manufacturing or other operations.

B. The Debtor's Retiree Benefit Obligations

As of the Petition Date, Budd provided Retiree Benefits to UAW Retirees and E&A Retirees.

The Debtor provides Retiree Benefits to UAW Retirees pursuant to the terms and conditions of various collective bargaining agreements ("CBAs") and/or plant closing agreements ("PCAs"). These Claims are classified under the Plan as Class 3 Claims.

The Debtor provides Retiree Benefits to E&A Retirees pursuant to the terms and conditions of various insurance plans, their summary plan descriptions, and, in certain cases, employment agreements with E&A Retirees. These Claims are classified under the Plan as Class 4 Claims.

The Debtor estimates that, as of the Petition Date, its defined benefit Retiree Benefit obligations under the existing Retiree Benefits plans were approximately \$932 million (approximately \$830.5 million on account of obligations to UAW Retirees and approximately \$101.5 million on account of obligations to E&A Retirees). The Debtor estimates that, as of September 30, 2015, its defined benefit Retiree Benefit obligations under the existing Retiree Benefits plans were approximately \$810 million (approximately \$733 million on account of obligations to UAW Retirees and approximately \$77 million on account of obligations to E&A Retirees).

During the course of the Bankruptcy Case, the UAW Retirees have been represented by the UAW and the E&A Retirees have been represented by the Retiree Committee, each in accordance with section 1114 of the Bankruptcy Code. Pursuant to section 1114 of the Bankruptcy Code, the Debtor has continued to pay Retiree Benefits in full and without modification for the benefit of both the E&A Retirees and UAW Retirees. During the course of the Bankruptcy Case to date, the Debtor generally has spent between \$4 million and \$5 million each month on Retiree Benefits, and received the benefit of approximately \$500,000 each month in the forms of rebates and premiums paid.

The Plan modifies Retiree Benefits by terminating, on the respective UAW VEBA Effective Date and E&A VEBA Effective Date, the existing UAW and E&A Retiree Benefits Plans. From and after the Effective Date until the respective E&A VEBA Effective Date and the UAW VEBA Effective Date, the Debtor shall continue to provide Retiree Benefits to the E&A Retirees and the UAW Retirees pursuant to the terms and conditions of the Debtor's existing retiree medical plans, the cost of which shall be paid by the Estate. Claims for Retiree Benefits that are incurred but not paid prior to the applicable E&A VEBA Effective Date or UAW VEBA Effective date shall likewise be paid by the Estate pursuant to the terms and conditions of the Debtor's existing retiree medical plans. After the respective E&A Retiree VEBA Effective Date and the UAW Retiree VEBA Effective Date, the E&A Retirees and the UAW Retirees will have the rights afforded to them under the Retiree VEBAs and will receive Retiree Benefits pursuant to the terms of the E&A VEBA Trust Plan and the UAW VEBA Trust Plan, as the same may be

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amended from time to time. In the event that the UAW declines to establish the terms of benefits to be provided by the UAW VEBA, the UAW VEBA will fund allocations to an individual HRA for each UAW Retiree. UAW Retirees can then use their HRAs to pay eligible medical expenses, including premiums for Medicare supplement plans and other insurance plans and certain medical expenses that are not covered by insurance, Medicare, or the Medicare supplemental plans.

As discussed below, the Debtor believes that by providing for the funding of the UAW VEBA and the E&A VEBA, Retirees will have the ability for the rest of their lives to obtain meaningful health and welfare benefits.

Moreover, the Debtor believes that if it were to continue to pay Retiree Benefits under the existing plans, the Debtor would run out of Cash to fund those plans (even with the Cash Settlement Payments that will be made under the TKNA Settlement Agreement) prior to the end of many of the Retirees' lifetimes. Because of the larger scale of plans accessible on the insurance market, individual Retirees should be able to purchase insurance that provides benefits comparable to the benefits they currently receive under their UAW or E&A Plan for a cost that is substantially lower than what the Debtor currently pays for Retiree Benefits. Accordingly, the Debtor proposes to use its Effective Date Cash and the Settlement Payments to fund the Retiree VEBAs in order to provide Retirees with meaningful Retiree Benefits. Although the Retiree VEBAs will not be controlled by the Debtor, it is expected that, consistent with common practice, the Retiree VEBAs would invest their plan assets to increase the amount ultimately payable to Retirees.

C. The Debtor's Pension Obligations

The Debtor currently sponsors three defined-benefit Pension Plans.

Two of the Pension Plans are the ERISA Pension Plans covered by the PBGC. The ERISA Pension Plans are subject to certain rules and regulations. Among other things, upon any termination of the ERISA Pension Plans, the Debtor and its "controlled group" members, including TKNA and certain other Affiliates, will become jointly and severally liable for the underfunded portion of the ERISA Pension Plans.

The Debtor estimates that, as of September 30, 2015, the ERISA Pension Plans had a combined funding deficit of approximately \$365 million on a "termination basis".

The PBGC filed six Claims against the Estate asserting liability in the event that one or both ERISA Pension Plans are terminated. But for the TKNA Settlement Agreement and assumption by TKNA of the Pension Plans under the TKNA Settlement Agreement, these Claims would be Class 6 General Unsecured Claims under the Plan that would receive a Distribution if Allowed. TKNA and 26 other Affiliates also filed Claims asserting joint and several liability against the Debtor in the event one or both ERISA Pension Plans are terminated. Under the Plan, these Claims all will be assumed or withdrawn in connection with or as a result of the TKNA Settlement Agreement, and thus holders of such Claims do not receive any Distribution from the Estate on account of such Claims.

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The third Pension Plan is the SERP, which is an unfunded defined benefit plan for the benefit of certain E&A Retirees. The SERP is not covered by the PBGC. Liabilities under the SERP are general unsecured obligations of the Debtor and the benefits are paid only from the Debtor's general assets. Under the Plan, the SERP will be assumed by TKNA and TKNA will continue to pay in full obligations arising under the SERP, and thus holders of Claims alleging SERP liability will not receive any Distribution from the Estate on account of such Claims. The Debtor estimates that, as of September 30, 2015, its unfunded obligations under the SERP were approximately \$11.2 million.

D. The Debtor's Asbestos Liabilities

Over the past several decades, Budd has been named as a defendant in suits involving more than 40,000 claimants alleging exposure to asbestos. The vast majority of such claims were resolved without payment from Budd. As of the Petition Date, approximately 336 suits alleging injury from asbestos were pending against the Debtor. During the Bankruptcy Case approximately 2,000 Asbestos Claims were filed against the Debtor. All Asbestos Claims are classified as Class 5 Claims under the Plan.

E. Events Leading to Commencement of the Bankruptcy Case

In 2012, Budd sold to KPS Capital Partners LP ("KPS") all of the stock of Budd's wholly-owned subsidiary ThyssenKrupp Waupaca, Inc. ("Waupaca"). At the time of the sale, Waupaca owned the sole remaining operating facility under Budd's direct or indirect control, the Waupaca foundry operations.

Also in or about 2012, Budd reviewed its books and analyzed its financial ability to satisfy its legacy liabilities, which consisted primarily of Retiree Benefits. This review indicated that Budd was insolvent on a balance sheet basis, due to long-term obligations to pay Retiree Benefits and fund the Pension Plans. Because Budd had Cash, however, it continued to pay Retiree Benefits and all other obligations as they came due.

In order to determine if Budd had any valuable Causes of Action that it could pursue to supplement its cash and pay its long term obligations, it retained an independent Chief Restructuring Officer and appointed an Independent Director. In or around the Spring of 2013, Budd's Board of Directors: (a) delegated to the Debtor's Chief Restructuring Officer (then Mr. Charles Moore) the task of commencing an independent investigation of potential claims against the Affiliates (the "Affiliate Investigation"); (b) authorized the retention of Conway MacKenzie Management Services, LLC ("Conway MacKenzie") as crisis manager to assist the conduct of the Affiliate Investigation; (c) authorized the retention of Dickinson Wright PLLC ("Dickinson Wright") as independent special counsel for purposes of assisting the Chief Restructuring Officer to conduct the Affiliate Investigation; (d) appointed Mr. Charles Sweet as Independent Director; and (e) passed a corporate resolution that, among other things, required the consent of the Independent Director to compromise or otherwise resolve the Debtor's claims against the Affiliates. At the time they were retained, none of Conway MacKenzie, Mr. Moore, Dickinson Wright, or Mr. Sweet had any meaningful relationship with any Affiliate, other than by virtue of their work for Budd.

After conducting the Affiliate Investigation, in the month prior to the Petition Date the Chief Restructuring Officer negotiated, and the Independent Director approved on behalf of Budd: (1) a settlement agreement with TKNA (the "Original TKNA Settlement")

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Agreement”); and (2) a “Prepetition Agreement”, pursuant to which, among other things, (a) TKNA assumed certain workers compensation and other liabilities and (b) Budd and TKNA executed a purported amendment (by execution of the “Non-Debtor TSA Amendment”, which was part of the Prepetition Agreement) to a tax sharing agreement which the Chief Restructuring Officer was led to believe Budd was a party (the “Non-Debtor TSA”). Copies of the Original TKNA Settlement Agreement, the Prepetition Agreement, and the Non-Debtor TSA Amendment, all of which were executed by authorized representatives of TKNA and Budd on or about March 25, 2014, are attached to and described in detail in the Debtor’s motion to approve the Original TKNA Settlement Agreement. [See Docket No. 11].

