

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.¹ : **Related Docket Nos.: 3, 17, 79, 240, 246,**
: **368, 375, 378, 381**
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SUPPLEMENTAL DECLARATION OF PHILLIP A. DAMASKA IN SUPPORT OF (A) DEBTOR’S MOTION FOR INTERIM AND FINAL ORDERS (I) AUTHORIZING DEBTOR (A) TO OBTAIN POST-PETITION FINANCING PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), AND 364(e) AND (B) TO UTILIZE CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363, (II) GRANTING ADEQUATE PROTECTION TO PRE-PETITION SECURED PARTIES PURSUANT TO 11 U.S.C. §§ 361, 362, 363 AND 364 AND (III) SCHEDULING FINAL HEARING PURSUANT TO BANKRUPTCY RULES 4001(b) AND (c) AND (B) THE DEBTOR’S OMNIBUS REPLY IN SUPPORT OF THE DIP MOTION

Phillip A. Damaska, being duly sworn, hereby states as follows:

1. I am the Executive Vice President and Chief Financial Officer of Exide Technologies (“Exide” or the “Debtor,” and together with its direct and indirect subsidiaries, the “Company”), the debtor and debtor-in-possession in the above-captioned case. Exide is a corporation organized under the laws of the state of Delaware. I submit this supplemental declaration (the “Declaration”) in support of (A) the Debtor’s Motion for Interim and Final Orders (I) Authorizing Debtor (A) to Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), and 364(e) and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363, (II) Granting Adequate Protection to Pre-Petition

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

Secured Parties Pursuant to 11 U.S.C. § 361, 362, 363, and 364 and (III) Scheduling Final Hearing Pursuant to Bankruptcy Rules 4001(b) and (c) (Docket No. 17) (the “DIP Motion”)² and (B) the Debtor’s Omnibus Reply in Support of the DIP Motion (Docket No. 381).

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 the Declaration are based on my personal knowledge, my discussions with other members of the Debtor’s senior management, my review of relevant documents—including the objections to the DIP Motion and the declarations of Henry J. Hill and Wade M. Wheatley³ in support of certain objections—or my opinion based on my experience and knowledge of the Debtor’s operations and financial conditions. In making the Declaration, I have relied in part on information and materials that the Debtor’s personnel and advisors have gathered, prepared, verified, and provided to me, in each case under my ultimate supervision, at my direction, and/or for my benefit in preparing the Declaration. If I were called to testify as a witness in this matter, I would testify competently to the facts set forth herein.

3. As noted in my previous Declaration of Phillip A. Damaska in Support of Chapter 11 Petition and First Day Pleadings (Docket No. 3), the Company, and its predecessor, has been in operation for more than a century, and throughout its history, the Company has dealt

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

³ The declarations are docket nos. 375 and 378, respectively.

with environmental obligations in a responsible manner in the ordinary course of its business.⁴ The Company expends considerable funds in the ordinary course of business to satisfy environmental obligations and permit requirements, and to ensure the health and safety of the Company's employees, visitors, and neighbors. These amounts are typically budgeted within individual cost centers at the Company's various divisions. To be clear, the Debtor intends—and the DIP Credit Agreement permits—the Company to continue to make such payments and comply with environmental obligations, consistent with past practice, as required by law in the ordinary course of its business. The aggregate level of operating expenses in the DIP Facilities is consistent with historic needs, and, therefore, should be sufficient to meet ordinary and customary environmental health and safety requirements. To this end, and contrary to the allegations made in certain objections to the DIP Motion, the Debtor believes that the DIP Facility will help, not hinder, the Debtor in meeting its environmental obligations.

4. This Court's interim approval of the DIP Facilities has not only allowed the Debtor to avert an imminent liquidity crisis, but has buoyed the Debtor's operations by allowing for a smooth transition into Chapter 11 and setting the stage for the Debtor to execute a comprehensive restructuring. Moreover, it will ensure that the Debtor has the ability to meet its environmental obligations and continue to operate under a Global Environmental Health & Safety policy that sets the framework for environmental health and safety ("EHS") performance throughout the Company.⁵ Put another way, without the proceeds from the DIP Facilities, the

⁴ For example, Exide retains third-party environmental consultants to review environmental health and safety compliance at its locations. In addition, Exide's environmental liabilities are audited as part of the Company's financial auditing.

⁵ Specifically, Exide operates under EHS policies, procedures, and permit requirements to ensure compliance with EHS regulations. In addition, Exide tracks EHS performance metrics and sets goals for performance improvement. Exide's management conducts periodic reviews of its EHS management system and plans and prioritizes EHS projects in its CAPEX budgeting process.

Debtor would not have the liquidity to comply with its environmental obligations in the near term.

