

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

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In re: : Chapter 11
  
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EXIDE TECHNOLOGIES, : Case No. 13-11482 (KJC)
  
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Debtor.<sup>1</sup> :
  
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**DECLARATION OF ED MOSLEY IN SUPPORT OF CONFIRMATION OF THE  
THIRD AMENDED PLAN OF REORGANIZATION OF EXIDE TECHNOLOGIES**

I, Ed Mosley, hereby declare, pursuant to 28 U.S.C. § 1746, under penalty of perjury:

1. My name is Ed Mosley. I am over the age of 18 and competent to testify. I am a senior director with Alvarez & Marsal North America, LLC (together with its wholly owned subsidiaries, professional service provider affiliates (all of which are owned by Alvarez & Marsal North America, LLC’s parent company) and employees, agents, independent contractors and employees, “A&M”) and the Chief Restructuring Officer of the Debtor. A&M is a restructuring advisory services firm with numerous offices throughout the country that was engaged by the above-captioned debtor and debtor-in-possession (the “Debtor”) to provide the Debtor with a Chief Executive Officer and President, Chief Restructuring Officer and certain additional personnel.

2. I have a diverse background in financial restructuring, operational restructuring, investment banking, and finance and operational experience. With more than 12 years of restructuring experience, I am an experienced advisor to companies in distressed and

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<sup>1</sup> The last four digits of Debtor’s taxpayer identification number are 2730. The Debtor’s corporate headquarters are located at 13000 Deerfield Parkway, Building 200, Milton, Georgia 30004.

bankruptcy situations. I have prepared liquidation analyses and/or financial projections for both debtors and creditors in the context of: (a) chapter 11 restructurings, including the cases of Visteon Corporation, Chesapeake Corporation, Aurora Bank (non-debtor subsidiary of Lehman Brothers), Amcast Automotive, Cone Mills, Gayley & Lord, Washington Group International, Global Crossing Ltd, Daskocil Manufacturing Co, NCS Healthcare, and ITC Deltacom; and (b) out-of-court restructurings and distressed transactions involving Acument Global Technologies, Sypris Solutions, Inc., Norwood Promotion Products, Inc., Decrane Aircraft, Burr Wolff, and Wickes Lumber. I have worked with both private and public companies across various industries, including manufacturing, transportation, automotive, retail, industrial construction, telecommunications, healthcare, and direct selling. I hold a bachelor's degree from Harvard University. I have been recognized as a Certified Insolvency and Restructuring Advisor by the Association of Insolvency and Restructuring Advisors.

3. In my role as the Debtor's Chief Restructuring Officer, I have become intimately familiar with the Debtor's day-to-day operations, business, financial affairs, and books and records. I submit this declaration in support of the Reorganizing Debtor's Memorandum of Law (I) in Support of Confirmation of the Second Amended Plan of Reorganization of Exide Technologies and (II) In Response to Objections Thereto (the "Memorandum").<sup>2</sup> I am familiar with the contents of the Memorandum and I was actively involved in preparing the financial projections and liquidation analysis included with the Plan.

4. Except as otherwise indicated, all facts set forth in this declaration are based upon my personal knowledge, information learned from my review of relevant documents,

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<sup>2</sup> Capitalized terms used herein and not otherwise defined shall have the same meaning ascribed to them in the Plan or Memorandum, as applicable.

and/or information supplied to me by other members of Exide's management team or advisors. I am authorized to submit this declaration on behalf of the Debtor and, if called upon to testify, I could and would testify competently to the facts set forth herein.

### **BEST INTERESTS TEST**

5. Based upon the liquidation analysis attached as Exhibit C to the Disclosure Statement (the "Liquidation Analysis"), I believe that (a) the value of the Debtor's estate is considerably greater in the proposed reorganization than in a liquidation and (b) creditors will receive a greater recovery under the Plan than under a liquidation in chapter 7. As illustrated in the Liquidation Analysis, creditors other than Holders of DIP Facility Claims would likely receive no recovery under a liquidation scenario.