Among other things, the Original TKNA Settlement Agreement provided for: (1) assumption by TKNA of the Pension Plans; (2) payment by TKNA of a cash settlement amount of approximately \$10 million, which amount was subject to adjustment; and (3) the exchange of mutual general waivers and releases by the Debtor and Affiliates. Budd agreed to the Prepetition Agreement, the Non-Debtor TSA Amendment, and the Original TKNA Settlement Agreement based on information regarding the Non-Debtor TSA that the Debtor would later find out was untrue, as described below.

V. THE BANKRUPTCY CASE

A. Commencement of the Bankruptcy Case

On March 31, 2014 (the Petition Date), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. Also on that date, the Debtor filed multiple pleadings, including a motion seeking approval of the Original TKNA Settlement Agreement. [See Docket No. 11].

B. Recognition and Participation of Creditors

On April 14, 2014, with the support of the Debtor, the Bankruptcy Court entered an order that recognized the UAW as the representative of the UAW Retirees under section 1114 of the Bankruptcy Code and directed the Debtor to pay the reasonable expenses of professionals for the UAW in connection with the Bankruptcy Case. [See Docket No. 60].

On April 14, 2014, the Bankruptcy Court granted a motion of the Debtor and directed the office of the United States Trustee to appoint a committee to represent E&A Retirees under section 1114 of the Bankruptcy Code. [See Docket No. 61]. On April 30, 2014, the US Trustee constituted the Retiree Committee. [See Docket No. 113].

On July 30, 2014, upon order of the Bankruptcy Court, the office of the United States Trustee constituted the Asbestos Plaintiffs Committee. [See Docket No. 364].

C. The Debtor’s Withdrawal of its Motion for Approval of the Original TKNA Settlement Agreement

Subsequent to recognition of the UAW as the representative of the UAW Retirees and appointment of the Retiree Committee, the Bankruptcy Court entered multiple orders establishing dates for discovery related to and hearings on the motion seeking approval of the Original TKNA Settlement Agreement. [See Docket Nos. 106, 274, 371, 374, 406, 431, and 436]. During this time, the Retiree Committee and the UAW conducted discovery regarding the

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merits of the Original TKNA Settlement Agreement, including the potential value of the claims against TKNA and other Affiliates proposed to be released thereunder.

During the course of this discovery, counsel to the Debtor discovered that the Non-Debtor TSA was not the actual tax sharing agreement in effect between Budd and TKNA. As set forth in the Debtor's subsequent statement to the Bankruptcy Court: (1) in contrast to the Non-Debtor TSA, the tax sharing agreement to which the Debtor and TKNA actually are a party (the "Debtor's Actual Tax Sharing Agreement") was in fact valuable to the Debtor, and (2) as a result of obtaining this new information, the Debtor determined that it would not continue to seek approval of the Original TKNA Settlement Agreement. [See Docket No. 447]. As a result, on October 17, 2014 the Bankruptcy Court dismissed the Debtor's motion seeking approval of the Original TKNA Settlement Agreement for want of prosecution. [See Docket No. 616].

D. The Status Quo Order and the 2004 Investigations

After the Debtor determined not to seek approval of the Original TKNA Settlement Agreement, the Debtor commenced the TKNA Adversary Proceeding to preserve its rights under the Debtor's Actual Tax Sharing Agreement. Shortly after commencing the TKNA Adversary Proceeding, the Bankruptcy Court entered (upon motion of the Debtor and with the consent of TKNA) the Status Quo Order. The Status Quo Order remains in effect, and absent further order of the Bankruptcy Court, prevents TKNA from transferring its equity interests in the Debtor or taking other steps to impair the Debtor's rights under and/or interest in the Debtor's Actual Tax Sharing Agreement.

At or about the same time, the Debtor, the UAW, and the E&A Committee sought and obtained a series of orders of the Bankruptcy Court authorizing them to issue discovery to TKNA and others under Bankruptcy Rule 2004. [See Docket Nos. 532, 571, 623, 841, 842]. The Debtor's discovery principally was aimed at investigating the potential value of future payments that could become owed to the Debtor by TKNA under the Debtor's Actual Tax Sharing Agreement. Discovery conducted by the UAW and the Retiree Committee investigated potential claims that the Debtor may hold against TKNA, Affiliates, and others that may not have been uncovered by the Affiliate Investigation. Ultimately, the Debtor, the UAW and the Retiree Committee conducted more than 10 depositions and reviewed more than 30,000 documents.

E. Potential Claims Against TKNA and Others

The discovery conducted by the Debtor, the UAW, and the Retiree Committee revealed multiple potential Causes of Action that the Debtor holds against TKNA, other Affiliates, and other parties that were not uncovered by the Affiliate Investigation, including KPS. As discussed immediately below, these Causes of Action largely are related to either: (1) the Debtor's June 29, 2012 sale of the stock of Waupaca to KPS for a cash purchase price of \$544 million (discussed below); or (2) the Debtor's rights under the Debtor's Actual Tax Sharing Agreement (discussed below). The discussion of the Debtor's potential claims and Causes of Action against TKNA and Affiliates in this Disclosure Statement represent the Debtor's position, as to which there is disagreement on the part of TKNA and its Affiliates.

1. Claims Related to the Debtor's Actual Tax Sharing Agreement

TKNA and each of its U.S. Affiliates, including the Debtor, are part of the TKNA Tax Group. Pursuant to the consolidated return Treasury Regulations, if one or more members of the TKNA Tax Group has net taxable income in a taxable year, the other members' losses incurred

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in that same taxable year will offset that taxable income on a pro-rata basis.⁴ TKNA has entered into tax sharing agreements with certain members of the TKNA Tax Group, governing, among other things, the terms under which such member may be paid by TKNA for the use of its losses.

The Debtor's Actual Tax Sharing Agreement provides for the cash payment by TKNA to the Debtor to the extent losses incurred by the Debtor offset the taxable income of other members of the TKNA Tax Group in a given year. Further, in the three years prior to the Petition Date, the Debtor received payments from TKNA in connection with the Debtor's Actual Tax Sharing Agreement on account of losses incurred by the Debtor, regardless of whether they were used to offset taxable income of other members of the TKNA Tax Group.

Each dollar of Retiree Benefits paid by the Debtor was deductible for U.S. federal income tax purposes. As a result, the Debtor's payment of Retiree Benefits each year gave rise to a sizable loss that was available to the TKNA Tax Group to offset the income of other members of the group.

During the Affiliate Investigation, the Chief Restructuring Officer and his advisors received from TKNA a copy of the Non-Debtor TSA, which is a form of a tax sharing agreement that was used by certain U.S. Affiliates. Unbeknownst to the Chief Restructuring Officer and his advisors until well after execution of the Original TKNA Settlement Agreement, the Non-Debtor TSA Amendment, and the Petition Date, Budd never was a party to the Non-Debtor TSA. The analysis of the Chief Restructuring Officer and his advisors of issues concerning rights and liabilities for tax sharing payments was based on the terms of the Non-Debtor TSA. Based on, among other things, that analysis, Budd and TKNA entered into the Original TKNA Settlement Agreement and the Non-Debtor TSA Amendment.

Once the Debtor's Actual Tax Sharing Agreement was discovered by the Debtor's counsel (after the Non-Debtor TSA Amendment had been executed), the Debtor determined that on a going forward basis it would be entitled to receive payments from TKNA under that agreement as the Debtor's losses were used by the TKNA Tax Group to reduce its taxable income, and that these payments to Debtor would not depend upon Debtor's ability to generate taxable income in the future. Moreover, the Debtor had over \$300 million in cash and expected to spend the majority of that money to pay Retiree Benefits, which payments should be deductible for U.S. federal income tax purposes and therefore should give rise to a significant amount of losses. The Debtor concluded that it could receive up to \$200 million or more (on a non-present value basis) in future payments under the Debtor's Actual Tax Sharing Agreement. The amount of payments would depend upon the application of a variety of factors discussed below. This estimate by the Debtor includes amounts that Debtor believes are owed by TKNA to the Debtor for past years under the Debtor's Actual Tax Sharing Agreement.

⁴ Where the aggregate current losses of those members with losses ("loss members") do not exceed the taxable income of those members with income ("income members"), each loss member's current loss is used in full to offset the taxable income of the group. However, where the loss members' current losses exceed the income members' income, each loss member's current loss is used pro-rata (in the ratio which each member's current loss to the aggregate current losses of all loss members bears to the total taxable income of all income members).

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Accordingly, the Debtor believes that it holds at least the following Causes of Action related to the Debtor's Actual Tax Sharing Agreement and execution of the Non-Debtor TSA Amendment: (1) a judicial declaration that the terms of the Non-Debtor TSA Amendment are not binding on the Debtor because the amendment purports to amend a contract to which Budd was never a party; (2) alternatively, a judicial declaration that the Non-Debtor TSA Amendment is void due to mutual or unilateral mistake or fraudulent inducement; (3) alternatively, a judicial declaration that TKNA is equitably estopped from enforcing the Non-Debtor TSA Amendment; (4) alternatively, a judicial declaration that the Non-Debtor TSA Amendment is an unenforceable fraudulent transfer under section 547, 548, and/or 544 of the Bankruptcy Code and/or under sections 5(a)(2), 6(a) and/or 6(b) of the Illinois Uniform Fraudulent Transfer Act; and (5) a claim for breach of the Debtor's Actual Tax Sharing Agreement by TKNA for sums that should have been paid to Budd by TKNA.