5. Exide has historically planned and prioritized EHS projects in its budgeting process for capital expenditures (“CAPEX”). With the infusion of \$500 million in new money, Exide will continue to do so. In fact, the DIP Facilities only enhance the Debtor’s ability to comply with its environmental obligations. In addition to amounts included within operating budgets of individual cost centers, more than \$18 million in capital spending for the period from the Petition Date to March 31, 2014 (approximately 24% of the \$75 million aggregate amount for CAPEX under the DIP budget for the same period) is allocated to regulatory compliance with air quality standards. Other specific environmental matters contemplated by the DIP budget include approximately \$2 million of costs to demolish two sites that have each been closed for at least a decade and an additional \$3.3 million of remediation spending at other long closed sites.

6. To the extent that there are additional or unexpected environmental CAPEX costs that are not specifically contemplated by the DIP budget or embedded within general operating expenses, the DIP Facilities expressly provide the Debtor with flexibility to address such costs. Section 7.2 of the DIP Credit Agreement allows the Debtor to spend an incremental \$10 million (up to \$85 million in the first 4 calendar quarters of the Chapter 11 Case) for additional CAPEX requirements. In addition, an expected forthcoming amendment to the DIP Credit Agreement will provide for additional incremental CAPEX based on the amount by which the Company is able to outperform its earnings targets.

7. Contrary to the position of those objecting to the DIP Motion that the Debtor does not have the resources to respond to emergent situations, there is more than

adequate cushion in the minimum EBITDA covenant allowing the Debtor further flexibility to address its environmental obligations. The definition of “EBITDA” under the DIP Credit Agreement permits up to \$5 million of environmental compliance initiatives to be added into the Debtor’s minimum EBITDA calculation. For expenses associated with any environmental compliance initiatives in excess of \$5 million, the minimum EBITDA covenant provides the Debtor with more than \$20 million in cushion compared to the Debtor’s targeted level of profitability for the period between the Petition Date and March 31, 2014. Moreover, the minimum operating cash flow covenant in the DIP Credit Agreement does not unduly restrict the Debtor’s ability to respond to unexpected environmental situations. There is a minimum of \$2.5 million of flexibility in that covenant for each four-week testing period, and the Debtor resets the baseline cashflow at the end of each four-week period. This provides more than adequate cushion for the Debtor to react to emergent situations. In my experience as an officer of the Debtor, Exide has never had to spend more than \$1 million over a four-week period in response to unanticipated environmental issues. In addition, I am unaware of the Debtor ever needing or receiving an amendment to its credit facilities with respect to environmental matters or other unforeseen occurrences.

8. Accordingly, the amounts budgeted for regulatory compliance and environmental-related CAPEX plus the flexibility provided by the minimum EBITDA covenant and the minimum cash flow covenant, should be sufficient for the Debtor to meet the known regulatory compliance costs and contingent, extraordinary obligations associated with its operations during the Chapter 11 Case.

9. Exide also maintains financial assurances, consisting of surety bonds (collateralized by letters of credit) and insurance policies, for its operations and for closure and

post-closure care as required by certain permits. It is my understanding that the Debtor has the requisite financial assurances in place to comply with applicable law and regulations, and I understand that none of the objections to the DIP Motion assert any noncompliance with such applicable law or regulations. These financial assurances, when triggered, provide for payments by the surety or insurer directly to the applicable environmental agency. I understand that such payments would not be subject to the liens granted under the DIP Facility.

10. Certain of the objections to the DIP Motion relate specifically to non-operating assets owned by the Debtor in Frisco, Texas. The declarations filed by Messrs. Hill and Wheatley contain several inaccuracies, mischaracterizations, and opinions. I understand that the subject matter of these declarations is largely, if not wholly, irrelevant to the Court's consideration of the DIP Motion. I will not address each of such issues here, but note that the Debtor disputes any speculation in the Hill and Wheatley declarations as to the specific actions that will be required for future environmental cleanup, the amounts of future environmental clean-up costs and the party responsible for paying such costs. The Debtor also disputes the Hill and Wheatley declarations to the extent that they seek to allocate payment and responsibility for environmental obligations in a manner that is not consistent with the heavily negotiated Master Settlement Agreement, dated June 6, 2012, between the Debtor and the City of Frisco.

11. The Debtor needs final approval of the DIP Motion. The size and terms of the DIP Facilities have been favorably received by the various constituents of the Company. A delay in finalizing approval of the DIP Facility would be detrimental to the Debtor's liquidity. Not only would the delay jeopardize the Company's ability to access the remaining \$105 million of the new term loan, delayed entry of the Final Order could result in the imminent maturity of

the DIP Facility. In addition, any such delay would be viewed negatively by the market, affecting the Debtor's trade terms.

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

Dated: July 23, 2013

By: /s/ Phillip A. Damaska
Name: Phillip A. Damaska
Title: Executive Vice President, Chief Financial Officer, and Authorized Officer