#### **I. Basic Process & Assumptions**

6. The Liquidation Analysis is a product of comprehensive analyses of the Debtor's alternatives for its ongoing business operations, careful review of the Debtor's historical and projected going-concern business results, and review of estimated recoveries under various liquidation scenarios, including complete and partial liquidation scenarios. In completing the Liquidation Analysis, I managed a team of professionals from A&M's European offices in performing a detailed jurisdiction-by-jurisdiction analysis of potential recoveries from the Debtor's foreign affiliates and their assets. This analysis involved thirty-seven legal entities in twenty countries, each with distinct insolvency and priority rules. The Liquidation Analysis assumes that each entity conformed with its relevant insolvency regime and that its creditors were paid according to their relative priority under each regime.

7. The Liquidation Analysis assumes that the Debtor would commence a chapter 7 liquidation, as specified in section 1129(a)(7) of the Bankruptcy Code, on or about

March 31, 2015 (the “Conversion Date”) under the supervision of a court-appointed chapter 7 trustee. The Liquidation Analysis reflects the wind-down and liquidation of substantially all of the Debtor’s remaining assets; the reconciliation, settlement or prosecution of remaining litigation; and the distribution of available proceeds to Holders of Allowed Claims during the period after the Conversion Date, and assumes that, in such a scenario, the Debtor’s assets would sell at discounts to their book values.

8. As with any hypothetical scenario analysis, the Liquidation Analysis relies on assumptions and estimates. In selecting these assumptions and estimates, A&M erred on the side of increasing recoveries, where possible, so as to adequately vet its hypothesis that the Plan was the superior path. However, it is entirely unrealistic to assume that the Debtor or any of the non-debtor subsidiaries (“Foreign Subsidiaries”) could continue as a going concern in a chapter 7 liquidation of the Debtor. Without working capital and other financing available in chapter 11 (or following emergence), the chapter 7 trustee would be unable to continue to operate the Debtor’s business domestically and without the substantial capital provided to the Debtor’s Foreign Subsidiaries by the DIP Facility (along with other factors described in more detail in the Liquidation Analysis and below), such subsidiaries would also be forced to file insolvency proceedings in their local jurisdictions. In fact, any scenario under which the chapter 7 trustee continued to run the business would result in less value for the estate because, under the business plan projections, operating the company will yield negative cash flow of \$111 million (comprised of \$43 million in North America and \$68 million in Rest of World) for the period of April 1, 2015 through September 30, 2015. The business plan assumes this negative cash flow is funded through the exit facility and new capital infusion, both of which would not be available in a chapter 7 liquidation.

## **II. Recoveries From U.S.-Based Assets**

9. Thus, contemplating a wind-down scenario, the Liquidation Analysis applies discounts to the book values of assets to arrive at an estimated range of recoveries for each asset class. This is customary practice in preparing a liquidation analysis as book values reflect accounting conventions, and are not typically indicative of either market or liquidation value. Accordingly, as described in the Liquidation Analysis, using book values as a baseline, A&M performed a detailed asset-by-asset analysis, referencing historical and third-party indicators of value, to arrive at appropriate discount rates. For example, the Liquidation Analysis estimates recovery of 82% to 92% of outstanding receivables reflecting that Exide's receivables have historically been concentrated among large customers and have exhibited low loss rates. On the other hand, the Liquidation Analysis estimates recovery of 35% to 47% of the book value of the Debtor's inventory. These recoveries were based on the values assigned to such assets as part of the current DIP Facility borrowing base and third-party inventory appraisals after deducting estimated wind-down costs that will be incurred to sell and distribute said inventory (as is, where is) during the liquidation.

10. The Liquidation Analysis also incorporates value that is not accounted for on the balance sheet. For example, the Liquidation Analysis assumes recovery of proceeds from certain avoidance actions evaluated by the Debtor's professionals.