In addition, apart from its Causes of Action arising under or related to the Non-Debtor TSA Amendment and the Debtor's Actual Tax Sharing Agreement, the Debtor believes that TKNA improperly charged Budd in 2013 for approximately \$76 million of tax liability (the "Waupaca Gain Payment") that was attributable to Waupaca on a separate company basis and arose from the 2012 sale of stock of Waupaca that was treated as a deemed sale of assets by Waupaca for U.S. federal income tax purposes (the "Waupaca Tax Claim"). The Debtor believes Budd had no obligation to pay Waupaca's separate company tax liability under the Debtor's Actual Tax Sharing Agreement, any other agreement to which the Debtor was a party, or any decision by Budd's board of directors authorizing TKNA's unilateral determination that Budd should make the Waupaca Gain Payment. Alternatively, if Budd was properly charged by TKNA for the Waupaca Gain Payment, the Debtor believes it can be recovered by the Estate as an avoidable preference (and the Waupaca Tax Claim includes this alternative theory of relief).

TKNA contests the Debtor's claims for past amounts owed to Budd under the Debtor's Actual Tax Sharing Agreement and the Waupaca Tax Claim. TKNA has asserted a Claim in the Bankruptcy Case. In this Claim, TKNA seeks approximately \$80 million to recover amounts previously paid to Budd that TKNA claims it overpaid or is otherwise entitled to recover from the Debtor related to the Debtor's Actual Tax Sharing Agreement.

Absent a settlement with TKNA, the Debtor's ability to receive payments under the Debtor's Actual Tax Sharing Agreement from TKNA in the future (and the amount of any such payments) depends upon a number of factors, including without limitation, (1) the amount of future deductible expenses that would be incurred by the Debtor; (2) the future profitability of the TKNA Tax Group and its individual members; (3) the continued ownership by TKNA of the Debtor after the Effective Date of the Plan, which, if not consented to by TKNA, would likely require the incorporation in the Plan of some form of the Status Quo Order; (4) whether the Debtor could continue to be a member of the TKNA Tax Group under the consolidated return Treasury Regulations after the Effective Date of the Plan, even if TKNA continued to own 100 percent of the stock of the Debtor; (5) the Debtor prevailing on the argument, which has been contested by TKNA, that the Debtor's Actual Tax Sharing Agreement is not unilaterally terminable by TKNA following the expiration of the Status Quo Order; (6) the Debtor's prevailing on the argument, which has been contested by TKNA, that the Non-Debtor TSA Amendment is not enforceable against the Debtor; and (7) no future changes in tax law or regulation that would adversely affect the application of the Debtor's Actual Tax Sharing Agreement or the tax deductibility of future payments the Debtor would make on account of

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Retiree Benefits or that would reduce corporate tax rates. As discussed below, although many tens of millions of dollars are potentially payable to the Debtor in the future under the Debtor's Actual Tax Sharing Agreement, significant economic and legal risks exist to the Debtor's ability to collect such amounts without the agreement and cooperation of TKNA.

The TKNA Settlement Agreement and the Plan represent a compromise that the Debtor believes is suitable with respect to its claims under the Debtor's Actual Tax Sharing Agreement, the Waupaca Tax Claim, and other claims that the Debtor believes it has against TKNA, its Affiliates, and Clark Hill as described herein. Under the TKNA Settlement Agreement, TKNA would make a stream of payments to the UAW VEBA and the E&A VEBA on behalf of the Debtor in the amount of \$300 million (subject to adjustment, including upward adjustment of \$35 million in the event that the Confirmation Order includes the Waupaca Claims Release) and assume Pension Plan and other obligations that likely represent more than \$200 million in Claims that otherwise would be Allowed against the Estate. Significantly, the UAW VEBA will receive future Settlement Payments under the TKNA Settlement Agreement irrespective of future changes in tax law, future taxable losses of the TKNA Tax Group, or the ability to enforce the Debtor's Actual Tax Sharing Agreement.

In lieu of the TKNA Settlement Agreement, TKNA would contest the Debtor's right to payments under the Debtor's Actual Tax Sharing Agreement and claims for repayment of the Waupaca Gain Payment, and would seek Allowance of its Claims for approximately \$80 million that TKNA claims it is owed under the Debtor's Actual Tax Sharing Agreement for years prior to the Petition Date. The Debtor would assert defenses to those claims.

2. Claims Related to the Sale of Waupaca

The investigation conducted by the Debtor, UAW, and the Retiree Committee revealed potential claims and Causes of Action that may be brought against TKNA and others in connection with Budd's 2012 sale of Waupaca. The thrust of many (if not all) of these actions is that: (1) TKAG orchestrated and forced Budd's premature sale of Waupaca in a tainted sale process for reasons that benefitted TKAG and TKNA only and without regard for either the fact that Budd was insolvent or the interests of Budd's creditors; and (2) as a result, TKAG forced Budd to needlessly sell Waupaca at a time when, among other things, the market was depressed, and thereby Budd received an unreasonably low sale price and/or did not receive reasonably equivalent value from KPS for Waupaca.

The Debtor may hold the following potential claims and Causes of Action, among others, related to the sale of Waupaca: (1) against TKAG, TKNA, and their respective directors, officers, agents, and/or employees, claims for breach of fiduciary duty, aiding and abetting breach of fiduciary duty, conspiring in breach of fiduciary duty, statutory and common law conversion, fraudulent transfer, fraudulent concealment, equitable subordination, and veil piercing and/or alter ego liability; (2) against certain current and former officers and directors of the Debtor, claims for breach of fiduciary duty; (3) against the attorneys for TKNA, TKAG, and the Debtor in connection with the Waupaca sale, malpractice, breach of fiduciary duty, and aiding and abetting breach of fiduciary duty; and (4) against KPS, claims for actual or constructively fraudulent transfer, in addition to other potential Causes of Action.

Under the TKNA Settlement Agreement, among other consideration described above: (1) all of the foregoing claims would be released against TKNA, TKAG, other Affiliates, Clark

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Hill, and their respective officers, directors, agents and employees; and (2) TKNA would pay the Settlement Payments as set forth in the TKNA Settlement Agreement.

Significantly, under the TKNA Settlement Agreement, the UAW can elect to include the Waupaca Claims Release in the Confirmation Order, in which event: (1) KPS would receive the benefit of Waupaca Claims Release; and (2) TKNA would pay to the UAW VEBA the Additional Payments in the aggregate amount of \$35 million. The UAW also has the election to exclude the Waupaca Claims Release from the Confirmation Order, in which event the Independent Fiduciary acceptable to the UAW would have sole authority to prosecute claims against KPS for the benefit of the UAW VEBA. In the event the UAW does not make an election, it will be deemed to have elected to exclude the Waupaca Claims Release so that the Independent Fiduciary can pursue the KPS Causes of Action for the benefit of the UAW.

As discussed on page 28 below, if the Plan and the TKNA Settlement Agreement are not approved, all of the Causes of Action released pursuant to the TKNA Settlement Agreement likely would be litigated. If some or all of these Causes of Action were to be successful, it is not certain what damages the Debtor would receive, although it is possible that such damages could be in excess of the value that TKNA would provide under the TKNA Settlement Agreement. As discussed below, there are legal and economic risks involved with suing and recovering on account of these Causes of Action, which include risks related to defenses that TKNA and others would assert, the cost, uncertainty, and passage of time inherent in large and complex litigation, and potentially the inability of the Debtor to remain part of the TKNA Tax Group and thus to seek future payments under the Debtor's Actual Tax Sharing Agreement.

F. Settlement Discussions Among the Debtor, the Retiree Representatives, and TKNA

On August 11, 2015, counsel to the Debtor, TKNA, the UAW and the Retiree Committee convened and the Debtor, the UAW and the Retiree Committee made a non-exhaustive presentation of the findings of their investigations and outlined the Debtor's potential claims against TKNA, TKAG, and certain of their officers, directors, employees and agents related to the Debtor's Actual Tax Sharing Agreement and the sale of Waupaca. Subsequent discussions among these groups led to development of the chapter 11 plan the Debtor filed on September 30, 2015, and continued discussions led to the filing of the Plan.

G. Evaluation / Estimation of Asbestos Claims and Available Insurance

During the Bankruptcy Case, the Asbestos Committee conducted discovery related to past, present, and future asbestos-related claims against Budd, as well as insurance coverage available for asbestos-related claims against Budd. [See Docket No. 535 and 605]. Also during the Bankruptcy Case, the Asbestos Committee and the Debtor each retained valuation experts to estimate the scope and extent of the Debtor's current and future Asbestos Claims.

In September 2015, the Debtor and counsel for various companies that issued or were responsible for Asbestos Insurance Policies mediated several issues related to certain types of Asbestos Claims. As a result of this mediation and related discussions, the Debtor and certain insurers agreed to the Cost Sharing Agreement, which memorializes certain elements of the treatment of certain Insured Asbestos Claims under the Plan.

