

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

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Debtor.¹ :

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**DECLARATION OF PHILLIP A. DAMASKA IN SUPPORT OF
DEBTOR’S MOTION FOR ENTRY OF AN ORDER PURSUANT TO
11 U.S.C. §§ 105, 361, 362, 363 AND 364 AUTHORIZING THE DEBTOR
TO AMEND THE DIP FACILITIES AND THE FINAL DIP ORDER**

I, Phillip A. Damaska, hereby declare, pursuant to 28 U.S.C. § 1746, under penalty of perjury:

1. I am the Executive Vice President and Chief Financial Officer of the Debtor. I submit this declaration in support of the Debtor’s Motion For Entry Of An Order Pursuant To 11 U.S.C. §§ 105, 361, 362, 363 And 364 Authorizing the Debtor To Amend The DIP Facilities And The DIP Order [Docket No. 2392] (the “Motion”).²

2. I have held my current positions with Exide since April 1, 2008. As a result of my time with the Debtor, my review of relevant documents, and my discussions with other members of the Debtor’s management team, I am familiar with the Debtor’s day-to-day operations, business affairs, and books and records. Except as otherwise noted, I have personal knowledge of the matters set forth herein and all facts set forth in this declaration are based on

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

² Capitalized terms used herein and not otherwise defined shall have the same meaning ascribed to them in the Motion.

my personal knowledge, my discussions with other members of the Debtor's senior management, and my review of relevant documents. If I were called to testify as a witness in this matter, I would testify competently to the facts set forth herein. 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.

3. The Debtor entered into Amendment No. 8 to address the impending maturity of the DIP Facilities on October 14, 2013. In August, the Debtor determined that it was unlikely to enter into a plan support agreement to trigger an automatic extension of the maturity date under the DIP Facilities from October 14, 2013, to December 31, 2013, pursuant to the sixth amendment to the DIP Facilities. Discussions around a plan of reorganization based on the proposal received from certain holders of the Debtor's senior secured notes on June 30, 2013, were frustrated by a series of events, including (1) discovery of an inventory overstatement at the Debtor's Canon Hollow lead recycling facility, on or about June 26, 2013, which necessitated an investigation before the Debtor was able to file its audited financial statements; (2) on June 17, the Debtor received a Notice of Deficiency from the California Department of Toxic Substances Control (the "DTSC") regarding the Debtor's RCRA Part B Permit Application for the Vernon Facility, which found the Debtor's RCRA permit application incomplete and demanded that the Debtor post additional financial assurance to proceed with the permitting process, as well as related issues arising from subsequent discussions with the DTSC; and (3) on August 8, the Debtor being served with a grand jury subpoena from the U.S. Department of Justice relating to the Vernon Facility. The Debtor's efforts to extend its financing are described in the Motion and the Aronson Declaration.

4. It is important to evaluate Amendment No. 8 and its development and negotiation in the context of the impact that the chapter 11 case continues to have on the Debtor's financial performance. EBITDA for the Debtor's 2014 fiscal year (ending March 31, 2014) was approximately \$108 million. During this period, the Debtor spent approximately \$82 million on capital expenditures and incurred cash interest expenses totaling approximately \$28 million. Shortfalls are funded borrowings under the DIP Facility. Since the Petition Date, the average monthly amounts for cash interest and professional fees total approximately \$3 million and \$5-6 million, respectively. The simple but critical point here is that extending this Chapter 11 Case further depletes the Debtor's cash and increases the amount of debt that must be refinanced in a reorganization.

5. In the past seven months the Debtor has heard increasingly loud concerns emerging from its employees, customers, and suppliers regarding the Debtor's path forward out chapter 11. These concerns were only exacerbated by a looming maturity date and the possibility of a default under the DIP Facilities. As a result, the Debtor has been subjected to increased pressure on its businesses and liquidity position. For example, in the weeks before the Debtor entered into Amendment No. 8, I am aware that the continuation of the Chapter 11 Case has been at the center of negotiations with important customers for future business. In addition, with regard to existing business, the company has faced tightening trade credit terms and increasing demands for security. Letters of credit totaling more than \$67 million were drawn, increasing the Debtor's borrowing costs by increasing the amount of funded debt under the DIP Facilities.

6. Lastly, I understand that, at a hearing before the Court earlier today, counsel for the Creditors' Committee asserted that the company has withheld material

information from, and failed to provide information requested by, the Committee and its advisors throughout this case. That is not true. For example, one of the issues that has led to the need for an extension of the DIP financing maturity is the situation with the company's presently idled recycling facility in Vernon, California. Since this past summer, representatives of the company and its advisors have been meeting with the regulators in California in an effort to settle and resolve all matters necessary to reopen that facility so that it can once again start contributing to the company's cash flows and earnings. Representatives of the Creditors' Committee have been included in those meetings, so that the Creditors' Committee can be informed on a real-time basis of the progress being made and the issues that remain outstanding. More generally, the company has responded fully and in a timely manner to the Creditors' Committee's requests for information, including more than 1,000 requests for documents and other information; the company's advisors track each of the Creditors' Committee's inbound requests and the outbound responses and can provide voluminous spreadsheets to the Court detailing all of these requests and responses. In addition, the company and its advisors conduct regular weekly conference calls with the Creditors' Committee's advisors which cover updates on the company's financial condition, cash flows and liquidity, important commercial, operational and environmental matters – for example, the Canon Hollow inventory overstatement, the Vernon-related issues – and all other material developments at the company that are pending at the time of the calls. In view of this record, I do not understand how the Creditors' Committee's counsel could contend in good faith that they have not been kept well-informed by the Debtor during this case.

7. Accordingly, I believe that the Debtor's entry into Amendment No. 8 is in the best interest of the Debtor and its constituents.

Dated: October 29, 2014
Wilmington, Delaware

/s/ Phillip A. Damaska
Phillip A. Damaska