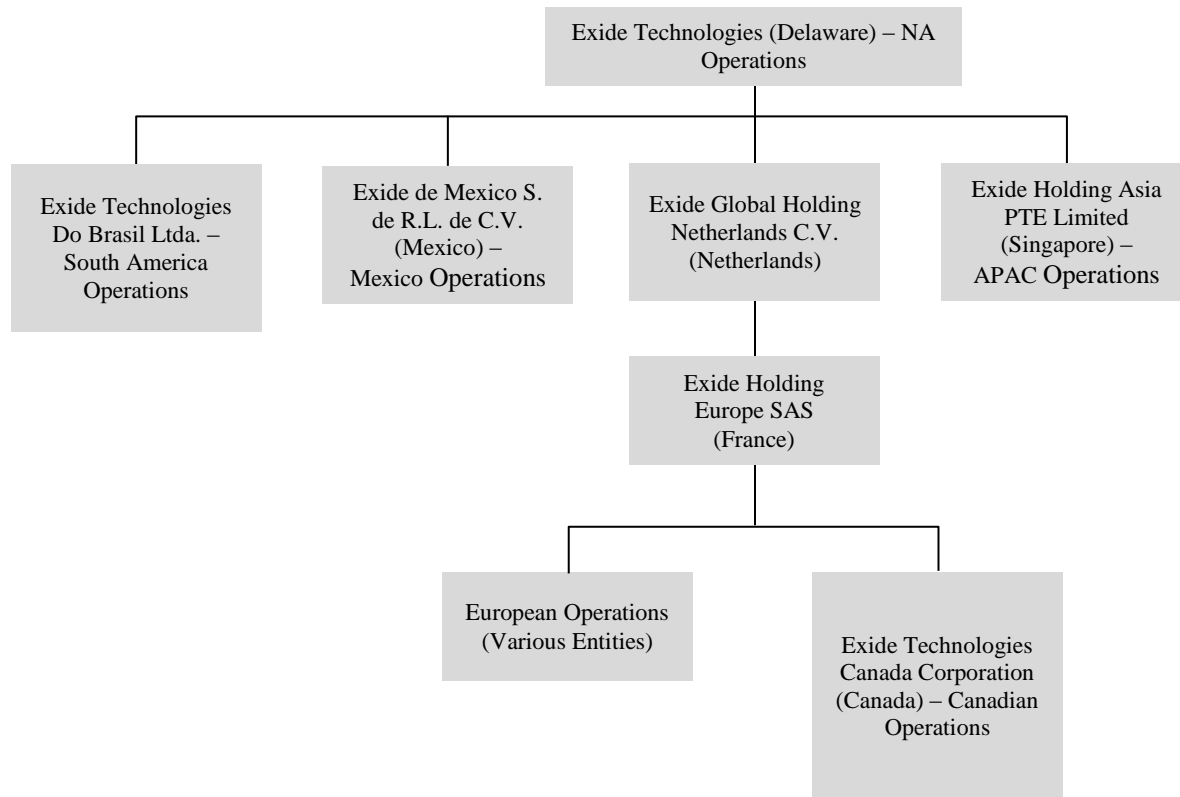
11. Nevertheless, as a result of these factors, as the Liquidation Analysis indicates, the proceeds from the U.S.-based assets of the Company would be insufficient to satisfy the DIP Facility Claims in full.

### III. Recovery From Foreign Subsidiaries

12. I also believe, as the Liquidation Analysis indicates, that there will be no recovery to creditors from assets held by Foreign Subsidiaries other than recoveries to those creditors who hold direct claims against such Foreign Subsidiaries. I have been advised by counsel to the Debtor that the DIP Facility has guarantees from certain Foreign Subsidiaries (the “Guarantor Subsidiaries”) and a lien on an intercompany note between the Debtor and certain Foreign Subsidiaries. I also understand that the DIP Facility Claims are the only U.S. domiciled Claims (other than possibly the PBGC claim discussed below) with direct rights against the Guarantor Subsidiaries or other Foreign Subsidiaries, and that the Holders of Senior Notes Claims have interests in the Foreign Subsidiaries only by virtue of the Exide Global Holding Netherlands C.V. (“Exide Global”)<sup>3</sup> stock that is part of their collateral package. Accordingly, Holders of Senior Notes, who only hold a security interest in equity interests in the Foreign Subsidiary holding company—Exide Global—stand to obtain recovery from such Foreign Subsidiaries only to the extent that such subsidiaries and, ultimately, Exide Global remain solvent while the Debtor liquidates in chapter 7. The streamlined organizational chart below illustrates the basic structure.

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<sup>3</sup> Exide Global is the holding company for Exide’s European Foreign Subsidiaries and is directly owned by Exide.