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VI. IMPLEMENTATION OF THE PLAN OF REORGANIZATION

A. Establishment and Funding of VEBAs for the Benefit of Retirees

The Plan is premised upon providing to or for the benefit of the Retirees: (1) Effective Date Cash in excess of \$200 million; (2) Cash over an 8 year period beginning on the Effective Date in the aggregate amount of either \$300 million or \$335 million if the Confirmation Order includes the Waupaca Claims Release (in each case in accordance with the terms of the TKNA Settlement Agreement and subject to adjustment) under a stream of payments to be made by TKNA on behalf of the Debtor pursuant to the TKNA Settlement Agreement; and (3) additional Cash from the proceeds of Causes of Action and other assets of the Estate liquidated after the Effective Date. This Cash will be made available to or for the benefit of Retirees under the Retiree VEBAs as described in the Plan and in this Disclosure Statement.

Consistent with Bankruptcy Code Section 1129(a)(13) and Section 1114, the Debtor's Plan contemplates that on or before the entry of the Confirmation Order, the Bankruptcy Court shall enter the E&A Section 1114 Order and the UAW Section 1114 Order. The Section 1114 Orders will modify the obligations of the Debtor to provide Retiree Benefits to the E&A Retirees and the UAW Retirees by funding through the Plan the E&A VEBA and the UAW VEBA. The Section 1114 Orders will not be effective unless and until: (1) the Bankruptcy Court enters the Confirmation Order; and (2) the Effective Date has occurred. After the respective E&A Retiree VEBA Effective Date and the UAW Retiree VEBA Effective Date, the E&A Retirees and the UAW Retirees will have the rights afforded to them under the Retiree VEBAs and will receive Retiree Benefits pursuant to the terms of the E&A VEBA Trust Plan and the UAW VEBA Trust Plan, as the same may be amended from time to time, in lieu of all rights otherwise afforded to them under the Debtor's existing retiree medical plans (including rights under applicable laws, such as, but not limited to, the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended, ERISA, and the Patient Protection and Affordable Care Act). In the event that the UAW declines to establish the terms of benefits to be provided by the UAW VEBA, the UAW VEBA will fund allocations to an individual HRA for each UAW Retiree. UAW Retirees can then use their HRAs to pay eligible medical expenses, including premiums for Medicare supplement plans and other insurance plans and certain medical expenses that are not covered by insurance, Medicare, or the Medicare supplemental plans.

A VEBA is a tax-exempt trust created to pay for certain types of employee welfare benefits, including medical benefits, to current or former employees and their spouses and dependents. Paying for benefits through a VEBA can provide a tax advantage to the Debtor and the Retirees.

Prior to the Effective Date, the UAW VEBA and the E&A VEBA will be established to meet the requirements of Code section 501(c)(9) and ERISA section 3(1). The Debtor shall pay all costs and expenses of the Debtor, the UAW, and the Retiree Committee (and their respective professionals) associated with establishing the UAW VEBA and the E&A VEBA. Each Retiree VEBA will be separate from the other, and assets of the Retiree VEBAs will not be commingled. From and after the Effective Date until the respective E&A VEBA Effective Date and the UAW VEBA Effective Date, the Debtor shall continue to provide to the E&A Retirees and the UAW Retirees Retiree Benefits pursuant to the terms and conditions of the Debtor's existing retiree medical plans, the cost of which shall be paid by the Estate. Claims for Retiree Benefits that are incurred but not paid prior to the applicable E&A VEBA Effective Date or UAW VEBA

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Effective date shall likewise be paid by the Estate pursuant to the terms and conditions of the Debtor's existing retiree medical plans..

B. Execution of TKNA Settlement Agreement

To implement the Plan, the Debtor, the Retiree Committee, and TKNA have executed and will perform under the TKNA Settlement Agreement.

C. Rights and Powers of the Independent Fiduciary

In accordance with the Amended and Restated Bylaws of The Budd Company, Inc., the Independent Fiduciary shall enforce the TKNA Settlement Agreement, oversee TKNA's payments to the UAW VEBA required by the TKNA Settlement Agreement, and exercise sole authority to pursue, litigate, settle, compromise, and retain and pay professionals from assets of the Debtor to assist in such actions as to all Causes of Action not released pursuant to the Plan. The Independent Fiduciary shall have sole authority to: (1) retain and use Operating Cash to pay professionals to pursue Causes of Action not released pursuant to the Plan and to pay fees due and payable to the U.S. Trustee; (2) to enforce payment of the Settlement Payments, Additional Payments (if applicable), and any Settlement Increase (if applicable); and (3) to enforce the Letter of Credit to be obtained and maintained by TKNA under the TKNA Settlement Agreement from the Effective Date until all Settlement Payments (including any Settlement Increase) and Additional Payments (if applicable) have been made, as more fully described in, and subject to the conditions set forth in TKNA Settlement Agreement. The Independent Fiduciary shall have no ability to modify in any way, without the express written consent of the Retiree Committee, the TKNA Effective Date Payment or any other distribution to the E&A VEBA provided for by the Plan.

D. Rights and Powers of the Debtor

After the Effective Date, the Debtor shall not require authority of the Bankruptcy Court to act, other than as specifically set forth in the TKNA Settlement Agreement, the Plan, or the Confirmation Order. Specifically, and without limitation, the Debtor shall have the right to, among other things, (1) object to Claims and prosecute, settle, compromise, withdraw or resolve in any manner approved by the Bankruptcy Court such objections; and (2) conduct examinations in accordance with Bankruptcy Rules 2004 or 7001 *et. seq.* or otherwise in accordance with applicable law.

E. Dissolution of Committees and Retiree Representatives

1. The Asbestos Committee

The duties and powers of the Asbestos Committee, and the duties and powers of its respective Professionals, will terminate on the later of: (1) completion of performance of those actions required to be executed on or about the Effective Date; and (2) resolution of any Fee Applications filed or objected to by the Asbestos Committee, or its respective Professionals. The fees and expenses of the Asbestos Committee and its Professionals through the date that the Asbestos Committee is dissolved shall be paid by the Debtor, and after the Effective Date from administrative reserves, after entry of an order of the Bankruptcy Court authorizing such payment. Upon the termination of the duties and powers of the Asbestos Committee, the Asbestos Committee will be dissolved, its members will be deemed released by the Debtor and its Estate from their duties, responsibilities and obligations in connection with the Bankruptcy

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Case, and the Debtor shall have no further obligation to pay any costs, fees, or expenses of the Asbestos Committee, or its respective members or Professionals.

Upon the dissolution of the Asbestos Committee, no notice to that Committee that might otherwise be required pursuant to an order of the Bankruptcy Court shall be required.

2. The Retiree Committee and the UAW

The duties and powers of the Retiree Committee and the UAW in their respective capacity as representative of Retirees under section 1114 of the Bankruptcy Code, and the duties and powers of their respective Professionals, will terminate on the latest of: (1) completion of performance of those actions required to be executed on or about the Effective Date; (2) resolution of any Fee Applications filed or objected to by either the Retiree Committee, the UAW, or their respective Professionals; and (3) (i) for the Retiree Committee, the E&A VEBA Effective Date; and (ii) for the UAW, the UAW VEBA Effective Date. The fees and expenses of the Retiree Committee, the UAW, and their respective Professionals through the date(s) the Retiree Committee is dissolved and the UAW is relieved of its obligations as the authorized representative of the Retirees shall be paid by the Debtor, and after the Effective Date from administrative reserves, after entry of an order of the Bankruptcy Court authorizing such payment. Upon the respective termination of the duties and powers of the Retiree Committee and the UAW, the Retiree Committee will be dissolved, the UAW will no longer be the authorized representative of the UAW Retirees under section 1114 of the Bankruptcy Code, their members will be deemed released by the Debtor and its Estate from their duties, responsibilities and obligations in connection with the Bankruptcy Case, and the Debtor shall have no further obligation to pay any costs, fees, or expenses of the Retiree Committee, the UAW, or their respective members or Professionals.

Upon the respective dissolution of the Retiree Committee and termination of the UAW's representation of the UAW Retirees, no notice to the Retiree Committee or the UAW that might otherwise be required pursuant to an order of the Bankruptcy Court shall be required.

VII. Plan Provisions Governing Allowance of Claims and Making of Distributions

A. Liquidation and Treatment of Asbestos Claims

1. Funding of Asbestos Funds

On the Effective Date, the Debtor shall deposit Cash into the Asbestos Funds as follows: \$900,000 into the Insured Asbestos Fund and \$100,000 into the Uninsured Asbestos Fund. The Asbestos Funds are to be used solely to pay the costs and expenses (including administrative expenses and the fees of any attorneys and other professionals retained by the Debtor) of defending against Asbestos Claims and to pay Distributions to the holders of Allowed Asbestos Claims, subject to the provisions of the Plan, the Confirmation Order, and the Amended Asbestos Cost Sharing Agreement. The Asbestos Funds shall be segregated, not commingled with any other Cash or other property of the Debtor, and shall not be used to pay any other obligation of the Debtor.

The Debtor shall maintain the Asbestos Funds until the earlier to occur of (a) the date on which less than \$1,000 remains in an Asbestos Fund, (b) dissolution of the Debtor, or (c) January

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1, 2045, at which time the Debtor shall donate any amounts remaining in such Asbestos Fund to one or more reputable not-for profit institutions focused upon asbestos-related diseases.

2. Injunction on Future Asbestos Claims

The Confirmation Order shall include an injunction that limits recovery on account of any Asbestos Claim, whether manifested or filed before or after the Petition Date, to the Asbestos Funds and the Asbestos Insurance Policies, and prevents any Person from collecting, recovering, or receiving payment or recovery with respect to any Asbestos Claim from assets of the Debtor or the Estate, other than the Asbestos Funds or one or more Asbestos Insurance Policies.

3. Amended Asbestos Cost Sharing Agreement

On the Effective Date, the Debtor shall execute and perform under the Amended Asbestos Cost Sharing Agreement.

4. Litigation of Asbestos Claims After the Effective Date

After the Effective Date, litigation of Asbestos Claims will be administered in accordance with the Amended Asbestos Cost Sharing Agreement. Upon the latest of (a) the date on which the Confirmation Order becomes a Final Order; (b) the date that is 180 days after the Effective Date, or (c) if an objection has been filed to an Asbestos Claim in the Bankruptcy Court or a court of competent jurisdiction before the end of such 180-day period, the entry of a Final Order overruling any objection to an Asbestos Claim, the holder of such Asbestos Claim shall be relieved of the injunction contained in the Plan and the Confirmation Order and may thereafter pursue such Claim against the Debtor in the appropriate state or federal court for the sole purposes of determining the validity of such Asbestos Claim, and with respect to Insured Asbestos Claims, possible recovery from the Insurers and/or the Insured Asbestos Claim Fund, or with respect to Uninsured Asbestos Claims, recovery from the Uninsured Asbestos Claim Fund.

Following the Effective Date, the Debtor or its agents shall notify the pertinent Insurer(s) of any Asbestos Claim that the Debtor determines may be an Insured Asbestos Claim. No Insurer shall have any obligation with respect to any Asbestos Claim for which such notice has not been given; *provided however*, that such notice will be deemed to have been given with respect to Asbestos Claims filed against the Debtor during the Bankruptcy Case or for which any Insurer had undertaken to provide a defense prior to the Petition Date. Following the date on which the Confirmation Order becomes a Final Order and the effective date of the Amended Asbestos Cost Sharing Agreement, the Participating Carriers, in accordance with the Amended Asbestos Cost Sharing Agreement, shall be authorized to settle and compromise Insured Asbestos Claims without further order of the Bankruptcy Court.

B. Allowed Claims, Distribution Rights and Objections to Claims

1. Allowance Requirement

Only holders of Allowed Claims are entitled to receive distributions under the Plan. The Debtor has filed and may file additional objections to Claims that have not been previously Allowed or are Allowed by the Confirmation Order. Under the Plan, Insurers shall be granted standing to object to Asbestos Claims. Prior to making any Distribution to holders of Allowed Claims, the Debtor may establish one or more reserves for Disputed Claims. The Debtor shall

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reserve in Cash or other property for Distribution on account of any Claim so reserved the full asserted amount (or such lesser amount as may be reasonably estimated) of such Claim or expense.

2. Date of Distribution

All Distributions to holders of Allowed Claims will be made as and when provided in the Plan. Initial distributions will be made as soon as practicable after the Effective Date.

3. Making of Distributions

Distributions to holders of Allowed Claims will be made: (a) to the last known addresses of such holders; or (b) to the addresses set forth in any filed proof of claim or written notices of address changes delivered to the Debtor by the holder of an Allowed Claim. If any Distribution is returned as undeliverable, no further Distributions to the recipient shall be made unless and until the Debtor is notified of such holder's then current address, at which time all missed distributions shall be made to such holder without interest.

4. Objection Procedures

Unless otherwise ordered by the Court after notice and a hearing, under the Plan, the Debtor shall have the exclusive right, on and after the Effective Date, to File objections to Claims, provided, however, that any Asbestos Insurer may File and prosecute objections to Asbestos Claims in accordance with the Amended Asbestos Cost Sharing Agreement.

5. Estimation of Claims

As set forth in the Plan, the Debtor reserves the right to seek to have Disputed Claims estimated by the Bankruptcy Court.

C. Disposition of Executory Contracts and Unexpired Leases

Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all Executory Contracts that exist between the Debtor and any person or Entity shall be deemed rejected by the Debtor as of the Effective Date, other than: (1) the Affiliate Services Agreement, which shall be amended and restated pursuant to the TKNA Settlement Agreement, (2) any Executory Contract that was terminated before the Effective Date or has been assumed or rejected pursuant to an order of the Bankruptcy Court entered before the Effective Date, or (3) the Asbestos Insurance Policies or any other insurance policy of the Debtor (to the extent they are or can be construed as executory). The Confirmation Order (except as otherwise provided therein) shall constitute an order of the Bankruptcy Court pursuant to section 365 of the Bankruptcy Code, effective as of the Effective Date, rejecting all executory contracts of the Debtor. Rejection claims arising out of the rejection of any executory contract or unexpired lease pursuant to the Plan must be filed with the Bankruptcy Court no later than the later of thirty (30) days after the entry of an order rejecting such executory contract or unexpired lease. Any Claim not filed within such time period shall be forever barred.

Any Claim arising out of the rejection of an executory contract or unexpired lease shall, pursuant to section 502(g) of the Bankruptcy Code, be treated as Class 6 General Unsecured Claim under the Plan.

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D. Reservation of Rights Regarding Claims and Causes of Action

Except as otherwise explicitly provided in the Plan, nothing will affect the Estate's rights and defenses, both legal and equitable, with respect to any Claims, including, but not limited to, all rights with respect to legal and equitable defenses to alleged rights of setoff or recoupment. All such rights, remedies, claims, defenses and Causes of Action shall remain with the Estate after the Effective Date.

Among other Causes of Action held by the Estate disclosed in the Schedules, the Debtor believes that the Estate holds Causes of Action against: (1) Conway MacKenzie, in connection with the resignation of Charles M. Moore as Chief Restructuring Officer; and (2) Martinrea International, Inc., in connection with tax refunds due to the Estate under sale and purchase agreements to which Martinrea International, Inc. is a party.

VIII. Other Plan Provisions

A. Releases, Injunctions, Exculpation and Related Provisions

1. Compromise and Settlement

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the Distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims and Equity Interests. Specifically, the Plan shall constitute a good faith compromise of all Affiliate Claims and Estate Claims under the terms and provisions of the TKNA Settlement Agreement. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all Claims and Equity Interests and of the TKNA Settlement Agreement, as well as a finding by the Bankruptcy Court that such compromise or settlement is fair, equitable, reasonable and in the best interests of the Debtor, the Estate, and holders of Claims and Equity Interests.

2. Exculpation

The Exculpated Parties and any property of the Exculpated Parties will not have or incur any liability to any Person for any act taken or omission occurring on or after the Petition Date or for any and all Claims and Causes of Action arising on or after the Petition Date, in connection with or related to the Estate, including, but not limited to, (i) the commencement and administration of the Bankruptcy Case, (ii) the operation of the business of the Debtor or administration of the Estate during the pendency of the Bankruptcy Case, (iii) formulating, negotiating, preparing, disseminating, soliciting, implementing, administering, confirming or consummating the Plan, the Disclosure Statement, the TKNA Settlement Agreement, the Amended Asbestos Cost Sharing Agreement, or any other contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other post petition act taken or omitted to be taken in connection with the administration of the Estate; (iv) submission of and statements made in, the Disclosure Statement or any contract, instrument, release or other agreement or document entered into, or any action taken or omitted to be taken in connection with the Plan; or (v) any Distributions made pursuant to the Plan, except for acts constituting willful misconduct, gross negligence, or fraud and in all respects such parties shall be entitled to rely upon the advice of counsel with respect to their duties and

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responsibilities under the Plan. The entry of the Confirmation Order shall constitute a determination by the Court that the Exculpated Parties shall have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code, pursuant to, among other provisions of law, sections 1125(e) and 1129(a)(3) of the Bankruptcy Code, with respect to the foregoing, provided, further, that the foregoing provisions of the Plan shall not apply to any acts, omissions, Claims, Causes of Action or other obligations expressly set forth in and preserved by the Plan or Plan Supplement or any defenses thereto.

3. Injunction

Subject to Articles II(B)(5)(b) and IV(I)(2) of the Plan and the corresponding injunction in the Confirmation Order, all Persons who have held, hold, or may hold Equity Interests or Claims against the Estate shall, with respect to any such Equity Interests or Claims, be permanently enjoined from and after the Effective Date, from taking any of the following actions (other than actions to enforce any rights or obligations under the Plan): (i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Estate, Debtor, or any of their respective representatives or property; (ii) enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against the Estate, the Debtor, or any of their respective representatives or property; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Estate, the Debtor, or any of their representatives or property; (iv) asserting any right of setoff, directly or indirectly, against any obligation due the Estate, the Debtor, or any of their property, except as contemplated or allowed by the Plan or the Confirmation Order; (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan; (vi) pursuing, prosecuting, or recovering proceeds on account of any claims belonging to the Estate; and (vii) prosecuting or otherwise asserting any right, claim, or cause of action released pursuant to the Plan.