13. In a liquidation scenario, the Foreign Subsidiaries will no longer have access to the cash previously available under the DIP Facility to continue their operations. Based on the jurisdiction-by-jurisdiction analysis, I believe that the Foreign Subsidiaries would enter their own insolvency proceedings in the relevant local jurisdictions due to (1) regional cashflow requirements to meet working capital, capital expenditure, and other operational needs in these regions no longer being funded by the Debtor or the DIP Facility; and (2) customers and suppliers diverting orders and canceling trade terms in response to the Debtor's liquidation. Based on these assumptions, the Liquidation Analysis shows that the Foreign Subsidiaries will not be solvent in a chapter 7 liquidation scenario, and accordingly no value from the Exide Global stock will be available for distribution to the Holders of Senior Notes Claims.

14. Moreover, a liquidation would result in termination of the Debtor's defined benefit pension plan which would trigger a PBGC claim of approximately \$192 million. The

PBGC would assert the right to seek recovery directly from certain Foreign Subsidiaries in the ERISA controlled group.<sup>4</sup> As a result, in addition to local creditors, the interests of the Holders of Senior Notes would likely be junior to these PBGC claims since the PBGC will assert debt claims against each of the Foreign Subsidiaries. The Liquidation Analysis, however, does not include enforcement of this claim against Foreign Subsidiaries. If such claims were enforced, there would be an even higher hurdle to be met before value from these Foreign Subsidiaries would flow back to Holders of Senior Notes Claims.

15. Although the Liquidation Analysis projects that value from Asia Pacific, South America, and Mexico, would flow back to the Debtor, that value would only be available to satisfy the DIP Facility given that, as set forth above, a projected orderly liquidation of U.S. assets would not be sufficient to satisfy the DIP Claims in full.<sup>5</sup> Furthermore, as illustrated by the organizational chart above, all value from Canadian subsidiaries flows back to Exide Holding Europe SAS. Accordingly, such value goes to the creditors of that entity and does not reach the Holders of Senior Notes Claims, whose interests are in the form of equity.

16. Therefore, as the Liquidation Analysis illustrates, the DIP Facility Claims are the only U.S. based Claims that are projected to receive any recovery in the Liquidation Analysis.

#### **IV. Conclusions**

17. As set forth in detail in the Liquidation Analysis, and summarized in the chart below, the Liquidation Analysis demonstrates that recoveries under the Plan with respect to all Impaired Classes of Claims and Interests are expected to be at least as much as recoveries

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<sup>4</sup> See 26 CFR 1.1563-1.

<sup>5</sup> The PBGC would also assert its termination claim against these entities.



available in a hypothetical chapter 7 liquidation. With respect to each Impaired Class of Claims or Interests under the Plan, each Holder of an Allowed Claim or Interest in such Impaired Classes will receive the following percentages of their estimated aggregate Allowed Claims or Interests in a hypothetical Chapter 7 liquidation, as compared to their recovery under the Plan:

<i>(\$ in millions)</i>		<b>Recovery</b>			
<b>Class</b>	<b>Claim Amount<sup>(1)</sup></b>	<b>POR</b>	<b>Liquidation Analysis<sup>(2)</sup></b>	<b>Satisfy 1129(a)(7)</b>	
DIP Term Loan	\$347	100.0%	100.0%	✓	
DIP ABL	\$109	100.0%	100.0%	✓	
Administrative Claims	\$125	100.0%	--	✓	
Priority Tax Claims	\$2	100.0%	--	✓	
Senior Secured Notes <sup>(3)</sup>	\$696	5.2%	--	✓	
Other Secured Claims	\$39	100.0%	--	✓	
Other Priority Claims	\$321	100.0%	--	✓	
General Unsecured Claims <sup>(4)</sup>	\$552	TBD	--	✓	
Subordinated Note Claims	\$52	TBD	--	✓	
Vernon Tort Claims	\$3,293	TBD	--	✓	
Intercompany Claims	\$4	TBD	--	✓	
Other Subordinated Claims	\$0	0.0%	--	✓	
Interests in Exide	\$0	0.0%	--	✓	

(1) Claim amount as of 1/29/2015

(2) Represents the Potential Recovery in the Medium and High Scenario

(3) Amount represents the filed claim amount and does not include the accrued paid in kind ("PIK") interest since the petition date

(4) Amount represents asserted filed claims and does not include potential modifications resulting from the objection or claims process

18. Accordingly, the Plan is in the best interests of all Impaired Classes of Claims.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this March 25, 2015

/s/ Ed Mosley  
Ed Mosley