4. Releases by the Estate of the Release Parties

Effective as of the Effective Date, and except as otherwise set forth in the Plan or the Confirmation Order, the Debtor will be deemed to have forever released, waived and discharged each of the Release Parties from any and all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtor to act in accordance with or otherwise enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered or executed thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence, taking place on or prior to the Effective Date in any way relating to the Debtor, the Bankruptcy Case, or the Plan.

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5. Release of the Released TKNA Parties and Injunction

In accordance with the TKNA Settlement Agreement, and subject to and conditioned upon the occurrence of the Effective Date and the payment of the E&A Payment, the Debtor, the Estate and the Retiree Committee, on behalf of themselves and their agents, members, predecessors, successors, and assigns, and all Persons who have held, hold, or may hold Claims against the Debtor or the Estate, acting derivatively through the Debtor or the Estate, shall be deemed to have unconditionally, absolutely, irrevocably and forever released and discharged the Released TKNA Parties with respect to all causes of action, suits, debts, liabilities, accounts, promises, warranties, damages and consequential damages, agreements, costs, expenses, claims or demands that have been or could have been asserted by or on behalf of the Debtor, the Estate, and/or the Retiree Committee against the Released TKNA Parties related to or arising out of any act or thing that occurred or failed to occur prior to the Effective Date, whether known or unknown, direct, indirect, or derivative, liquidated or unliquidated, disputed or undisputed, fixed or contingent, inchoate or matured, foreseen or unforeseen, whether based in contract, tort, statute or otherwise, including, without limitation, avoidance actions or other causes of action available under chapter 5 of the Bankruptcy Code and claims arising from or relating to the Debtor's Actual Tax Sharing Agreement, the Non-Debtor TSA Amendment, the Affiliate Services Agreement (as amended and restated by this Plan or the TKNA Settlement Agreement), the Debtor's sale of Waupaca, and/or the ownership and/or control of the Debtor by TKNA or Affiliates or the equity securities of the Debtor (collectively, the "Released Estate Claims"); provided, however, that nothing contained in this paragraph shall be deemed or construed to be a covenant, release, waiver or discharge of the terms and conditions of this Plan, the TKNA Settlement Agreement, or the Affiliate Services Agreement (as amended and restated by this Plan and the TKNA Settlement Agreement).

In furtherance of the foregoing release, and subject to and conditioned upon the occurrence of the Effective Date and the payment of the E&A Payment, each of the Debtor, the Estate, and the Retiree Committee, on behalf of themselves and their agents, members, predecessors, successors, and assigns, and all Persons who have held, hold, or may hold Claims against the Debtor or the Estate, acting derivatively through the Debtor or the Estate, shall be deemed to have unconditionally, absolutely, irrevocably and forever released, waived and discharged each of the Released TKNA Parties from each of the Released Estate Claims; and each of the foregoing Persons are permanently precluded and enjoined from: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Released TKNA Parties or any of their property based upon, arising out of or related to the Released Estate Claims; or (ii) enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against the Released TKNA Parties or any of their property with respect to the Released Estate Claims.

6. Release of the Released Estate Parties

Subject to and conditioned upon the occurrence of the Effective Date, and expressly subject to the reservation of TKNA's setoff rights as expressly reserved in Section 6 of the TKNA Settlement Agreement, each of the Released TKNA Parties, as of the Effective Date,

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shall be deemed to have unconditionally, absolutely and irrevocably released the Debtor, the Estate, and their current and former officers (including, without limitation, the Debtor's past and current Chief Restructuring Officers Mr. Carl Lane and Mr. Charles Moore), directors (including, without limitation, the current Independent Director, Mr. Charles Sweet, and directors Brian Bastien and Heinz Hense), agents, professionals, employees, members, legal representatives, attorneys, predecessors, heirs, successors and assigns, each in his, her, or its capacity as such, and each of them, and the Retiree Committee, and its members, agents, professionals, legal representatives, attorneys, actuaries, financial advisors, predecessors, heirs, successors and assigns, each in his, her or its capacity as such, and each of them, and, solely in the event that the UAW elects to accept on behalf of the UAW VEBA the Additional Payments as provided for in Section 17 of the TKNA Settlement Agreement, then also including the UAW, and its agents, professionals, legal representatives, attorneys, actuaries, financial advisors, predecessors, heirs, successors and assigns, each in his, her or its capacity as such and each of them (collectively, the "Released Estate Parties") with respect to all causes of action, suits, debts, liabilities, accounts, promises, warranties, damages and consequential damages, agreements, costs, expenses, claims or demands that the Released TKNA Parties has or ever had or claims to have currently or at any future date against the Released Estate Parties related to or arising out of any act or thing that occurred or failed to occur prior to the Effective Date, whether known or unknown, direct, indirect, or derivative, liquidated or unliquidated, disputed or undisputed, fixed or contingent, inchoate or matured, foreseen or unforeseen, whether arising in law, equity, contract, tort, statute or otherwise, including, without limitation, any claims relating to or arising from the Pension Plans, TKNA's assumption of the Pension Plans, or any funding of the Pension Plans, and claims arising under or related to the Debtor's Actual Tax Sharing Agreement, the Non-Debtor TSA Amendment, and/or the Affiliate Services Agreement (as amended and restated by the Plan and/or the TKNA Settlement Agreement) (collectively, the "Released TKNA/Affiliate Claims"); **provided, however,** that nothing contained in this paragraph shall be deemed or construed to be a covenant, release, waiver or discharge of the terms and conditions of the Plan, the TKNA Settlement Agreement, the Affiliate Services Agreement (as amended and restated by the TKNA Settlement Agreement), or any claim or cause of action that is wholly unrelated to Budd; or of any claim or cause of action relating to work performed by Towers Watson in connection with its Benefits Investment Committee, or by Stevenson Keppelmen for TKNA in connection with any PBGC related issue.

B. Preservation of Rights of Action

Except to the extent that any Claim is Allowed during the Bankruptcy Case or expressly by the Plan, nothing, including, but not limited to, the failure of the Debtor to object to a Claim or Equity Interest for any reason, shall affect, prejudice, diminish or impair the rights and legal and equitable defenses of the Estate or the Debtor with respect to any Claim or Equity Interest, including, but not limited to, all rights of the Estate or the Debtor to contest or defend itself against such Claims or Equity Interests in any lawful manner or forum when and if such Claim or Equity Interest is sought to be enforced by the holder thereof.

C. Retention of Jurisdiction

Pursuant to Sections 105, 1123(a)(5), and 1142(b) of the Bankruptcy Code, and notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date,

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the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Bankruptcy Case and all Entities with respect to all matters related to the Bankruptcy Case, the Debtor and the Plan as is legally permissible. Notwithstanding anything herein to the contrary, after 180 days after the Effective Date, the Bankruptcy Court shall not retain jurisdiction over any Asbestos Claim for which the Bankruptcy Court has not entered a Final Order allowing or disallowing such Asbestos Claim; provided, however, the Bankruptcy Court shall retain jurisdiction over any Asbestos Claims for which the Bankruptcy Court or another court of competent jurisdiction has entered an order disallowing any Asbestos Claim within 180 days of the Effective Date, and such order is subject to an unexpired appeal or challenge period or has been appealed or otherwise challenged.

D. Amendment, Alteration and Revocation of Plan

Subject to the provisions of the TKNA Settlement Agreement and the limitations contained in the Plan: (1) the Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules and with the consent of TKNA and the Retiree Committee, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (2) after the entry of the Confirmation Order, the Debtor may, with the consent of TKNA and the Retiree Committee, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan; *provided, however*, that the E&A Payment and any other distributions to the E&A VEBA provided for by this Plan may not be modified in any way without the express written consent of the Retiree Committee.

The Debtor reserves the right to revoke or withdraw the Plan prior to the entry of the Confirmation Order and to File subsequent chapter 11 plans. If the Debtor revokes or withdraws the Plan or if entry of the Confirmation Order or the Effective Date does not occur, then the Plan shall be null and void in all respects, and nothing herein shall be deemed an admission, acknowledgement, offer, or undertaking of any sort by the Debtor or any other Entity including with respect to the amount or allowability of any Claim or the value of any property of the Estate.

E. Conditions to Effective Date

The Plan specifies conditions precedent to the Effective Date. Each of the specified conditions must be satisfied or waived in whole or in part pursuant to the Plan.

F. Requirements for Confirmation of the Plan

Before the Plan can be confirmed, the Bankruptcy Court must determine at the Confirmation Hearing that the requirements for confirmation, set forth in section 1129 of the Bankruptcy Code, have been satisfied. The Debtor believes that, upon receipt of the votes required to confirm the Plan, the Plan will satisfy all the statutory requirements of chapter 11 of the Bankruptcy Code, that the Debtor has complied or will have complied with all of the requirements of chapter 11, and that the Plan has been proposed and submitted to the Bankruptcy Court in good faith.

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IX. CERTAIN RISK FACTORS TO BE CONSIDERED

The holders of Claims should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks associated with the Plan and its implementation.

A. Risks of the Chapter 11 Plan Generally

1. Claims Estimations

There can be no assurance that any estimated Claim amounts set forth in this Disclosure Statement are correct. The actual Allowed amount of Claims likely will differ in some respect from the estimates set forth in this Disclosure Statement. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, the actual Allowed amount of Claims may vary from those estimated herein.

2. Modifications to Retiree Benefits

There can be no assurance that the Bankruptcy Court will determine that the modifications to Retiree Benefits proposed by the Plan satisfies section 1114 of the Bankruptcy Code.

3. Status of Laws Governing Health Insurance

The laws governing health insurance have undergone enormous change in recent years, and there can be no assurance that relevant federal, state, or local laws, regulations, or conditions will remain the same or not change in a way that materially disadvantages Retirees.

4. Conditions Precedent to Consummation

The Plan provides for certain conditions that must be satisfied (or waived) prior to the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated or that the Effective Date will occur.

5. Confirmation Risk

Even if creditors vote in numbers and amounts sufficient to confirm the Plan, the Bankruptcy Court may choose not to confirm the Plan.

B. Risks Related to the TKNA Settlement Agreement

The Plan is predicated upon TKNA performing under the TKNA Settlement Agreement, which requires significant future cash payments secured in part by the Letter of Credit. Although as of the date of this Disclosure Statement TKNA is a large and financially sound entity, there can be no assurance that TKNA will continue to be financially sound or continue to perform under the TKNA Settlement Agreement.

C. Risks Related to Proposed Treatment of Asbestos Claims

There is no guarantee that the Bankruptcy Court will approve the treatment of Asbestos

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Claims, including, without limitation, the Plan and injunction provisions that limit recovery of future Asbestos Claims to the Asbestos Funds and proceeds of Asbestos Insurance Policies.

D. Risks of Alternatives to the Plan

Alternatives to the Plan are discussed below in Article XII of the Disclosure Statement. Failure to confirm the Plan imposes significant risks on creditors and the Estate, including those discussed below.

1. Risk of Litigating Claims Proposed to be Compromised by the Plan

Failure to compromise the Claims and Causes of Action compromised by the TKNA Settlement Agreement is risky. The Causes of Action against TKNA and others that would be compromised by the TKNA Settlement Agreement are large and complex claims that may take years to litigate at significant cost and expense. During this time, the Estate would reserve amounts for continued litigation of such Claims, and likely would establish a reserve in the event that Claims of TKNA are Allowed as a result of such litigation (which is discussed further below). Most if not all of the litigation targets already have indicated defenses to the Causes of Action that would be asserted against them, and certain of the litigation targets have filed claims against the Debtor that may reduce or offset entirely any damages otherwise won. Litigation is inherently risky and there is no assurance that any Cause of Action will be successful and lead to an award of damages for the Estate.

2. Risk that Pension Plans are Terminated

If the TKNA Settlement Agreement is not approved and the Plan is not confirmed, it is possible that TKNA would not assume the Pension Plans. In that event, because the Debtor will not continue to fund the Pension Plans, it is likely that the PBGC will initiate a termination of the ERISA Pension Plans. In the event of a termination of the ERISA Pension Plans, (1) the PBGC would assume responsibility for the payment of benefits under the ERISA Pension Plans, (2) it is possible that some Retirees' benefits under the ERISA Pension Plans would exceed the statutory maximum guaranteed by the PBGC, which may result in reduced amounts of benefits being paid to such Retirees, (3) the PBGC likely would pursue significant Claims against the Debtor under ERISA, (4) certain of the Affiliates likely would pursue contribution Claims filed against the Debtor in the Bankruptcy Case, (5) it is likely that one or more of the foregoing Claims would be Allowed in an aggregate amount that may exceed \$300 million, and (6) Allowance of such Claim(s) would materially reduce Distributions to holders of other Allowed Claims, Retirees included.

3. Risk that TKNA Claims are Allowed

If the TKNA Settlement Agreement is not approved, then TKNA would not waive its Claims against the Debtor and likely would pursue such Claims in litigation with the Estate. It is possible that TKNA's Claim would be allowed, potentially in a material amount. If Allowed, such a Claim may reduce any award the Estate ultimately may obtain against TKNA, and likely would reduce Distributions on account of other Allowed Claims.

X. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE U.S. FEDERAL INCOME TAX CONSEQUENCES APPLICABLE TO THE IMPLEMENTATION OF THE PLAN ARE COMPLEX AND NOT FREE FROM DOUBT.

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THE DEBTOR DOES NOT INTEND TO SEEK A RULING FROM THE INTERNAL REVENUE SERVICE. THIS SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTOR. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT HIS, HER, OR ITS OWN TAX ADVISOR FOR THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN TO SUCH HOLDER.

A. U.S. Federal Income Tax Consequences to the Debtor

1. Introduction

The following discussion is a summary of certain U.S. federal income tax consequences of the consummation of the Plan to the Debtor. This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), the U.S. Treasury Regulations promulgated thereunder, judicial authorities, published administrative positions of the IRS and other applicable authorities, all as in effect on the date of this Disclosure Statement and all of which are subject to change or differing interpretations, possibly with retroactive effect.

This summary does not discuss the U.S. federal income tax consequences of the Plan to holders of Claims against or Equity Interests in the Debtor.

2. Discussion of Potential Tax Consequences of TKNA Settlement Agreement

The Settlement Payments made by TKNA to the UAW VEBA and the E&A VEBA should be treated for U.S. federal income tax purposes as tax-free capital contributions made by TKNA to the Debtor followed by the Debtor’s payment of these amounts to the UAW VEBA and the E&A VEBA, and the Settlement Payments should be deductible by the Debtor.

The IRS might view the Settlement Payments as TKNA’s capital contribution to the Debtor of a debt instrument consisting of a promise to pay in installments without interest. In that case, the IRS could compute the principal amount of the debt instrument as equal to the present value of the installment payments discounted at the mid-term Applicable Federal Rate (currently 1.67 percent), with the difference being so computed constituting original issue discount, accruable in income over the installment payment period.

TKNA’s assumption of the ERISA Pension Plans should not give rise to taxable income to the Debtor. Because TKNA is jointly and severally liable for those obligations, the assumption could be viewed as the satisfaction of TKNA’s own obligation. In addition, even if TKNA is treated as assuming the Debtor’s obligations with respect to the ERISA Pension Plans, the Debtor ought not to be treated as realizing cancellation of indebtedness income (“COD income”) under a Code exception that provides that COD income is not recognized to the extent that the payment of the liability would have given rise to a deduction. The Debtor is not entitled to deduct amounts it owes its Pension Plans prior to payment and, therefore, this exception should be available to it.

B. U.S. Federal Income Tax Implications to the VEBAs

To qualify as tax-exempt trusts, each of the Retiree VEBAs must obtain a favorable determination letter recognizing such VEBA’s tax-exempt status from the IRS. The application

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for a determination letter may be submitted to the IRS at any time within fifteen months of the VEBA's establishment. Although it is possible that the IRS might decline to issue such a favorable determination letter, the Debtor believes that the Retiree VEBAs would meet the requirements to obtain determination letters from the IRS. Contributions could be made to the Retiree VEBAs from time to time and benefits could be paid from the Retiree VEBAs prior to the receipt of the determination letters.

The E&A VEBA may incur a tax obligation with respect to earnings from interest and investments for the E&A VEBA. To determine whether any portion of a Retiree VEBA's earnings are subject to tax, there are certain technical VEBA rules to consider. VEBAs are treated as creating what are called for tax purposes "account limits" depending on the type of benefits provided. Investment earnings in a VEBA are tax-exempt only to the extent that the VEBA's assets at year end do not exceed the account limit. In the case of retiree medical benefits funded in a VEBA, the account limit is deemed to be zero. Because all the assets set aside for retiree medical benefits automatically exceed the account limit (zero), all of the earnings in a retiree medical VEBA are taxable as unrelated business taxable income ("UBTI"). Under a special tax rule, however, the earnings of a VEBA that is maintained pursuant to a collective bargaining agreement are not subject to taxation. The issue is not free from doubt, but the Debtor believes that the UAW VEBA should be treated by the IRS as maintained pursuant to a collective bargaining agreement for the limited purpose of applying the UBTI exception. On the other hand, the E&A VEBA should not be treated by the IRS as maintained pursuant to a collective bargaining agreement, and therefore its investment earnings should be subject to taxation as UBTI and should be subject to tax, depending on the type of investments selected for the VEBA.

C. U.S. Federal Income Tax Consequences to Retirees

The Debtor believes that payments to Retirees from the Retiree VEBAs to reimburse the Retirees for otherwise unreimbursed health insurance premiums and qualified medical expenses should not be included in the Retirees' taxable income and, therefore, should not be subject to federal income taxation. Qualified medical expenses are medical expenses that the IRS allows taxpayers to deduct from taxable income for the year under IRC Section 213. Medical expenses are expenses paid for the costs of diagnosis, cure, mitigation, treatment or prevention of disease, and the costs for treatments affecting any part or function of the body. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness, and not just for the benefit of general health. Some examples of qualified medical expenses include copayments for doctors' visits or prescription drugs, any amounts for medical care not covered by health insurance such as cost-sharing or expenses for services not covered under a health plan, and medical devices and equipment such as crutches, hearing aids, or prosthetic devices.

XI. FEASIBILITY OF THE PLAN, BEST INTERESTS OF CREDITORS, AND CONFIRMATION OF THE PLAN WITHOUT CONSENT OF ALL CREDITORS

A. Feasibility of the Plan

In connection with confirmation of the Plan, the Bankruptcy Court will be required to determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code, which means that the confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor. Because the Plan provides for the

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structured liquidation of the Debtor's assets and Distribution of the proceeds to creditors, the Debtor asserts that the Plan is feasible.

B. Acceptance of the Plan

As a condition to Confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds ($\frac{2}{3}$) in dollar amount and more than one-half ($\frac{1}{2}$) in number of Allowed claims in that class that actually voted to accept or to reject the Plan. Holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan.

C. Best Interests Test

Even if a plan is accepted by each class of Claims, the Bankruptcy Code requires a bankruptcy court to determine that the plan is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

A Chapter 7 liquidation would produce no greater liquidation proceeds than the proceeds that will be produced under the Plan. Moreover, the Debtor believes that costs and expenses incurred by a Chapter 7 trustee and his professionals in liquidating and administering the Estates would be duplicative of work already performed by the Debtor and his professionals. Accordingly, the Debtor believes that the "best interests" test of section 1129 of the Bankruptcy Code is satisfied.

D. Confirmation Without Consent to Modify Retiree Benefits

The Plan modifies Retiree Benefit obligations of the Debtor from "defined benefit" obligations to "defined contribution" obligations. Under the Plan, Plan Cash is distributed to Retirees through the mechanism of Retiree VEBAs. The Debtor expects to reach agreement with the Retiree Committee about the terms of an E&A Section 1114 Order modifying E&A Retiree Benefits in a manner consistent with the terms of the Plan. In the event that the UAW does not agree to the modifications of Retiree Benefits memorialized in the Plan, then the Debtor shall seek entry of a UAW Section 1114 Order modifying the UAW Retiree Benefits. Accordingly, the Debtor believes that the Plan satisfies section 1129(a)(13) of the Bankruptcy Code.

E. Confirmation Without Acceptance of All Impaired Classes: "Cramdown"

In the event any Class of Impaired Claims rejects the Plan, the Debtor may seek confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code.

XII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtor believes that the Plan is fair and equitable and in the best interests of all

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holders of Claims. If, however, the requisite acceptances are not received, or the Plan is not confirmed and consummated, the theoretical alternatives include: (a) formulation of an alternative plan or plans of reorganization; (b) liquidation of the Debtor under chapter 7 of the Bankruptcy Code; or (c) an extended stay of the Debtor in chapter 11 to allow the Debtor to pursue Causes of Action against TKNA and others prior to exiting chapter 11.

A. Alternative Plan(s) of Reorganization

If the requisite acceptances are not received or if the Plan is not confirmed, the Debtor or any other party in interest could attempt to formulate and propose a different plan or plans of reorganization. An alternative Plan may not provide for the Settlement Payments and other benefits provided by the TKNA Settlement Agreement. An alternative chapter 11 plan predicated on litigation with TKNA and others would be subject to the risk, cost, delay and uncertainty of litigation discussed above and below. Moreover, while an alternative chapter 11 plan was developed, the Debtor would continue to incur professional costs in the Bankruptcy Case. The Debtor believes that the Plan allows creditors to realize the greatest possible value under the circumstances.

B. Litigation of Affiliate Claims

If the Plan does not become effective, it is possible for the Debtor to remain in chapter 11 administration while it pursues its Causes of Action against TKNA and others. The benefit of such a course of action would be to allow the Estate to liquidate potentially valuable Causes of Action. Continued administration in chapter 11, however, is expensive and risks the benefits available to the Debtor under the TKNA Settlement Agreement. Moreover, litigation is inherently uncertain and risky. Among other risks, risks of litigation of the Causes of Action that would otherwise be settled and compromised under the TKNA Settlement Agreement include the following:

1. The Cash proceeds of the Causes of Action against the TKNA Released Parties net of fees and expenses could be less, and perhaps materially less, than the value that TKNA will provide under the TKNA Settlement Agreement.
2. The Cash available for Distribution to Retirees and other creditors after such litigation may be insufficient to provide the same or similar benefits to those that would be available to Retirees for their lifetimes under the Plan.
3. If such litigation were to commence, TKNA may not assume the Pension Plans, which would give rise to a multi-hundred million dollar Claim in favor of the PBGC. The Allowed Claim of the PBGC would share pro rata with recoveries to other unsecured creditors (including Retirees) and would materially diminish the amount of Cash the Estate would have to pay for Retiree Benefits.

The Debtor believes that the relative certainty of the Retiree's recovery under the Plan, namely projected lifetime Retiree Benefits at meaningful levels that are comparable to those currently being provided to Retirees, is preferable to engaging in expensive, lengthy, and risky litigation.

C. Interim Modification of Retiree Benefits

If the Plan is not confirmed the Debtor may seek to modify benefits under section 1114 of the Bankruptcy Code to conserve its remaining Cash while in chapter 11. Any such modification

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would reduce Retiree Benefits (compared to the Retiree Benefits provided now) and there would be no assurance that such modified benefits would continue for the foreseeable lives of all Retirees or would not be subject to further modification after the Debtor realized or failed to realize value on account of its non Cash assets.

D. Litigation of Retiree Benefit Issues

Many of the plans that provide Retiree Benefits to the Retirees include provisions that may permit the Debtor to amend, modify, and/or terminate Retiree Benefits provided thereunder. Under these provisions, the Debtor may have the right to reduce or terminate Retiree Benefits to a significant majority of Retirees. Under the Plan, the Retiree VEBAs will not include such provisions, and Retiree Benefits as modified by the Plan will not be subject to future modification or termination under the terms of the Retiree VEBAs. If the Plan is not confirmed, the Debtor may seek to amend, modify or terminate Retiree Benefits currently provided, either in accordance with section 1114 of the Bankruptcy Code or under other applicable law.

E. Liquidation under Chapter 7

If the Plan is not confirmed or does not become effective, the Debtor's case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtor believes that a liquidation under chapter 7 is inferior to the Plan because, among other reasons: (1) a Chapter 7 trustee would incur additional costs and expenses of liquidation; (2) section 1114 of the Bankruptcy Code is not applicable to cases under chapter 7 of the Bankruptcy Code, thus (a) the UAW and the Retiree Committee would lose their respective status as Retiree representatives and Retirees would not have the benefit of their official standing and representation, (b) a Chapter 7 trustee would not be able to continue to pay Retiree Benefits under section 1114 of the Bankruptcy Code, and (c) a Chapter 7 trustee would not be able to modify Retiree Benefits under section 1114 of the Bankruptcy Code, likely rendering Cash Distributions to Retirees taxable; (3) conversion to Chapter 7 would remove the Debtor from the TKNA Tax Group, thus destroying the value of the Debtor's future tax losses under the Debtor's Actual Tax Sharing Agreement, which constitutes a significant basis of the TKNA Settlement Agreement and a significant basis of potential recovery under an alternate chapter 11 plan; and (4) Chapter 7 would disenfranchise creditors, who currently have a right to vote on a plan that will determine how the significant Cash and valuable Causes of Action will be administered for their benefit.

XIII. THE SOLICITATION ORDER AND DISPUTED CLAIMANTS

A. Solicitation Order

Upon approval of this Disclosure Statement, the Bankruptcy Court entered an order that, among other things, determines the dates, procedures and forms applicable to the process of soliciting votes on the Plan and establishes certain procedures with respect to the tabulation of such votes (the "Solicitation Order"). Parties in interest may obtain a copy of the Solicitation Order through the Bankruptcy Court's electronic case filing system, by downloading the Solicitation Order from the Debtors' case website at <http://dm.epiq11.com/TBC> or by making written request upon the Debtors' counsel or the Balloting Agent.

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B. Voting Rights of Disputed Claimants

Holders of Claims in Class 6 that are (a) asserted as wholly unliquidated or wholly contingent in Proofs of Claim filed prior to the Distribution Record Date or (b) whose Claims are asserted in Proofs of Claim as to which an objection to the entirety of the Claim is pending as of the Distribution Record Date are not permitted to vote to accept or reject the Plan except as provided in the Solicitation Order. Pursuant to the procedures outlined in the Solicitation Order, Disputed Claimants may obtain a Ballot for voting on the Plan only by filing a motion under Bankruptcy Rule 3018(a) seeking to have their Claims temporarily Allowed for voting purposes (a "Rule 3018 Motion"). Any such Rule 3018 Motion must be filed and served upon counsel to the Debtor and the Balloting Agent no later than [REDACTED]. The Ballot of any creditor filing such a motion will not be counted unless temporarily allowed by the Bankruptcy Court for voting purposes, after notice and a hearing.

XIV. RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtor believes that confirmation and consummation of the Plan is preferable to all other alternatives and urges all holders of Claims in Classes 3 through 8 to vote to ACCEPT the Plan and to complete and return their ballots so that they will be RECEIVED on or before [REDACTED].

Dated: November 19, 2015

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Counsel for Debtor

The Budd Company, Inc.

x /s/ Carl S. Lane

By: Carl S. Lane
Its: Chief Restructuring Officer